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# Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants

DAVID AUTOR, NICOLE MAESTAS, KATHLEEN MULLEN, AND ALEXANDER STRAN D

## Key Findings and Policy Implications

This paper tests whether the duration of SSDI applications causally affects applicants' subsequent employment. It uses a unique workload management database called the Disability Operational Data Store (DIODS) which temporarily stores information about the universe of initial and reconsideration disability decisions recorded in the National Disability Determination Service System. The study finds:

- Longer processing times significantly reduce the employment and earnings of SSDI applicants in the years after their initial decision. For example, a one standard deviation (2.1 months) increase in initial processing time reduces annual employment rates by about 1 percentage point in the few years following the initial determination.
- These employment effects persist for an extended period. Even six years after the initial determination, a one standard deviation (2.1 month) increase in initial processing time reduces the employment rate by 0.43 percentage points, and reduces earnings by $178.
- Because SSDI applicants spend an average of 14.1 months seeking benefits, the total effect of the SSDI determination process on employment is even larger. For those who are denied SSDI benefits, the SSDI determination process directly reduces employment by an estimated 2.4 percentage points (or by 6 percent). For those who are accepted into the program, the SSDI determination process reduces employment by an estimated 3.1 percentage points (more than 35 percent).

The paper has significant policy implications. For example, reforms that allow increased work activity among disability insurance applicants may improve their long-term employment trajectory, whether accepted into the program or not. Given that nearly 25 million Americans applied for SSDI benefits in the past ten years – with nearly 3 million applications filed in 2010 alone at the height of the Great Recession – even modest improvements in the incentive effects of the determination process could have economically significant aggregate benefits.

DAVID H. AUTOR is Professor of Economics at MIT, Associate Director of the NBER Disability Research Center, and an NBER Research Associate.

NICOLE MAESTAS is the Director of the RAND Center for Disability Research and a professor at Pardee RAND Graduate School.

KATHLEEN MULLEN is the Associate Director of the RAND Center for Disability Research and a professor at Pardee RAND Graduate School.

ALEXANDER STRAND is an Economist at the Social Security Administration.

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