

Federal disability programs are undergoing intense scrutiny. Questions have been raised as to their costs, their effectiveness, and the adequacy of their benefits. Concern has also been expressed as to their effects on disabled persons' incentives to work.

#### CURRENT COMPENSATION PROGRAMS

Disability compensation programs in America are a varied collection of federal, state, local government, and private insurance programs. Veterans' compensation and military disability retirement programs pay cash benefits for military-service-connected disabilities. Social Security Disability Insurance (SSDI), and state and federal disability retirement programs compensate for totally disabling impairments, while federal and state workers' compensation programs compensate for both partial and total disabilities from work-caused impairments. The Supplemental Security Income (SSI) and veterans' pension programs are among those that pay means-tested benefits to disabled persons. Other public and private programs supplement this coverage, each of them primarily serving a specific group of persons such as railroad workers, black lung victims, or company employees.<sup>1</sup>

Federal programs pay disability benefits to more than 11 million persons--the disabled and their dependents. The largest of these, SSDI, pays cash benefits to almost 2.8 million disabled workers and 1.7 million dependents. In fiscal year 1981, the major federal programs spent over \$37 billion in long-term

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1. The General Accounting Office has determined that about 4,900 federal, state, and local programs include disability benefits and that 45 of these programs are administered by the federal government. See U.S. General Accounting Office, Report to the Chairman, Committee on Finance, U.S. Senate: Limits on Receipt of Multiple Disability Benefits Could Save Millions, HRD-81-127 (July 1981).

disability cash benefits.<sup>2</sup> The SSDI program accounted for \$16.9 billion of these payments, and veterans' programs paid \$9.3 billion to 3.2 million veterans.

### THE ISSUES

The main concerns about disability compensation include:

- o the high costs of disability cash benefits and the federal government's expanding role in providing disability compensation;
- o the availability, adequacy, and equity of benefits within and across disability programs;
- o the restrictiveness or leniency of disability determinations and eligibility for benefits; and
- o work disincentives associated with current program provisions such as high earnings replacements.

The costs of cash benefits to disabled persons and their dependents continue to increase, even though the rapid rates of growth in numbers of beneficiaries and benefit levels of past years--particularly 1965 to 1975--have been slowed. Future expenditures in public and private programs will be affected by the impact of recent federal legislation and any changes in the federal government's role in disability compensation. Whether the recent laws designed to curb expenditures in SSDI, SSI, civil service, and black lung benefits will be sufficient to overcome other forces that will increase costs is also uncertain.

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2. Based on state and local governments' share of disability expenditures (including state workers' compensation payments) in 1977, their payments in 1981 are estimated to be almost \$10 billion; private-sector expenditures were probably \$8-\$9 billion. See Jonathan Sunshine, "Disability Payments Stabilizing After Era of Accelerating Growth," Monthly Labor Review (May 1981), pp. 17-20. Approximately one million additional persons receive long-term cash benefits from state or local government and private programs.

The role of the federal government in providing disability compensation has been constantly changing. These changes include the portion of the federal budget set aside for disability expenditures. For example, cash disability benefits from major federal programs made up 3.9 percent of calendar year 1970 federal outlays, but 5.6 percent of federal outlays in calendar year 1980. Equally important, perhaps, is how the federal government allocates scarce resources or whether it should compensate for certain types of disabilities--for example, less severe or partial disabilities--or provide special benefits for particular work-caused illnesses such as black lung, brown lung, or other occupational diseases. A related concern is whether state workers' compensation programs are carrying their full share of compensation for work-caused impairments. Some are concerned about the complexity of federal programs and whether disabled persons would be more effectively served by a few federal programs instead of the variety and mix of current programs.

In the current disability system, similarly disabled individuals often receive quite different treatment. These differences result primarily from the great variation in program objectives and administrative determinations of disability. Moreover, the lack of coordination or integration of disability programs allows some disabled persons to receive high cumulative benefits from more than one program, while compensation remains unavailable to others. Knowledge of the extent of overlapping benefits and the lack of disability coverage is needed to help correct such problems.

The adequacy of compensation for those most disabled or severely impaired is also a major concern as new program policies are being considered in the Congress. Recent legislative proposals would amend provisions in the federal workers' compensation program or create a new program for occupational disease victims, for example. Recent changes in Social Security disability programs have caused a decline in the number of beneficiaries in those programs; some analysts are concerned about the effectiveness of the new administrative provisions, however. At the same time, few changes have been made within other federal disability programs that have less restrictive eligibility criteria.

During the last decade, rapid growth in the numbers of beneficiaries as well as declines in the proportion of disabled beneficiaries recovering and returning to work coincided with dramatic increases in the benefit levels of public programs. This prompted many analysts to link high benefits or high earnings-replacement

levels with work disincentives. Although work disincentives may be inherent in any disability compensation program--because any source of income tends to encourage a reduction in work effort--questions were raised as to whether program beneficiaries were overly encouraged not to work when they were receiving disability benefits that were close to or exceeded their previous earnings or take-home pay.

The aforementioned problems are interrelated. For example, the existence of high replacement rates is due in part to the overlapping benefits of nonintegrated programs. Such duplicative benefits cause increased program expenditures and may discourage some disabled persons from working. At the same time, program provisions, such as vocational rehabilitation or trial work periods, meant to induce work effort among recovering beneficiaries, can be undermined by very high earnings replacements.

#### PLAN OF THE PAPER

This study examines gaps and overlaps in disability compensation for working-age adults and the effects of current disability expenditures and program provisions on work disincentives. Chapter II describes the major disability programs and their coverage. In Chapter III the issues of future disability costs, lack of disability compensation, high benefits relative to previous income levels, receipt of benefits from more than one program, and work disincentives are analyzed. Policy options to expand program coverage, eliminate duplicative benefits, and reduce disability payments to certain program beneficiaries are considered in Chapter IV.

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## CHAPTER II. CURRENT DISABILITY PROGRAMS AND DISABLED BENEFICIARIES

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Although numerous programs pay long-term cash disability benefits, a few federal and state government programs provide the bulk of such payments. These major programs are Social Security Disability Insurance, veterans' compensation and veterans' pensions, civil service retirement, Supplemental Security Income, and state workers' compensation programs (see Table 1). The Social Security Disability Insurance (SSDI) program has the largest potential coverage of workers--90 percent of the nation's work force. Workers who are not covered by SSDI are often covered by another federal disability program or by a state or local program. State workers' compensation programs, while differing from state to state, cover about 90 percent of the working population for both short- and long-term work-related disabilities.

To receive benefits, however, other eligibility conditions generally must be met. For example, a certain number of years of employment or service may be required, and a particular definition of disability must be met in order to qualify for benefits. Consequently, a much lower percentage of persons are actually eligible to receive benefits, should they become disabled, than suggested by the coverage statistics.

This chapter describes current disability coverage and cost, as well as the demographic characteristics of recipients. It describes major programs, their objectives, and how they operate and interact within the total disability compensation system. Appendix A contains brief summaries of federal disability compensation programs and Appendix B describes the basic provisions of private programs.

### OBJECTIVES OF DISABILITY PROGRAMS

The major disability programs have similar objectives. Each program functions to provide replacement of lost wages, cash assistance for the needy disabled, or indemnity payments for loss of limbs or other impairments. These objectives sometimes overlap, however, since many social insurance programs have progressive benefit formulas that provide higher earnings replacement to

TABLE 1. CASH BENEFITS FROM MAJOR DISABILITY COMPENSATION PROGRAMS, FISCAL YEAR 1981

Compensation Programs <sup>a</sup>	Payments (billions of dollars)	Primary Beneficiaries <sup>b</sup> (thousands)
Social Security Disability Insurance	16.9	2,840
Veterans' Compensation	6.9	2,280
Civil Service Disability Retirement	3.1	340
Supplemental Security Income (for Blind and Disabled)	4.4	2,160
Veterans' Pensions	2.4	890
State Workers' Compensation <sup>c</sup>	7.8	1,800

SOURCES: Appendix to the Budget of the United States Government, Fiscal Year 1983, unpublished agency data, and Social Security Bulletin (February 1982).

- a. Programs listed include mainly long-term disability compensation systems and exclude all general sick-leave programs. Disability payments for dependents and to persons age 65 and over are also included, although payments to survivors are excluded.
- b. Numbers of beneficiaries represent average program totals during the year but exclude dependents and survivors.
- c. State workers' compensation is estimated from the 1979 totals published in the Social Security Bulletin, less federal workers' compensation benefits (including Black Lung Benefits administered by the Social Security Administration) and unpublished totals for 1980. The number of beneficiaries is approximate and based on unpublished data. Cash benefits were separated from medical and death payments by methodology employed in Dan Price, "Workers' Compensation Programs in the 1970s," Social Security Bulletin (May 1979).

low-wage workers and thus contain an element of welfare. Also, workers' compensation programs often provide income maintenance similar to that of SSDI for total disabilities.

Despite their similar objectives, disability programs differ in their underlying concepts. Workers' compensation is designed as no-fault insurance for the employer against the risk of work-caused disabilities and resulting losses of income and productivity. Workers' compensation programs reflect the concept that employers are responsible in part for injuries and illnesses employees incur while on the job, and hence are obligated to insure their employees, although the federal and state governments may assist in meeting these obligations at times. Social insurance programs like SSDI and civil service disability retirement allow the worker and employer to insure against the risk of impairments, not necessarily work-caused, but so disabling that the worker cannot perform his usual activities, including earning a living. When no insurance against the loss of income is available, welfare benefits to disabled persons are meant to provide a safety net.

Each program has the objective of providing adequate compensation for those believed unable to provide adequately for themselves due to work disabilities.<sup>1</sup> The provision of cash benefits is usually made for the length of the disability, often resulting in lifetime benefits. Some programs have special requirements designed to terminate benefits upon medical or functional recovery, and to combat work disincentives, so that those who no longer need cash benefits will not receive them.

Disability programs also provide benefits other than cash payments, such as hospital and medical care and vocational rehabilitation services. Disabled SSDI beneficiaries are eligible for Medicare benefits after two years, and recipients of Supplemental Security Income are generally eligible for Medicaid benefits.

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1. For discussions of the use of work capability as a means for defining those eligible for benefits, see Monroe Berkowitz, "Social Policy Research and the Disabled: The Main Issues," Social Security and Disability: Issues in Policy Research (Geneva: International Social Security Association, 1981), pp. 1-22; and Saad Z. Nagi, "The Concept and Measurement of Disability," in Edward Berkowitz, ed., Disability Policies and Government Programs (Praeger Publishers, 1979), pp. 1-15.

## DESCRIPTIONS OF MAJOR PROGRAMS

All disability compensation programs employ eligibility criteria, benefit payment formulas, and payment termination criteria. Eligibility criteria include the program's definition of disability, as well as requirements for employment and length of coverage or participation. Benefit payment formulas specify exactly what dollar amounts are due to those satisfying certain criteria. Because some persons are eligible for benefits from two or more programs, some programs have provisions for reducing payments when other program benefits are received. Finally, each program or pension plan has provisions for terminating benefits when a beneficiary is no longer disabled or no longer eligible for continued payments.

The programs described in this section are:

- o Social Security Disability Insurance (SSDI),
- o veterans' service-connected disability compensation,
- o civil service disability retirement,
- o Black Lung Benefits,
- o Supplemental Security Income (SSI),
- o veterans' non-service-connected disability pensions, and
- o state workers' compensation programs.

Recent developments in the basic program provisions relevant to current issues are also discussed below.

### Social Security Disability Insurance (SSDI)

Enacted in 1956, the disability insurance part of Social Security operates in much the same manner as the old-age and survivors' insurance program (OASI).<sup>2</sup> It pays wage-related benefits

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2. Benefits are available from the OASI trust fund to disabled survivors or children of retired and deceased workers who  
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to an insured worker under age 65 to make up for potential earnings lost when the worker became totally disabled. The program is financed through a federally administered trust fund, for which revenues are collected via a tax on covered employment. The program currently covers about 90 percent of the working population. The SSDI program paid \$16.9 billion in cash benefits to 2.9 million disabled workers and 1.8 million dependents of disabled workers in fiscal year 1981.

Eligibility. In SSDI, disability is defined as the inability to engage in any substantial gainful activity because of a medically determined physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months. Moreover, the impairment must prevent the disabled person from doing his previous work and--considering his age, education, and work experience--from engaging in any other kind of "substantial gainful activity" that exists in the national economy. Any work providing monthly income above approximately \$300 can be considered substantial gainful activity. Such work need not exist in the immediate area where the disabled person lives, and it is not necessary that a specific job exist for him or that he would be hired if he applied for work. Hence, a 55-year-old person with a back injury who has little education and only previous work experience as a laborer or construction worker may be considered unable to work, whereas a 55-year-old with the same impairment and with similar work experience but more education and work skills may not be considered disabled.

Unlike the retirement program, SSDI requires that in addition to being fully insured--having either 40 quarters of coverage or one quarter of coverage for each year after 1950 or age 21 if later--the worker must have worked at least 20 out of the 40 quarters before disability in covered employment if he is age 31 or older.<sup>3</sup> Initial eligibility for benefits cannot begin until five months after the onset of a disability.

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meet age and other eligibility criteria. Benefits from the OASI trust fund to 527,000 disabled persons were \$1.4 billion in calendar year 1981.

3. In 1982, a worker can earn a quarter of coverage, up to a total of four in a calendar year, for each \$340 of annual earnings in covered employment. Disability claimants age

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Benefit Formula. Monthly benefits are computed from average indexed monthly earnings (AIME) over covered employment for the years after age 21 or 1950, whichever is later. Depending on age, a maximum of five years of low earnings may be eliminated from this computation. The benefit formula is progressive in that low earners receive higher amounts relative to their covered earnings. Benefits are automatically increased each year through cost-of-living adjustments. For many newly entitled disabled workers, recent laws lowered the overall maximum family benefit level (Public Law 96-265) and limited the amount of combined benefits (Public Law 97-35) received from SSDI and other public programs, except veterans' benefits, means-tested benefits, and public program benefits based on covered employment.

Termination of Benefits. Eligibility ends with recovery, an extended period of substantially gainful activity, or attainment of age 65, when eligibility for retirement benefits begins. The administration of the SSDI program requires a continuous disability investigation (CDI) of a portion of all cases and a three-year periodic review of nonpermanent disability cases to determine whether medical improvement or return to substantial gainful activity has occurred, prompting termination of benefits. Recently enacted legislation (Public Law 96-265) extended the period of automatic reentitlement to benefits by 12 months, while a disabled recipient tries to return to work.

### Veterans' Service-Connected Disability Compensation

Veterans' compensation is the primary disability program compensating veterans for impairments or illnesses contracted while in service. In fiscal year 1981, general revenues provided \$6.9 billion for benefits to almost 2.3 million veterans and \$1.5 billion for benefits to 356,500 survivors.

Eligibility. Eligible veterans must be determined to have service-connected disabilities and must have been discharged from

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24-30 must be covered for half of the quarters elapsed after age 21, but at least six quarters of coverage are required. A worker under age 24 must have a minimum of six quarters of coverage out of the preceding twelve. In 1972, the 20 out of 40 quarters of coverage requirement for blind individuals was dropped.

service under other than dishonorable conditions. Disabilities are rated along a scale relating the degree of disability to an associated loss in earnings capacity. The scale ranges from a 10 percent disability rating to a 100 percent rating, or total disability.<sup>4</sup>

Benefit Formula. Benefits are provided according to the severity or percent of total disability. Additional dependents' allowances are also paid to veterans rated 30 percent or more disabled, prorated according to the percentage of disability. Additional compensation is provided veterans requiring special aid and attendance.

Compensation payments are preset amounts, increased each year via legislation, and in 1982 ranged from \$58 a month for a veteran with no dependents, no special allowances, and a 10 percent rating, to \$1,130 a month for a veteran with no dependents and a 100 percent rating. In addition, a disabled veteran with a 60 to 90 percent disability rating may receive compensation at the 100-percent level if it is determined that the veteran is unemployable. Multiple injuries or disabilities can increase the amount of the benefit; together with special aid and attendance needs, they can increase benefits for total disabilities to more than \$3,200 per month.

Termination of Benefits. Once determined to be eligible for benefits, a totally disabled veteran is not required to prove continued eligibility. Those with lower disability ratings--for example, 10 or 20 percent, may lose disability benefits if they are found to have recovered. The program has no work test since benefits are provided without regard to actual earnings.

#### Civil Service Disability Retirement

The civil service disability program (CS) provides primary disability coverage for most federal civilian employees. Currently, about 2.7 million employees regularly contribute 7 percent of their salaries to the fund out of which retirement and

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4. A tropical disease, and resulting disorders, developing within one year of leaving active service could get a 10 percent disability rating, whereas the amputation or loss of two or more extremities would result in a higher, perhaps 100 percent, disability rating.

disability payments are made.<sup>5</sup> Employee contributions are supplemented by employer-agency contributions, certain off-budget agency receipts, and general revenues. In 1981, the program paid \$3.1 billion in disability benefits to about 343,000 persons--about 20 percent of all CS retirees.

Eligibility. Disabled employees are eligible for disability benefits if they have completed at least five years of civilian employment under the retirement system. Disability benefits can be paid to those federal employees who are medically determined to be totally disabled for useful and efficient service in the positions they previously occupied or similar positions.<sup>6</sup>

Benefit Formula. Benefit payments are based on the "retiree's" length of government service and predisability average salary for the three consecutive years of highest earnings. The basic annuity may not exceed 80 percent of this "high-3" salary, but cannot be less than the lesser of 40 percent of this average salary or an annuity based on length of service extended to age 60.

The Omnibus Reconciliation Act of 1981 (Public Law 97-35) restricts the total amount of benefits paid to recipients of both SSDI and CS. The law limits the amount of combined benefits to 80 percent of average predisability earnings. It also eliminates benefit eligibility of certain military retirees and limits cost-of-living adjustments of benefits to once rather than twice per year.

Termination of Benefits. Benefits cease if before reaching age 60 the disabled person recovers or has wages for two consecutive years exceeding 80 percent of the current compensation level for the position occupied immediately before retirement.

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5. Certain federal employees contribute different percentages of their salaries. For example, Congressional staff and workers on hazardous duty contribute 7.5 percent of pay; the contribution rate for Members of Congress is 8 percent of pay.
  6. Recent legislation (P.L. 96-499) requires that the federal employee be unable to perform in another agency job requiring skills at the same grade or salary level. This provision, however, excludes postal workers since they are required only to be unable to perform in a similar position of the same occupation.

## Black Lung Program

The Black Lung program was established by the Federal Coal Mine Health and Safety Act of 1969 and is designed to compensate coal miners disabled by pneumoconiosis--black lung disease. Generally, claims filed between 1970 and 1973 are paid under the Part B portion of the program, and claims filed or payable after 1973 are paid under Part C. The federally-financed Part B portion of the program is administered by the Social Security Administration and paid from general revenues. The Part C portion of the program is administered by the Department of Labor. Benefits awarded to disabled miners under Part C are paid by the mine operator responsible for the disability; if no responsible mine operator can be found, or where mine employment terminated before 1970, Part C benefits are financed through a coal tonnage tax on coal sold by producers after March 1978. In 1981, about 480,000 beneficiaries received Black Lung payments amounting to \$1.8 billion.

Eligibility/Termination Criteria. A living miner, medically determined to be disabled by black lung disease and unable to perform his job or work comparable to mining, is eligible for Black Lung benefits. Survivors of a miner determined to have suffered from pneumoconiosis are also eligible for benefits. Benefits are terminated if the miner recovers or is able to do substantial work again. Benefits to survivors or dependents end upon marriage, lack of dependency status, or receipt of earnings beyond specified amounts.

Benefit Formulas. The basic benefit to a disabled coal miner equals 37.5 percent of the monthly pay rate for federal employees in Grade GS-2, Step 1, or \$293.20 per month at present. A miner's basic benefit is increased by 50 percent for one dependent, 75 percent for two dependents, and 100 percent for three or more dependents. Benefits are reduced by the amount of benefits received from state disability insurance or workers' compensation programs for black lung disease. Both Part B and Part C benefits are reduced one dollar for every two dollars of monthly earnings in excess of \$500 per month (\$370 for workers under age 65).

Recent developments in Black Lung Benefits have included changes in the program's eligibility criteria and financing. The Black Lung Revenue Act of 1981 (Public Law 97-119) imposed stricter medical requirements for eligibility for Black Lung awards, eliminating the "presumption of disability" provisions of the

program. Before January 1982, if the miner had sustained a disabling chronic lung disorder and had worked 15 or more years in the coal mines, benefit eligibility could be presumed.

The financing of Part-C Black Lung Benefits became an issue in 1981 because large deficits were accruing in the Black Lung Trust Fund. Public Law 97-119 mandated a 100 percent increase in the coal tonnage tax to help pay for trust fund expenses, until the trust fund becomes solvent.

### Supplemental Security Income (SSI)

Enacted as part of the 1972 Amendments to the Social Security Act, SSI payments are made to needy aged, blind, and disabled persons without regard to their previous earnings or employment. The program is financed from general revenues of the federal government. Program benefits began in 1974 and superseded federal matching funds to the following state programs: Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled (APTD). In fiscal year 1981, almost 2.2 million blind and disabled persons were paid \$4.4 billion in benefits. Additional funds are available to many blind or disabled individuals and couples under state supplements to the federal SSI program. These supplementary payments, administered by either the state or the Social Security Administration, totaled \$1.2 billion in 1981.

Eligibility/Termination Criteria. The definition of disability in the SSI program is the same as that used in the SSDI program, except that in addition, SSI eligibility extends to disabled children under the age of 18. About 36 percent of disabled SSI recipients concurrently receive SSDI, but SSI benefits are offset for receipt of SSDI payments. Other SSI recipients may, however, lack SSDI coverage, either because of recency-of-work requirements or lack of quarters of coverage under Social Security, and are thus only entitled to SSI. Persons transferred from a state APTD program to SSI who were eligible previous to July 1973 are considered disabled as long as they meet the state's 1972 definition of disability.

SSI applicants must also meet strict tests of need or of income inadequacy, on a monthly basis. Countable resources or assets, excluding the home and other reasonable valued property such as a car, may not exceed \$1,500 for an individual or \$2,250 for a couple. Once eligible for benefits, blind and disabled adults under age 65 must be referred to state vocational rehabilitation centers and must accept the services offered.

Benefit Formula. SSI benefits are determined by living arrangements, marital status, and countable income against a basic payment level. The current basic benefit for an eligible individual living independently with no countable income is \$264.70 per month; the basic benefit for an eligible couple, living independently with no countable income, is \$397 per month. Other earned or unearned income beyond specified deductions is subtracted from the basic benefit amount. To encourage disabled persons to work, SSI program provisions allow certain deductions from countable income. The first \$20 of monthly unearned or earned income and \$65 plus one-half of any remaining earned income are deductible as are extraordinary work expenses caused by the disability. Recently, work-expense deductions were liberalized and more extensive work activities were permitted without elimination of disability status, by the Disability Amendments of 1980 (Public Law 96-265).

#### Veterans' Non-Service-Connected Disability Pensions

Needy disabled veterans of a war period who were honorably discharged, or survivors of wartime veterans, are provided cash benefits via the current veterans' pension program. A veteran's disability need not be service-connected. The program is financed through general revenues. In fiscal year 1981, the veterans' pension program paid \$2.4 billion in cash benefits to about 900,000 veterans. Survivor benefits are also paid under veterans' pensions. In 1981, \$1.4 billion in cash benefits were paid to 1.1 million survivors.

Eligibility/Termination Criteria. To be eligible, a veteran must be age 65 or older or be permanently and totally disabled, and have 90 days or more of wartime service, unless discharged sooner for a service-connected disability. For eligibility, annual income must be below \$4,960 for a single veteran and \$6,499 for a veteran with dependents. Annual qualification is required for benefits.

Benefit Formula. The amount of the veterans' pension benefit is determined by a veteran's war period, current income, and number of dependents. Specific benefit levels were set in laws governing the program for veterans of particular war periods before 1979. Under the current or "new" program, all benefits are based on need, and the basic benefit amount is reduced according to the amount of earned and unearned income; for example, the benefit is reduced dollar for dollar by the amount of Social

Security benefits. Benefits to survivors are approximately two-thirds of those for veterans. An additional allowance of \$840 per year is given for each dependent in excess of one. Other allowances are provided to veterans who are housebound or who require the aid or attendance of another person.

A major change in veterans' pension benefits occurred as a result of the Veterans' and Survivors' Pension Improvement Act of 1978 (Public Law 95-588). It provided for annual automatic cost-of-living adjustments, preventing reductions in pension benefits solely attributable to cost-of-living increases in Social Security benefits. Beneficiaries who were on the rolls previous to this law are allowed to select the most favorable pension plan--that is, the one providing higher benefits.

#### Workers' Compensation Programs

State workers' compensation, like Federal Employees Compensation Act (FECA) benefits and Longshoremen's and Harbor Workers' Compensation Act benefits, provides no-fault insurance and cash assistance for workers disabled by injury or exposure to harmful substances while performing their jobs.<sup>7</sup> State workers' compensation programs are funded by employer-paid insurance generally administered by private carriers. Employer participation is compulsory in all but three states (it is elective in South Carolina, New Jersey, and Texas). About 88 percent of all private-sector wage and salary workers are covered.

Eligibility/Termination Criteria. State workers' compensation payments are made to workers disabled by work-caused impairments, although the burden of proof lies with the worker. Disabilities that range from temporary and partial to permanent and total can be the basis for compensation awards. Over the last decade, most states have added occupational diseases to their lists of compensable impairments, including black lung disease.

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7. State worker's compensation laws were enacted in 1911 in some states for workers in private industry. By 1949, all states had a program protecting workers from losses caused by work-related injuries. Worker's compensation for federal employees began as early as 1908, whereas the Longshoremen's and Harbor Workers' Compensation Act was passed in 1927 to protect maritime workers.

Cash benefits are normally available to dependents if workers die as a result of their injuries, and 12 states also pay allowances for dependents of totally disabled workers. In most states, benefits for total disabilities are provided as long as the disability continues, although temporary total disability compensation can be limited to 200 or 300 weeks.

Benefit Formulas. Cash compensation can be made either as an indemnity payment for loss of limbs, eyes, or hearing, or as periodic payments meant to replace lost wages, or both. Periodic income benefits for permanent and temporary total disabilities are generally less than two-thirds of average weekly wages previous to disability. State program formulas call for two-thirds of weekly wages, but benefit determinations are also subject to maximum and minimum payment limitations. Most states have maximum benefit levels that are 100 to 200 percent of state average weekly wages. In January 1981, minimum weekly benefits in the continental United States ranged from \$15 (Arkansas and Tennessee) to \$159 (Michigan) and maximums ranged from \$98 (Mississippi) to \$456 (District of Columbia) a week.<sup>8</sup>

#### PARTICIPANTS IN DISABILITY PROGRAMS

Estimates have been made of the total number of disability beneficiaries of public and private programs, based on administrative and survey data. By combining the totals of known beneficiaries of different federal programs, and adjusting them according to estimates of the number of beneficiaries of more than one program, an estimate of eight to nine million disabled persons receiving disability benefits is obtained.

A survey by the Social Security Administration (SSA) found more than 21 million working-age adults considered themselves disabled to some degree--about 17 percent of the adult population.<sup>9</sup> Only 5.6 million of these persons reported receiving

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8. Minimum and maximum weekly payments reflect January 1981 levels reported in U.S. Chamber of Commerce, Analysis of Workers' Compensation Laws, 1981 Edition (1980).
  9. Social Security Administration, Work Disability in the United States, A Chartbook (December 1980). This study reports the results of the 1978 Disability Survey, a national survey  
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disability benefits. According to the SSA survey, in 1978 about 4.5 million of the 10.7 million persons who reported being "severely" disabled--that is, unable to work at all or to work regularly--reported receipt of disability benefits; about 7.8 million, however, indicated that they received some type of public transfer payment, not necessarily based on their disabilities.<sup>10</sup>

#### Demographic and Economic Characteristics

Disability beneficiaries tend to be older, and are more likely to be male and of a minority race, than disabled nonbeneficiaries or the nondisabled population. According to the SSA survey, among adults aged 18-64, about 54 percent of recipients of disability benefits were aged 55 to 64, compared to only 28 percent of nonrecipients (see Table 2), and 12 percent of the nondisabled population. This reflects the fact that the incidence of disability in the American population increases with age--that is, more persons become disabled as they grow older. Almost 63

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conducted by the Social Security Administration. Disability was defined as a limitation in the kind or amount of work (or housework) a person could do because of a chronic health condition or impairment lasting three or more months. A severely disabled person was identified as one who professed not to be able to work at all or to work regularly due to a chronic health problem or impairment. Those who said they were able to work regularly, but unable to do the kind of work they did before they became disabled, were categorized as partially or occupationally disabled. According to the Health Interview Survey (1977) conducted by the National Center for Health Statistics (NCHS), persons aged 17-64 who are disabled to some degree--about 17 million--represent 13 percent of the population in that age group. The NCHS estimates indicate approximately 3.7 million of these disabled persons cannot perform their major activities and hence may be among the most severely disabled.

10. These estimates were derived from responses to the Social Security Administration's 1978 Disability Survey. Cash payments were considered disability benefits only if they were reported as received because of the survey respondent's disability.

TABLE 2. DISTRIBUTION OF DISABLED ADULTS AGED 18-64 BY FAMILY INCOME, AGE, RACE, SEX, AND BENEFICIARY STATUS: IN 1978

	Total		Receiving Disability Benefits <sup>a</sup>		Not Receiving Disability Benefits <sup>a</sup>	
	Number (in millions)	Percent	Number (in millions)	Percent	Number (in millions)	Percent
Total	21.3	100.0	5.6	100.0	15.6	100.0
Current Family Income <sup>b</sup>						
Less than \$ 5,000	4.3	20.2	1.8	32.1	2.5	16.0
\$ 5,000 - \$ 9,999	4.7	22.1	1.6	28.6	3.2	20.5
\$10,000 - \$14,999	3.9	18.3	0.9	16.1	3.0	19.2
\$15,000 - \$24,999	4.5	21.1	0.9	16.1	3.6	23.1
\$25,000 or More	3.8	17.8	0.5	8.9	3.3	21.2
Age						
18 - 34	4.7	22.1	0.6	10.7	4.1	26.3
35 - 54	9.2	43.2	2.0	35.7	7.2	46.2
55 - 64	7.4	34.7	3.0	53.6	4.4	28.2
Race						
White	18.1	85.0	4.6	82.1	13.5	86.5
Black	2.9	13.6	0.9	16.1	1.9	12.2
Other	0.2	0.1	0.1	1.8	0.2	1.3
Sex						
Male	9.9	46.5	3.5	62.5	6.5	41.7
Female	11.3	53.1	2.2	39.3	9.2	59.0

SOURCE: CBO tabulations of the 1978 Disability Survey data file.

NOTE: Columns do not always add to totals due to rounding and the exclusion of persons classified as unknown in a category.

a. Refers to receipt of cash payments based on the recipient's own disability.

b. Family income represents reported income for 1977.

percent of the beneficiaries are male compared to 42 percent of nonbeneficiaries and 49 percent of the total population. Although more women report being disabled than men, the fact that many women have little or no attachment to the labor force prevents them from making up a larger portion of the disabled receiving benefits. Almost 14 percent of the disabled population and 16 percent of disability beneficiaries are black compared to only 11 percent of the total population. The incidence of disability among blacks may be explained by the higher incidence of disability among those in unskilled occupations.

Families of disability beneficiaries tend to have lower total incomes than families of nonbeneficiaries and nondisabled persons, according to survey data. In 1977, only 25 percent of disability beneficiaries had annual family incomes of \$15,000 or more, compared to 44 percent of nonbeneficiaries and 60 percent of the nondisabled.<sup>11</sup> In addition, three in ten severely disabled persons had family incomes below \$5,000, whereas only one in ten of the nondisabled had incomes this low. About twice as many severely disabled beneficiaries of public programs, compared to the nondisabled, had family incomes below poverty levels.<sup>12</sup> The predominance of blue-collar occupations among beneficiaries and the fact that more than half of severely disabled persons have less than a high school education (compared to 24 percent of the nondisabled), account for some of the disparity in income levels. The fact that benefits often replace only a small fraction of previous earnings is another influencing factor.<sup>13</sup>

Increased understanding of the disabled population's activities may be gained by examining characteristics of those who worked as against those who did not. According to the 1978 SSA survey data, those who worked were more likely than nonworkers to be male (72 percent compared to 48 percent), younger than age 55 (73 percent versus 57 percent), and high school graduates (54 percent versus 47 percent). These patterns were not found to be quite as significant among severely disabled persons. For

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11. Social Security Amendments, Work Disability in the United States, A Chartbook, Chart 15.

12. *Ibid.*, chart 17.

13. See Appendix D for additional information on the survey-reported sources of disability income.