The Impact of Bureaucratic Structure on Government Eligibility Decisions

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Abstract

One central function of bureaucracies is to determine eligibility in many federal and state programs. The structure of the organization in which decisions are made may affect whether the organization has a predisposition to be more lenient or more stringent in eligibility determinations. In this paper I compare the determinants of eligibility decisions in Social Security Disability across two different bureaus within the Social Security Administration (Administrative Law Judge offices and state government Disability Determination Services). I test the hypothesis that structural differences between the two units explain why each unit responds differently to signals from the environment, to the ability to gather information, and to cognitive biases created from the ideological environment where decisions are made. I find that ALSs are more responsive to signals from U.S. Congress whereas DDS are more responsive to intra-agency signals and the ability of the bureaucracy to gather information. I also find that differences in the responses of DSS and ALJs to the task environment are predicted by the fact that only ALJs actually see claimants face to face. Finally, both DDSs and ALJs decisions reflect the ideological context where bureaucrats process information, which supports the argument that cognitive biases influence bureaucratic decision-making regardless of organizational structure.
Bureaucracies play a central role in making public policy by applying program rules to individual cases (Lipsky 1980; Prottas 1977). In so doing, they create the public policy that the public actually experiences. An understanding of public policy, therefore, requires an understanding of the determinants of bureaucratic behavior. While the dominant paradigm for understanding bureaucratic behavior focuses our attention on how the incentive structures elected officials create constrain bureaucratic behavior (principal-agent theory), scholars have recently argued that political scientists refocus their attention on the central bureaucratic task of information processing and return to the behavioral approach to understanding bureaucratic organizations (Jones 2003; Workman, Jones and Jochim 2010). This approach draws from both early work in the behavioral tradition in public administration (see March and Simon 1958; Simon 1947) and the work on social construction and issue definition in public policy (see Rochefort and Cobb 1994; Stone 1984).

Jones and his colleagues argue for a new theory to guide research on public bureaucracies, which they label as an “information processing theory of bureaucracy.” To best understand why public bureaucracies implement policy the way they do, we should focus on the limited attention span of bureaucracies, the use of heuristics and assumptions to simplify the task environment, and the distribution of issues across different sub-units within the bureaucracy (Workman, Jones and Jochim 2010). Agencies charged with implementing programs are not monolithic black boxes but instead are made up of sub-units all with their own structures and cultures (Simon 1947). In order to understand why bureaucracies shape public policy the way they do through policy implementation; we must therefore pay attention to how different units within the bureaucracy respond differently to information in the task and political environment and recognize that information is often ambiguous. Policy implementation by any federal
agency should reflect, therefore, how the organizational design of sub-units within the bureaucracy shape how people within that sub-unit respond to environmental stimuli that is filtered through the structure of the sub-unit. In what follows, I use insights from the “Information processing theory” of bureaucracy to generate hypotheses about how the organizational structure of different units within the Social Security Administration shape how decision making in the Social Security Disability program in these units reflects various responses to information from the political and task environment. More specifically, I compare the impact of the task and political environment on two sub-units within the Social Security Disability system, namely Disability Determination Offices (DDSs) and Administrative Law Judge offices (ALJs) across the fifty U.S. states. Although both of these bureaus determine eligibility for the Social Security Disability program, they differ in three important respects. First, DDS offices are state government agencies whereas administrative law judge offices are federal agencies. Second, Administrative Law Judges have more administrative independence from the Social Security Administration than do Disability Examiners (decision-makers within DDS). Third, Administrative Law Judges have face to face contact with clients whereas Disability Examiners do not. Organizational theory allows the generation of hypotheses about how these two organizations will respond differently to environmental signals and how these signals will influence policy outputs in ways that are predicted from differences in their organizational structure.

The Importance of Bureaucratic Structure

According to open systems theory, bureaucratic organizations interact with their environment (Perrow 1972; Thompson 1967; Rourke 1984). However, how this interaction takes place and what its impact is on bureaucratic decisions is mediated by the structure of the
organization. The organizational structure influences what types of stimuli from the environment reaches individual bureaucrats and it sets constrains on bureaucratic decisions and actions (Scott 1992). Organizational arrangements determine what types of information is collected by the bureaucracy and who pays attention to it (Simon 1947; Jones 1991; Jones 1993).

The characteristics and goals of the organization predict what types of environmental stimuli are salient (Scott 1992). Structure includes the rules of operation, standard operating procedures, bureaucratic culture, levels of hierarchy and a variety of other factors. These factors affect how bureaucracies respond to environmental pressure. Some structures should make the bureaucracy more open to environmental influences than other structures. For example, rules that allow interest groups and citizens to comment on bureaucratic rulemaking make bureaucratic decision-making more responsive to interest groups (Yackee and Yackee 2006). Hiring practices and requirements determine which profession most influence bureaucratic organizations, which in turn influences how people within the bureaucracy make decisions (Eisner and Meier 1990; Eisner 1993). In so far as structure mediates the relationship between the environment and the bureaucracy, differences in bureaucratic structure should explain variation in the responsiveness of different sub-units to similar information from the environment.

The Social Security Disability Program

The Social Security Administration implements Disability Insurance program (DI). DI is a federal social insurance program that provides cash assistance to the disabled. In order to qualify for DI due to a disability, potential clients must be assessed as unable to work in the same range of jobs as non-disabled people given their age, education and work experience (Roth 1987). In addition to the medical criteria for
disability, claimants must have contributed to the system for a particular number of quarters. The federal government provides all of the funding for the program and determines program rules (Dolgoff, Feldstein and Skolnik 1993).

Although the federal government provides all the funding for the program and dictates program rules, state governments play a role by making determinations on initial applications. State offices are referred to as Disability Determination Services (DDSs). State governments have this administrative responsibility because program advocates during the creation of the Social Security Disability program in 1954, mandated state involvement as a way to appease the American Medical Association and conservatives who did not want federal officials meddling with doctor-physician relationships and who raised fears of “socialized medicine.” (Stone 1984). For a variety of reasons, the federal government has been reluctant to take full responsibility of the eligibility determination process despite the domination of federal financing even though the Social Security disability program is not currently considered as socialized medicine. (Berkowitz 1987).  

Although state governments are involved in determining eligibility, the federal government does limit state influence by giving another bureau the power to review appealed cases. Claimants who are denied at the initial level by the state can appeal their decisions to administrative law judges (A.L.J.s) who work for the federal government. ALJs hear cases de nova and are not constrained by DDS decisions. Additional evidence is often gathered at this point (Lewin Group 2001). If a claimant is dissatisfied, they can

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1 Current reformers who wish to centralize the determination process face opposition from policy actors hesitant to increase the size of the federal bureaucracy. Hiring federal bureaucrats as disability examiners would also displace current state employees and may increase the cost of the program because federal pay scales are, for the most part, higher than state pay scales (Berkowitz 1987).
take their case to the Appeals Council, a centralized administrative office that reviews
A.L.J. decisions. Finally, claimants have appeal rights to federal district court.

The structure of the disability eligibility system allows us to test the hypothesis that
variation in bureaucratic structure will help to explain variation in how bureaucratic
organizations respond to their environment. By comparing the impact of environmental factors
on both Administrative Law Judge and Disability Examiner decisions, we can test the hypothesis
that structure of decision making affects how organizations respond to different information from
the environment. Both bureaus produce the same output, e.g. decisions that award or deny
applications for disability, but both have different structures.

Although many cases are clear denials or allowances, a substantial proportion of cases are
ambiguous—neither clear allowances or denials (Mashaw 1983). Whether these decisions are
errors or not is not empirically verifiable and is a question more of politics and values than
science (Mashaw 1983; Stone 1984). The concept of disability resists precise definition and
measurement, giving street-level bureaucrats and bureaucracies high levels of discretion in
decision-making. (Berkowitz 1987; Derthick 1990). High levels of uncertainty exist in medical
diagnostic decisions that determine whether a patient is considered disabled.

In addition to the subjective medical information, examiners must also take into account a
claimant’s age and occupational history. What kinds of jobs a claimant can work in given their
physical limitations is not always easy to determine and these decisions also contain subjective
elements (Stone 1984). In sum, the statutory definition of disability is not sharp enough for us to
say with confidence that any particular decision is or is not a correct application of the statute
(Mashaw 1983). Substantial levels of disagreement exist between bureaucrats determining
eligibility. A survey of DDS examiners in three states revealed that examiners believe that reasonable examiners might disagree in about 20% of cases (Keiser 2010).

DDS and ALJ decisions on social security provide a good case study for whether variation in structure affects responsiveness to signals from the environment because DDS and ALJ offices are located across the fifty states and therefore variation exists in environmental stimuli. Decisions vary between DDS offices and ALJ offices across the fifty states. For example, in 2000, DDS examiners in Louisiana rejected 68% of claims while DDS examiners in Utah rejected only 38%. Similar variation exists between ALJ offices with award rates ranging from a high of 83% in Maine to a low of 42% in Hawaii (unpublished data from the SSA). The award rates (percent cases decided that were awarded) in both DDS and ALJ offices for the years 1990 to 1999 are dependent variables in this study. I create one model predicting award rates in DDS offices and one predicting award rates in ALJ offices.

Since DDS and ALJ offices are geographically placed in similar environments, the variation in decisions provides a research design to test the theory that bureaucratic structure affects a bureaucracy’s openness to environmental influence. Because DDS offices and ALJ offices differ in their structure, variables that measure environmental influence should have different impacts. DDS offices are state agencies, have no face to face contact with claimants, and work under a quality assurance system run by the Social Security Administration. In contrast, ALJ offices are federal, have face to face contact with claimants, and have some administrative independence from the Social Security Administration due to the Administrative Procedures Act. I describe these differences in more detail below.

**Important Structural Differences between Decision-making in DDS and ALJ Office**
Bureau Independence

The Administrative Procedures Act (APA) in 1946 created the position “administrative law judge” in the federal agencies in response to concerns that personnel adjudicating cases were not independent of the agencies in which the ALJs worked and therefore were not fair (Lubbers 1981). To ensure more objectivity on the part of adjudicators, the Administrative Procedures Act gave the power to the Civil Service Commission (now the Office of Personnel Management) to determine the initial qualifications and the compensation of ALJs. Evaluations of ALJS by OPM cannot take into account how their home agencies have rated them. ALJs can only be removed for “good cause” as determined by the Merit Systems Protection Board. The APA also required that ALJs be assigned cases in rotation to ensure their objectivity (Lubbers 1981) and places on ALJs the expectation that they will acquire and consider all relevant information needed to reach decisions in individual cases (Kritzer 1998). SSA employs over half of all ALJs in the federal government (Lubbers 1981).

The protections and requirements in the APA create limitations on the ability of federal agencies to systematically evaluate and influence the decision making of ALJs because any systematic evaluation of ALJS potentially conflicts with ALJ independence. The federal courts have ruled that the congressional intent of the APA was to safeguard the impartiality of the agency hearing process but that independence was not as full as that provided to the judicial branch by Article III of the Constitution. The APA requires in general that ALJs cannot be “placed under political pressure to compromise their integrity or impartiality” but they do not have as many protections as federal judges (Cofer 1985).
Conflict and ambiguity exist, therefore, in the extent to which ALJs in the Social Security Administration are subject to evaluation by SSA. Throughout the 1970s and 1980s, the SSA has attempted to impose a variety of performance evaluation criteria on ALJs to which the ALJs have objected and threatened legal action. They have occasionally followed through with those threats and won concessions from the SSA (see Cofer 1985).

One way in which federal agencies oversee street-level implementers is through reviewing street-level decisions through quality assurance programs. In quality assurance programs, employees in a quality assurance unit review a sample of street level decisions to measure their accuracy. Inaccurate decisions are returned to the street-level for re-processing (the Lewin Group 2001). Currently, ALJs have no formal internal quality assurance program. Regional Chief ALJs can “educate” ALJs for future decisions but cannot order an ALJ to change a decision (the Lewin Group 2001). The Appeals Council does review a random sample of ALJ decisions separate from those that come from claimant appeals, although the percent ranged over time from 5% to 1%. If the Appeals Council feels the ALJ’s decision is not supported, the case is remanded back to the ALJ. There are no penalties assessed but remands do add to the workload of ALJs (Lewin Group 2001).

As mentioned earlier, DDSs have some independence from the Social Security Administration by the fact that they are state rather than federal agencies. Examiners in DDS offices, do not, however, have the same legal right to independence as we find with the ALJs. DDS offices are subject to both internal and external quality assurance programs and the SSA has greater ability to use these quality assurance programs to affect the DDSs than SSA has with the ALJ offices.
SSA monitors DDS decisions through their Quality Assurance program. Ten regional SSA offices review a random sample of DDS decisions in each regional Office’s territory. SSA designed the system so that Quality Assurance personnel review 70 allowances and 70 denials per quarter, which results in about 2% of all DDS decisions (The Lewin Group 2001). Regional SSA offices calculate accuracy rates for each DDS office based on the number of incorrect or insufficiently supported decisions Quality Assurance find for each DDS office. (The Lewin Group 2001). The regional offices return those cases to DDS offices for corrective action. If a DDS office’s accuracy rating falls below 90.6%, SSA must provide management and performance support to the DDS office. Although no state DDS office has lost control over initial decision making, if a DDS office’s performance accuracy fails to improve, SSA can take over the management of that state office (The Lewin Group 2001).

Prior to 1980, the structure of the oversight system did not favor review of either denials or allowances. Following a period of rising allowance rates in the Social Security Disability program, however, Congress mandated that SSA conduct Pre-effectuation Reviews (PER) of all DDS allowances in 1980 (The Lewin Group 2001). This changed the structure of the system to focus on allowance errors rather than denial errors since more allowances are reviewed than denials. PER reviews are not included, however, in the calculation of each DDS office’s accuracy rates for either denials or allowances. Following the creation of the PER review, accuracy rates for allowances in the Quality Assurance program rose but denial accuracy rates fell (The Lewin Group 2001).

Taken as a whole, the Social Security Administration must deal with two sub-units with varying levels of independence. While the DDSs have independence due to their status as state agencies, they do not have as much legal independence that the ALJs enjoy due to the
professional rights given to ALJs through the APA. This independence should affect how responsive these two sub-units are to signals from the political environment. In so far as bureau independence protects bureaucrats from political pressure, we should expect that ALJs will be less affected by political principals than are DDSs.

Much literature in political science and public administration has focused on the impact of elected officials on bureaucratic behavior. A rich literature exists that explores how elected officials can create contracts with public bureaucracies to control them (see Wood 2010 for a review of these studies). A substantial amount of literature exists showing that bureaucratic outputs shift with changes in which party controls Congress or the Presidency (see Wood and Waterman 1994, for example). Bureaucracies are responsive to political signals from elected officials.

While an information processing approach to studying the bureaucracy focuses on how the characteristics of information and information processing shape bureaucratic behavior, it does not contradict per se, the more dominant principal agent approach, which focuses on political control (see Wood 2010 for a review). The main difference is that an information processing approach treats signals from elected officials, and the incentives structures they develop, as one piece of information competing for the attention of bureaucrats (Workman, Jones and Jochim 2010). Rather than focusing exclusively on those signals as attempts of political control that bureaucrats necessarily pay attention to, an information processing approach views these signals as disturbances in the environment of bureaucracies that highlight the possibility that something is amiss. Bureaucracies may or may not pay attention to these signals (Workman, Jones and Jochim 2010).
A content analysis of congressional hearings between 1990 and 2000 reveals a partisan difference in the signals that Congress sends regarding the DI program. All congressional hearings between 1990 and 2000 were reviewed to identify statements that indicated members of Congress believed bureaucrats were being too restrictive or too lenient in granting claims in the program. The content analysis revealed that Republicans are much more focused on the possibility that the bureaucracy is awarding benefits to people who should not receive them. Republicans made statements 115 times during this time period during hearings that focused on benefits being awarded to people who did not deserve them while Democrats only made such statements 5 times. In contrast, Democrats expressed concern that deserving applicants were being denied 9 times whereas Republicans expressed such concern only 3 times. While neither Republicans nor Democrats made very many statements about unwarranted decisions, the difference between the two is quite large. As signals in Congress become more conservative, therefore, signals are being sent that decision makers should take care not to award cases with ambiguous evidence. Decision makers within the SSA may or may not be paying attention to this information. The greater independence of ALJs should, however, make them less responsive, than the DDSs. This leads to the first hypothesis.

**H1: Changes in the ideology of congressional oversight committees will have a greater impact on DDS eligibility decisions than ALJ eligibility decisions.**

To measure the signals that the bureaucracy receives from Congress, the ideology of one of the SSA’s primary oversight committees, e.g. the subcommittee on Social Security in the Ways and Means Committee is used. The ideology of the committee is measured by the average

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2 Other committees are also relevant for the Social Security Administration such as the Senate Finance Committee and the Senate Judiciary Committee. The ideology of members on Ways
score for members serving on that committee using Poole and Rosenthal’s Common Space Scores (McCarty and Poole 1995). As the common space scores become more conservative (positive), I expect that allowance rates will decrease as conservatives are more concerned with program size than access.

The structural independence of ALJs relative to DDSs should also make ALJs less responsive to signals from intra-agency actors. The DDSs receive three signals from intra-agency actors about their performance. First, as mentioned before, SSA uses a quality assurance program to evaluate the DDS offices and have the ability to take over a DDS office if accuracy rates fall below a particular level. There is very little variation in accuracy rates for allowances but there is variation for denials. We should expect that DDSs that have low accuracy for denials the prior year to have higher allowance rates the following year. Second, ALJs do review decisions by DDSs. Although there are no requirements that DDSs pay attention to the number of cases that ALJs reverse, prior research has shown that DDS examiners who are aware of the number have higher allowance rates than those who do not (Keiser 2010). We should expect, therefore, that DDSs that have had a greater portion of their cases overturned the prior year, will grant more claims the following year. To test for this, the ALJ award rate the prior year is included in the model. Third, in 1996 the Social Security Administration adopted new rules, e.g. Process Unification, to try to reduce the discrepancy between ALJ decisions and DDS decisions. These new rules tried to make treatment of pain more consistent between DDSs and ALJs. A dummy variable that is coded “zero” prior to 1996 and “1” thereafter is included in the model to reflect the adoption of the Process Unification Standards. This variable is logged to reflect a lag and Means is highly correlated with other measures, as well as the ideology scores of the House, Senate, or Congress as a whole.
for implementation timing. I also include the percent of cases that ALJs reversed the prior year to reflect signals from ALJs that the DDSs are making erroneous decisions (source: Freedom of Information Act Request from Social Security Administration).

Like the DDSs, ALJs also receive signals from intra-agency actors that indicate whether they are being too generous or too restrictive in their eligibility decisions. First, applicants denied by ALJs can appeal to a unit within the Social Security Administration called the Appeals Council, which then sends cases back to ALJs if they disagree with the decision (or allow the case outright). The Appeals Council also reviews some ALJ decisions by random selection and these are also returned to the ALJs (Lewin Group 2001). Although Appeal Council remands are not part of the performance evaluation of ALJs, they do increase the workload of the ALJs, giving them an incentive to try to minimize them. To capture this, I include a measure of the percent of cases appealed to the Appeals Council that the Appeals Council remands to ALJ offices (source: FOIA request from SSA). Compared to the DDSs, however, the signals that ALJs receive are less salient because they are not part of any performance review. Second, ALJs also receive a signal that they should try to reduce the number of reversals they make of DDS decisions when the SSA adopted the Process Unification standards (dummy variable described above).

Although intra agency signals exist in the decision-making environment of the ALJs, the structural independence of the ALJs, especially as compared to the DDS, should make us expect that decision-making in the ALJs will be less responsive to these signals coming from intra-agency actors than are DDS offices. This leads to the second hypothesis.
**H2: At the DDS level, eligibility decisions will reflect intra-agency signals awards but ALJ decisions will not due to the structural independence of ALJs.**

*Interactions with Claimants*

Another structural difference between DDS offices and ALJ offices is that disability examiners in DDS offices have no face to face interaction with claimants whereas administrative law judges physically see claimants at administrative hearings. Face to face interactions between clients and street level bureaucrats can lead to more responsiveness to clients. Many people within the Social Security Administration and observers of the system have speculated that one of the reasons for the high reversal rate of ALJs of DDS decisions is that Disability Examiners do not see the claimant in person whereas ALJs do. Face to face interactions allow ALJs to better gauge the legitimacy of an applicant's claim of disability and inability to work. ALJs can also illicit more information about the claimants’ medical condition during the hearing. Face to face interactions may also provide an opportunity for the claimant to evoke sympathy and to provide more evidence to support a positive ruling.

The difference between the level of bureaucrat-claimant interaction between the DDSs and the ALJ should result in differences between how the two sub-units respond to the task environment, e.g. the unemployment rate in the state, the number of minorities in the potential applicant pool and the level of self reported disability within the state.

According to the law, disability decisions are to be solely based on whether or not a person can work in a hypothetical job in the national economy not whether the applicant could actually get a job. However, norms to award citizens benefits when few job opportunities exist may increase the number of awards. Policymakers have long been concerned that the disability program would turn into an unemployment program during periods of economic downturns
Economic downturns make it more difficult for the marginally disabled to find work and make it more likely that individuals previously working will become aware of their limitations and seek benefits (Howards, Brehm, and Nagi 1980). Furthermore, street level bureaucrats may face political pressure from state and federal elected officials to loosen the eligibility requirements during times of economic downturn. Not surprisingly, past research has found support for the link between the economy and disability rates (Halpern 1979; Howards, Brehm, and Nagi 1980; Keiser 1999). We should expect that higher unemployment rates will lead to higher award rates (Source: U.S. Statistical Abstract).

However, the face to face interaction between applicants and bureaucrats in ALJ offices and the lack of such interaction in DDS offices should mediate the effect of unemployment on bureaucratic outputs. Without the face to face interaction, examiners in DDS offices should be more isolated from feelings of sympathy due to high unemployment. Bureaucratic values to implement the law as intended could lead to a reduction in award rates in response to high unemployment because unemployment increases the marginal cases in the caseload. A weak economy drives more people to apply for benefits than would have in a strong economy (see Soss and Keiser 1999). A large proportion of claimants during an economic downturn should have more marginal cases because more potential applicants would be able to find and perform work in a strong economy than in a weak one. To control for economic downturns, the unemployment rate is included in the model. High unemployment should translate into lower award rates because the caseload includes more marginal cases than it does under low unemployment. In contrast to DDS decisions, ALJ decisions may be influenced by the face to face interaction that takes place between applicant and bureaucrat and we should expect the
opposite relationship. ALJ offices in states with high unemployment should have higher award rates than ALJ offices in areas with low unemployment. This leads to the 3rd hypothesis.

**H3:** In U.S. states with high unemployment, DDS award rates will be lower than in states with low unemployment. ALJ award rates will be higher in states with high unemployment and lower in states with lower unemployment.

In so far as the face to face interaction helps to illuminate disability beyond that communicated in the paper record, ALJ decisions may be more responsive to how state residents identify as disabled. Identifying as “disabled” is subjective and one person may find their medical condition disabling while another person with the same condition will not (Stone 1984). The rules for eligibility for DI are actually very strict because claimants must be deemed as unable to work in hypothetical jobs given their education and age. They do not actually need to be able to be hired to work in that job. Presumably, claimants with ambiguous claims who believe that their medical conditions are disabling will be able to make a more convincing case in person than they would on a paper application. We should expect that states with a higher proportion of people who believe they have a disabling condition will have a greater number of people with marginal cases apply for benefits.

The lack of face to face interactions at the DDS level should make it more likely that DDS Examiners will interpret these claims more stringently than they will ALJs. I include the percent of the state population who report a disabling condition to test this hypothesis. The number of people in a state with a self reported disabling condition is a measure of disability in the fifty states created by the Cornell University Rehabilitation Research and Training Center on Disability Demographics and Statistics (StatsRRTC), which measures whether people have
disabilities that limit their ability to work. Because of the lack of face to face interactions at the DDS level, we should not expect DDS offices in states with high self reported disability to have higher allowance rates. At the ALJ level, however, claimant beliefs in their disability should translate to a higher allowance rate because ALJs will respond to the demeanor and physical condition that they can visibly see (or not see) in the hearing. This leads to the fourth hypothesis.

**H4:** DDS decisions in U.S. states with high self reported disabilities should be lower or no different than states with lower self reported disabilities. ALJ decisions in states with high self reported disabilities should be higher than in states where residents are less likely to report disabilities.

Finally, the face to face encounter may also affect the impact of racial composition of state residents on disability decisions. Face to face interactions with clients should be more likely to bring the issue of race and ethnicity to the forefront. In other words, it should highlight “race” as a client characteristic more than does a paper application. Minorities also systematically have less access to health care, and therefore, may have less well developed medical records. Since ALJs physically see claimants, they may be more likely to ask the claimant to provide medical information. Because the face to face interaction of between claimants and bureaucrats at the ALJ level, we should expect that the racial composition of the state population should have an impact on decision-making at the ALJ level but not the DDS

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3 This measure was created using data from the Current Population Survey (CPS) conducted by the Census Bureau and Bureau of Labor Statistics (Houtenville, Erickson, and Lee 2005). This measure is based on responses to a question asking whether someone in the household had a disability that prevents them for working or limits the kind or amount of work they can do. This question has appeared consistently on the CPS since 1981 and provides a reliable measure of work limitation disability over time and across the fifty U.S. states (Burkhauser, Houtenville, and Wittenburg 2002). This measure corresponds to other commonly used measures of disabled populations (Burkhauser, Daly, Houtenville and Nargis 2002).
level. There are reasons to expect, however, that the impact will be either positive or negative. In so far as ALJs are discriminatory, a larger minority presence in the caseload should reduce the award rate. If, however, the face to face conflict results in more sympathy for the claimant or a desire to gather more information from people with poor quality medical records, we should expect a larger minority presence in the caseload to increase award rates. To measure the minority presence in the state, I use the percent of state residents who are African American or Hispanic (source: U.S. Statistical Abstract).

H5: Award rates in DDSs offices should be lower in states with high minority populations but higher in ALJ offices.

The Role of Cognitive and Organizational Biases

In addition to bureaucratic structure, how information from the external environment is perceived is influenced by the cognitive biases held by decision-makers. These include ideology, professional identification and material interests (Jones 2001; Workman, Jones and Jochim 2010). Street-level bureaucrats implementing many federal programs like the Social Security Disability Insurance program interpret program rules and collect and process information while located in different state political environments. The jurisdictional boundaries of U.S. states shape the identities of the people who live within them (Gimpel and Schuknecht 2004, 6). People living in the same state develop shared understandings of the role of government in citizens’ lives (Elazar 1984). Just as the U.S. state in which individuals live affects their political behavior and attitudes, the location that bureaucrats live may affect their policy behavior (Kaufman 1960).
The state political environment not only shapes the attitudes and behaviors of individual bureaucrats, it also helps shape the attributes of bureaucratic offices as a whole (Thompson 1967; Goggin et al. 1990). Individuals interacting within bureaucratic organizations create standard operating procedures and communication patterns that affect all individuals working within that organization regardless of their individual attributes (Simon 1947). Patterns of information processing within bureaucracies can make individuals working in one bureaucracy react differently to the same information as do individuals working in a different bureaucracy (Simon 1947; Jones 2001). Bureaucracies develop “cultures,” which James Q. Wilson (1989, 93) defines as “patterned and enduring differences among systems of coordinated action that lead those systems to respond in different ways to the same stimuli.”

When bureaucracies implementing federal programs are located in ideological environments, those patterned and enduring differences should reflect the ideological environment and shape how street-level bureaucrats interpret program rules and view clients. In other words, bureaucrats operating in different U.S. states may respond differently to the same objective information (Goggin et al. 1990). One important factor in the environment for social welfare bureaucracies is the general ideology of the state. Ideology shapes preferences toward the size of the welfare state and whether people are more or less concerned with denying “deserving” applicants or allowing “undeserving” ones. Although attitudes about the welfare state are complex (Feldman and Zaller 1992), actors in more liberal environments should be more likely to prefer to give the benefit of the doubt to claimants than those in conservative environments since liberals tend to be less concerned with program size and more concerned with access. In contrast, actors in conservative environments should be more concerned with
program size and less concerned with access (Stone 1984; Schneider and Jacoby 2005). These state political environments should create biases in the bureaucracies that operate within them.

It is important to note that the ideology of the state in which the DDSs and the ALJs make decision is not a measure of political control. State governments across the board have an interest to maximize awards because doing so increases the number of state residents with disposable income and relieves demand on programs for which state governments pay. Maximizing award rates helps to provide state residents with assistance without costing state governments anything. The ideology of the citizens within the state is more reflective, therefore, of general orientations toward social welfare programs rather than the utility maximizing behavior of state governments to affect program generosity. All state governments have an incentive to increase award rates, and therefore, this incentive is held constant across the U.S. states.

Whether or not we should expect both ALJs and DDSs decision making to reflect environmental biases toward the welfare state depends on the extent to which the professionalization of legal personnel reduce the impact of such biases. This is lively debate within scholarship on judicial politics and jurisprudence. In so far as the professional socialization of legal personnel minimizes the impact of the local political culture, we should expect that decision making at the ALJ level will not reflect state political culture whereas it will at the DDS level. To measure the political ideology of state citizens, I use Berry et al.’s (1998) measure of citizen ideology is used to measure the ideological environment. This variable is subtracted from 200 so that high values indicate that a state is conservative rather than liberal so that different measures of ideology are all consistent in the paper. The citizen ideology of the state serves as a proxy for general political environment in each state.
H6: DDS offices in states with more conservative political ideology will have lower allowance rates than those in more liberal states. No differences will exist between ALJs operating in different ideological environments.

The Ability to Gather Information

Finally, in addition to the task and political environment, as well as biases within decision-makers, decision-making within bureaucracies will reflect the ability of the bureaucracy to gather information (Simon 1947). The rules of the disability program and information from personal interviews suggest that when decisions are made with less attention and more quickly, bureaucrats are more likely to deny claims. Many applicants of Social Security Disability have multiple ailments that together make it impossible for the applicant to work. There are multiple characteristics that street-level bureaucrats may investigate if they choose (personal interview with DDS medical consultant, October 15, 2000). Insofar as awards require more information, we might expect that examiners who take longer to process claims will have higher award rates because those decisions were reached with less information. This leads to the final hypothesis.

H7: The more decisions made per decision maker the lower the award rate. This should apply to both DDS and ALJ decisions.

To measure the ability to collect information, I use the number of decisions made per decision maker and expect that more decisions per decision-maker will lead to fewer awards. Because the ALJs are reviewing decisions already processed by the DDSs, I also control for the number of cases decided per examiner at the DDS level in the ALJ model. ALJs that review less developed cases from the DDSs should be more likely to reverse those decisions because they were decided on less complete information. To capture information collection ability I use the
number of decisions per FTE at the DDS level and number of dispositions per ALJ in the ALJ model (source: FOIA request from the Social Security Administration).

**Research Design**

I use a cross sectional time series model to estimate the impact of decision-making resources on program generosity across the U.S. states for the years 1990 to 2000.\(^4\) Time Series Cross Section data analysis is notoriously challenging because the modeler must deal with problems associated with cross-sectional units as well as dynamic units (Beck and Katz 1995). Given the properties of the data, I present the O.L.S. model with a lagged dependent variable and panel corrected standard errors, which correct for groupwise heteroscedasticity and contemporaneous correlation of the errors (Beck and Katz 1995). The use of a lagged dependent variable is appropriate because organizational theory strongly suggests that bureaucratic behavior is dynamic since bureaucracies develop standard operating procedures and have programmed decision rules that prevent bureaucrats from radically changing their behavior (March and Simon 1958; Simon 1947; Jones 2001). Because decisions at the ALJ level are shaped by earlier decisions at the DDS level, I include a measure of the percent of claimants denied at the DDS level who appeal. This should control for the fact that ALJs in areas where DDSs are very generous will face a different applicant pool than states where the DDSs were very strict in their interpretation of eligibility rules. This variable was used rather than the award rate of the DDSs because the award rate of the DDSs is endogenous with many other variables in the model.

**Findings and Implications**

(Table One about here)

\(^4\) Because of missing data, North Carolina, South Carolina and South Dakota are excluded from the analysis.
Table one presents the preliminary findings for both the DDS and ALJ models. The findings do not support the argument that the structural independence of the ALJs isolates them from signals from the political environment. Although the DDSs do not seem to respond to political signals from Congress, the ALJs do. The more conservative the oversight subcommittee, the lower the award rate for ALJs. The variable measuring congressional subcommittee ideology fails to reach significance in the DDS model and is much substantively smaller than in the ALJ model.

When it comes to signals from intra-agency sources, however, the DDSs are more responsive. The coefficient for the accuracy rate and the change in rules following Process Unification all reach statistically significance in the DDS model. In the ALJ model, in contrast, intra-agency signals from the adoption of Process Unification and remands from the Appeals Council fail to reach statistical significance. In sum, decision making at the DDS level seems unresponsive to signals from elected officials but responsive to intra-agency signals whereas decision-making at the ALJ level seems responsive to signals from elected officials but not from intra-agency actors.

The findings do show support for the hypothesis that the face to face interactions at the ALJ level and the lack thereof at the DDS level will affect how both units respond to the task environment with some caveats. The size of the minority population depresses award rates at the DDS level but raises them at the ALJ level. This supports the view that ALJS are able to use their face to face encounters to overcome some of the disadvantages that minority claimants have in case development and/or that ALJs are more sympathetic to the historic discrimination of minorities in the workplace. The variable measuring the self reported disability rate of residents in the states also meets expectations. ALJs in states with more residents with self reported
disabilities grant a higher percent of claims whereas DDSs report a lower percent. Unlike the variables measuring minorities and self reported disability, the unemployment rate failed to meet expectations. It does not reach statistical significance in the ALJ or DDS models suggesting that the SSA has been successful in ensuring the Disability Insurance program does not turn into an unemployment program.

The findings also show support for the hypothesis that the cognitive biases from the political environment where bureaucrats made decisions has an impact on award rates. DDS offices in states with more conservative ideology, have lower award rates than those in more liberal states. Despite the professionalization of ALJs to treat cases individually without bias, the political ideology of the state also seems to affect ALJ decisions. Taken together, the results support the view that the cognitive biases of decision makers in the bureaucracy affect how they interpret information from their caseload and that ALJs are not immune to that.

The results also support the argument that the ability of the bureaucracy to gather information affects bureaucratic decisions. In DDS offices where examiners are deciding more cases each year, award rates are lower. Although a similar pattern exists for ALJ decision-making, the variable measuring decisions per ALJ fails to reach statistical significance. Interestingly, ALJ decision making is responsive to the ability of bureaucrats at the DDS level to gather information. More cases that were initially denied at the DDS level are approved at the ALJ level in states where examiners are deciding more cases per person than when they are deciding less. This suggests that ALJs are overturning cases that were perhaps decided without full documentation at the lower level.
Overall the findings support the argument that different units within a bureaucracy respond to signals from the environment differently and that some of those differences are what we would expect given the structural characteristics of the program. The amount of face to face interaction with clients seems to affect how responsive bureaucrats are to particular factors in the task environment such as the size of the minority population and the self reported disability rate of residents. Similarly, I find no evidence that ALJs are responsive to signals from intra-agency actors while I do find such evidence for DDSs, which is consistent with the greater independence that ALJs have from SSA due to the protections from the APA.

While the findings regarding the impact of signals from elected officials was unexpected (ALJ responsiveness to signals from Congress and a lack of responsiveness in the DDS), it is consistent with the purpose of the APA, which was to protect ALJs from influence from the agencies in which they worked (Cofer 1985). It is possible that the ALJs are responsive to Congress so that they can find allies outside the agency to protect themselves from interference from SSA. While the APA provides protection, it is ambiguous and the ALJs have had to appeal to outside allies like the federal courts and Congress to protect their independence.

It is important to note that these findings are preliminary and should be interpreted with caution because several methodological issues are yet to be resolved. First, decision making at the ALJ level is affected by DDS decision-making. While ALJs hear cases de novo and collect new evidence, the applications they review are affected by what decisions the DDSs reached earlier. Although this was controlled for by using the percent of DDS denials that claimants appealed, that variable may have introduced endogeneity into the model. Future research should better deal with the connection between DDS and ALJ decisions in the design of the study. These preliminary results suggest, however, that units within federal agencies respond differently...
to similar signals from the environment in ways that are, in some cases, predicted by differences in the structural characteristics of those units.
References


Kritzer, B.


Lubbers.


Table One

<table>
<thead>
<tr>
<th>Variables</th>
<th>DDS Award Rate</th>
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<th>ALJ Award Rate</th>
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<td>Unemployment</td>
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<td>% Minority</td>
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** p<.05
*p<.10