

# **Disability Benefit Reform in Great Britain with Lessons for Reform in the United States**

Zachary A. Morris

PhD Student

University of California-Berkeley

## **Abstract**

In 2008, Great Britain overhauled its disability benefit program by introducing a new earnings replacement program called the Employment Support Allowance. This article examines that British reform from the perspective of the United States, which in the near future may consider changes to its disability benefit program, the Social Security Disability Insurance (SSDI) program. The article provides an overview of the steps leading to the reform in Britain, details how the new program operates, and reviews research on its initial implementation and effects. The article concludes by identifying lessons for the reform of the SSDI program in the United States.

The Social Security Disability Insurance (SSDI) program is the largest earnings replacement program for working age adults in the United States (US) (Autor and Duggan, 2003). Nearly nine million people with disabilities received monthly SSDI payments in 2012, and the percentage of the working age population receiving these benefits has more than tripled since the 1980s (Social Security Administration, 2012; Department of Labor, 2010). According to the Chief Actuary of the Social Security Administration (SSA), the program's growth is primarily attributable to the baby boomer generation reaching its peak disability years at the same time that more women are working and insured for benefits (Goss, 2014). Other factors that also likely contributed to the program's expansion include the increase of the earnings replacement rate over time and the loosening of the eligibility criteria that occurred in 1984 (Autor and Duggan, 2006). As a result of this growth, the SSDI program faces a severe financial challenge as the Disability Trust Fund that finances the program is expected to be unable to fully provide disability benefit payments as early as 2016 (Board of Trustees, 2014). Thus, the SSDI program, a core feature of the safety net for the American middle class, is on an unsustainable fiscal path and requires near term reform to assure its continued viability (Burkhauser and Daly, 2012; Congressional Budget Office, 2012; Liebman and Smalligan, 2013).

Since SSDI reform is likely on the legislative horizon, there is considerable interest in learning from the disability benefit reforms enacted in other countries. The Netherlands is frequently identified as a model for disability policy reform. In the 1990's, a so-called "Dutch Disease" (Arts, Burkhauser, and De Jong, 1995) resulted in an excessive share of the working-age population receiving disability benefits. Reforms implemented in 2002 reduced the Dutch caseload size by requiring employers to invest in the rehabilitation and accommodation of their workers with disabilities. It has been posited that similar employer oriented reforms might be

successfully applied to the SSDI program (Burkhauser, Daly, and De Jong, 2008; Autor and Duggan, 2010). However, the labor market in the US is more market oriented than in the Netherlands and operates with less coordination between employers and employees (Hall and Soskice, 2001), which may make such reforms difficult to administer. Moreover, adding to the financial burden of employers may also result in increased discrimination in the hiring of disabled people (Ruffing, 2012). In addition to the Netherlands, others looking for international lessons for SSDI reform have noted the financial incentives created for disability benefit recipients to return to work in Norway (Kostøl and Mogstad, 2013), as well as the liberal work rules for disabled beneficiaries in Japan (Rajnes, 2010).

It is, however, the disability benefit program in Great Britain that, prior to reforms passed in 2007 and implemented in 2008, had much in common with the current SSDI program. Yet the reform of that program, called Incapacity Benefit (IB), has received little attention in disability policy circles in the US. Burkhauser et al. (2014), for example, provide an excellent examination of reforms in other advanced economic countries in search of lessons for the US. While they include Britain in their analysis, they provide only a broad review of the reform of the IB program and do not examine its early effects. A report issued by Rangarajan et al. (2008) also compared the disability benefit program of Great Britain with that of the US but focused on lessons drawn from US disability policy. This article, however, will specifically examine the 2008 disability benefit reform in Great Britain and its early effects in search of lessons for policy makers in the United States.

The article will first provide a background of the disability benefit programs in the US and Britain. Next, the research methodology is provided. This will be followed with a historical overview of disability benefit reform in Great Britain that details the steps leading to the 2008

reform. The new disability benefit program in Britain – the Employment Support Allowance (ESA) – is then described and a figure is provided comparing the ESA program with the IB and SSDI programs. The article then examines data from the implementation of the ESA program and reviews research on its effects. The final section presents lessons for the reform of the SSDI program based on the reform experience in Great Britain.

## **Background**

The SSDI program in the US provides earnings replacements to adults below the age of 66 who have a work history and are judged incapable of work because of a medically determined physical or mental condition. The primary focus of the evaluative process is whether the claimant has a long term medical condition. The guidelines for qualifying for SSDI require a medical assessment confirming that an impairment renders the individual unable, “to engage in any substantial gainful activity” (SSA, 2014), which is defined as earning no more than \$1,070 per month for non-blind individuals in 2014. And that impairment must last more than a year or result in death. Monthly benefit payments are made to the disabled beneficiary based on the beneficiary’s lifetime pre-disability earnings.

Prior to the adoption in 2008 of a new disability benefit program, the program in Britain was very similar to the current SSDI program. The IB program provided benefits to those below age 65 for men and age 60 for women who had a work history and were unable to carry out “any” work due to a medically diagnosed incapacity. Benefits were based on pay scales that depended on the length of time the recipient was impaired. The average monthly benefit for IB recipients was \$695 in 2006 US dollars, less than SSDI’s \$1,097, but extra cost of living benefits, not

available in the US, likely made up for this difference (Department for Work and Pensions, 2014b, SSA, 2012). In 2006, the IB and the SSDI programs provided benefits to 2.87% and 2.97% of the working age population sixteen and older, respectively (DWP, 2014b; SSA, 2012; Department of Labor, 2010). Furthermore, in both the British and US programs, more than half of the disability benefit caseloads were composed of those 50 years old or older, more than half were male, and more than half were diagnosed with musculoskeletal or mental health impairments (DWP, 2014b, SSA 2012).

In October of 2008, the disability benefit program in Britain changed dramatically. The new reform directed that all new applicants apply to the ESA program, and that they undergo a new disability assessment called the Work Capability Assessment (WCA). That assessment measures capabilities to work and distinguishes between two types of eligible disability benefit claimants: (1) those who have limited capability for work and (2) those who have both limited capability for work and limited capability for work related activity. Those in the first category, individuals found capable of work-related activity, are placed in a Work Related Activity Group (WRAG) and are subject to benefit conditions and a time limit, such that they are required to attend work-focused interviews and training programs and may collect up to a maximum of 52 weeks of benefits. Those individuals found to have limited capability for work and limited capability for work related activity are placed in a Support Group (SG) and are exempt from the work conditions and the time limit. The 2008 reform also required that IB recipients be reassessed in order to continue to receive benefits under the new program.

## **Methodology**

In examining the British disability benefit reforms and the lessons that may apply to possible US reforms, a case study methodology is applied. The research involves a review of British government publications and reports on the ESA program, including a country specific report published by the Organization for Economic Co-operation and Development (OECD, 2014). Academic literature and media reports on the recent reforms in Great Britain are also surveyed. The aggregate data that is presented in the analysis was compiled by using the publicly available statistical dashboard prepared by the Department for Work and Pensions (DWP) in Great Britain. Data was also retrieved from the *Annual Statistical Report on the Social Security Disability Insurance Program*. An interview with a member of the policy team of the Work Capability Assessment was also conducted at DWP headquarters in London in September 2013.

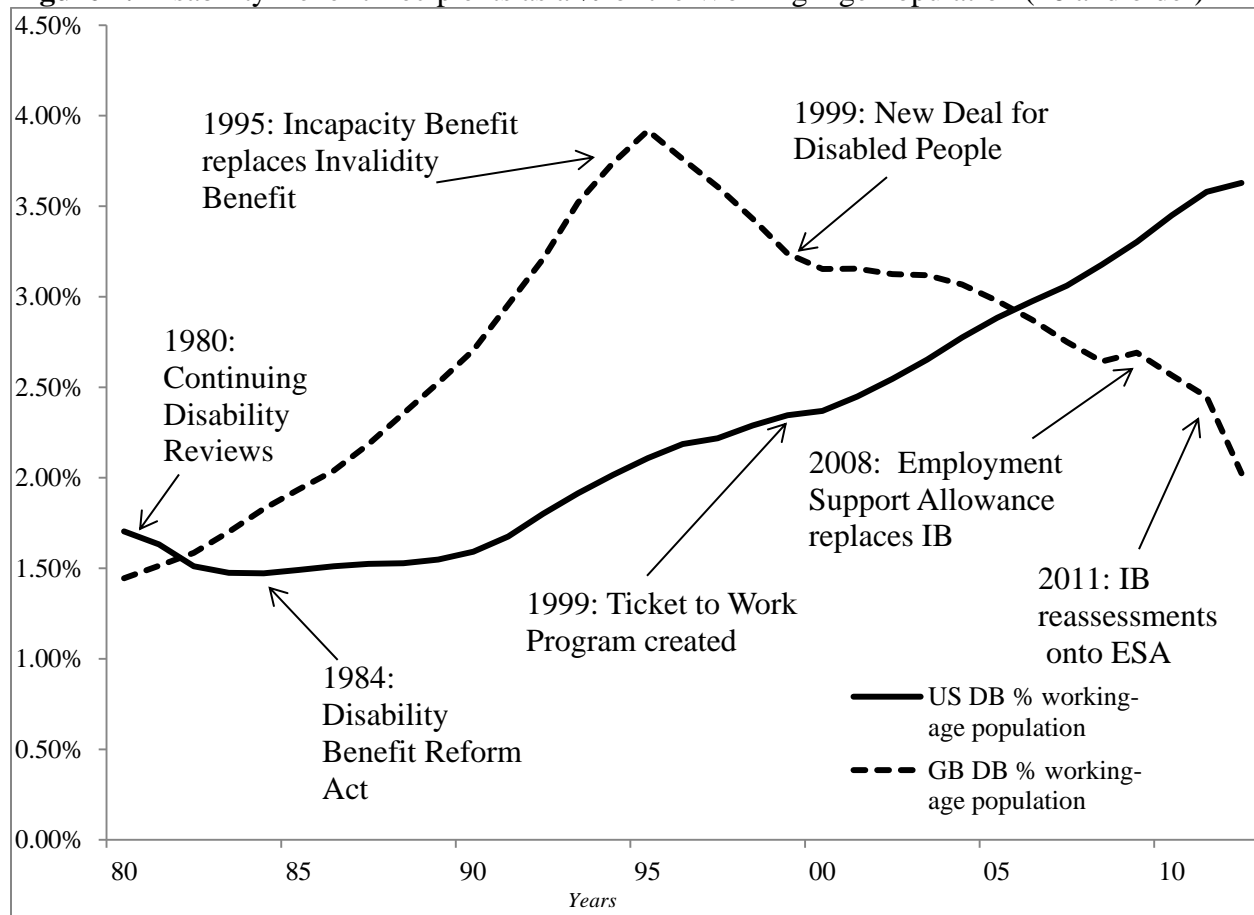
## **Historical Overview of Disability Benefit Reform in Great Britain**

The 2008 British reform is the most recent major reform in a series of substantial changes to its disability benefit program. Disability benefits were first provided in Great Britain in 1948 as part of the Sickness Benefits program. That program provided limited assistance and did not differentiate between long-term and short-term impairments. It was not until the Invalidity Benefit (IVB) program was introduced in 1971 that a long-term disability benefit program with generous replacement rates became available. The determination process to receive IVB benefits consisted of a medical assessment administered by the claimant's personal doctor concerning the claimant's ability to conduct his or her "own occupation" (Adam, Bozio, and Emmerson, 2010).

By 1995, nearly 4% of the working age population received IVB benefits in Britain, having grown from 1.5% in 1980 (see figure 1). Claimants from areas of industrial decline fueled the program's growth. The rapid dismantling of the coal industry, for instance, during the late 1980s and early 1990s led to an increase in the number of unemployed male claimants turning to disability benefits for financial support. These claimants have been referred to as the "hidden unemployed" (Beatty and Fothergill, 1996). Additionally, employment service providers in the late 1980's and early 1990's may have had a financial incentive to encourage workers to apply to the disability rolls instead of for unemployment benefits (Evans and Williams, 2009).

The Conservative government of Prime Minister John Major replaced the IVB program with the new Incapacity Benefit program in April of 1995. The IB program included a stricter assessment of incapacity that was based on the inability of the claimant to perform "any" work regardless of employment history. Responsibility for medical determination was shifted from the claimant's personal doctor to a government commissioned regional medical doctor. As figure 1 makes clear, the 1995 reform reduced the caseload size. A further change was added to IB in 1999 with the adoption of the "New Deal for Disabled People", which was created by the Blair government in an effort to improve the return to work rates of beneficiaries. This initiative offered voluntary support for IB recipients to return to work through incentive measures and personal advisor services.

**Figure 1.** Disability Benefit Recipients as a % of the Working Age Population (16 and older)



Source: Authors calculations from DWP (2014b); SSA (2012); Evans and Williams (2009); Department of Labor (2010).

Note: The data for the years 2008-2012 represent the combined caseload size for those remaining on the IB program and those who enrolled onto the Employment Support Allowance-Contributory (ESA-C) program. GB IB figures do not include those claiming IB credits or those claiming IB short-term. There was missing data from 1981 and 1991 for Britain so an average from the year before and after the missing year is provided. The ESA data is taken as the caseload figures for those receiving ESA-C, as well as those receiving both Contributory and Income Based ESA.

In 2003, the Labour government of Tony Blair also introduced a pilot program designed to further support IB recipients in their return to work. The major features of the Pathways to Work (PtW) program included mandatory work focused interviews with job specialists, the providing of financial incentives to return to employment, and an array of voluntary services to boost employment readiness and rehabilitation. Evaluations of the PtW program were generally positive (See, Clayton, Bamba, and Gosling (2011) for a systematic review). Adam, Bozio, and



Emmerson (2010), for example, evaluated the program by using a difference-in-difference research design that compared employment outcomes for IB recipients in similar regions of the country that either did or did not have the pilot PtW program. They found a statistically significant positive effect on re-employment rates (5.8% increase) in regions that had the PtW program but also found little employment effect on male recipients, those below age 40, and those with mental illness. Nonetheless, the Labour government in 2006 announced its intention to expand the PtW program nationally for all disability benefit recipients beginning in 2008 with the establishment of the ESA program (DWP, 2006)

### **The Employment Support Allowance (ESA) Program**

As of October 27, 2008, all new disability benefit claimants in Britain were required to apply to the ESA program. The intention of the reform was to reduce the caseload size by tightening the disability assessment for incoming claimants and by improving the return to work rates of beneficiaries. Figure 2 describes the major characteristics of the IB and ESA programs and compares them with the SSDI program. The major change that came with the ESA program is the introduction of the Work Capability Assessment and the placement of claimants in either the WRAG (for those capable of work-related activity) or the Support Group (for those found to have limited capability for both work and work-related activity). Those who are denied access into either group are referred to as “Fit for Work” (FFW). Those in the WRAG group may also have non-functional impairments, such as suffering from a life threatening disease that is seen as controllable. Placement into the Support Group, however, depends on the existence of a severe condition (e.g. chemotherapy, terminal illness, pregnancy risks, and those who meet functional

criteria for severe physical or mental health risks.) Although in the ESA program the claimant's medical condition is relevant, the primary focus of the evaluative process is on the claimant's capability to work.

A claimant's journey through the ESA process begins with answering a questionnaire as to the individual's specific capabilities for work-related activity. Once the questionnaire is completed, the claimant is invited to a face-to-face assessment by a trained healthcare professional working for a private health contractor, currently Atos Healthcare. The assessment takes place three months into the claim. Decisions makers at the DWP base their determinations on the assessment provided by the health contractor, as well as other available evidence, such as medical records from the claimant's general practitioner. Following a FFW decision, the claim is closed and the individual may be referred to the unemployment benefit program (Jobseekers Allowance). An individual may also appeal to a tribunal if placed in the WRAG group or, as occurs more often, if found FFW.

**Figure 2.** Characteristics of the Disability Benefit Programs in the United States and Great Britain

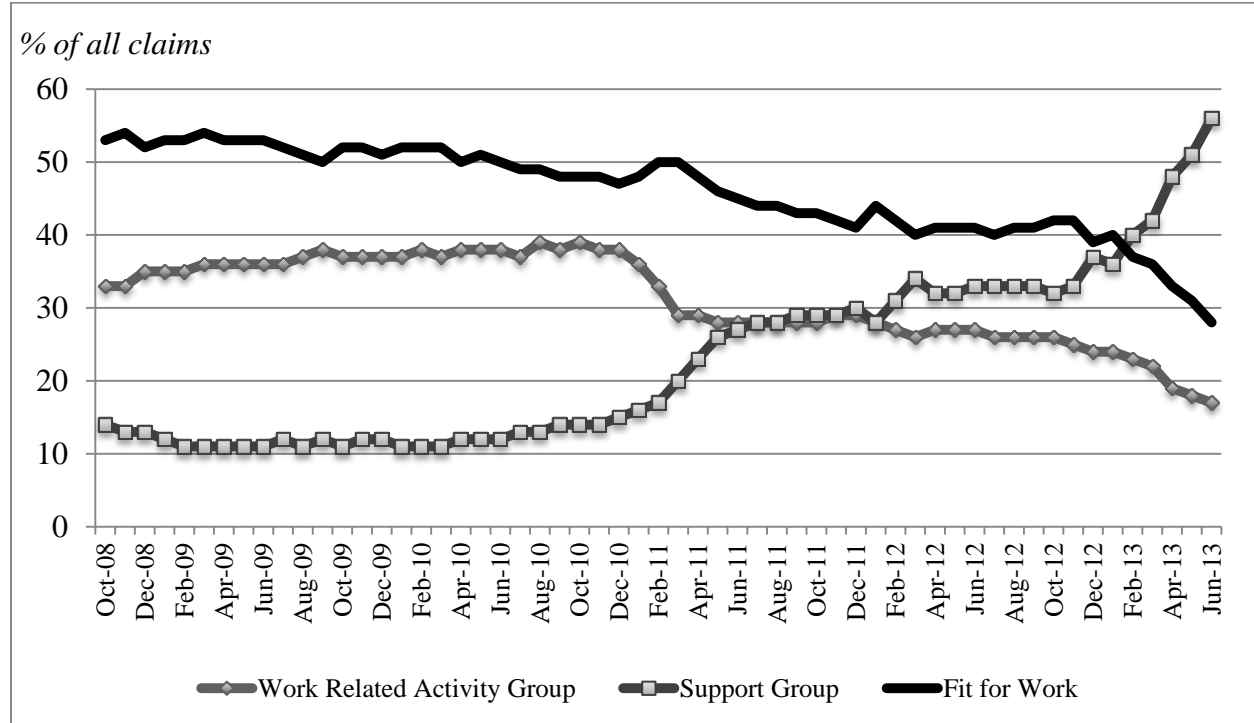
	<b>SSDI</b>	<b>IB (phased out in 2014)</b>	<b>ESA (introduced in 2008)</b>
<b>Definition of disability</b>	Inability to engage in substantial gainful activity because of medically determinable impairment expected to last 12 months or longer or result in death	Incapacity determination based on 15 point scoring system that assesses abilities to do physical activities, as well as mental health	Same as IB but adds two possible outcomes for eligible claimants: (a) limited capability for work, and (b) limited capability for work and limited capability for work related activity
<b>Eligibility</b>	Insured status depends on length and recency of employment	Depends on national contribution credits received prior to disability onset	ESA awarded on the basis of low-income (ESA-IR) or work credits (ESA-C). Only ESA-C in work related activity group (WRAG) is subject to time limit of 12 months
<b>Work criterion</b>	Number of work credits needed to qualify depends on age; need to show substantial work history within the past ten years	Number of work credits needed depends on the amount paid into the system	The ESA program combined the low-income and contributory schemes. Contributory amount for ESA-C determined like IB
<b>Age criterion</b>	Up to age 66	Up to age 64	Up to age 64
<b>Benefit calculations</b>	Based on insured's average covered earnings since 1950 and is indexed for past wage inflation up to onset of disability excluding up to 5 years of lowest earnings	Standard rates depend on length of time as recipient. Lowest weekly rate was paid for the first 196 days of sickness; higher rate paid for the next six months; and highest rate paid after a year	Weekly benefit allowances vary depending on phase of claim. Lowest rate during assessment phase, higher rate for WRAG, and highest rate for the Support Group
<b>Treatment of work while disabled</b>	There is a monthly substantial gainful activity threshold adjusted to changes in national average wage index; there is also a trial work period	Permitted work allowed for less than 16 hours a week and subject to maximum income	Same as IB
<b>Benefit conditionality</b>	No	Yes, but in PtW pilot regions only	Yes, for ESA-C WRAG group
<b>Dependent Coverage</b>	Yes	Yes	Yes
<b>Determination services administered by</b>	State administered determination services uphold federal criteria for disability	Administered by DWP; additional medical examinations contracted to Atos Healthcare, a private multinational healthcare provider	Administered by DWP but with expanded responsibilities to Atos Healthcare; performance issues resulted in Atos losing the contract in 2015

Source: DWP (2014a); SSA (2012). The framework is adapted from Rajnes (2010)

## **The Implementation of the Reform**

Figure 3 presents the latest available information on the outcomes of the WCA. The data is from October 2008 to June 2013 and is adjusted to the outcomes of appellate decisions. Since the ESA program's adoption, 36% of all FFW decisions were appealed (DWP, 2014b). The rate of initial decisions being overturned on appeal has improved, however, from 40% in 2008 to 19% in 2013 (DWP, 2014a). This drop is likely related to the decline in the percentage of claimants found FFW. At the beginning of the ESA program, for example, twice as many claimants were placed in the WRAG than in the Support Group and a little over 50% of all claimants were found FFW (DWP, 2014a). This trend noticeably began to shift in 2010 with many more claimants found eligible for the Support Group and, by June 2013, less than 30% of the claimants were found FFW (DWP, 2014a). This change is explained by two primary factors: the reassessment of IB claimants, which began in 2010, brought forth more claimants with severe health impairments, and changes to the decision making and assessment process loosened the criteria for placement into the Support Group.

**Figure 3.** Outcomes of initial functional assessment onto ESA adjusted to outcome of appeal by month of claim start, Great Britain. October 2008 - June 2013



Source: DWP (2014a), Table 4

Beginning in October 2010, claimants who were receiving benefits under the Incapacity Benefit program were reassessed under the Work Capability Assessment. As of June 2013, 1,224,520 IB claimants had been referred for reassessment (DWP, 2014a). Since the reassessments began, about 22% of all IB recipients have been found FFW when accounting for appellate decisions (DWP, 2014a). This is a much lower number found FFW than for new claimants, which has averaged about 46%, though still suggests a considerable amount of work-ability identified among IB recipients (DWP, 2014a). In total, on average about 40% of all reassessed IB claimants have been placed into the WRAG, 39% into the Support Group, and the other 21% found FFW (DWP, 2014a).

The reassessment process for IB claimants has proved the most politically controversial part of the ESA reform. Disability rights groups have protested that the reassessment process is inhumane, and accused Atos Healthcare of implementing an overly harsh assessment process.

Moreover, a former Atos doctor has suggested publicly that he was forced to amend his medical reports by Atos executives so as to make fewer claimants eligible for ESA (Gentleman, 2013).

The political pressure on Atos and the DWP has mounted as a result of the IB reassessments with media accounts of IB claimants committing suicide upon finding they were not entitled to ESA (Traynor, 2013). The public scrutiny and general dissatisfaction with the performance of Atos has led to the recent decision to not renew Atos's contract in 2015 (Morse, 2014).

The reform of 2008 also included a requirement that the new assessment process be reviewed independently on an annual basis for the first five years. This feature has proved useful as a number of changes have been implemented as a result of these reviews. These changes have included enhancing communication with claimants and ensuring decisions are made with high quality up to date information (Harrington, 2012). The reviews also investigated whether current medical and functional criteria are adequate and suggested changes to these criteria. Indeed, one review resulted in a change which widened the eligibility criteria for the Support Group for people with physical or mental health risks. In late 2008, for example, just 17% of claimants in the Support Group had a physical or mental health risk. But by June of 2013, nearly 40% of all claimants in the Support Group had a physical or mental health risk (OECD, 2014).

### **The Effects of the 2008 British Reform**

Though the ESA reform of 2008 is still recent, early research is available examining its effects. The reform had two primary objectives: to reduce the inflow of claimants by creating a tighter assessment process, and to increase the outflow rates by increasing the number of beneficiaries returning to work. In terms of inflow, the data suggests a slight uptick in new

claims from 2008 to 2009 that appears related to the economic recession (OECD, 2014). Since 2009, however, the number of new disability benefit claims has declined in small increments (OECD, 2014). Notably, this does not take into account whether claimants denied ESA moved onto other government programs, such as Jobseekers Allowance, and thus it is unclear whether this decline has induced a net fiscal savings. Despite the reforms, Britain continues to have the highest incoming claimant rate in the OECD with about 10 new claims for every 1,000 workers in the year 2012 (down from 12 in the year 2000) compared to about 8 for the United States and an average of 5 across the advanced economic countries in the OECD (OECD, 2014).

Outflow rates appear to have increased, at least temporarily, as a result of the large-scale reassessment of IB claimants but have flattened over time (OECD, 2014). The total outflow rate as a share of all ESA recipients was 3% in 2012, which is higher than the 1% for the United States (OECD, 2014). The outflow rates, however, do not appear to be driven by recipients returning to work and are more likely the result of recipients moving to Jobseekers Allowance or Old Age Pensions. This is illustrated by the results of a new “Work Programme”, which was introduced in Britain in 2011. The program follows a "black box" approach that allows private employment service providers freedom in their choice of intervention, as they are judged solely on employment outcomes. In its first year of operation, the Work Programme saw only .6% of WRAG claimants achieve a positive job outcome, with not a single job outcome for an ex-IB claimant (OECD, 2014). In its second and third years of operation, however, there are signs of improvement with about 8% of ESA claimants in the Work Programme showing three months of work after twelve months of support (DWP, 2014c). While encouraging, this sign of progress may also be misleading as more claimants are now being placed in the Support Group than previously and the more difficult cases are no longer being referred to the Work Programme.

Even among referred cases, however, there is evidence that the private employment service providers are targeting the most job-ready, while devoting less attention to those in greater need of support (Newton et al., 2012). A nationally representative survey of ESA claimants found that the Work Programme is least effective at helping the most challenging cases return to employment, particularly those who were previously inactive before their claim (Sissons and Barnes, 2013). Thus, while it is too early to suggest that the ESA program will not ultimately yield improved return to work rates, early results are sobering and suggest the need for fresh thinking.

The introduction of benefit conditionality for WRAG claimants represents a distinguishing feature of the ESA program that makes it qualitatively different from the SSDI program in the United States. Current rules require claimants in the WRAG to have mandatory work focused interviews with personal advisers and to carry out work-related activity deemed appropriate to their circumstances. Under SSDI, there is only one category of disability and that is for individuals unable to engage in substantial gainful activity and a qualifying individual is entitled to unconditional benefits. Although WRAG claimants are not required to look for work, they are required to attend interview, training, and rehabilitation sessions, which may be enforced by sanctions. There is concern, however, that these sanctions may be overly severe. From 2011-12, just 2.7% of ESA claimants were sanctioned (OECD, 2014). Yet, a failure to attend a work-focused interview can lead to a 100% reduction in benefits. The OECD (2014) has suggested that Britain reduce the severity of the penalties, which the OECD insists can be particularly harsh for those with mental disorders. Ultimately, the combination of an overly severe sanction regime combined with the time limit of twelve months for WRAG claimants invites concern that some deserving individuals may go without needed benefits.



In sum, early research on the ESA reform does not suggest a policy panacea or an outright failure. Strong conclusions cannot yet be drawn, for example, as to the effectiveness of the reform at improving return to work rates. Just as the new assessment process – the WCA – improved over time with a decline in the number of decisions overturned on appeal, it is likely that the Work Programme will also perform better with experience. The selection of a new health contractor to administer the WCA, though, is likely to create turbulence for an assessment process that had just found smooth air. Not having to do the difficult work of IB reassessments will likely help the new provider avoid the political pitfalls of providing disability determinations, but one might also expect an increase in appeals, as the new provider will need to gain proficiency with the assessment process.

### **Conclusion: Lessons for the Reform of the SSDI Program**

This article thus far has reviewed the new disability benefit program in Britain and examined the early research on its effects. Although the implementation of the ESA program is still in its infancy, there are lessons that can be drawn, both positive and negative, from the British reform of its disability benefit program. These lessons may prove helpful to US policymakers as they begin to wrestle with the potential reform of the SSDI program

#### **Lesson #1: Experimentation can drive reform**

The 2008 reform to the disability benefit program in Great Britain was invigorated by and modeled after the Pathways to Work pilot initiative. A similar road to reform is certainly possible

for the SSDI program. Indeed, it would mirror the path to welfare reform in the US in 1996, which was itself preceded by widespread experimentation (Weaver, 2000). In this vein, Liebman and Smalligan (2012) have proposed that Congress should fund three additional return to work demonstration projects. One project would encourage states to reorganize existing funding streams so they can target populations that are at risk of applying for disability benefits and provide them early rehabilitative and training services. Another project would target employers by creating incentives for firms to keep their workers, much like the Dutch reforms. A third project, “would screen disability applicants and target those who appear likely to be determined eligible for benefit but who also have the potential for significant work activity if provided with the proper range of services,” (Liebman and Smalligan, 2012:2).

This third proposed project corresponds with the research finding that a sizeable minority of SSDI recipients possesses work-abilities (Maestas, Mullen, and Strand, 2013), and thus could potentially be diverted from depending on disability benefits if given the right support and incentives. It is also conceptually similar to the ESA reform in Britain, where from the outset individuals are identified with limited capability for work and immediately provided services. Given the challenges with administering the Work Capability Assessment in Britain, a variety of ways should be explored for assessing the work-capacity of SSDI applicants. One approach may be to use computer assisted technology to identify high-functioning applicants. A team of researchers at the National Institute of Health has already developed and validated such a tool for assessing the work-capacity of SSDI applicants (Goldman, 2013). The strength of this approach is that it could very quickly identify suitable applicants for targeted intervention, as the data could be obtained online or at the initial field office visit (Liebman and Smalligan, 2012).

Another option would be to leverage existing institutional experience at conducting the

residual functional capacity (RFC) assessment. The RFC is currently administered in the final stages of the SSDI application process, often many months after the initial application, to determine whether those SSDI applicants that do not immediately meet medical eligibility criteria can do their past work or other work in the national economy. If the RFC was completed at the point of initial application for all SSDI applicants and submitted along with medical evidence, administrators would likely possess sufficient information early in the process to identify applicants with remaining work abilities but with medical impairments that make them likely to receive SSDI. The weakness of this approach is the increased time it would take to identify the targeted population from the RFC when compared to using computer assisted technology. The RFC would also need to be tested and validated as an early assessment instrument.

Once a targeted population of SSDI applicants with work capabilities can be identified, pilot programs could be instigated that would assess the interventions most likely to be successful at returning those individuals to work. Smalligan and Liebman (2012) propose providing a package of benefits, including targeted vocational and health services, wage subsidies, and emergency cash grants. Benefit conditionality, in which cash grants are provided to a targeted SSDI applicant pool for creating a return to work plan or upon demonstrating progress, could also be tested. This strategy would thus be similar to the Pathways to Work program in Britain, which showed promise (Clayton et al., 2011).

An additional lesson from the British reforms concerns the benefit of incorporating a legislative provision that requires continuous evaluation and monitoring once a reform is adopted. The annual independent reviews of the ESA program proved constructive in Britain. Those reviews helped to ensure that the subsequent evaluative research identified practical

recommendations to improve service delivery and enhance the claimant experience and did not focus solely on identifying treatment effects. Future legislative reforms to the SSDI program should consider a similar provision.

## **Lesson #2: Reforms should focus on prevention and not reassessments**

The IB reassessments have been the least successful part of the ESA reforms. A historical perspective of the SSDI program suggests that the process of reassessments is also not likely to go well in the US. One recalls, for example, how early in the administration of President Ronald Reagan there was a concerted effort to increase the termination rates of SSDI beneficiaries by subjecting millions of SSDI recipients, particularly those with mental and musculoskeletal impairments, to a Continuing Disability Review (CDR) process. The hundreds of thousands of terminations that transpired lead to a major public pushback that ultimately forced President Reagan to reverse his position by limiting the ability of the CDR to terminate beneficiaries (Berkowitz, 1987).

Most SSDI beneficiaries now have a scheduled CDR every seven years, though it can be every three years if medical improvement is expected. However, in 2012 there were 1.5 million SSDI recipients awaiting their planned reviews, as the Social Security Administration lacks funding to keep up with scheduled CDRs (CBO, 2012). Thus, some have suggested as a strategy to reduce expenditures prior to the potential default of the Disability Trust Fund in 2016 that funding for CDRs be increased (Liebman and Smalligan, 2012). The British experience with IB reassessments, however, shows that reassessments can be a recipe for political controversy. Expecting an increase in the reassessments to lead to an increase in employment also appears to

defy a basic principle of labor economics. That is, that the longer one spends away from the labor market the harder it is to re-enter (see, for example, Nichols, Mitchell, and Lindner, 2013). Longitudinal employment statistics for SSDI recipients, for example, show that more recently awarded beneficiaries are far more likely to return to employment than those on the program rolls for an extended period of time (Liu and Stapleton, 2011).

Very little is also known about what happens to recipients when terminated following a CDR. A recent study estimated that about 20% returned to the SSDI rolls within eight years (Hemmeter and Stegman, 2013). That study also suggests, however, that this is likely a lower bound estimate of program return since the current CDR process is underfunded and focuses on those with the least severe impairments. If the CDR process were to increase the number of reviews above current levels, it would likely lead to greater program return rates as broader terminations would capture individuals with more severe disabilities. Moreover, outside of returning to the SSDI rolls, research has yet to longitudinally examine the economic and social welfare outcomes of those terminated from the rolls following a CDR. Many of these individuals, in some cases removed from the labor market for years, would not easily find their way back to work. Early intervention approaches, therefore, are preferable to increased reassessments and resources should be allocated to diverting applicants from long-term benefit receipt rather than to reassessing current claimants. While focusing on reducing the flow of claimants onto SSDI may not provide the immediate fiscal relief that is necessary to avoid the looming financial crisis, in the long run this approach should lay a path toward a more sustainable SSDI program.

### **Lesson #3: Changing the definition of disability deserves consideration**

The SSDI definition of disability that focuses on a requirement of a long-term medical condition, instead of looking primarily at an individual's capability to work, is bound to include as disabled many that are capable of work. This is evident from the major return to work initiative for SSDI beneficiaries, the Ticket to Work program, which provides recipients access to employment and rehabilitation services. The very fact that such a program exists serves to recognize that some SSDI recipients are expected to have work abilities, and its modest success highlights that a claimant's long-term medical impairment does not necessarily indicate a work incapacity (O'Leary, Livermore, and Stapleton, 2011). In fact, in a nationally representative survey in 2004, 40% of disabled beneficiaries in the US stated that they had either personal goals that included working or that they expected to be working in one to five years (Livermore, 2011). This notion of a work-oriented SSDI population is further supported by econometric research that finds that some SSDI recipients would likely be in work had they initially been found ineligible for the program (Bound, 1989; von Wachter, Song, and Manchester, 2011; Maestas, Mullen, and Strand, 2011).

The success rate on appeal in the US further reflects the difficulties inherent in a determination process that relies on the subjective identification of a long-term medical condition. In 2011, 26% of all SSDI applicants were awarded benefits at the initial point of application but an additional 15% were awarded benefits following a lengthy appeals process (SSA, 2012). While this is less than the current rate of 19% of decisions overturned in Britain, that rate is likely to decline now that the IB reassessment process has been completed. Consideration of a new definition of disability in the US, similar to the one adopted in Britain that allows for certain

disability benefit recipients to maintain some capability for work, could help reduce the number of appeals. This definitional change would allow claimants who are on the margins of program entry immediate access to a work-oriented SSDI group. These individuals, having been screened early, would also more likely respond well to interventions that assist them in the process of returning to work.

## References

- Aarts, Leo, Richard V. Burkhauser, and Philip R. De Jong. 1996. *Curing the Dutch Disease: An International Perspective on Disability Policy Reform*. Vol. 1 Avebury.
- Adam, Stuart, Antoine Bozio, and Carl Emmerson. 2010. "Reforming Disability Insurance in the UK: Evaluation of the Pathways to Work Programme." *Institute for Fiscal Studies*, July, *Mimeo*.
- Autor, David and Mark Duggan. 2003. "The Rise in the Disability Rolls and the Decline in Unemployment." *The Quarterly Journal of Economics*: 157-205.
- Autor, David and Mark Duggan. 2006. "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding." *National Bureau of Economic Research*. Working Paper 12436.
- Autor, David and Mark Duggan. 2010. "Supporting Work: A Proposal for Modernizing the US Disability Insurance System." *Center for American Progress and the Hamilton Project*.
- Beatty, Christina and Stephen Fothergill. 1996. "Labour Market Adjustment in Areas of Chronic Industrial Decline: The Case of the UK Coalfields." *Regional Studies* 30 (7): 627-640.
- Berkowitz, Edward D. 1987. *Disabled Policy: America's Programs for the Handicapped* Cambridge University Press Cambridge.
- Bound, J. 1989. "The Health and Earnings of Rejected Disability Insurance Applicants." *The American Economic Review*, 79, 482-503.
- Burkhauser, Richard, Mary Daly, and Philip De Jong. 2008. "Curing the Dutch Disease: Lessons for United States Disability Policy." *Michigan Retirement Research Center Research Paper* (2008-188).
- Burkhauser, Richard and Mary Daly. 2012. "Social Security Disability Insurance: Time for Fundamental Change." *Journal of Policy Analysis and Management* 31 (2): 454-461.

- Burkhauser, Richard, M. Daly, D. Mcvicar, and R. Wilkins. 2014. "Disability Benefit Growth and Disability Reform in the US : Lessons from Other OECD Nations." *IZA Journal of Labor Policy* 3(4).
- Clayton, Stephen, Clare Bamba, Rachel Gosling, Sue Povall, Kate Misso, and Margaret Whitehead. 2011. "Assembling the Evidence Jigsaw: Insights from a Systematic Review of UK Studies of Individual- focused Return to Work Initiatives for Disabled and Long-term Ill People." *BMC Public Health*, 11(170).
- Congressional Budget Office. 2012. "Policy Options for the Social Security Disability Insurance Program." *United States Congress*. Available from: <http://www.cbo.gov/publication/43421>.
- Department of Labor. 2010. "International Labor Comparisons." United States: Bureau of Labor Statistics.
- Department for Work and Pensions. 2006. "A New Deal for Welfare: Empowering People to Work – Consultation Report." Available from: [http://www.dwp.gov.uk/welfarereform/docs/welfare\\_reform\\_response.pdf](http://www.dwp.gov.uk/welfarereform/docs/welfare_reform_response.pdf).
- Department for Work and Pensions. 2014a. "Employment Support Allowance: Outcomes of Work Capability Assessments March 2014." Available from: <https://www.gov.uk/government/statistics/esa-outcomes-of-work-capability-assessments-march-2014>
- Department for Work and Pensions. 2014b. *Tabulation Tool*. Available from: <http://statistics.dwp.gov.uk/asd/index.php?page=tabtool>
- Department for Work and Pensions. 2014c. "Work Programme Official Statistics up to March 2014." Available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/321518/work-programme-statistical-release-june-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/321518/work-programme-statistical-release-june-2014.pdf)
- Evans, Martin and Lewis Williams. 2009. *A Generation of Change, A Lifetime of Difference? Social Policy in Britain since 1979*. Bristol: The Policy Press.
- Gentleman, Amelia. 2013. "Why I Blew the Whistle on the Atos Fitness-for-Work Test." *The Guardian*. Available from: <http://www.theguardian.com/society/2013/jul/31/atos-fitness-work-test-greg-wood>
- Goldman, Howard H. 2013. "Commentary on Measuring Disability." *Archives of Physical Medicine and Rehabilitation* 94 (9): 1687-1689.
- Goss, Steve. 2014. "Testimony to the Senate Finance Committee." Available from: [http://www.ssa.gov/oact/testimony/SenateFinance\\_20030409.pdf](http://www.ssa.gov/oact/testimony/SenateFinance_20030409.pdf)



- Hall, Peter and David Soskice. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford University Press.
- Harrington, Michael. 2012. "An Independent Review of the Work Capability Assessment – year three." *Department for Work and Pensions*.
- Hemmeter, Jeffrey and Michelle Stegman. 2013. "Subsequent Program Participation of Former Social Security Disability Insurance Beneficiaries and Supplemental Security Income Recipients Whose Eligibility Ceased because of Medical Improvement." *Social Security Bulletin* 73:1.
- Kostøl, Andreas and Magne Mogstad. 2013. "How Financial Incentives Induce Disability Insurance Recipients to Return to Work." *National Bureau of Economic Research*. Working Paper No. 19016.
- Liebman, Jeffrey, and Jack Smalligan. 2013. "An Evidence-Based Path to Disability Insurance Reform." *The Hamilton Project*. Brookings Institution.
- Liu, Su and David Stapleton. 2011. "Longitudinal Statistics on Work Activity and Use Of Employment Supports For New Social Security Disability Insurance Beneficiaries." *Social Security Bulletin* 71:3.
- Livermore, Gina. 2011. "Social Security Disability Beneficiaries With Work-Related Goals and Expectations." *Social Security Bulletin* 71:3.
- Maestas, Nicole, Kathleen J. Mullen, and Alexander Strand. 2013. "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt." *American Economic Review* 103 (5): 1797-1829.
- Morse, Felicity. 2014. "Atos Is Out: Government Seeks New Company to Carry Out Fit for Work Tests." *The Independent*. Available from: <http://www.independent.co.uk/news/uk/politics/atos-is-out-government-seeks-new-company-to-carry-out-fit-for-work-tests-9218505.html>.
- Newton, Becci, Nigel Meager, Christine Bertram, Anne Corden, Anitha George, Mumtaz Mumtaz Lalani, Hilary Metcalf, Heather Rolfe, Roy Sainsbury and Katharine Weston. 2012. "Work Programme Evaluation: Findings From the First Phase of Qualitative Research on Programme Delivery." *Department for Work and Pensions*.
- Nichols, Austin, Josh Mitchell, and Stephan Linder. 2013. "Consequences of Long-Term Unemployment." The Urban Institute. Available from: <http://www.urban.org/UploadedPDF/412887-consequences-of-long-term-unemployment.pdf>
- OECD. 2014. *Mental Health and Work: United Kingdom*. Organization for Economic Co-operation and Development.

- O'Leary, Paul, Gina Livermore, and David Stapleton. 2011. "Employment of Individuals in the Social Security Disability Programs." *Social Security Bulletin*, 71(3).
- Rajnes, David. 2010. "Permanent Disability Social Insurance Programs in Japan." *Social Security Bulletin*. 70: 61.
- Rangarajan, Anu, David Wittenburg, Todd Honeycutt, and Debra Brucker. 2008. *Programs to Promote Employment for Disabled People: Lessons From the United States*. Department for Work and Pensions, Research Report No 548.
- Ruffing, Kathy. 2014. "Social Security Disability Insurance is Vital to Workers with Severe Impairments." *Center on Budget and Policy Priorities*. Available from: <http://www.cbpp.org/cms/?fa=view&id=3818>
- Sissons, Paul and Hellen Barnes 2013. "Getting Back to Work? Claim Trajectories and Destinations of Employment and Support Allowance Claimants." *Journal of Poverty & Social Justice*, 21(3).
- Social Security Administration. 2012. *Annual Statistical Report on the Social Security Disability Insurance Program*. United States: Social Security Administration.
- Traynor, Luke. 2013. "Benefit Cuts Blind Man Committed Suicide After Atos Ruled Him Fit to Work," *Mirror*. Available from: <http://www.mirror.co.uk/news/uk-news/benefit-cuts-blind-man-committed-2965375>
- von Wachter, Till, Jae Song, and Joyce Manchester. 2011. "Trends in Employment and Earnings of Allowed and Rejected Applicants to the Social Security Disability Insurance Program." *American Economic Review*, 101(7): 3308-29.
- Weaver, R. Kent. 2000. *Ending Welfare As We Know It*. Brookings Institution Press.