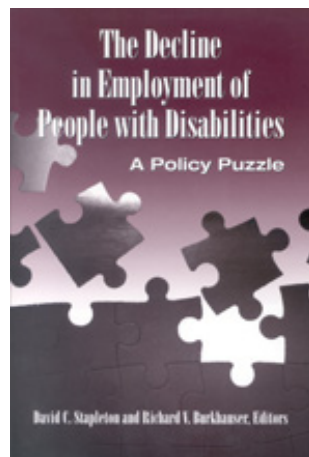

Upjohn Institute Press

Introduction

Richard V. Burkhauser
Cornell University

David C. Stapleton
Cornell Center for Policy Research



Chapter 1 (pp. 1-22) in:

The Decline in Employment of People with Disabilities: A Policy Puzzle

David C. Stapleton, and Richard V. Burkhauser, eds.

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003

DOI: 10.17848/9780585473666.ch1

1

Introduction

Richard V. Burkhauser
David C. Stapleton
Cornell University

A major debate has begun over reports of an unprecedented decline in the employment rate of working-aged people with disabilities during the 1990s business cycle (1989–2000) by those using currently available data sources to track the employment and economic well-being of the U.S. population. The debate is occurring at two overlapping levels. The first is over the quality of the data, with some calling on the federal government to end its financial support for disseminating employment estimates for people with disabilities using currently available data (National Council on Disability 2002). Others argue that although the current data are usable within certain limits, the major findings on employment using these data are quite sensitive to the definitions used to capture the “relevant” population with disabilities, and have been used in a way that understates the employment success of public policies such as the Americans with Disabilities Act of 1990 (ADA). The second level of debate is over the specific causes of the decline found in the data. Researchers have made conflicting judgments over the relative importance of health and the social environment, especially public policies, in explaining this decline.

In the background of the academic debate over these issues are the concerns of policymakers, disability advocates, and people with disabilities over the success of their efforts to better integrate working-aged people with disabilities into the workforce, increase their employment, and reduce their dependence on disability-based income support programs. There is especially concern that the ADA—the centerpiece of the political movement to increase labor market access of people with disabilities—will be unfairly judged a failure based on partial and inappropriate measures of its success.

In October 2001, Cornell University’s Rehabilitation Research and Training Center for Economic Research on Employment Policy for

Persons with Disabilities, funded by the U.S. Department of Education's National Institute on Disability and Rehabilitation Research (NIDRR), conducted a two-day conference in Washington, DC, to address the issues surrounding the decline in the employment rate of people with disabilities. The conference for the first time brought together the leading researchers on these issues and members of the policymaking and disability advocacy communities, including working-aged people with disabilities.

This book grew out of that conference, with support from both NIDRR and the Social Security Administration (SSA). The book is not, however, a traditional academic conference volume. Instead, we worked with the authors to make the final version of their work responsive both to the criticisms of their initial presentation by their fellow researchers and the more general audience at the conference. Our objective was to provide information that was accessible and credible to researchers and to the broader policymaking, advocacy, and grass-roots disability communities. The result is a cohesive book that presents the latest research on the employment decline of working-aged people with disabilities in a way that is tightly focused on documenting this decline, evaluating the conflicting evidence of its causes, and spelling out the implications for public policy.

THE EMPLOYMENT AND ECONOMIC WELL-BEING OF WORKING-AGED PEOPLE WITH DISABILITIES

Table 1.1 uses data from the Current Population Survey (CPS) to revise Burkhauser, Daly, and Houtenville (2001). It shows that mean household income of (working-aged) men without disabilities increased by 9.4 percent and mean household income of women without disabilities increased by 12.6 percent between 1989, the peak year of the 1980s business cycle, and 2000, the peak of the 1990s business cycle. In contrast, the mean household income of men with disabilities fell by 2.9 percent and the mean household income of women with disabilities increased by 5.6 percent during the period.

The proximate reason for this dramatic difference in the fortunes of the working-aged population with and without disabilities was the even

Table 1.1 Mean and Median Household-Size-Adjusted Real Income of Civilians, Aged 25–61, by Gender and Disability Status^a

Population ^b	Year			Percentage change ^c		
	1989	1992	2000	1989–92	1992–2000	1989–2000
Mean household income (\$2,000)						
Men without disabilities	35,863	33,968	39,401	-5.4	14.8	9.4
Men with disabilities	21,178	19,774	20,572	-6.9	4.0	-2.9
Women without disabilities	32,430	31,247	36,774	-3.7	16.2	12.6
Women with disabilities	19,629	18,401	20,762	-6.5	12.1	5.6
Median household income (\$2,000)						
Men without disabilities	31,899	30,253	34,146	-5.3	12.1	6.8
Men with disabilities	16,905	15,741	16,063	-7.1	2.0	-5.1
Women without disabilities	28,921	27,933	32,042	-3.5	13.7	10.2
Women with disabilities	14,939	13,589	15,633	-9.5	14.0	4.5

^a Those younger than 25 or older than 61 or in the Armed Forces are excluded. Persons are considered to have a disability if they report having a health problem or disability that prevents them from working or limits the kind or amount of work they can do. Because top coding rules have varied over the history of the CPS, we consistently top code all income at the lowest common income percentile in all years across the CPS data from 1976–2001. Burkhauser, Daly, and Houtenville (2001) handled this problem by excluding the top and bottom 1 percent of the distribution.

^b Disability status is for the year following the income year. In 1994, there were several changes to the CPS. It moved fully to computer-assisted survey interviews. Sample weights based on the 1980 Census were replaced with sample weights based on the 1990 Census. The Monthly Basic Survey was revised, and three new disability questions were added. It is possible that these changes affected the measurement of the population with disabilities either through changes in the sample weights or in the way respondents answered disability questions.

^c When calculating percentage change, we use the average of the two years as the base.

SOURCE: Revised and updated calculations of Burkhauser, Daly, and Houtenville (2001) using March Current Population Survey, 1990–2001.

more dramatic divergence in their employment rates during the period (Table 1.2). The employment rate of men without disabilities was procyclical (i.e., followed the business cycle), declining during the recession years of the early 1990s, but then growing during the later recovery years. In contrast, the employment rate of men with disabilities fell both during the recession years and even more so during the recovery years of the 1990s. The long-term secular growth in the employment rate of women muted some of the cyclical effects on their employment rate. The employment rate of women without disabilities grew during both the recession and recovery years, but grew much more during the growth years. Women with disabilities experienced declines in their employment rate during the entire period, although the decline was smaller during the growth years. As Burkhauser et al. (2002) show, the failure of the employment rates of both men and women with disabilities to increase during the growth years of the 1990s business cycle (after 1992) was a complete reversal of the procyclical behavior of their employment rates during the 1980s business cycle.

Table 1.2 Employment Rates of Civilians Aged 25–61, by Gender and Disability Status^a

Population ^b	Year			Percentage change ^c		
	1989	1992	2000	1989–92	1992–2000	1989–2000
Men without disabilities	96.1	94.8	95.2	-1.4	0.4	-1.0
Men with disabilities	44.0	41.6	33.1	-5.5	-22.9	-28.4
Women without disabilities	77.1	77.6	81.3	0.7	4.6	5.3
Women with disabilities	37.5	34.3	32.6	-8.9	-4.9	-13.8

^a Those younger than 25 or older than 61 or in the Armed Force are excluded. Persons are considered to have a disability if they report having a health problem or disability that prevents them from working or limits the kind or amount of work they can do.

^b Disability status is for the year following the income year. In 1994, there were several changes to the CPS. It moved fully to computer-assisted survey interviews. Sample weights based on the 1980 Census were replaced with sample weights based on the 1990 Census. The Monthly Basic Survey was revised, and three new disability questions were added. It is possible that these changes affected the measurement of the population with disabilities either through changes in the sample weights or in the way respondents answered disability questions.

^c When calculating percentage change, we use the average of the two years as the base. SOURCE: Revised and updated calculations of Burkhauser, Daly, and Houtenville (2001) using March Current Population Survey, 1990–2001.

The reason this unprecedented decline in employment did not have an even greater effect on the household income of those with disabilities during the period was that mean income from Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) rose by 33.8 percent for men with disabilities, and rose by 48.6 percent for women with disabilities from 1989 to 2000 (Table 1.3). Those increases nearly offset the 34.6 percent decline in mean labor earnings for men with disabilities and added substantially to the gain of 13.8 percent in the labor earnings of women with disabilities, during the period.

During the 1990s business cycle (1989–2000), the employment rate of the population with disabilities was below its 1989 business cycle peak for both men and women with disabilities, and their income was more dependent on federal government programs. Given the robust economic expansion of the 1990s and the promise of greater independence that is embodied in the ADA, this decline in both employment and its importance for household income might reasonably be considered a social disaster for the working-aged population with disabilities. Hence, it is not surprising that this decline in measured employment has generated a major debate, represented in this book, over the quality of the numbers produced by current data sets and, if credible, the causes for this unprecedented decline.

IS THE DECLINE IN EMPLOYMENT A MEASUREMENT ABERRATION?

Although at face value the decline in the employment rates of men and women with disabilities generated by data from the CPS is unprecedented, there are those who would argue that either it is impossible to measure trends in the employment rate of people with disabilities in a meaningful way with these data, or that it is the wrong measure for assessing progress toward better employment outcomes for people with disabilities. In short, they would question whether this decline in employment of the working-aged population with disabilities in the CPS is a real phenomenon or simply an artifact of faulty or misapplied data.

Table 1.3 Mean Real Income from Own Labor Earnings and Own Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) for Civilians Aged 25–61, by Gender and Disability Status^a

Income source/ population ^b	Year			Percentage change ^c		
	1989	1992	2000	1989– 1992	1992– 2000	1989– 2000
Own labor earnings						
Men without disabilities	31,434	37,046	37,046	-7.3	16.4	9.1
Men with disabilities	8,058	6,793	5,680	-17.0	-17.8	-34.6
Women without disabilities	16,065	16,632	20,240	3.5	19.6	23.0
Women with disabilities	4,250	4,092	4,880	-3.8	17.6	13.8
Own SSDI/SSI						
Men without disabilities	50	71	76	33.5	7.0	40.3
Men with disabilities	3,013	3,356	4,237	10.8	23.2	33.8
Women without disabilities	164	150	149	-8.7	-1.1	-9.8
Women with disabilities	2,004	2,380	3,292	17.2	32.1	48.6

^a Those less than age 25 or more than age 61 or in the Armed Forces are excluded. Persons are considered to have a disability if they report having a health problem or disability that prevents them from working or limits the kind or amount of work they can do. All dollar amounts are in 2000 dollars. Because top coding rules have varied over the history of the CPS, we consistently top code all income at the lowest common income percentile in all years across the CPS data from 1976–2001. Burkhauser, Daly, and Houtenville (2001) handled this problem by excluding the top and bottom 1 percent of the distribution.

^b Disability status is for the year following the income year. In 1994, there were several changes in the CPS. It moved fully to computer-assisted survey interviews. Sample weights based on the 1980 Census were replaced with sample weights based on the 1990 Census. The Monthly Basic Survey was revised, and three new disability questions were added. It is possible that these changes affected the measurement of the population with disabilities either through changes in the sample weights or in the way respondents answered disability questions.

^c When calculating percentage change, we use the average of the two years as the base.

The root causes of the disagreement are the conceptual and practical difficulties in measuring disability in surveys. The seemingly esoteric debate about the definition of the population of people with disabilities has made it to the front pages of the nation's newspapers as courts grapple with the issue in response to ADA litigation. (The ADA defines disability as a "physical or mental impairment that substantially limits one or more of the major life activities.")

The old medical model, which posits that a disability is a deficiency within the individual, has been replaced by the widely held view that a disability is caused by an interaction between the individual's functional limitation and the social environment. When one asks a person if he or she has a "disability," or, more specifically, a "work disability," the answer might depend on the person's current employment status. A person who works despite a significant physical or mental impairment might say no, but the identical person might say yes if he or she is not employed. Burkhauser et al. (2002) show that work-limitation-based measures of the population with disabilities from the CPS and the National Health Interview Survey (NHIS) significantly underestimate the number of persons in the broader population with impairments and overrepresent those with impairments who are not employed. Hence, work-limitation-based measures of disabilities are potentially sensitive to changes in the social environment in which the questions are asked, such as the passage of the ADA, easing of the eligibility standards for SSDI or SSI, availability of private health insurance, or any factor that could influence employment prospects and, hence, the likelihood that a person with an impairment will report a work limitation in response to a survey question.

Concerns of this type have led some researchers to argue that the CPS and its work-limitation-based measure of the population with disabilities cannot be used to provide credible information to policymakers with respect to the employment of working-aged people with disabilities (Hale 2001). Along these lines, the National Council on Disability, in its report of July 26, 2002, recommends that "The Federal Government should not encourage or support the dissemination of employment data until a methodology for assessing employment rates among people with disabilities that is acceptable to leading researchers and demographers in the field and credible to persons with disabilities can be developed" (National Council on Disability 2002, p. 20).

However, Burkhauser et al. (2002) show that the employment trends for working-aged men and women found in the CPS and NHIS surveys based on a work-limitation definition of disability yield trends in employment rates between 1983 and 1996 are not significantly different from the employment trends for the broader population of people with an impairment. This is an important finding because a population defined on the basis of having an impairment is presumably less sensitive to changes in the social environment. The authors argue that work-limitation-based questions from the CPS as well as from other continuous and representative samples of the U.S. population can be used to evaluate trends in the employment of working-aged people with disabilities, and their causes.

Although all the authors in this book recognize the limitations of currently available data in defining the working-aged population with disabilities, and in evaluating the employment of this population, they all believe it is valid to use these current data for evidence-based policy analysis. Nonetheless, they have conflicting views on the most appropriate current data and the most appropriate subsamples of the data to use in that analysis.

COMPARING TRENDS IN THE EMPLOYMENT OF PEOPLE WITH DISABILITIES ACROSS DATA SETS AND DISABILITY POPULATION DEFINITIONS

The research on trends in the employment rate of people with disabilities is restricted by the questions asked in three large nationally representative surveys conducted in a consistent fashion during the 1980s and 1990s. Much of the research presented in this book is based on data from these data sets: the CPS, the NHIS, and the SIPP.

Burkhauser, Houtenville, and Wittenburg (Chapter 2) describe the strengths and limitations of each of these surveys and how the disability measures that can be constructed from their questions relate to medical and sociopolitical definitions of disability. They compare trends in employment rates for people with disabilities, based on the various surveys and the disability measures available in them. They find that although the level of the employment rate is sensitive to the survey and

measure used, trends in the employment rate are much less sensitive. Employment rate trends based on functional limitation measures of the population with disabilities are very similar to those for the more problematic work-limitation measures of this population, indicating that the latter are capturing a stable population over a long period. Importantly, they point out that what seem to be differences in research findings based on differences in the original data, in fact stem from differences in the choice of disability populations that were drawn from these data sets. Hence, they argue that it is not differences in the quality of current data, but in the judgments of the researchers on how the data are used that explains the differences reflected in the various chapters of this book. (Compare, especially, how Kaye, Chapter 6, Kruse and Schur, Chapter 8, and Blanck, Schwochau, and Song, Chapter 9, define the relevant populations with disabilities with the definitions in DeLeire, Chapter 7, and Goodman and Waidmann, Chapter 10.)

IS THE OVERALL EMPLOYMENT RATE OF PEOPLE WITH DISABILITIES THE APPROPRIATE POLICY SUCCESS MEASURE?

Even if the employment rate of the overall population with disabilities is measured consistently over time, and employment trends across differing definitions of this population are similar, is the overall employment rate of this population the appropriate measure to assess the performance of current social policies? The population represented in the employment rate (i.e., the denominator of the rate) includes people who report being unable to work at all. Although, theoretically, all people with disabilities are able to work with appropriate accommodations, most would acknowledge that there is a group for which work is not a meaningful alternative. Including this group in the analysis may be misleading.

All the authors who have contributed to this book agree that:

- the overall employment rate of working-aged people with disabilities, as measured in various ways across several surveys, declined during the 1990s, or at least did not increase, while the overall employment rate of working-aged people without disabili-

ities grew during the period;

- the proportion of working-aged people with disabilities who say they are unable to work at all, or are unavailable for work, also measured in various ways, increased during the 1990s; and
- among those working-aged people with disabilities who say they are available or able to work, an increasing proportion is employed.

The authors are not, however, in agreement on whether those who say they are unable to work at all should be included in the measurement of employment rates for purposes of evaluating the general social welfare of working-aged people with disabilities, or the success of public policy in integrating them into the labor force. Nor do they agree on the reasons for the changes in the employment rates. The bulk of this book is devoted to providing a detailed examination of the various possible explanations for the overall employment rate decline among working-aged people with disabilities found in the data and its importance for policy analysis. Although some of the authors argue that it is the result of the unintended consequence of public policy and programs, others argue the decline is because of factors that mask the actual success of these same policies and programs.

ALTERNATIVE EXPLANATIONS OF THE OVERALL DECLINE IN EMPLOYMENT RATES

Demographic Factors and Education

One possible explanation for the decline in the overall employment rate of working-aged people with disabilities is a shift in the demographic composition of this population. If, for example, over time there are proportionally more women in this population, who traditionally have less attachment to the labor force, or older workers, who are less likely to undertake retraining after the onset of a disability, or less educated workers, who are less productive in the labor force, then the overall employment rate for the population with disabilities would show a decline that had little to do with changes in public policy. Alter-

natively, it may be that only one subpopulation within the overall population with disabilities is experiencing a dramatic drop in employment and masking the success of public policies on the majority of the population with disabilities.

Houtenville and Daly (Chapter 3), using data from the CPS during the 1980s and 1990s business cycles, find no credible evidence that composition changes of this sort or the dramatic decline in employment of a specific subpopulation “artificially” caused the decline in the 1990s.

They use a formal analytical method to separate, or “decompose,” the employment rate decline into a component owing to changes in the composition of the population and a component owing to changes in the employment rate within demographic and educational subgroups during the two business cycles. They find that a downward trend in employment is apparent during the 1990s in each of the gender, age, race and education subgroups of people with disabilities they investigate, with no one subgroup explaining a substantial part of the decline. In contrast, they find that compositional changes in these subgroups had a much more important influence on the increases in the employment of working-aged people with disabilities during the 1980s business cycle.

Houtenville and Daly also conduct a decomposition by health status. Data availability limits the analysis to the years 1995–2000. During this short period, there is no significant change in the distribution of health status of people with disabilities, and the employment rate declines as much, or more, for those who report being in relatively good health as for others.

Changing Job Characteristics

Although changes in the composition of demographic and education groups within the working-aged population with disabilities cannot explain the dramatic decline in the employment rates of this group in the 1990s, it is possible that changes in the job market might offer such an explanation. Stapleton, Goodman, and Houtenville (Chapter 4) consider the possibility that changes in the nature of work (substantive complexity, relational or interactive nature, autonomy/control, task scope, physical demands, and terms of employment) have, on average,

made it more difficult for people with work limitations to compete with others.

Using data from the CPS during the 1980s and 1990s, they show that although changes in the composition of jobs might have contributed to a long-term decline in the employment of people with work limitations, such changes are too small to explain the dramatic decline in their employment found in these data. Further, similar changes were occurring in the 1980s, when the employment rate for people with work limitations was not declining. Although this exercise provides some evidence that changes in the composition of jobs cannot explain much of the decline, it is possible that changes within these jobs could. That is, the jobs themselves might have changed in ways that make it more difficult for people with work limitations to compete. The authors point out, however, that the literature on this subject does not provide any indication of a sharp departure from long-term trends in the nature of work that could explain the decline during the 1990s in the employment rate for people with work limitations.

It is also possible that declines in job security, which result in more frequent job changes and reduced attachment to a specific employer, might have contributed to the employment rate decline because, on average, it is more difficult for workers with limitations to change jobs than for others. The literature provides some evidence that job security has declined, but the authors conclude that the decline has been very gradual, and began well before the decline in the employment rate for people with disabilities.

Health Care Costs

Many working-aged people with disabilities have chronic conditions that require substantial medical care, and growth in the cost of this care, coupled with how it is financed, might explain some of the decline in their employment rate. Most private medical insurance is purchased via employers. People with disabilities may obtain public insurance through SSDI (Medicare) or SSI (Medicaid). Although access to Medicaid for those not receiving SSI has been expanding in recent years, it is still quite limited. Rising health care costs have made it more expensive for employers to employ people with disabilities. Most have passed on a significant share of the higher costs for health

insurance to employees and, to reduce premium growth, have elected to purchase plans that have an increasing number of use restrictions. Thus, increases in the relative costs of treating high-cost conditions over time may have both made employers more reluctant to hire people with these conditions and reduced the attractiveness of employment for people with such conditions as a way to obtain health insurance relative to participation in SSDI or SSI.

Hill, Livermore, and Houtenville (Chapter 5) use data from the 1987 National Medical Expenditure Survey (NMES) and the 1996 and 1997 Medical Expenditure Panel Survey (MEPS) to test this possible explanation for the employment decline of working-aged people with disabilities between the 1980s and the 1990s. They divide individuals in their samples in 1987 and in 1996–1997 by the cost of treating their chronic health conditions—high-cost, medium-cost, low-cost, very low-cost and no chronic conditions—and show that the average expenditures on high-, medium-, and low-cost chronic conditions significantly increased during the period, as did the share of the samples that had high- and medium-cost chronic conditions. Furthermore, they show that the employment rate of those with high-cost chronic conditions fell relative to the rate for those without such conditions.

To further test the importance of increases in health care costs on employment, they repeat this exercise using samples of people with work limitations in the NHIS. They compare the employment rates of those with and without high-cost chronic conditions in 1984–1987 with those same groups in 1993–1996, using the condition groups developed with the MEPS and NMES data. They hypothesize that if growth in health care costs contributed to the employment rate decline, the employment rate for those with work limitations and high-cost conditions should fall relative to the rate for those with work limitations but no high-cost conditions. The finding for women is consistent with this hypothesis, but the finding for men is not. If growth in health care costs explains the result for women, it is difficult to explain the finding for men.

Finally, as done in some of the earlier chapters, they conduct a decomposition exercise to assess the extent to which the increase in the prevalence of high-cost chronic conditions among people with work limitations and the decline in their employment rate might account for the decline in the employment rate for all people with work limitations.

They find a negative effect for both men and women, but the size is small relative to changes in employment rates during the period they study.

Increasing Severity of Disabilities

Rather than focusing on the cost of health care service for chronic conditions or changes in the social environment, one could argue that it is simply a rise in the share of very severe, work-limiting impairments and chronic conditions within the overall population that is responsible for the decline in the overall employment rate of working-aged people with disabilities. Once this shift in underlying medically based factors is taken into consideration, it might be that the employment of those with disabilities who are “able to work at all” greatly improved in the 1990s.

Kaye (Chapter 6) considers this possibility. He first uses NHIS and CPS data to show that the overall employment rates of working-aged people with disabilities did not rise in the 1990s, focusing on those who report a limitation in any major activity, including work. Similar to Burkhauser and coauthors (Chapter 2), and Kruse and Schur (Chapter 8), however, Kaye then shows that the employment rate of the subset of the population with activity limitations who reported being “able to work at all” rose in the 1990s. Although the exact employment rates reported in these three chapters vary because of differences in the years used and in their definition of the population with disabilities (and its “able to work at all” subpopulation), what is consistent across the three studies is that the significant, although declining, share of the overall population with disabilities who describe themselves as “able to work at all” saw increased employment rates during the 1990s while the employment rate of the overall population with disabilities declined. Where Kaye departs from Burkhauser and coauthors (Chapter 2), DeLeire (Chapter 7), and Goodman and Waidmann (Chapter 10) is in his explanation for the dramatic decline in the share of the working-aged population with disabilities that self-report being able to work at all.

Although Kaye does not perform a formal decomposition exercise, it is helpful to think of the arguments in his chapter as similar in design to those in the previous three chapters. Using NHIS data, Kaye finds

that the prevalence of impairments and chronic conditions increased during the period. Like Burkhauser and coauthors (Chapter 2), he argues that a population definition based on impairment or chronic health condition questions is less subject to changes in the social environment and, hence, provides a better continuous measure of the “population with disabilities” than do other population definitions (e.g., work-limitation-based definitions). The two chapters also agree that the vast majority of the working-aged population with impairments and chronic conditions work and do not report a work limitation.

Kaye then argues that it is the rise and change in the mix of these underlying impairments and chronic conditions that have caused the decline in the share of those with activity limitations who say they are able to work at all. Kaye examines data on major chronic conditions and concludes that, for those reporting each of the conditions he considers, the proportion reporting an activity limitation (work limitation or limitation in other major life activity) and the proportion reporting they are unable to work at all have both remained constant. Thus, for each condition, there has been no change in the proportion of those with activity limitations who report they are able to work at all. This is a critical finding because, Kaye argues, this would not be the case if the social environment were causing changes in the ability to work over time among those with chronic conditions. If this conclusion is correct, it is not changes in the social environment, but rather the increase in the share of chronic conditions that result in low “able to work at all” rates among those with activity limitations that is driving the overall decline in the population with these activity limitations who are able to work at all.

Kaye further considers the possible causes of the rapid growth in the prevalence of conditions that result in low “able to work at all” rates—musculoskeletal, respiratory, nervous system, and mental health conditions. He argues that the major increases in these chronic conditions are linked to the obesity epidemic and stress-related disorders caused by the 1991 recession.

Most important from a policy perspective, Kaye argues that, “If the goal is to measure improvements in the level of *employment opportunity* for people with disabilities, as the ADA’s goal statement suggests, one should use a measure that includes those people who are likely to take advantage of such opportunities and leaves out everyone

else” (page 226). When he and others omit those who report they are unable to work at all, on the grounds that they cannot take advantage of employment opportunities, the employment rate of those remaining (those people with disabilities who report they can work at all) has risen since the passage of ADA.

The Americans with Disabilities Act

We would expect that the declining unemployment rates during the growth years of the 1990s business cycle would have caused employers to look beyond their traditional workforce to the millions of working-aged people with disabilities. Yet, as we have seen, the overall employment rates of those with disabilities declined during this period. Some argue that the ADA impeded this process. The ADA, passed in 1990 and effective in 1992, was intended, among other things, to increase the employment of people with disabilities by requiring firms to make reasonable accommodations for “qualified” employees and by banning discrimination against people with disabilities in hiring, firing and pay. Proponents claimed the ADA would induce companies to make adjustments necessary to employ workers with disabilities, and would reduce unlawful discrimination. Critics argued that the unintended consequence of the increased costs of accommodation and the increased threat of litigation resulting from the act would be a decline in the employment of the very people the ADA was meant to protect.

DeLeire (Chapter 7) makes the case that the ADA is responsible for the decline in the employment of working-aged people with disabilities. DeLeire first lays out the conditions under which protective labor laws could induce employers, on net, to employ more or fewer protected workers, and the methods used to measure the net effect of such protective laws. He explains that models in the economics literature used to test the relative importance of the ADA are the same as those that were used to show that the 1964 Civil Rights Act improved the employment rates of African Americans in the 1960s and beyond. In the case of the ADA, however, the results using these models show the opposite outcome. He concludes that, after controlling for all other factors, the employment of working-aged people with disabilities fell after the ADA went into effect.

Based on data from the CPS and SIPP, Acemoglu and Angrist (2001) and DeLeire (2000) use econometric modeling to show that the employment of the working-aged population with disabilities fell after passage of the ADA in 1990 and after its effective starting date in 1992. Importantly, both of these studies define the population with disabilities as all working-aged persons reporting a work limitation. DeLeire defends the use of this population rather than a subset of it that reports being “able to work at all” because, he believes, the answer to the “able to work at all” question is affected by the social environment that he is examining. That is, he believes that the social environment can influence whether a person with work limitations will report being able to work at all, and that to focus only on those with disabilities who so report will understate the effects that the ADA and other social factors have on employment of the larger population with disabilities who could have worked at all.

DeLeire concludes that the difference in the employment outcome of the 1964 Civil Rights Act and the ADA is likely the result of the burden that accommodation costs place on employers, and urges that policies to lighten that load be considered to reverse this outcome.

Kruse and Schur (Chapter 8) agree with the basic theoretical model described by DeLeire, but argue that both the DeLeire (2000) and the Acemoglu and Angrist (2001) papers are flawed because they fail to control for all other factors in their empirical models. Similar to Kaye (Chapter 6), Kruse and Schur focus on the dramatic changes that have occurred in the severity of impairments and chronic conditions in the overall population with disabilities. They report that their own work (Kruse and Schur 2003) using SIPP data replicates the DeLeire (2000) finding of a fall in the employment of the overall working-aged population with work limitations, but they go on to show that the employment rate of the work-limited population who report being able to work at all rises following passage of the ADA. They show that the results are quite sensitive to alternative definitions of the population with disabilities.

In effect, Kruse and Schur, although acknowledging the criticisms of others in this book, line up with Kaye in their conclusions that those who self-report being unable to work at all should not be included in policy analysis of the ADA. Thus, they conclude that increases in the severity of impairments in the working-aged population with disabili-

ties reduced the overall employment rate, and that the ADA, or possibly other changes in the social environment, had a positive effect on the employment of working-aged people with disabilities.

Blanck, Schwochau, and Song (Chapter 9) approach the economics-based discussion in DeLeire and Kruse and Schur from the broader perspective of the law. They criticize the theoretical model used to analyze protective legislation such as the 1964 Civil Rights Act and the ADA as too narrow in its assumptions about competitive labor and product markets. They provide a review of the theoretical literature that explicitly accounts for market failures via imperfect information and difference in the productivity of workers with and without disabilities. They argue that simple competitive models fail to take into account additional possible reasons why firms that are not constrained by perfectly competitive markets would be willing to employ additional workers following the passage of protective legislation. Like both DeLeire and Kruse and Schur, they conclude that theoretical models are ambiguous in their predictions of the impact of the ADA on employment. Ultimately, the only way to assess the impact is through empirical research.

Blanck, Schwochau, and Song go on to provide a more detailed institutional argument for the use of the kind of subpopulations discussed by both Kaye and Kruse and Schur to study the consequences of the ADA on the employment of its specific protected class. They argue that because the ADA was intended to focus on only a small subset of the population with chronic conditions or work limitations, empirical analysis of its consequences should focus solely on the outcomes in its intended protected class. They conclude that such research has not yet been done, and that it is premature to implicate the ADA as the main cause of the decline in the employment rate for people with disabilities.

Changes in Income Support Policies

The SSDI and SSI programs are designed to provide cash benefits to individuals who have impairments that prevent “any substantial gainful activity.” A large economics-based literature links changes in the size of the SSDI and SSI populations to changes in program eligibility criteria and their enforcement and to the generosity of program benefits relative to market wages (see Bound and Burkhauser 1999 for

a review of this literature with respect to SSDI, and Daly and Burkhauser forthcoming for a review with respect to SSI). Because not being “able to work at all” is essentially a precondition for receiving benefits, some argue that changes in program rules might have induced a greater proportion of those with work limitations to leave the labor force in the 1990s and declare themselves unable to work at all so they could receive benefits. That is, some people with disabilities might rationally choose SSDI or SSI benefits over work or continuing to look for work if unemployed, given their expected wages and the costs, both monetary and nonmonetary, of working.

Goodman and Waidmann (Chapter 10) review the evidence that the expansion of the SSDI program during the late 1980s and early 1990s played a central role in the rise in the fraction of men who had work limitations and reported being unable to work at all. They primarily focus on two papers, Autor and Duggan (2003) and Bound and Waidmann (2002), which use data from the CPS and a work-limitation measure of disability, to argue that changes in SSDI eligibility and benefits are primarily responsible for the decline in the employment of working-aged people with disabilities. They show, using data from the CPS and NHIS, a close correlation between increased enrollment in the SSDI program and decreased employment during the past 30 years. The authors then argue that program expansions, which began in 1984, reduced the employment rate of working-aged people with disabilities in the early 1990s in two ways. First, many workers made eligible by the easing of eligibility standards in the mid 1980s began applying for SSDI benefits when the economy began deteriorating between 1990 and 1992. Second, the wage indexing method used in the formula for determining benefit levels had the unintended consequence of increasing the value of the benefit, relative to wages, for low-wage workers. They argue that it was the change in SSDI eligibility rules and benefit growth for low-wage workers during the period, rather than a change in the underlying severity of impairment or chronic conditions, that led to the sharp decline in the employment rates of those who reported work limitations in the CPS data. Empirically, they show that increases in the SSDI rolls account for the entire rise in the fraction of the population who both report that they have a work limitation and are not employed.

WHO IS RIGHT?

Although the authors agree that the employment rate for all people with disabilities declined during the 1990s, they sharply disagree on the main cause. We are left with three main contenders:

- increases in the severity of impairments and health conditions among those with work limitations or activity limitations, as argued by Kaye (Chapter 6) and Kruse and Schur (Chapter 8);
- the passage and implementation of the ADA, as argued by DeLeire (Chapter 7); and
- easing of the eligibility standards and increases in the relative benefits of the SSDI and SSI programs, as argued by Goodman and Waidmann (Chapter 10).

At this point, we leave the reader to weigh the evidence and arguments presented in Chapters 2–10. We provide our own assessment of the evidence in the book’s concluding chapter. We also consider the implications that the findings have for public policy.

Note

The authors wish to thank Ludmila Robka for her research assistance in updating the Burkhauser, Daly, and Houtenville (2001) tables used in this chapter as well as Andrew Houtenville for his help in assuring the accuracy of these values. We also thank the National Institute on Disability and Rehabilitation Research (NIDRR) and the Social Security Administration (SSA) for supporting our work on this chapter. We would also like to thank NIDRR’s Ruth Brannon and our colleague Susanne Bruyère for their encouragement and guidance. The opinions we express are our own and do not represent official positions of NIDRR, SSA, or Cornell University.

References

- Acemoglu, Daron, and Joshua Angrist. 2001. “Consequences of Employment Protection? The Case of the Americans with Disabilities Act.” *Journal of Political Economy* 109(5): 915–957.

- Autor, David, and Mark Duggan. 2003. "The Rise in Disability Reciprocity and the Decline in Unemployment." *Quarterly Journal of Economics* 118(1): 157–205.
- Bound, John, and Richard Burkhauser. 1999. "Economic Analysis of Transfer Programs Targeted on People with Disabilities." In *Handbook of Labor Economics*, Vol. 3c, Orley Ashenfelter and David Card, eds. Amsterdam: Elsevier Science, pp. 3417–3528.
- Bound, John, and Timothy Waidmann. 2002. "Accounting for Recent Declines in Employment Rates among the Working-Aged Disabled." *Journal of Human Resources* 37(2): 231–250.
- Burkhauser, Richard V., Mary C. Daly, and Andrew J. Houtenville. 2001. "How Working Age People with Disabilities Fared Over the 1990s Business Cycle." In *Ensuring Health and Income Security for an Aging Workforce*, P. Budetti, R.V. Burkhauser, J. Gregory, and H.A. Hunt, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 291–346.
- Burkhauser, Richard V., Mary C. Daly, Andrew J. Houtenville, and Nigar Nargis. 2002. "Self-Reported Work-Limitation Data: What They Can and Cannot Tell Us." *Demography* 39(3): 541–555.
- Daly, Mary C., and Richard V. Burkhauser. Forthcoming. "The Supplemental Security Income Program." In *Means-Tested Transfer Programs in the United States*, Robert Moffitt, ed. Chicago: University of Chicago Press.
- DeLeire, Thomas. 2000. "The Wage and Employment Effects of the Americans with Disabilities Act." *Journal of Human Resources* 35(4): 693–715.
- Hale, Thomas. 2001. "Lack of a Disability Measure in Today's Current Population Survey." *Monthly Labor Review* 124(7): 38–40.
- Kruse, Douglas, and Lisa Schur. 2003. "Employment of People with Disabilities Following the ADA." *Industrial Relations* 42(1): 31–66.
- National Council on Disability. 2002. National Disability Policy: A Progress Report (December 2000–December 2001). Available at: <http://www.ncd.gov/newsroom/publications/progressreport_07-26-02.html>. (Accessed: August 20, 2002.)

The Decline in Employment of People with Disabilities

A Policy Puzzle

David C. Stapleton
Richard V. Burkhauser
Editors

2003

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

The decline in employment of people with disabilities : a policy puzzle
/ David C. Stapleton and Richard V. Burkhauser, editors.

p. cm.

Includes bibliographical references and index.

ISBN 0-88099-259-X (pbk. : alk. paper) — ISBN 0-88099-260-3
(hardcover : alk. paper)

1. People with disabilities—Employment—United States. 2. People
with disabilities—Employment—United States—Statistics. 3. People
with disabilities—Employment—Government policy—United States. I.
Stapleton, David C. II. Burkhauser, Richard V.

HD7256.U5D413 2003

331.5'9'0973—dc22

2003015636

© 2003

W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are
the sole responsibility of the authors. They do not necessarily represent positions of
the W.E. Upjohn Institute for Employment Research.

Cover design by Alcorn Publication Design

Index prepared by Nancy Humphreys.

Printed in the United States of America.

Printed on recycled paper.