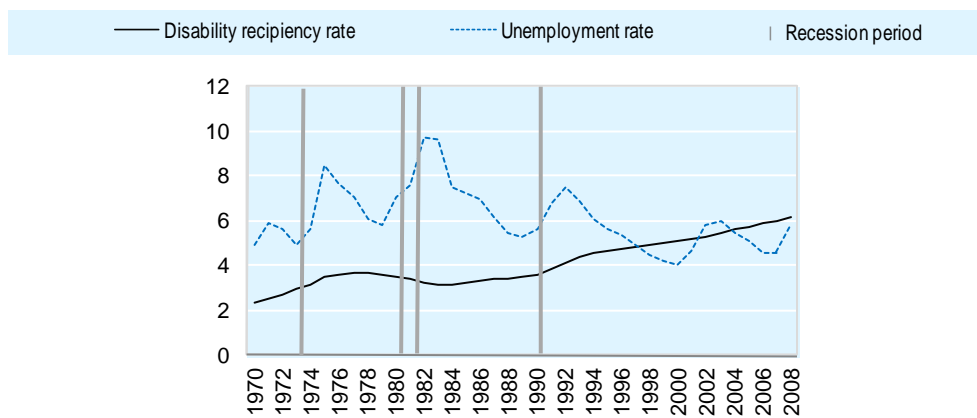


UNITED STATES

KEY FINDINGS

- In the United States in the 1970s and 1980s, the number of people receiving unemployment benefit was 2-3 times that on disability benefit. After the crisis in the early 1990s, unemployment fell while the increase in the number on disability benefits accelerated. In 1997, the latter exceeded the number of unemployed for the first time in history and remained roughly equal since (Figure 1).

Figure 1. Long-run trends in unemployment and disability reciprocity rates in the United States, 1970-2008 (percentages)



- Following its steady increase, the number of working-age people in the United States who receive disability benefit is now above the OECD average; in 2008, 6.2% compared to 5.7% (Figure 2).
- The increase in the number of people on disability benefit affected all age and gender groups, but it was strongest among older people aged 50-64 years.
- Public spending on sickness and disability makes up 11% of all US public social spending, over the OECD average of 10%. This was five times the spending on unemployment before the crisis.
- The unemployment rate for people with chronic health problems or disability at the end of 2007 was around half that of the OECD average, at 6.5% compared to 13.7%. But it was 40% above the US unemployment rate for people without health problems (Figure 3).
- Employment rates of people with health problems or disability, at 39%, are very low and falling. In turn, almost one in two of them live in poverty: 48% compared to an OECD average of 22%. This is twice the figure of the general US population. The gap between people with and without disability is larger than in other OECD countries, for both employment and poverty rates.

POLICY CHALLENGES

1. **Remove disincentives to work for disability beneficiaries.** People on disability benefit are not willing to risk losing health insurance coverage (Medicaid) which comes with the benefit status. This is why many of the well-intended work incentives in the social security system (including e.g. expedited benefit reinstatement, deferred eligibility reassessment and a trial-work period) do not bite.
 - Health care reform is critical to overcome the current benefit trap. The *Affordable Care Act* should be implemented in such a way that it ensures coverage irrespective of benefit status.

2. **Introduce early intervention and access to supports.** Public systems predominantly focus on helping disability beneficiaries off benefit. As such, intervention is coming far too late. Evidence shows that people out of work for many years are very unlikely to ever return to the labour market.
 - Move towards prevention and early identification of health problems and, where needed, early intervention so as to promote job retention and prevent exit onto long-term benefits.
 - Give employers a role in monitoring and managing sickness absences of their workers, and provide the necessary support to them and their workers.
3. **Promote good practice and secure policy consistency across States.** States are key players in disability policy; for instance, they are in charge of implementing labour market policy as well as the state vocational rehabilitation scheme. This leads to uneven quality of service delivery across States and accountability problems. Monitoring performance at State-level, enforcing better coordination of policies and cooperation of actors and better institutional incentives are among the tools needed in order to secure good and consistent policy across the country.

Figure 2. **Disability benefit recipiency rates in 2008, United States in comparison with 30 other OECD countries, plus OECD average (percentages)**

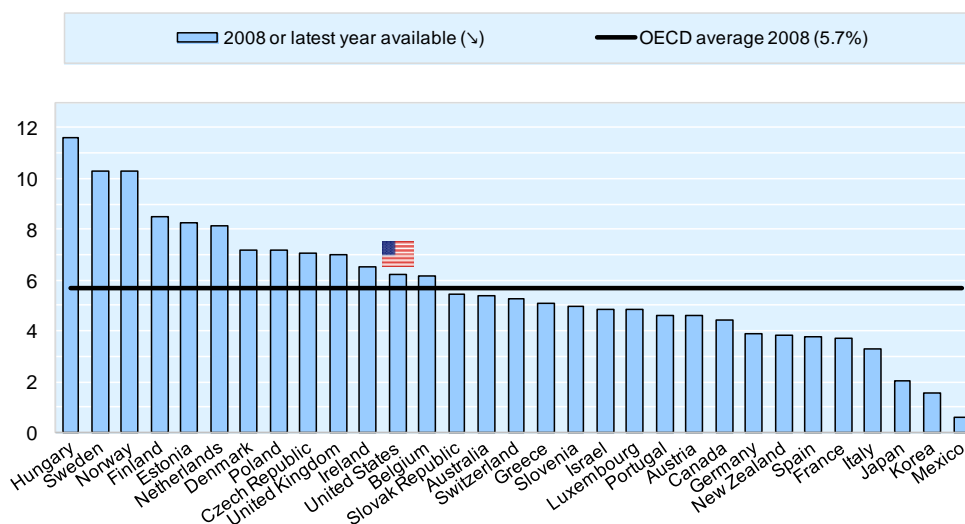


Figure 3. **Selected key labour market indicators by disability status, around 2007 i.e. before the recent economic downturn, United States and OECD averages (percentages)**

