PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

LIMIT SSDI TO INTENDED POPULATION

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ADVANCING **AMERICAN** FREEDOM

TOPLINE: Unintended use of Social Security's Disability Insurance (SSDI) program increases payroll taxes and restricts income and output by reducing the workforce.

BACKGROUND: Social Security's Disability Insurance (SSDI) program has grown from a 0.5% payroll tax in 1957 to 1.8% today, and the number of SSDI recipients has quadrupled in the past 60 years, from about 2 million to more than 8 million. Much of this growth was caused by expanded eligibility standards, inconsistent and lax determinations, and almost no focus on helping individuals to recover and return to work. These unintended expansions are evident in the number of individuals who qualify for benefits each year—a figure that should not vary much by year if based on actual disabilities. During the Great Recession years of 2009-2012, more than 1 million new beneficiaries were added each year. As the economy improved, that figure fell to just 380,000 in 2023.

One source of SSDI's unintended expansion is the medical-vocational grid, which transformed individualized consideration of age, education, and work history into a rule-based determination. As a result, about 40% of new SSDI awards consider these non-medical factors. A second culprit is the outdated list of jobs available in the national economy, which is used to determine if a job exists that an individual can perform. Internet-based and gig economy jobs—which are more accessible to individuals with limitations—are not on the list, but mule driver, seal killer, and telegram messenger remain. Lastly, the SSDI program does almost nothing to encourage recovery and return to work for those who are capable. Instead, it enables dependency and despondency, with only 3% of beneficiaries ever exiting the program and returning to work.

Action Items (Congress and the Administration):

- Either Congress by statute or the administration by rule should:
  - **Eliminate the medical-vocational grids.**
  - **Require the list of jobs in the economy to be updated every 3 years.**
- Congress should **establish flexible, needs-based SSDI benefits.**

How It Would Make Life More Affordable:

- Reducing the number of unintended recipients could enable Congress to reduce workers' SSDI payroll taxes.
- A larger workforce would increase incomes and output and reduce welfare costs.

Related Legislation: Making DI Work for All Americans Act (H.R. 4854 [116th Congr.]). (The Trump administration is reportedly working on regulations to modernize the list of jobs in the economy and to trim grid qualifications.)

BOTTOMLINE: Reserving disability benefits for those who cannot work minimizes taxes on workers and expands output and incomes.