

# SSAB Weighs In On Privatization and Disability Benefits

*April 2005*

**Editor's Note:** *In March 2005, the Social Security Advisory Board (SSAB) released a report entitled, "Retirement Security: The Unfolding of a Predictable Surprise." The discussion of disability benefits, which begins at page 22 of the report, is reprinted here in full. The complete report is available at [www.ssab.gov](http://www.ssab.gov).*

## **Disability Benefit Issues**

In this report, the Board focuses primarily on the issue of retirement security for older Americans. An important part of the Social Security program, however, is the protection it provides to workers against the loss of earnings capacity as a result of disability. We have, in other reports, addressed both the significant administrative issues involved in the Social Security disability programs and the broader issue of whether the program needs basic redirection and possibly a change of definition – one that better meets society's current goals of encouraging and assisting those with impairments to attain maximum independence and self-sufficiency.

It is important to recognize, however, that there are interrelationships between the retirement and disability aspects of Social Security. In theory, the disability program is supported by a specific portion of the payroll tax that is allocated to a separate disability insurance trust fund. Unanticipated growth in disability benefits, however, has required on several occasions a shifting of a portion of the overall tax from supporting the retirement and survivors program to supporting the disability program. And it appears likely that this will be necessary again. The 1985 Trustees Report projected that the program would now be paying benefits to about 6 million disabled workers and their families. According to the 2004 Trustees Report, the actual number of such beneficiaries is a third greater than that projection – about 8 million, and the disability program is projected to be unable to meet benefit obligations in full by 2029, 13 years sooner than the retirement program. As shown in Table 1 [available on page 22 of the complete report], the disability program tax rate has increased from 1.1 percent in 1970 to 1.8 percent today. In order to meet program costs over the next quarter century, the Trustees estimate in their 2004 report that an additional increase of approximately 0.18 percentage points would be needed.

Even apart from the direct financial impact on the overall Social Security program of disability benefit costs, there are significant reasons why the disability program is related to retirement income security. One challenge facing the future of Social Security arises from the changing ratio of workers to beneficiaries. This would be lessened to the extent that policies are adopted which make the disability program more responsive to the desires of impaired individuals to attain maximum self-sufficiency. Also, in considering proposals aimed at increasing labor force participation of older persons, policymakers will need to recognize that disability tends to become more prevalent with advancing age.