



News Release

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IS DISABILITY BECOMING THE NEW RETIREMENT?

Surge in Disability Claims Will Have a Lasting Effect on the Labor Supply

DALLAS, TX (June 21, 2012) By 2018, one in 14 working-age Americans will be receiving Social Security Disability payments, up from currently about one in 20, according to a new report from National Center for Policy Analysis Senior Fellow [Pam Villarreal](#).

“The current Social Security Disability program is fraught with poor incentives, high costs and an unsustainable future,” said Villarreal. “The rise in Social Security disability claims and benefit payments will have a lasting effect on the nation’s labor supply and the financial stability of the program.”

Additional findings in [“Disability versus Work”](#) include:

- Despite greater workplace accommodations and improved medical treatments, less than 3 percent of individuals will ever leave the Disability program and return to work.
- While the majority of beneficiaries are over 50, one-third of Disability beneficiaries are less than 50 years old, meaning they will likely remain on disability for several years until they reach retirement.
- In just 3 years, Disability program expenditures will increase 30 percent, faster than the increase in Social Security retirement benefits.

In order to meet the needs of disabled individuals while improving work incentives, NCPA proposes a pre-funded system of personal accounts as adopted in some other countries such as Chile. These accounts would allow for full or partial disability claims without penalizing individuals for pursuing some type of work.

“Ironically, self-reported disability has actually fallen among those age 65 and over, but has increased for the working-age population. This is detrimental for an American population that is living longer as the labor force participation rate is falling.”

Pam’s morning blog on [Disability and the Incredible Shrinking Work Force](#):

<http://retirementblog.ncpa.org/disability-and-the-incredible-shrinking-work-force/>

Issue brief full text: <http://www.ncpa.org/pdfs/ib109.pdf>

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The study is co-authored by NCPA Senior Fellows Thomas R. Saving and Andrew J. Rettenmaier, both with the Private Enterprise Research Center (PERC) at Texas A&M University, and PERC Research Scientist Liqun Liu.

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