

Executive Summary

This paper provides a picture of the disabled population over the period 1962-1984 in an attempt to demystify some of the relationships between that population, changing patterns of health and mortality, policies relating to safety in the workplace and the environment, the generosity of disability benefits, and macroeconomic conditions.

Disability is defined using two criteria: the presence of self-reported work limitations and the receipt of a disability benefit. Those classified as disabled owing to work limitations report that they are unable to work at all or unable to work full time, full year, because of poor health. Those classified as recipients of disability benefits receive Social Security Disability Insurance, the disability component of Supplemental Security Income, the benefits for the disabled in the Railroad Retirement program, or Workers' Compensation. An overall measure classifies as disabled all those who fall into either category (or both).

The definitions are applied to the adult working-age population aged 18 through 64 over the period 1962 to 1984. The public use files of the Current Population Survey for the years 1962, 1968, 1973, 1976, 1980, 1982, and 1984 are used in the estimation.

The disabled population is further broken into subgroups by age, sex, race, and education in order to determine whether patterns affecting the disabled population as a whole are reflected among various subgroups. Statistical estimates are used to determine what characteristics have the strongest relationship to disability.

The wages, incomes, and family incomes of the subgroups of the disabled are compared to one another and to the nondisabled population to determine whether the economic circumstances of the disabled have improved or deteriorated over the 1962-1984 period.

The Size of the Disabled Population

The disabled population increased from 7 percent of the working-aged population in the early 1960s to 11 percent in the mid-1970s, and fell to about 9.5 percent in the period after 1980.

Large declines in the percentage of the population classified as disabled by the work criterion occurred in the decade of the seventies for all age groups. This reduction coincided with the passage of the rigorous enforcement of regulations on occupational health and safety and the environment.

The peak year for disability as measured by program participation was 1980. Policy retrenchment efforts thereafter resulted in a substantial reduction in the percentage of the population classified as disabled on this criterion but not in the number classified as disabled on the basis of self-reported work limitations. This suggests that the reduction in aggregate disability in the 1980s is an artifact of explicit retrenchment policies, and the actual incidence of disability may not have decreased.

Likelihood of Becoming Disabled

Over the period 1962-1984, nonwhites increased their probability of being disabled relative to whites; older workers increased the probability of becoming disabled relative to other age groups; and persons with

little education were more likely to be disabled over the entire time period than persons with much education. Being unmarried--especially widowers--and being a veteran was found to increase the likelihood of becoming disabled over the entire time.

The Effects of the Unemployment Rate

The relationship between the unemployment rate and disability reversed over the period. In the 1960s, the incidence of disability was positively related to the unemployment rate. In the 1980s the incidence of disability decreased in periods of high unemployment. This is perhaps the result of increases in Unemployment Compensation as well as a reduction in the stigma associated with the loss of a job.

Earnings of the Disabled

From 1962 to the mid-1970s the real earnings of disabled men increased. Thereafter they dropped through 1982. After the mid-1970s, the largest decrease in earnings were experienced by those with the least skills and labor market advantages--the very young and old, those with little education, and the nonwhite population. In fact nonwhite disabled men experienced the greatest loss in earnings, from \$3700 in 1962 to a high of \$8300 in 1973, down to \$2100 in 1984 (in constant dollars). The low earnings of the year 1982 reflected the 1981-82 recession. Nonwhite disabled men had very low earnings throughout the period and also experienced the greatest decline in earnings. Middle-aged, highly educated and white males had higher earnings than other groups. Among disabled women, the earnings pattern is relatively constant across time,

except for older women and those with little education. These experienced a steady decrease in earnings.

From 1982 to 1984 the earnings of the disabled increased overall, but several groups did not share in the recovery: the nonwhite population, those with the least education, and the youngest group of workers.

Relative Well-Being of the Disabled

Time trends observed for labor earnings are present in the data for individual incomes as well. The period from 1962 to the mid-1970s saw rapid real income growth for all groups of the disabled, especially older workers, those with low education levels, and nonwhites. After the mid-1970s, total individual income fell, with the largest decreases experienced by workers younger than 44, those with little education, and nonwhites. However, increases in total individual income from 1962 to the mid-1970s was larger than that for earnings, and the fall-off after the mid-1970s was far less severe, owing to the rapid growth in public income transfers over the 22-year period.

While the disabled as a group had somewhat more income (relative to the nondisabled) at the end of the period than at its start, this pattern does not hold for all subgroups. In particular, the younger disabled, those aged 35-44, those with only a high school education, and the nonwhite disabled experienced reductions in income over the period relative to their able-bodied counterparts.

A further measure of well-being--total family income--reveals that many of the disabled, by living with parents or children, further reduce the differential in well-being between themselves and the able-bodied.

In real terms, transfer income per disabled male increased from \$2400 in 1968 to \$5700 in 1976. From 1976 to 1982, however, transfers decreased by more than 20 percent. The biggest increases were targeted on those who needed them most--nonwhites and those with little education. The retrenchments of 1976 and 1982 hit nonwhites especially. Increasing benefits were paid to the older and the lowest educated groups.

Over the period there has been a pattern of pulling apart in income among the different groups of the disabled as well as between most groups of the disabled and the able-bodied. While the older working-age population has had increasing transfers throughout the period, since the 1970s the transfers to nonwhites, especially, have declined.