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## **Abstract**

# **How policy variables influence the timing of applications for Social Security Disability Insurance**

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This article analyzes the impact of policy variables - employer accommodations, state Social Security Disability Insurance (DI) allowance rates, and DI benefits--on the timing of an application for DI benefits by workers with a work-limiting health condition starting when their health condition first begins to bother them. The analysis uses a rich mixture of personal and employer characteristics from the Health and Retirement Study linked to Social Security administrative records. We find that most workers do not apply immediately for DI benefits when they are first bothered by a health condition. On the basis of this evidence, we include these policy variables in a model of the timing of DI application that controls for other socioeconomic variables as well as health. Using a hazard model, we find that workers who live in states with higher allowance rates apply for DI benefits significantly sooner than those living in states with lower allowance rates following the onset of a work-limiting health condition. Workers who are accommodated following the onset of a work-limiting health condition, however, are significantly slower to apply for DI benefits.



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Using the mean values of all explanatory variables, we estimate the relative importance of changes in these policy variables on the speed with which workers apply for benefits after onset. We find that the mean time until application for men is 10.22 years. Universal accommodations following onset would delay application by 4.36 years. In contrast, a 20 percent decrease in state allowance rates would delay application by only 0.88 years. For working-age women, the average expected time until application once a condition begins to bother them is 10.58 years. Universal accommodations would delay that by 3.76 years, and a 20 percent decrease in allowance rates would delay it by 1.47 years. A complication in this analysis is that the policy variables are to some degree endogenous. Accommodation is probably offered more often to workers who want to continue working. Allowance rates are chosen by states on the basis of federal policy and local choices and probably in part on the health condition of workers in the state. Therefore, our estimates are upper bounds of these policy effects. Still, we believe we provide evidence that the social environment faced by workers with work-limiting health conditions can significantly influence their decision to apply for DI benefits, holding their specific health conditions constant.

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