Returns to Work for Young Adults on SSI

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Plan of talk

- Motivation and background
- Our research questions
- Year 1 findings and review of results
- Year 2 plans and preview of results
Motivation: young SSI recipients

- The SSI child population has risen dramatically over the past two decades.
- Most SSI-child beneficiaries transition directly onto the SSI-adult program.
- Very few of these young adult SSI recipients ever seek or gain employment.
Outcomes not seen as optimal

Costly to beneficiaries and taxpayers

- Young SSI beneficiaries live at or near the poverty threshold and lose ground relative to others over time

- Taxpayers face increasing costs of supporting a growing population of young people from childhood through old age
YTDP identified potential barriers to work

- Low expectations for working and self sufficiency
- Lack of access to employment services and work-based experiences
- Uncoordinated handoff to adult services
- Inadequate access to social and health services
- Financial disincentives to work
- Lack of knowledge about how benefits change when a person works

MDRC report on the YTD project, 2008
Our research questions

- What are the financial incentives and disincentives to work for young adult SSI recipients?
- Are the incentives/disincentives well documented and well understood?
- Can we increase knowledge and improve understanding through financial literacy tools tailored to young adult SSI recipients?
Main Findings from Year 1

Returns to work for young SSI recipients greater than generally understood

- Earnings retention rules allow young SSI recipients to boost monthly income through work
- With a modest amount of work, young SSI recipients can qualify for a lifetime SSDI benefit
- The ability to “easily” qualify for SSDI is short-lived—the window closes by age 23 (first work)
Boost monthly income with work

Monthly income from working while on SSI
Values based on federal minimum wage: $7.25

Source: Authors' calculations using SSI rules, SSA Redbook.
Qualify for a preferred benefit

<table>
<thead>
<tr>
<th>SSI Rules and Benefits</th>
<th>SSDI Rules and Benefits</th>
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<tbody>
<tr>
<td>▪ Earned income “taxed” 50% after a $65 exclusion</td>
<td>▪ No “tax” on earnings under SSA limit--$1,000 in 2010.</td>
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<tr>
<td>▪ Unearned income reduces benefits dollar-for-dollar after a $20 exclusion</td>
<td>▪ No unearned income limits</td>
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<tr>
<td>▪ Assets limited to $2,000</td>
<td>▪ No asset limits</td>
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<tr>
<td>▪ Benefits fixed in real terms—do not rise with economy</td>
<td>▪ Benefit are indexed to wages prior to claiming</td>
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<tr>
<td>▪ Over time, the incomes of SSI beneficiaries fall further and further behind population</td>
<td>▪ Once claimed, DI benefit rises with CPI, just like SSI</td>
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- No asset limits
- Benefit are indexed to wages prior to claiming
**Getting SSDI is not implausible**

<table>
<thead>
<tr>
<th>Basic Requirements</th>
<th>Thresholds for 18-24</th>
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<tbody>
<tr>
<td>- Earn sufficient quarters of coverage to become fully insured and DI insured</td>
<td>- Very low quarters of coverage requirements: 6 quarters of earnings &gt; $1,120 *</td>
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<td></td>
<td>- Meet computation year requirements for DI benefits</td>
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<td>- Very low computation year requirements: 2 years</td>
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<td>- Generate an AIME that beats SSI benefits</td>
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<td>- AIME that beats SSI—breakeven level—has been falling over time</td>
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*About 4 weeks of work per quarter at the FMW of $7.25*
Modest work can qualify

SSDI and SSI benefits by earnings level
Single, disabled person living independently, 0 earnings, meets asset test

Breakeven AIME = $749

FMW; 26 hours per week

SSDI

SSI FBR = $674
Far easier than in 1980

SSDI and SSI benefits by earnings level
Single, disabled person living independently, 0 earnings, meets asset test

- **Breakeven**
  - AIME = $749

- **1980 Breakeven**
  - AIME = $1,031

- **$FMW; 48 hours per week**

- **SSI FBR = $674**

![Graph showing SSDI and SSI benefits by earnings level](image-url)
But the window shuts quickly

Years of Work Required, by Age at First Year of Work

By age 22, the requirements for entry are increasing.

Source: Authors' calculations.
Plans for Year 2

Increase understanding of these results

- Written materials describing benefits
- Online financial calculator
- Accompanying training materials for advocates
- Prototypes of these materials are available at the Booth: Understanding the Returns to Work for Young Adults on SSI