

The Labor Supply of Disabled Veterans: 1995-2014

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Key Findings and Policy Implications

This paper compares labor force participation trends of veterans in receipt of Department of Veteran Affairs (VA) disability compensation benefits with veterans without disabilities from 1995 to 2014. It uses data from the Current Population Survey's Veteran's Supplement. The paper finds that:

- The raw CPS data on veterans, without controls for the characteristics of the veteran population, indicate that disabled veterans are working less than in the past. Between 1995 and 2014, the percent of disabled veterans who were working dropped from 62 percent to 49 percent.
- After controlling for aging and other personal characteristics, however, disabled veterans' employment and labor force participation rates have fallen only slightly faster than non-disabled veterans; and even this relatively faster decline can be explained by the tendency for disabilities to worsen with age. In other words, the population of disabled veterans has become both relatively older and relatively more disabled than it was in the mid-1990s, entirely explaining the observed decline.
- Veterans with the most severe disabilities – those with ratings between 50 and 100 percent, a group that has ballooned since the early 2000s – have actually increased their labor supply relative to non-disabled veterans.

Because VA disability compensation expenditures have grown even faster than SSI and SSDI expenditures, questions have been raised about whether the awarding of benefits should take into greater account the employability of the applicant. In the case of VA benefits, work and disability receipt are not meant to be mutually exclusive as they effectively are for SSDI. The results of this study suggest that veterans with disabilities are not reacting to the system any differently than they were in the mid-1990s. Their decreased labor force participation is instead explained by age and health factors.

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