

**Strengthening Social Security Research:
The Responsibilities of the Social
Security Administration**

Social Security Advisory Board
January 1998

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Social Security Advisory Board

An independent, bipartisan Board created by Congress and appointed by the President and the Congress to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs.

January 1998

Message from the Board

One of the most valuable services the Social Security Administration can perform is to ensure that the President and the Congress have the information they need to protect the economic security of workers and their families in retirement, upon disability, or upon death of the worker.

The Congress recognized the importance of research to SSA's mission when it passed the Social Security Independence and Program Improvements Act of 1994. This legislation, which established the Social Security Administration as an independent agency and created the bipartisan Advisory Board, gave the Board the specific task of making recommendations with respect to a long-range research and program evaluation plan for the agency. In its first report entitled "Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership," the Board recommended that the Commissioner of Social Security place a high priority on strengthening the agency's policy and research capacity. It outlined a number of measures that the agency should take to increase this capacity.

This report, "Strengthening Social Security Research: The Responsibilities of the Social Security Administration," is the first by the Board to respond to the specific statutory mandate relating to SSA's research and program evaluation plan. In it, we put forward the steps we believe the agency should take at this time.

Although from the beginning the Social Security Administration has placed a high value on research, in more recent years the resources that have been directed toward this important work have diminished. Recognizing this shortcoming, the agency has recently made plans to hire additional research staff. While we commend SSA for the actions that are being taken, we believe that considerably more needs to be done. We believe that the Social Security Administration has the primary responsibility within the government to provide policy makers and the public with the information they need to evaluate important Social Security issues. The Commissioner, who must both develop and respond to program changes, has a special need for this information.

We call upon the agency to develop a long-range plan that links the agency's research and program evaluation efforts to the central issues of the programs it is responsible for administering. The agency's plan should establish what will be done within SSA, what SSA will do to promote and encourage research by researchers outside of government, and how SSA's research will be coordinated with the research of other government agencies.

In June 1997 the Board sponsored a research forum at which outside experts on the Social Security and Supplemental Security Income programs discussed what they thought should be in SSA's long-range research and program evaluation plan. The Board has also solicited the views of many other experts and advocacy organizations. The recommendations in this report reflect what we have learned from these efforts.

Stanford G. Ross, Chair

Jo Anne Barnhart

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Martha Keys

The Social Security Advisory Board*

Stanford G. Ross, Chair

Stanford Ross is a partner in the law firm of Arnold & Porter, Washington, D.C. He has dealt extensively with public policy issues while serving in the Treasury Department, on the White House domestic policy staff, as Commissioner of Social Security, and as Public Trustee of the Social Security and Medicare Trust Funds. He is a Director and former President of the National Academy of Social Insurance, and serves as Chair of its International Understanding Committee. He has provided technical assistance on Social Security and tax issues under the auspices of the International Monetary Fund, World Bank, and U.S. Treasury Department to various foreign countries. He has taught at the law schools of Georgetown University, Harvard University, New York University, and the University of Virginia, and has been a Visiting Fellow at the Hoover Institution, Stanford University. He is the author of many papers on Federal taxation and income security subjects.

Jo Anne Barnhart

Ms. Barnhart is a political and public policy consultant to State and local governments on welfare and social services program design, policy, implementation, evaluation, and legislation. From 1990 to 1993, she served as Assistant Secretary for Children and Families, Department of Health and Human Services, overseeing more than 65 programs, including Aid to Families with Dependent Children, the Job Opportunities and Basic Skills Training program, Child Support Enforcement, and various child care programs. Previously, she was Minority Staff Director for the U.S. Senate Committee on Governmental Affairs, and legislative assistant for domestic policy issues for Senator William V. Roth. Most recently, Ms. Barnhart served as Political Director for the National Republican Senatorial Committee.

Lori L. Hansen

Ms. Hansen is a Policy Analyst at the National Academy of Social Insurance. She was a Technical Assistant to former Social Security Commissioner Robert Ball in his capacity as a member of the National Commission on Social Security Reform. She was also a Special Assistant to the President and Director of Government Affairs at the Legal Services Corporation. In addition, Ms. Hansen was a senior professional staff member on the U.S. Senate Committee on Labor and Human Resources, Subcommittee on Employment, Poverty, and Migratory Labor, and was legislative assistant to Senator Gaylord Nelson, then Chairman of the Subcommittee on Social Security of the Senate Committee on Finance. She also served on the professional staff of the Senate Select Committee on Nutrition and Human Needs.

Martha Keys

Martha Keys served as a U.S. Representative in the 94th and 95th Congresses. She was a member of the House Ways and Means Committee and its Subcommittees on Health and Public Assistance and Unemployment Compensation. Ms. Keys also served on the Select Committee on Welfare Reform. She served in the executive branch as Special Advisor to the Secretary of Health, Education, and Welfare and as Assistant Secretary of Education. She was a member of the 1983 National Commission (Greenspan) on Social Security Reform. Martha Keys is currently consulting on public policy issues. She has held executive positions in the non-profit sector, lectured widely on public policy in universities, and served on the National Council on Aging and other Boards. Ms. Keys is the author of *Planning for Retirement: Everywoman's Legal Guide*.

* The Board currently has three vacancies.

I. THE ROLE OF THE ADVISORY BOARD

Establishment of the Board

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created a 7-member bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters relating to the Social Security and Supplemental Security Income (SSI) programs. The conference report on this legislation passed both Houses of Congress without opposition. President Clinton signed the Social Security Independence and Program Improvements Act of 1994 into law on August 15, 1994 (P.L. 103-296).

The Board's Mandate

The law gives the Board the following functions:

- 1) analyzing the Nation's retirement and disability systems and making recommendations with respect to how the Old-Age, Survivors, and Disability (OASDI) programs and the Supplemental Security Income (SSI) program, supported by other public and private systems, can most effectively assure economic security;
- 2) studying and making recommendations relating to the coordination of programs that provide health security with the OASDI and SSI programs;
- 3) making recommendations to the President and to the Congress with respect to policies that will ensure the solvency of the OASDI programs, both in the short term and the long term;
- 4) making recommendations with respect to the quality of service that the Social Security Administration provides to the public;
- 5) making recommendations with respect to policies and regulations regarding the OASDI and SSI programs;
- 6) increasing public understanding of Social Security;
- 7) making recommendations with respect to a long-range research and program evaluation plan for the Social Security Administration;
- 8) reviewing and assessing any major studies of Social Security as may come to the attention of the Board; and
- 9) making recommendations with respect to such other matters as the Board determines to be appropriate.

How Board Members are Appointed

Advisory Board members are appointed to 6-year terms, made up as follows: 3 appointed by the President (no more than two from the same political party); and 2 each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and Ranking Minority Member of the Committee on Ways and Means) and by the President pro tempore of the Senate (in consultation with the Chairman and Ranking Minority member of the Committee on Finance). Presidential appointees are subject to Senate confirmation.

Board members serve staggered terms. The statute provides that the initial members of the Board serve terms that expire over the course of the first 6-year period. The first two members' terms expired September 30, 1996 and September 30, 1997, respectively. (The Board currently has three vacancies.)

The Chairman of the Board is appointed by the President for a 4-year term, coincident with the term of the President, or until the designation of a successor.

The Work of the Board

The Board began holding substantive meetings in late Spring of 1996. Since that time, it has been meeting monthly, addressing a wide variety of issues important to the Social Security and SSI programs. Thus far most of the Board's efforts have centered on the examination of issues related to long-term financing for Social Security, changes in the disability programs, policy development by the Social Security Administration, a long-range research and program evaluation plan for SSA, and increasing public understanding of Social Security.

In March 1997 the Board issued its first report, entitled "Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership." That report, which recommended that SSA place a high priority on policy, research, and program evaluation, provided the foundation for further work by the Board aimed

at meeting the statutory mandate given it by the Congress to make recommendations with respect to a long-range research and program evaluation plan for the agency.

In a September 1997 report, "Increasing Public Understanding of Social Security," the Board recommended a number of steps that it believes will strengthen SSA's efforts to inform the public about the Social Security program and about the upcoming national dialogue on the long-term financing of the Social Security program.

As preparation for writing this report, in June 1997 the Board sponsored a forum at which 12 experts on retirement and disability issues addressed the following questions that had been posed by the Board:

1. What issues should be on SSA's long-range research and program evaluation agenda? Why are they important? What should SSA be doing to address them?
2. Are there resource/data limitations in addressing these issues? If so, how can they be overcome?
3. What related issues could more appropriately/economically be addressed by researchers outside of SSA?
4. What should SSA do to encourage outside research on these issues?
5. What are the limits on the access by outside researchers to SSA's data, methods, and assumptions? What could or should be done to reduce or remove these limits?

Following the forum, the Board asked other experts, along with advocacy organizations, to contribute their views on these questions. Staff within SSA were consulted as well.

The Board has issued a summary of the proceedings of this one-day forum, which also includes a summary of the additional comments that it has received.

II. FINDINGS: The Need for Reliable Information on Social Security and SSI Issues

- ◆ Given the importance of Social Security to the income security of American families and to the national economy, it is essential that policy makers have accurate, balanced, and objective information to help them determine the extent to which the program is meeting the long-standing objectives of social adequacy and individual equity, the nature and extent of changes that may be needed, and the impact of proposals for change. It is the view of the Board that the Social Security Administration, as the administering agency for the Social Security (Old Age, Survivors, and Disability Insurance) program, and the Supplemental Security Income program, has the primary responsibility within the government for ensuring that this information is provided.
- ◆ The public is increasingly aware of the aging of the population and the demands this will create for the Social Security system. As a result, Social Security is subject to increasing scrutiny. The public, along with policy makers, wants and needs reliable information to understand and debate the issues relating to the long-term solvency of the Social Security system. There is a need for detailed analyses of how changes may affect workers, beneficiaries, and the economy.
- ◆ The quality of the research and analysis performed by the staff of SSA has historically been high. However, as downsizing of SSA's staff occurred in recent years, there has also been a disproportionate reduction in the number of staff devoted to research. In the early 1980s the agency's research staff numbered more than 300. Today it numbers 133. A large part of the research staff is assigned to statistical work and preparation of the *Social Security Bulletin*. At the present time, only about 31 individuals have research as their primary responsibility, with eight others working on evaluation.
- ◆ In a period of budget cutting, research in many Federal agencies has shrunk and the ability to maintain long-term studies has been impaired. There is a question as to whether SSA has been more negatively affected by this process than other agencies. However, it is clear that SSA now lacks sufficient resources to provide the information that policy makers need to address critical Social Security program issues.
- ◆ SSA's need for additional research staff was emphasized in a recent independent study of the Office of Research, Evaluation, and Statistics, which was conducted by a review team from the Institute for Health and Aging at the University of California, San Francisco. The review team recommended adding at least 50 new full time positions to strengthen the internal research and evaluation capacity and to develop and support external resources for research. (*A Review of the Mission, Resources, and Capabilities in the Office of Research, Evaluation, and Statistics, Final Report Recommendations*, December 1997, Recommendation No. 5.)

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- ◆ Costs and caseloads of the Disability Insurance program grew rapidly in recent years. Between 1989 and 1996 the number of DI beneficiaries grew from 4.1 million to 6.1 million, and annual program costs increased from \$23.8 billion to \$45.4 billion. The SSI disability program, which is funded from general revenues and provides benefits based on individual need, grew even more rapidly. In this same period the number of disabled SSI beneficiaries increased from 3.0 million to 5.0 million, and annual disability program costs rose from \$9.3 billion to \$22.9 billion.
- ◆ The dynamics of the disability programs are poorly understood. Researchers have been unable to explain the causes of many of the changes that have occurred since these programs began, including changes in program growth and changes in the prevalence of types of impairments. SSA is working to develop research tools that will aid in understanding future program changes, but much more needs to be done if policy makers are to have the information they need to develop sound public policy. Disability issues are likely to become of even greater importance if the aging of the baby boomers causes disability costs and caseloads to rise.
- ◆ There are growing questions about what the objectives of the Disability Insurance and Supplemental Security Income disability programs should be and whether they are appropriately structured. Passage of the Americans with Disabilities Act (ADA) in 1990 reflected the desire of many disabled individuals to work, as well as the growing support on the part of the public to find ways to provide employment for disabled individuals. However, SSA's programs, which base eligibility on the assumption that disabled individuals cannot work, are viewed as inconsistent with the goals of the ADA. Although SSA's recent legislative proposal, "Ticket to Independence," would establish a pilot program to test ways to return beneficiaries to work, there is need for a more comprehensive research program to support examination of new approaches to employment for disabled individuals.

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- ◆ Additional work by researchers at academic and other institutions could greatly enrich the quality and range of research available to policy makers and the public in analyzing Social Security issues. However, budget and staffing constraints have meant that SSA has placed little emphasis on finding ways to encourage research outside the agency.
- ◆ There are significant limits to the availability of the data that are needed for research on retirement and disability issues. Although SSA has contributed in a limited way to funding surveys done by others, such as the Health and Retirement Survey, its role in improving data availability for researchers both within and outside the agency has been constrained by lack of resources. Much more should be done to develop and make available data needed to do research.
- ◆ Researchers both within and outside of government could learn much more about current and potential income sources of older Americans, and therefore about their general economic well-being, if there were improved linkages between public survey data and program administrative data. Making Social Security administrative data available to outside researchers would also promote increased analysis of important Social Security issues. At present, resource limitations and issues of confidentiality impede these activities. Addressing these impediments should be a high priority for SSA's leadership.
- ◆ Although SSA has a responsibility to help provide information that is needed for an informed public debate, as yet it has not defined the research agenda that is needed in order to inform that debate. It has also not developed effective methods of making research findings widely available to policy makers, other researchers, the media, or the general public.
- ◆ Most of all, the Social Security Administration needs to have a comprehensive long-range plan that sets forth the research and program evaluation objectives of the agency, and the steps that it will take to reach these objectives. SSA currently has no such comprehensive plan to respond to this central need for fulfilling its program responsibilities.

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III. RECOMMENDATIONS: What SSA Needs to Do to Improve the Quality of Research

With 147 million workers and their employers paying Social Security taxes, and 44 million individuals receiving benefits totaling about \$360 billion in 1997, the Social Security program touches nearly every American family and has a major impact on the American economy.

The Supplemental Security Income program, which the Social Security Administration also administers, is financed from general revenues. In 1997, the agency made SSI payments totaling more than \$26 billion to more than 6 million low-income aged, blind, and disabled individuals.

To develop and oversee a research and program evaluation plan to ensure the viability, fairness, adequacy, and efficiency of programs of this magnitude is a serious and challenging responsibility.

As the administering agency, the Social Security Administration bears the central responsibility for developing a continuously evolving research and evaluation plan for these programs. Carrying out this plan is a task that can and should be shared with outside researchers and other government agencies as well.

A. SSA's Role in Planning and Carrying Out Social Security Research and Program Evaluation

Develop a Comprehensive Long-Range Research and Program Evaluation Plan

- ◆ **SSA should place a high priority on the development of a comprehensive long-range research and program evaluation plan for the Social Security and Supplemental Security Income programs.**

In its March 1997 report which presented recommendations for improving SSA's policy and research capability, the Board

recommended that SSA develop a strong policy development office. The individuals in this office, along with others in the agency who have an interest in policy and research, should have the responsibility of identifying the issues that need to be addressed. The agency's research and program evaluation plan should be linked to those issues in order to ensure that the plan produces the data and information that are needed by those who develop or respond to proposals for program changes. The plan should not be static. It should be expected to be modified over time as issues and needs change. Nonetheless, the agency should use

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it to guide its research work both in the short term and the long term.

The plan should also reflect the important interrelationship of Social Security with Federal health programs and the tax system, recognizing that changes in one of these areas can have a direct effect on the others, both from the standpoint of the public and of the government.

The plan should reflect broad research needs, going beyond what SSA itself expects to do. It should define priorities. It should establish what staff within SSA will do, what SSA will do to encourage and promote research by others outside the agency, and how SSA's research will be coordinated with the research of other government agencies. It should identify gaps in data that need to be filled, and describe the resources that will be needed to carry out the plan. In addition, SSA's long-range plan should provide for coordination among the various SSA components which have responsibility for research or program evaluation activities in order to assure the most efficient use of resources.

- ◆ **SSA should improve the information and analyses that it provides to policy makers and the public.**

Research is valuable only to the extent that it is made available in usable form to those who need it. Therefore, SSA should consider carefully, and include in its plan, what the agency can and will do to make the information

and analyses that are produced available to policy makers and the public. Expanded information on SSA's Web site is one way to achieve this.

Another way would be for SSA to provide brief policy papers that would be widely distributed. Conferences and other public meetings are yet another method the agency should consider. The agency will have to take steps to assure the credibility and objectivity of the information and analyses that it produces.

- ◆ **SSA's research plan should reflect broad consultation — with the Congress, other government agencies, the Advisory Board, and others.**

In developing its long-range research and program evaluation plan, SSA should consult broadly — with the Congress, other government agencies, and the Social Security Advisory Board. It should also consult within the agency, drawing upon all of SSA's relevant resources.

As a part of this consultative process, the Board also recommends that the agency consider establishing a permanent research advisory panel to advise in the development of the agency's long-range plan. Such a panel, if carefully composed, could potentially enhance the quality, credibility, and continuity of SSA's research program. Care would have to be taken to appoint individuals with diverse perspectives and views. Those appointed must have expert knowledge of the issues related to the economic security of workers and their families, and of the kinds of

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research and program evaluation that are needed to study and address those issues. Members should serve staggered terms. In order to avoid any actual or appearance of conflict of interest, panel members would have to be precluded from any role in the funding of specific research projects.

Enhance SSA's Research and Evaluation Capacity

- ◆ **SSA's long-range research plan should include a multi-year approach for recruiting additional staff with the requisite knowledge and skills to support both internal and external research activities.**

The Board recommends that the commitment that SSA has made in its strategic plan to revitalize its research and evaluation capacity should include a multi-year plan to recruit highly qualified staff. The process of hiring staff of the caliber and with the qualifications needed in the research and evaluation areas is difficult, and it often takes more than a year to recruit staff with specialized skills.

At the Board's June research forum as well as in discussions with other Social Security experts, the Board heard numerous accounts about how SSA's research activities have diminished over the last 20 years. The primary responsibility for research rests with the Office of Research, Evaluation, and Statistics (ORES).

ORES is significantly smaller today than it was in the early 1980s. The decline in ORES' staffing has been exacerbated by the loss through retirement or resignation of experienced staff, which is likely to continue because many of its experienced senior staff are close to retirement age.

The rebuilding of SSA's research capacity will require that hiring be done to replace projected staff losses as well as to increase the level and quality of staffing. SSA also needs to hire employees with appropriate skills to conduct rigorous program evaluation. The expansion of SSA's extramural research activities, which the Board encourages, is closely related to rebuilding SSA's internal research capacity because of the responsibilities that research staff must assume in overseeing the extramural research activities of the agency.

The Board is advised that SSA has approved 20 new research positions for the agency. This is an important step forward, but only the beginning of a long-term process.

- ◆ **SSA should consider making the research office a part of a new policy office.**

The Board believes that combining the policy and research offices will greatly assist the agency in attracting and retaining the high quality of staff that it needs. Putting the responsibilities for these functions together in one office will also help to assure coordination of the policy and research agendas. The

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independent review team from the Institute for Health and Aging, in its recommendations for the leadership and organizational structure of ORES, also advised that the agency should combine the policy and research functions into one office. (*A Review of the Mission, Resources, and Capabilities in the Office of Research, Evaluation, and Statistics*, Recommendation No. 11.)

- ◆ **SSA should determine where its staffing needs are the greatest and focus its recruitment efforts accordingly.**

The challenge facing the Social Security Administration includes the recruitment of staff with the right expertise, but priorities should be set. SSA needs staff with backgrounds in several fields, including economics, sociology, and statistics or mathematics with specialized skills in modeling techniques. SSA should be prepared to provide salary levels above its normal range in order to attract highly qualified candidates. As discussed later in this report, one area of research that should be given priority is the Social Security and SSI disability programs.

SSA has not invested sufficient research resources in examining proposals, including those for structural changes, to ensure the long-term financing of the Social Security program. Policy makers need information and analysis that should be available from SSA research staff, as well as from outside researchers.

Another area where capacity is lacking is statistical analysis and the creation of supporting data systems. ORES has lost nearly all of its staff who had worked in this area, including a Chief Mathematician. SSA's administrative data bases are a rich source of information for researchers, and staff for this function should be a priority. SSA's research office needs to have expertise in econometrics and operations research to support agency needs in areas such as study design, data collection procedures, and data analysis.

Finally, several participants in the June forum expressed the view that there is a need for more research on social security systems in other countries. ORES has lost several experienced people in the international area, and this staff should be rebuilt as part of a new program to reflect global developments.

Countries around the world are confronting issues with their social security systems that are similar in nature to those of the United States. A great deal can be learned from their experiences. Also, the United States has an interest in making its programs understood by other countries, particularly those in developing economies. Historically, the United States has at times played an important role in international social security deliberations, and this leadership role requires an understanding of worldwide developments in social security.

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- ◆ **SSA's efforts to build a strong program evaluation capacity should be accelerated.**

For many years SSA's program evaluation activities have been fragmented and ineffective. Currently, SSA has little capacity to evaluate proposed changes in its programs, the effects of new legislation, or whether its programs are meeting their objectives. The agency's efforts to revitalize program evaluation were initiated around the time that SSA became an independent agency in 1995, but progress has been slow.

Thus far, only 8 employees have been assigned to these responsibilities within ORES. SSA intends to use a special "task order" approach with established contractors to conduct some of the evaluation, but it is critical that SSA have qualified staff to work with these contractors and provide agency oversight in order to assure that the evaluation that is done is of high quality, and that it will meet the needs of policy makers.

- ◆ **SSA's research office should have the flexibility to do both large-scale studies and smaller studies that focus on specific program features, specific populations, or emerging policy issues requiring quick turn-around.**

The Board recommends that SSA's long-range research plan include a mix of research activities that will permit research on issues of immediate importance to policy makers. One concern heard at the June forum was that the limited amounts of research money and staff resources should not be disproportionately committed to large-scale projects. The availability of task order contracts could help on some projects, but SSA needs to retain flexibility with its staff resources.

Encourage Outside Research

- ◆ **SSA should encourage research outside the agency in order to improve both the quality and the quantity of information available to policy makers and the public.**

Although the Board believes that SSA bears a central responsibility for ensuring that policy makers and the public have the information they need to understand complex retirement and disability issues, there is much research and analysis that can more appropriately be carried out by individuals and entities outside the agency. Both policy makers and SSA itself can benefit from the work of outside researchers who are not constrained by institutional assumptions, and who can provide a diversity of views that may not be reflected within the agency. Researchers at universities and other institutions, as well as at other government agencies, can also provide expertise in particular areas that SSA does not have. There are also circumstances where research can be done more efficiently and cost effectively by individuals outside the agency.

Another advantage to promoting Social Security research outside the agency was noted in the Board's September 1997 report, "Increasing Public Understanding of Social Security." As the Board stated in that report, a more active and open relationship with the academic community could well promote additional university course offerings as well as increase the number of research projects and published studies of Social Security issues, activities which in the long term

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should have the extra benefit of increasing the public's knowledge and understanding of Social Security.

While urging that steps be taken to encourage research by individuals outside the agency, the Board cautions SSA to recognize that individual researchers and institutions have their own financial and research interests to consider. SSA must ensure that any research it sponsors will have as its clear purpose serving the interests and needs of policy makers, the agency, and the public.

◆ **SSA's long-range research and program evaluation plan should include the specific measures the agency will take to encourage outside research.**

Panelists at the Board's June 1997 forum recommended specific steps that SSA should take to encourage research outside the agency. Many of them referred to the valuable "networking" function that the agency could perform. The Board believes that many of the recommendations that were made have merit and should be included in the agency's research plan.

As discussed below, one of the most important efforts the agency can undertake is to find ways to improve the availability of data to outside researchers. This will require continuing and expanding linkages between Social Security administrative data and survey

data. It will also require making SSA's administrative data more accessible to researchers outside the agency. In turn, promoting access to data will require the agency to address the question of how greater access to data can be achieved without compromising the confidentiality of personal information held by the agency.

In addition, the Board urges SSA to consider a number of specific mechanisms to promote research on Social Security issues by researchers outside of the government, and to improve the interaction of ideas between researchers within the agency and those who work outside the agency.

One such mechanism, which is already being used to some extent by SSA, would be to establish a regular program to bring in visiting researchers on a temporary basis under the auspices of the Intergovernmental Personnel Act (IPA). Under the IPA, a government agency is able to bring in individuals from other agencies or academic institutions to perform work needed by the agency for a period of up to two years (with a possible two-year extension).

SSA should consider establishing a visiting scholars program in which outside academics would be brought into the agency for short periods of time to inform SSA staff about their own research and to become familiar with the work being done within SSA. SSA could also

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help outside researchers, and perhaps guide the direction of their work, by providing them with increased information on the data sources that are available, and by serving as a clearing house (through newsletter or Internet) for information on the research projects that are being conducted both within and outside the agency.

SSA should also consider providing financial support for research centers at universities or other research institutions. An example of an agency that funds this kind of activity is the National Institute on Aging, which sponsors research on aging in nine research centers throughout the country. There are obvious advantages and disadvantages to doing this. The main advantage to an agency with limited staff resources is the ability to call upon outside experts to conduct research that cannot be conducted by the agency itself. But if SSA decides to finance such centers, it must do so in a way that ensures that the research that is done on its behalf is objective, balanced, and directed to the needs of the agency rather than those of the individual researcher or the center that is performing the research.

In addition, SSA should provide research opportunities through grants, fellowships, or assistantships, which would have the benefit of potentially increasing the number of well-trained scholars who work in the area of Social Security research.

SSA should also sponsor or cosponsor conferences, where academic and SSA researchers would present papers and discuss data needs. These conferences could be held on a regular basis to provide ongoing interaction between SSA and outside researchers.

The Board recommends the establishment of a permanent technical panel to advise the agency on the assumptions and methodology used to estimate the financial status of the OASDI programs under current law and under alternative policies, as well as on the agency's economic models. The former quadrennial Social

Security Advisory Councils, which were replaced by the permanent Social Security Advisory Board in the Social Security Independence and Program Improvements Act of 1994, have used such panels in the past to assist them in their work. This technical panel could be established by the Advisory Board, by the Board of Trustees, or by SSA or these entities in consultation. The Technical Panel on Assumptions and Methods that was appointed by the 1994-1996 Advisory Council similarly recommended the establishment of a technical panel, with gradually changing membership, to be available for consultation to the Office of the Chief Actuary on an ongoing basis.

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Another issue that this technical panel should address is what can and should be done to make SSA's economic and actuarial models more accessible to outside researchers.

◆ **The agency needs to direct more resources to promoting outside research.**

The Board believes that the agency and policy makers alike can reap substantial benefit from the kinds of extramural activities described above, and recommends that SSA allocate additional staff to oversee, and funding to support, this purpose. Current spending for extramural research, other than for the proposed Disability Evaluation Study which is expected to be done under contract with an outside entity, is limited. In fiscal years 1997 and 1998, SSA's appropriation included \$7 million and \$16.7 million, respectively, for extramural research. The increase in fiscal year 1998 is tied to research on long-range program solvency issues. In comparison, about \$40 million was included in each of the two fiscal years for extramural

research under the Medicare and Medicaid programs at the Department of Health and Human Services.

While urging additional funding for research outside the agency, the Board believes that SSA's research plan must establish an appropriate balance between internal and external work. Funding for extramural research should not come at the expense of internal research. As the Board has made clear elsewhere in this report, there is a need for increased resources for both internal and external research.

Improve the Quality and Availability of Data

- ◆ **The agency should improve and make greater use of its administrative data. It should also give higher priority to increasing the availability of SSA's administrative data to outside researchers.**

SSA's administrative data are an invaluable resource for analyzing retirement and disability issues and program changes. These databases should be kept current and improved, so that greater use can be made of them by researchers both within and outside the agency. For example, earnings histories can be used to analyze important issues such as earnings patterns over a lifetime, and changes

in the distribution of earnings. In the area of disability, SSA's administrative and program data can be used to study relationships among work histories, impairments, outcomes, and other characteristics of people with disabilities. These databases have the advantage of being large enough to allow researchers to make statistically meaningful distinctions among subgroups of disabled individuals.

The agency has worked in recent years to enhance the usefulness of its disability program databases. For example, recent changes will allow SSA's researchers to track cohorts of individuals who apply for disability benefits within a particular year to determine who is awarded benefits, who appeals a denial of benefits, and who is awarded benefits in the appeals process. This will help the agency to identify changing program trends. Efforts such as these should be continued and expanded.

The panelists at the Board's June forum strongly recommended that SSA make its administrative data more available to the research community outside of the agency. It was suggested that the agency provide a large representative public-use data set that would give a random sample of Social Security participants' entire earnings and benefits history. It was recognized that making these administrative data available to outside researchers will require the agency to develop ways to protect the privacy of individual records.

SSA's administrative...databases should be kept current and improved, so that greater use can be made of them by researchers both within and outside the agency.

The Board agrees with the panelists' recommendation. It understands that this will require SSA to have additional staff to do the complex technical work involved in assuring that privacy concerns are met, and in otherwise preparing data sets for use by outside researchers. Nevertheless, it believes that the value to SSA and to policy makers of the increased volume and diversity of research that will be generated will far outweigh the relatively small cost to the agency.

- ◆ **SSA should support the collection of survey data. It should also continue and expand linkages between Social Security administrative data and survey data for use by researchers both within and outside of SSA.**

In earlier years, SSA made significant research contributions by conducting the Retirement History Study (in the 1960s and 1970s) and the New Beneficiary Survey (in the 1980s). More recently, it has provided limited support for surveys conducted outside the agency, including the Health and Retirement Survey (HRS) and the Asset and Health Dynamics Survey (AHEAD). The data that these surveys will generate will be greatly enhanced by linking them to SSA's administrative data, a process that has begun and should be continued. Data linkages have

also been established with some panels of the Survey of Income and Program Participation (SIPP) and several earlier years of the Current Population Survey (CPS). These surveys are conducted by the Bureau of the Census. Although SSA researchers have access to these two latter linked data sets, outside researchers do not, because of legal limits on access to Census data.

Linkages such as these are invaluable tools for research. They make possible the combination of detailed demographic, health, and economic survey information with information derived from Social Security earnings and benefits records, allowing analyses of retirement and disability questions that cannot be answered by looking at one data source alone. Such linkages are particularly valuable if they extend over many years, so that researchers can watch what happens as changes occur in people's lives.

The Board recognizes that if SSA is to increase its support for the collection of survey data and for data linkages, this, too, will require additional funding as well as additional staff to do the resource-intensive work that will be required. As stated above, the Board is convinced that the value to policy makers in making informed decisions will be well worth the relatively modest investment that is required.

The Board recognizes that if SSA is to increase its support for the collection of survey data and for data linkages, this, too, will require additional funding as well as additional staff....

◆ **SSA should address privacy concerns that impede access to administrative data and that limit the linkage of administrative data with survey data.**

The earnings and benefit information that SSA collects is a valuable source of research data. As noted above, making these data available to outside researchers and linking these data to other data sets can significantly enhance the ability of researchers both within and outside the agency to understand the economic and social environment in which Social Security operates and the effect of the Social Security program itself.

At the same time, it is clear that SSA has a legal and moral obligation to ensure that the data it collects to operate its programs remain secure and that the privacy rights of workers and beneficiaries are fully protected. While ways to make more data available for research need to be developed and implemented, the agency cannot permit the privacy of individuals to be compromised. However, legitimate privacy concerns need not preclude increased access to data for outside researchers.

Researchers both within and outside of government have been studying the question of how to provide increased access to data without violating rights of privacy. SSA, as the holder of some of the most valuable research data and as one of the most important users of data as well, needs to take an active role in seeking ways to answer this question. Working with other government agencies, SSA should study

whether specific statutory restrictions on use of data should be modified in ways that can satisfy both privacy and data access concerns.

The Privacy Act of 1974 sets general limits, with a number of exceptions, to the use and disclosure of identifiable records of individuals gathered or maintained by Federal agencies. In addition, even more stringent statutory limits apply to information gathered by the Census Bureau and by the Internal Revenue Service (including Social Security earnings and payroll tax information). Section 1106 of the Social Security Act also restricts the disclosure and use of Social Security records. SSA should assign staff to work on the technical problems of data-masking and data set integration.

The Board also recommends that SSA consider having an explicitly identified official or component within the research office with the technical and legal expertise and the institutional authority to protect the integrity of the data whenever it is made available to researchers outside of SSA. This official would direct the efforts to resolve privacy related issues, and would be responsible for insuring that individual privacy is protected in all cases involving outside researchers as well as for leading the agency's efforts to broaden the availability of data to outside researchers where this is appropriate and feasible. This official should also serve as the liaison in working with other Federal agencies on more comprehensive privacy issues related to research activities.

SSA should address privacy concerns that impede access to administrative data and that limit the linkage of administrative data with survey data.

B. Major Emphases of Research

This first report of the Board with respect to SSA's long-range research and program evaluation plan focuses primarily on the need for the agency to think through and define the questions that need to be answered if policy makers are to be able to make good public policy decisions. As noted earlier in this report, this will require broad, on-going consultation with individuals both in and outside of government.

At present the major focus of attention by both policy makers and the general public is on the issue of the long-term solvency of the Social Security system. Clearly, the agency must have a research agenda that addresses this issue. Proposals for partial privatization of the system and for investment of the trust funds in private equities have raised questions that have not been adequately studied. The strengths and weaknesses of these proposals need to be explored.

The Social Security Administration cannot and should not attempt to undertake all of the research studies that are necessary. However, it should identify the questions, and determine which studies it can and should do, which could more appropriately be done by others, and the steps SSA can take to facilitate and encourage research by others. The American retirement system is a mosaic of public and private programs. No one agency can address all of the issues that they involve. It is important that SSA coordinate its research on cross cutting issues affecting multiple programs with other agencies that have expertise, such as the Health Care Financing Administration and the Department of the Treasury.

In this report, the Board presents its preliminary recommendations for the areas of research that the agency should consider in developing its plan. In making its recommendations, the Board has drawn upon the advice of experts both within and outside the agency. In particular, the Board has benefited from the contribution of the panelists who participated in the research forum sponsored by the Board in June 1997.

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Social Security, Retirement, and the Economy

Income Sources of Older Individuals

The economic security of current and future retirees is an issue of major concern for policy makers. To evaluate that security

requires information about multiple sources of income. Along with income provided by the nearly-universal program of Social Security, income from earnings, public and private pensions, and individual savings are all important. The Office of Research, Evaluation, and Statistics conducts a valuable ongoing effort to measure sources of income for older households. There are, however, many questions that need continuing study.

One important focus for future research should be the relationship of older workers to the work force and changes in retirement trends. What determines an individual's decision to retire? Is the trend toward earlier retirement among men beginning to change? If so, why? As more women participate in "career" jobs, what will happen to their retirement patterns? More needs to be known about the circumstances of older workers who move out of the work force gradually, through bridge jobs, which may be part-time or involve self-employment.

A majority of members of the 1994-1996 Advisory Council recommended an additional increase in the "normal" retirement age beyond the increase in current law which will begin to affect early retirees in 2000. This proposed change in Social Security policy raises the question of the availability of jobs for older workers. Will employers be willing to retain or hire older workers who choose to remain in the work force? What kind of jobs are likely to be available? Although individuals are living longer, are they able to work longer? How does health status affect the kinds of work they can perform? If the early retirement age is also increased, what would be the effect on individuals? What are the characteristics of workers who claim Social Security benefits at age 62? How would employers react to this change? Would there be increased pressures on disability programs? How would changing the retirement age affect the view of the "appropriate" age of retirement? What measures would encourage older workers to remain in the work force longer than they presently do?

Changes in the labor market will affect future retirees. Continuing research is needed on the changing nature of jobs in the economy and on trends in earnings distributions, both of which have major implications for economic well-being after retirement.

Employer-provided pension plans provide about 18 percent of the aggregate income of persons aged 65 or older. (This 18 percent is equal to the amount provided by earnings and less than half the amount provided by Social Security.) Policy makers need information on changes in pension coverage rates, and in the changing nature of pension coverage. What will be the supply of pensions and who will have them? What will be the characteristics of future pensions? Why is there a trend away from defined benefit plans to defined contribution plans, and will this trend continue? How will increased reliance on defined contribution plans affect the retirement decisions of older workers and the total resources available to them in retirement? How will the increased use by employers of defined contribution plans affect job availability for older workers? What is the effect of lump-sum pension withdrawals? Researchers at SSA should coordinate their research efforts on these and related pension issues with the Department of Labor and the Pension Benefit Guarantee Corporation.

Savings outside of pensions are the source of another 18 percent of aggregate income of older individuals. There is concern that the low personal savings rate in the U. S., which has averaged about 4.7 percent in the 1990s compared with about 8 percent in the 1970s,

Although individuals are living longer, are they able to work longer? How does health status affect the kinds of work they can perform?

will have serious consequences for future retirees. Research is needed on how people save and savings patterns over a lifetime. What determines private saving decisions? Why do people save so little?

Research is also needed on the impact of the present system and of proposals for structural change on patterns of work and savings (both inside and outside of employer pension plans).

The number of individuals who receive Supplemental Security Income payments based on age and need has steadily declined from 2.3 million in 1975 to 1.4 million in 1997. Continuing research is needed to determine when and why changes in enrollment occur, and the characteristics and needs of beneficiaries.

The Social Security Benefit Structure

The Social Security Administration provides useful ongoing analyses of Social Security benefits, using measures of both poverty and replacement rates. Policy makers will want similar analyses of reform proposals, as well. They will also be interested in analyses of the respective rates of return.

Another area of growing interest to policy makers and the public is the degree of progressivity of Social Security benefits. Although lower wage workers receive proportionally higher benefits relative to their contributions than do higher wage workers, the progressivity of the system has been questioned by those who think that lower wage earners may

in fact subsidize higher earners because their life expectancy is generally shorter than that of higher earners. The question of the progressivity of benefits should also be studied as part of the analysis of proposed reforms of the present system. These analyses should take into consideration survivor and disability benefits, as well as old age benefits. They should also consider differences between one-worker and two-worker families and the tax treatment of benefits.

The question of income adequacy for unmarried older women is of particular concern, with more than one-third of those who are age 70 or older having an income below the poverty level. The Board recommends greater attention to the study of why women are at greater risk of economic insecurity in their later years and of the impacts of alternative proposals for addressing this problem.

Economic Effects of Social Security and of Reform Proposals

Social Security benefits now equal 4.7 percent of Gross Domestic Product (GDP) and the Social Security Trustees estimate that they will grow to 6.7 percent of GDP in 2071. Income from taxes will be sufficient to make these growing benefit payments through the year 2011, under the Trustees' intermediate assumptions. After that date the retirement of the baby boomers will cause the outlays of the system to rise above taxes, and the trust funds are estimated to be exhausted in 2029. At this time income to the trust funds will equal about

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75 percent of the required benefit payment under current law, and will decline to about two-thirds of the benefit payment by the end of the 75-year estimating period. However, current law does not authorize the payment of less than full benefits, and Congressional action will be needed to address the projected shortfall. Changes in the program's financing and/or benefits will have to be made.

Proposals that have been made for diverting a portion of Social Security taxes to private investment accounts or for investing a portion of accumulating trust fund reserves in private equities raise important questions with respect to their potential effects on the national economy.

General questions that need to be investigated include: How does the current system affect national savings, and what effect would substituting private investment accounts for Social Security, or of accumulating a large reserve of public funds, have on national saving and therefore on economic growth? What form of public pension structure would have the greatest positive impact on national saving? What is the effect on labor supply of the current system? Would this change under a system of private investment accounts? What would be the effect on the stock and bond markets of large-scale investment of trust fund moneys? What would be the effect of proposed structural changes on interest rates?

Experience in Other Countries

SSA has traditionally conducted studies of social security systems in other countries. The Board believes that such studies can provide insights from which the United States can learn. For example, many industrialized countries have populations that are aging even faster than in this country. Policy makers will find it useful to know how others are addressing this problem, and the effects of major retirement and disability policy changes on workers, retirees, employers, and the economy.

A dialogue about these issues within organizations such as the Organization for Economic Cooperation and Development, World Bank, International Monetary Fund, International Social Security Association, and other international forums is taking place and SSA has an important role to play. Social security reform is a major issue on the agendas of our major trading partners and the impact of social security on fiscal policy, labor policy, trade and investment is of critical concern. Wider dimensions of social security can be usefully explored at an international level and SSA needs to equip itself for this task.

The agency must be able to know what works and what does not and be looking continually for ways to improve its service to the public.

Administration

It is critically important for SSA to conduct, on a continuing basis, careful research and analysis of its administrative operations. Policy makers and the public need to have confidence in the integrity, fairness, and efficiency of the Social Security and Supplemental Security Income programs. The agency must be able to know what works and what does not and be looking continually for ways to improve its service to the public. The Office of Program and Integrity Reviews and the Office of the Inspector General perform vital functions in this regard.

SSA and other government agencies have a responsibility to study administrative issues and options related to proposals for structural change in the system. For example, what kinds of administrative mechanisms could or should be used to implement a system of private investment accounts? What would they cost? Who would bear the cost? If trust funds were to be invested in private equities rather than in Treasury bonds what kind of body should be created to oversee and perform that function? How would investment decisions be made? Studies of the experiences of other countries could help in analyzing these questions.

The Disability Programs

Disability Insurance and SSI Disability Program Growth

The number of beneficiaries receiving Social Security Disability Insurance benefits grew by nearly 50 percent between 1989 and 1996. The number of beneficiaries receiving Supplemental Security Income disability benefits grew even faster, by two-thirds.

Policy makers need to understand the causes of changes in disability program growth, including what causes people to apply for benefits.

SSA currently is developing a research project, the Disability Evaluation Study (DES), which involves a one-time survey conducted nationwide to assess the size and characteristics of individuals in the general population who may meet disability eligibility criteria under current law but who are not receiving benefits. In addition to learning more about the universe of potentially eligible people, SSA plans to use the DES to study the effects of possible changes to the disability decision process; the factors that result in people continuing to work in spite of the fact that others with similar impairments apply and qualify for disability

benefits; and how to develop a cost-effective approach for monitoring future changes in the prevalence of disability.

Because of the significant cost involved, it is essential that the Disability Evaluation Study go forward only after the agency is assured that it has been carefully designed and tested to provide valid, reliable, and programmatically useful results. The Board is pleased that SSA has contracted with the Institute of Medicine and the Committee on National Statistics of the Commission on Behavioral and Social Sciences and Education of the National Academy of Sciences to review the research design for the DES and to make recommendations as to how it should be conducted. SSA should also consider whether it can derive additional useful information to analyze disability issues from existing ongoing surveys, such as the National Health Interview Survey.

Policy makers need to understand the causes of changes in disability program growth, including what causes people to apply for benefits.

Additional research is needed on the impact of the baby boom generation on the DI and SSI disability programs. Because the prevalence of disability is higher as individuals age, especially as they get into their 50s, the baby boom generation is likely to affect program costs.

In addition to demographic changes, research is needed on how advances in medical treatment affect the ability to work of those with severe impairments; the effect of increasing numbers of beneficiaries with mental impairments, who tend to be younger and potentially stay on the disability rolls for

longer periods; and the impact on the employment of disabled individuals of changes in the nature of work (including skills and education requirements) as jobs in the services economy increase and jobs in manufacturing and production decrease.

Another important area for research is how changes in policy, such as different eligibility criteria, temporary benefit periods, increased rehabilitation and employment opportunities, and health insurance coverage, would affect program participation.

Disability Program Administration

SSA has not been able to quantify factors related to program administration that may affect program growth. Research is needed on whether variances in favorable decision rates between States influence decisions to apply for benefits, and whether public perceptions of the ease or difficulty of obtaining benefits affect application rates. Also, to what extent do changing emphases in program administration of the disability programs (e.g., changes in quality assurance reviews) influence application rates and award rates? Continuing research should be directed at ways to improve the equity and efficiency of disability administration, as well as at ways to improve the quality of service to the public.

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Employment and Rehabilitation; Changing Attitudes About Disability

Currently, disability beneficiaries are unlikely to go off the disability rolls before death or automatic conversion to retirement benefits at age 65. Termination rates in the DI program are at an all-time low — fewer than one-half of one percent of beneficiaries leave the rolls because of medical recovery or return to work. As indicated above, there is growing concern about the objectives and structure of the disability programs, in part due to changing attitudes about employment for individuals with disabilities. Many believe that there needs to be greater emphasis in the disability programs on promoting work for those who can.

Pertinent questions that policy makers will want to address include: Will changes in the nature of work make employment more or less difficult for workers who have severe impairments? Are employers willing to accommodate workers with disabilities? What incentives would encourage employers to make necessary accommodations, both for retaining current employees and for hiring workers with disabilities? How do people with disabilities transition out of the work force?

There are also questions relating to rehabilitation: What are the appropriate times for intervention in providing rehabilitation and employment services? What can be learned from the experience of other countries with early intervention? Can the private sector case management approaches be successful in public disability programs? (SSA has already done some research on this question through Project Network, the results of which will be available by early next year.) What additional incentives would stimulate rehabilitation providers to serve more DI and SSI beneficiaries?

SSA's recent "Ticket to Independence" proposal is intended to evaluate the effects of expanding the use of private rehabilitation providers and giving beneficiaries a greater

choice in selecting a provider. Other “return to work” proposals are also being considered by Congress. It will be important for SSA to develop a comprehensive research and evaluation plan to determine the most effective means of helping disabled individuals find and retain employment.

Relationship of Health Care and Support Services to the DI and SSI Programs

The eligibility link between the DI and Medicare programs and the SSI and Medicaid programs is often cited as a reason why people apply for DI and SSI benefits or are reluctant to attempt to return to work. Policy makers need information on the extent to which health care coverage is a factor in applying for or maintaining public disability benefits. This includes the difficulty of obtaining health care by people with disabilities who are in part-time work as a transitional step to complete exit from the labor force (and also by program beneficiaries who take part-time jobs as a step to full-time employment).

Disabled Children and Younger Disabled Adults under the SSI Program

Research is needed on children and young adults in the SSI program: What are the disability-related needs of children receiving SSI? Do these needs differ by impairment? To what extent are SSI benefits being used to meet needs not met through other programs? How do childhood disabilities affect the work participation of parents? Are current

provisions a barrier to employment and self-sufficiency for older disabled children?

Also, more needs to be known about the nature of impairments in children, which may range from impairments lasting only a year or two to long-term impairments with no improvement expected. Only limited information is available regarding trends in childhood disability, including growth in the number of children with severe impairments or changes in specific types of impairments.

Research is needed to assess the effects of the 1996 welfare reform legislation on children whose benefits are terminated and on children who are not found to be disabled in the future.

The rapid growth in the number of SSI childhood beneficiaries (from about 300,000 in 1989 to over 1 million in 1996) also heightens the question of how to assist the transition from school to work as these SSI beneficiaries approach working age. Research is needed to answer this question.

Research on Specific Populations

People with disabilities are heterogeneous. Research is needed on specific populations, including women and minorities; differences between DI and SSI beneficiaries; differences between categories of impairments; and differences between age groups. As noted elsewhere, SSA’s large administrative data base could be very helpful to researchers in analyzing the differences among these populations.

Policy makers need information on the extent to which health care coverage is a factor in applying for or maintaining public disability benefits.

IV. APPENDIX: SSA's Current Research Efforts

Within the Social Security Administration, most research is conducted or coordinated by the Office of Research, Evaluation, and Statistics (ORES). In addition, the Office of Disability is responsible for disability research initiatives relating to encouraging Social Security and SSI disability beneficiaries to return to work, and the Office of the Chief Actuary conducts significant fact finding and analysis on matters related to program financing.

The following, which is based on information provided by SSA to the Advisory Board, describes the staff and the research-related work being done or planned to be done by the agency. (The Board has not received information on the timelines for completion of research projects.)

Office of Research, Evaluation, and Statistics

ORES has 133 staff members. Seventy-four of these people are located at SSA's headquarters in Baltimore and 59 are located in Washington, DC. About 75 people on the ORES staff are assigned to various statistical work and studies, such as information included in the *Social Security Bulletin* and the *Annual Statistical Supplement*, and in their publication. There are 31 people who primarily do research, and there are eight staff members in the evaluation unit. The balance of the staff provides supervisory, administrative, and other support functions.

The size of SSA's research staff is significantly smaller than it was in the early 1980s, when ORES had over 300 people. The staff was reduced as part of SSA's downsizing, which began in the 1980s. The decline in staffing has been exacerbated by the retirement or resignations of many experienced people. SSA is attempting to improve its research capacity and has approved a limited amount of new hiring to permit ORES to fill several critical needs, as described below.

The appropriation for extramural research is \$16.7 million for fiscal year 1998, which includes \$10 million for research on long-range program solvency issues. ORES also has a carryover of research money not obligated in previous fiscal years. (This includes money for the Disability Evaluation Study, which has been delayed.)

Office of Disability

SSA's research initiatives on rehabilitation and return to work are coordinated by the Office of Disability. About 10 members of the Division of Employment and Rehabilitation Programs have been involved in the work on Project Network, a four-part demonstration testing different approaches for providing rehabilitation and job placement services. (This initiative is close to completion, with a final report expected early in 1998.) This same staff has been designated to coordinate the testing of SSA's legislative proposal, "Ticket to Independence," which, if legislation is passed, will test the effects of giving disability beneficiaries the choice of using either public or private rehabilitation providers. SSA proposes to use one or more contractors to assist SSA in carrying out the "Ticket to Independence" project.

The Office of Disability is also working with other Federal agencies, such as the Office of Special Education and Rehabilitative Services (OSERS), through interagency agreements, on employment and rehabilitation research. In addition, Office of Disability staff are working on research issues related to Disability Redesign, SSA's initiative to restructure the disability determination process. Finally, the Division of Disability Program Information and Studies has developed a comprehensive administrative database to use in research on disability program growth and in SSA's research on Disability Redesign.

Office of the Chief Actuary

Although not typically regarded as a research office, the Office of the Chief Actuary (OCAct) performs research-related work. The Office prepares cost estimates and analyses for the Social Security and SSI programs. To support its estimating activities, OCAct develops and maintains numerous and extensive data bases related to the operations of all programs administered by SSA. The staff consists of 46 employees, including 38 professional staff members (31 actuaries, 4 economists, and 3 research analysts) who conduct research and analysis necessary to prepare economic and demographic assumptions, cost estimates, and actuarial analyses.

In addition to the above activities, OCAct issues special actuarial studies and actuarial notes. In the last two years, OCAct has prepared two actuarial studies: “Social Security Area Population Projections: 1997” and “Short-Range Actuarial Projections of the OASDI Program, 1996.”

They have also prepared the following four actuarial notes: “Suitability of Beneficiary Records for Determining the Program Experience of Couples;” “Frequency Distribution of Wage Earners by Wage Level;” “Representative Payees for Adult Beneficiaries;” and “OASDI Short-range Sensitivity Analysis.”

According to OCAct, the following actuarial studies and notes are now in the planning stage:

Studies — Actuarial Tables Based on U.S. Life Tables 1989-1991, and Disability Insurance Termination Rates.

Notes — Comparison of Actual and Projected Life Expectancies and Fertility Rates, Improvement in Mortality Rates, Effective Annual Interest Rate Earned by the OASI and DI Trust Funds, and Distribution of Primary Beneficiaries by the Level of Their Benefits.

ORES’ Research Priorities

ORES has established four areas as priorities for expanding its research and evaluation activities. These are:

- ◆ Understanding growth in the Disability Insurance program and SSI disability program, analyzing the implications of SSA’s Disability Redesign Project, and identifying ways to encourage disability beneficiaries to return to work;
- ◆ Analyzing the effects of suggestions for structural changes in the Social Security program, such as the alternatives developed by the 1994-1996 Advisory Council on Social Security;
- ◆ Analyzing issues and refining assumptions and methodology related to long-range Social Security program financing; and
- ◆ Building a policy evaluation capacity for developing estimates of the effects of policy initiatives and examining the impact of legislation and policy changes.

Disability Research. — The Disability Evaluation Study (DES) is SSA’s largest extramural research project. It initially was targeted to understanding growth in the disability programs, particularly assessing the size of the population potentially eligible for benefits under SSA’s definition of disability, but still part of the workforce. As part of the DES, ORES will also study the factors which keep people in the workforce, and what accommodations and interventions might permit others to remain in the workforce.

A closely related area of research covers SSA’s Disability Redesign project, including the effects of proposed changes in the disability decision methodology.

The proposed decision methodology requires developing measures of functioning and the requirements of work. Planned research activities include developing occupational classifications so that an individual's functional ability can be compared with a baseline of work activity, and analyzing the vocational factors (age, education, and work experience) used in disability determinations to assess how these factors would be applied under any new decision methodology. The original plan for the DES has been expanded so that, in addition to assessing the size of the population potentially eligible under the current definition of disability, it is also planned that the DES will be used to test the proposed methodology and how it will affect program costs.

Another area of ORES' disability research is focused on SSA's "employment strategy" for returning program beneficiaries to work. Some of the research will come out of the DES, including information on what keeps individuals with severe impairments in the workforce. The employment research also will be looking at which beneficiaries are most likely to benefit from vocational rehabilitation, and demographic differences between those who attempt work after receiving benefits and those who do not.

Structural Changes in the Social Security Program. — ORES has initiated only limited work on the recommendations of the 1994-1996 Advisory Council, although this is one of the areas for which new staff is expected to be hired. Work is underway on an analysis of the income distribution implications of mandatory savings proposals on workers at different earnings levels. It is planned that ORES will also analyze the effects of a two-tier benefit system and possible changes in the Social Security benefit computation formula.

ORES staff have completed a study of the Chilean social security system (published in the Fall 1996 issue of the *Social Security Bulletin*) and are currently studying the system in Great

Britain. Research is also being done on the effects of reducing benefits payable to spouses and increasing benefits for widows and widowers.

ORES has initiated modeling work on structural changes, using SSA data files on earnings and benefits which have been linked to Census survey files. One project is using the model to study a sample of beneficiaries who retired in the early 1990s to see what their experience would have been under the Advisory Council's alternatives. However, ORES indicates that additional staffing is needed to make the models more useful in providing information at the household and aggregate economy levels.

Long Range Financing. — ORES currently has several activities to improve the projection methods and the demographic and economic assumptions used in the Trustees Reports. The areas being addressed include economic assumptions such as patterns of earnings growth and fringe benefits, interest and inflation rates, and labor force participation rates; and demographic assumptions, including fertility and immigration. ORES has made research grants on a number of these topics.

Policy Evaluation. — During the course of welfare reform and other legislation in the 104th Congress, concern was expressed about the lack of information on the potential effects of several program changes, including the effects of proposed changes on disabled children and drug addicts and alcoholics. ORES has indicated that it intends to study the effects of the recent legislation on these groups. The Advisory Board wrote to the Acting Commissioner of Social Security in April 1997 urging SSA to track the disabled children who would be terminated from the SSI benefit rolls as the result of the welfare reform legislation. As of mid-December, SSA's plans for evaluating the legislation have not yet been announced.

The ORES policy evaluation staff also plans to evaluate the implications of two changes in current law that will be effective in the future: increasing the age at which full retirement benefits are paid, and increasing the exempt amount under the retirement earnings test for workers age 65 and over.

To assist in these research and evaluation activities, SSA has standing contracts (task orders) with four major research contractors to do specific projects. SSA plans to spend about \$2 million under contracts in fiscal year 1998 for policy evaluation studies.

ORES' Core Areas of Research

Economic Impacts of Social Security and SSI on Current and Future Beneficiaries. — This area is a major part of SSA's ongoing research and data collection work. Some of the topics on which SSA compiles data include: the importance of Social Security in providing income to the beneficiary population; economic well-being generally and for specific groups, including poverty rates among elderly women and the poverty levels of widows, divorced women, and never-married women; effects of Social Security on lifetime income as well as current income; patterns of savings and pension entitlement; and the role of the SSI program in providing income for retired and disabled workers.

Work and Retirement Decisions. — ORES conducts internal research and also provides some support for external research such as the Health and Retirement Survey and the National Longitudinal Study of Mature Women to analyze questions about the timing of benefit receipt. The topics being studied include: the effects of early retirement age, and the retirement earnings test; Social Security and the trend toward early retirement; and the effects of increasing the retirement age.

Modeling to Estimate the Effects of Legislative or Policy Changes. — ORES developed a microsimulation model to estimate distributional effects of program and policy changes on individuals and families. The analyses that are planned to be done include the effects on income and poverty of various changes in Social Security or SSI benefits; the impact of proposals for taxation of Social Security benefits; and the distributions of taxes paid and benefits received.

ORES is also developing a model to assess workforce participation by workers with severe impairments who remain in the workforce. This model will evaluate various proposals to encourage disabled beneficiaries to return to work. In addition, over the next two years ORES plans to develop a model on retirement income among beneficiaries which will help in evaluating the effects of proposed program changes on current and future beneficiaries.

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