Encouraging Work in the Supplemental Security Income Program

Jack Smalligan and Chantel Boyens

March 2022

The Supplemental Security Income (SSI) program for nonelderly adults with disabilities is a safety net program for people the Social Security Administration (SSA) has determined cannot engage in "substantial gainful activity" (i.e., cannot earn $1,350 a month in 2022) and who have limited income and savings. Evidence suggests involvement in the workforce has health benefits, and part-time employment (at levels less than substantial gainful activity) also has direct and indirect benefits (Waddell and Burton 2006). However, SSI rules unnecessarily disincentivize work because key program parameters are not indexed to inflation, including a $20 limit on unearned income and a $65 limit on earned income.

In this paper, we examine the impact of increasing the earnings disregard to the level it would be if it had been indexed to inflation since the program started. Many SSI beneficiaries have a desire and capacity to engage in more part-time employment, especially younger beneficiaries. By supporting additional part-time work, SSI would better align with the mission of being a "supplemental" security income program. In addition to helping SSI-only beneficiaries, this change would assist a large group of beneficiaries who receive benefits through both SSI and the Social Security Disability Insurance (SSDI) program. This group of dually enrolled beneficiaries face more complex rules that would be less daunting if the earnings disregard was increased.

Background on SSI

The SSI program is one of the most important federal sources of income assistance to people with low incomes in the United States. SSI was established to provide a safety net for people with disabilities and low incomes as well as seniors with low incomes. SSI provided benefits to 7.9 million people at an annual cost of $56 billion in 2019 (SSA 2021). In 2021, the SSI maximum federal benefit was $794 a month, and the average federal benefit was $569 in November 2021.[1] The maximum federal benefit for 2022 is $841 a month. In addition to the federal benefit, many states provide a supplemental benefit.

While SSI reduces the poverty rate for beneficiaries and their families from 63 percent to 42 percent (Bailey and Hemmeter 2015), participants still have modest incomes. Most beneficiaries remain within 150 percent of the federal poverty level. Despite this low benefit level, SSI beneficiaries who work to increase their total income begin to experience reductions in their benefit almost immediately. In addition, SSI beneficiaries cannot have more than $2,000 in assets ($3,000 for a couple receiving SSI). These rules restrict the ability of SSI beneficiaries to improve their economic security through modest work activity.

Several aspects of the SSI program could be updated to better support beneficiaries, including updating the asset limit, increasing the earned and unearned income disregards, simplifying or eliminating restrictions on in-kind support received from family and friends, and increasing the basic SSI benefit (Favreault 2021; Romig 2021; Smalligan and Boyens 2019). In this brief, we focus on increasing the earned income disregard as the most direct means of supporting SSI beneficiaries in strengthening their income security through work.

Treatment of Earnings in SSI and SSDI

SSI rules ignore the first $20 in income each month, earned or unearned. In addition, the rules exempt the first $65 a month in earnings. When a beneficiary works, SSI rules reduce benefits by $0.50 for every dollar of income above these exempt amounts, but those exempted amounts are not indexed to inflation. When Congress established SSI in 1972, indexing benefits to inflation was uncommon, and Congress had only just begun to index Social Security retirement and disability benefits to inflation (Berkowitz and DeWitt 2013). Had exemption amounts been indexed to inflation from the beginning, they would be more than five times larger today—$128 a month for general income and $416 a month for earned income in 2022. The Social Security actuaries estimated the cost of updating various SSI policies proposed in the Supplemental Security Income Restoration Act of 2021.[2] Using the actuary's work as a starting place, we estimate that increasing the $65 earned income disregard to the fully indexed level would cost approximately $1.1 billion a year.[3]

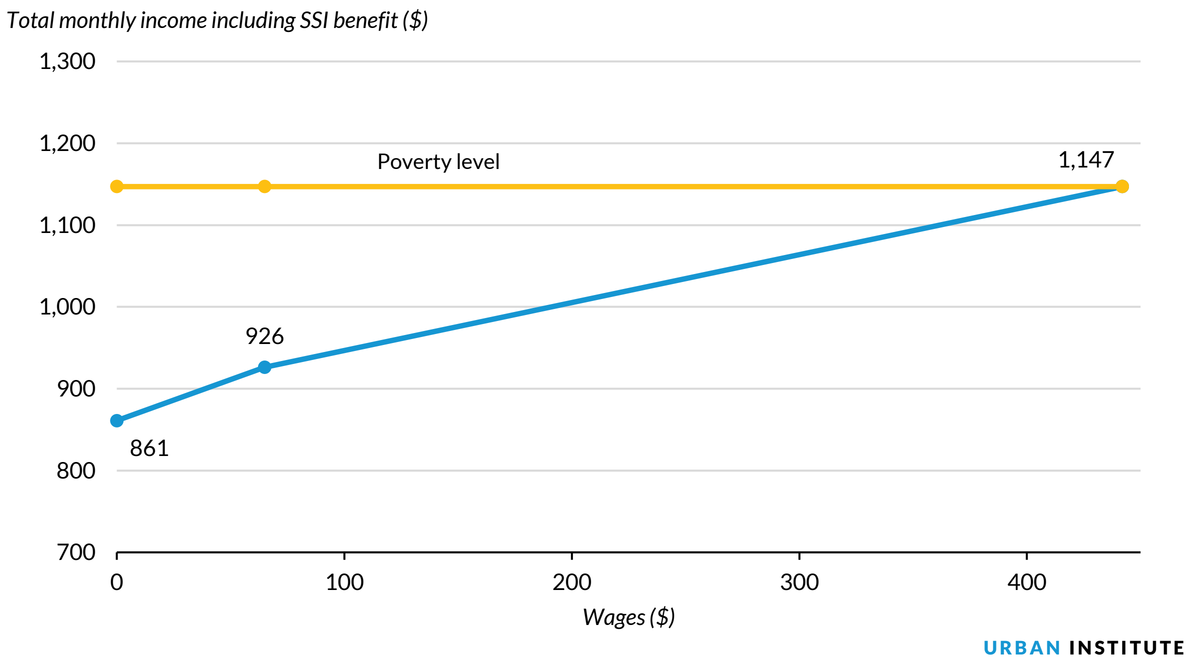
SSDI provides a different approach to work incentives than SSI. An SSDI beneficiary has a nine-month trial work period in which they can work at any level and continue to receive benefits, provided the disabling impairment has not improved. After the trial work period, an SSDI beneficiary can work up to the substantial gainful activity level ($1,350 a month in 2022) without a reduction in benefits. The primary criticism of SSDI is that once earnings exceed the substantial gainful activity level (also called the cash cliff), the beneficiary loses eligibility for the cash benefit.[4] However, SSDI beneficiaries have a 36-month extended period of eligibility during which they can be quickly reentitled to benefits.

As shown in figure 1 below, the SSI work rules begin to reduce benefits by $0.50 for every dollar earned, even when a beneficiary's overall income is still well below the federal poverty level. In 2022, the federal poverty level for a family of one is $1,147 a month while the 2022 federal SSI maximum benefit is $841 a month. In this example, the beneficiary is receiving the maximum federal SSI benefit plus an additional $20 in general income that is already disregarded. The beneficiary's income initially rises dollar for dollar as earnings increase under the $65 earned income exclusion. However, when total income reaches $926 for that month, the beneficiary experiences a reduction in their SSI benefit of $0.50 per dollar earned, well before meeting the poverty level.

FIGURE 1

SSI Work Disincentives

SSI work offsets begin long before someone has income above the poverty level



Source: Authors' estimates based on SSI rules.
Note: Example of an SSI beneficiary in a one-person household receiving the 2022 maximum federal SSI benefit of $841 plus $20 in general income disregarded.

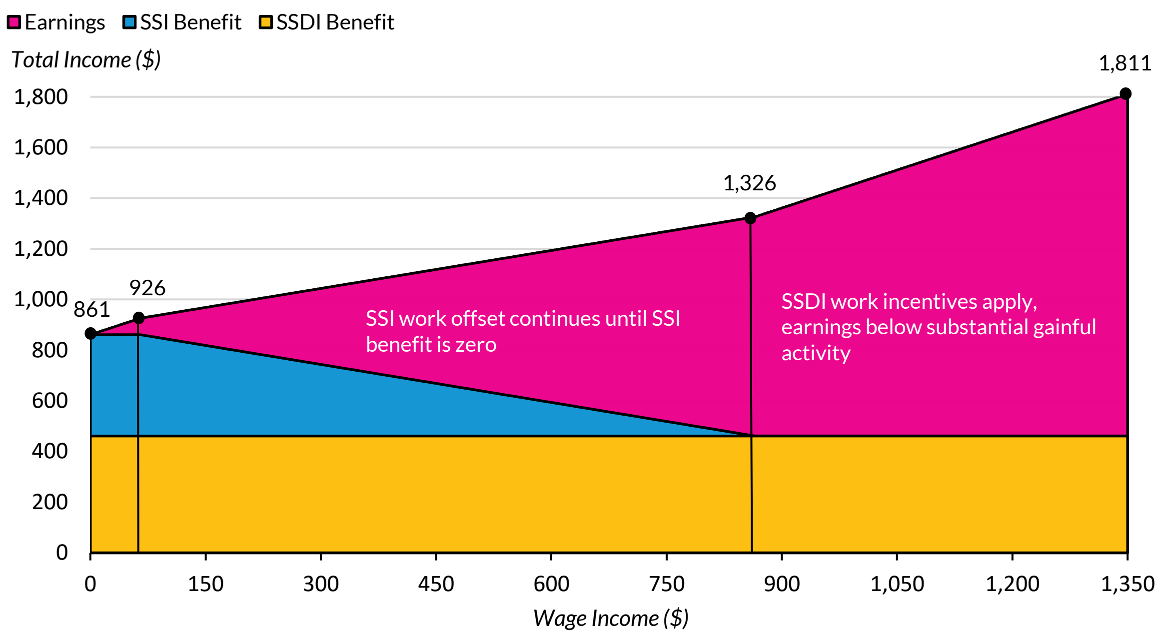
When the income disregards were set in 1972 to $20 and $65, they were nearly enough to bring overall income close to the federal poverty level.[5] With each year that these disregards are not indexed, more earnings below the federal poverty level are subject to a 50 percent offset. In addition, earnings are subject to payroll taxes and could reduce benefits from the Supplemental Nutrition Assistance

Program (SNAP). Considered in combination with payroll taxes and SNAP benefits, the marginal effective tax rate for these people is even higher than 50 percent (Daly and Burkhauser 2003).[6]

Many SSI beneficiaries who work are dually enrolled in SSDI and SSI and must navigate different work rules under the programs. In 2017, 1.3 million people were dually enrolled in both SSDI and SSI, and 30 percent of these beneficiaries reported interest in working in the next two years compared with 23 percent of beneficiaries who only receive SSDI (SSA 2018). However, someone who is dually enrolled must first overcome the disincentives to work in the SSI program before benefiting from the incentives to work in SSDI.

FIGURE 2

Work Offsets for an SSI and SSDI Concurrent Beneficiary



URBAN INSTITUTE

Source: Urban Institute analysis of SSI and SSDI rules.
Note: Example of a dually entitled SSI and SSDI beneficiary in a one-person household receiving a $400 SSI benefit and a $461 SSDI benefit (includes $20 income disregard).

Figure 2 illustrates how the work rules phase in for a concurrent SSDI and SSI beneficiary. In this simplified example, the SSDI and SSI beneficiary is entitled to $461 a month in SSDI benefits and $400 a month in SSI benefits. This example also assumes $20 in general income has already been disregarded. As the beneficiary begins earning income from work, their total income increases dollar for dollar until wages reach $65. After that point, each additional dollar in earnings reduces the SSI benefit by $0.50. Therefore, when the beneficiary's earnings reach $865, their SSI benefit is reduced to zero. However, their SSDI benefit remains in full. After that point, they can continue to work and retain all of their earnings and their SSDI benefit under the SSDI work rules until they reach the substantial gainful activity level of $1,350. In this example, that is an additional $485 a month in earnings. They can also continue to work above the substantial gainful activity level for a limited period before they lose their SSDI benefits.[7] Figure 2 illustrates how a concurrent beneficiary is first subjected to disincentives to work in SSI before accessing supportive work incentives in the SSDI program.

Employment Rates for SSI Beneficiaries

Overall, a small percentage of SSI beneficiaries work at any given time. Data from the Social Security Administration show 4.2 percent of SSI beneficiaries were working in December 2020 (SSA 2021). These rates are understandable, given that only people with a serious, work-limiting disability are eligible for the program. However, a substantially higher percentage of beneficiaries have worked while on SSI than point-in-time estimates suggest. Ben-Shalom and Stapleton (2015) followed working-age beneficiaries who were newly awarded benefits from 1996 through 2006 and found a small but significant group of SSI beneficiaries move in and out of work. For example, among people awarded benefits in 2001, 9.8 percent had worked enough during the following six years to forgo their SSI benefit for at least one month, and 19.4 percent had earned enough to have their benefit partially offset. These rates of employment are 4.5 times the rate of employment for SSI beneficiaries at any given time. People who were awarded benefits in other years experienced a similar pattern of higher rates of episodic employment across multiple years.[8]

This suggests a larger share of program participants could increase work activity, though not necessarily enough to leave the program. Although few SSI beneficiaries are working at any given time, nearly half expressed a desire to work, according to the 2015 National Beneficiary Survey (Livermore, Sevak, and Shenk 2018). Livermore (2011) found that 45 percent of concurrent SSDI and SSI beneficiaries who reported work-related goals had earnings in at least one of the following four years. SSI-only beneficiaries were less likely to achieve their employment goals, but SSDI-only and concurrent beneficiaries were more successful in achieving their goals.

Work rates and interest in work varies by beneficiary status and age. Beneficiaries who are concurrently eligible for SSI and SSDI are more likely to engage in work than SSI-only beneficiaries. In addition, of beneficiaries who worked and became ineligible for an SSI benefit, half continued to receive an SSDI benefit. Younger beneficiaries are also much more likely to have worked recently and to express an interest in work. Beneficiaries younger than 30 are more than twice as likely to seek services to secure employment and much more likely to have worked in the last year than older beneficiaries (SSA 2018). Also, Balkus and Wilschke (2004) found that a beneficiary's earnings vary widely from year to year, perhaps reflecting dynamics relating to a person's disabling condition.

Work Rules and Program Administration Undermine Work for Many

The General Accountability Office (GAO) looked at SSA's application of existing work rules and found many deficiencies. When SSA is late to adjust benefit levels to reflect earnings, beneficiaries experience overpayments. Overpayments can accumulate, and beneficiaries can be hit with bills for thousands of dollars owed to SSA (GAO 2015). Organizations representing SSI beneficiaries report that these overpayments can come as a shock to beneficiaries and create a perception that work does not pay. Although research on SSI is limited, researchers examining SSDI overpayments find that many beneficiaries reduce work in response to the overpayment (Hoffman, Anand, and Jones 2020; Hoffman et al. 2018).

Gettens and colleagues (2012) used an unusual survey of participants in SSDI, SSI, Medicare, and the state Medicaid program in Massachusetts to explore beneficiaries' understanding of and response to work rules. The programs have different rules, but the study found that respondents erroneously thought the rules were the same, and some appeared to assume penalties for working in programs that did not have significant work disincentives. The authors concluded that more participants would work if they correctly understood how their earnings would interact with their benefits. They estimated that 1 out of 10 program participants would begin to work, and the earnings of about one-third of already working participants would increase if the rules were better understood.

Some SSA policies have been developed to mitigate the outdated rules, but their added complexity reduces their usefulness and appeal to beneficiaries. For example, the Plan to Achieve Self-Support (PASS) program permits SSI beneficiaries to disregard earnings or other income to achieve a work goal, such as saving money for tuition or business equipment. The SSI beneficiary must submit a written plan to SSA for review. However, the complexity of the process discourages beneficiaries from participating. Few people choose to participate, according to an SSA Office of Inspector General review of the program (OIG SSA 2018).

Increasing the Earned Income Disregard

Many reforms to SSI work rules could improve participants' ability to work and thereby enhance their economic security, including increasing the earning disregard, reducing the offset rate for earnings, simplifying rules for programs such as PASS, and quickening the processing of wage reports (SSAB 2017). However, increasing the earned income disregard would allow beneficiaries to fully benefit from their additional work effort, starting with the first dollar of wages earned. It is also easier for beneficiaries to understand and simpler for SSA to administer. Reducing the benefit offset rate for earnings would allow beneficiaries to raise their incomes by keeping more of their SSI benefit per dollar earned in wages. However, this approach would still penalize earnings below the poverty level and is more complicated to understand and administer than a flat earnings disregard. Simplifying rules for PASS would also support additional work but only for a narrower group of beneficiaries and would not provide broad support for all working SSI and concurrent SSI and SSDI beneficiaries. Processing wage reports more quickly would help all working beneficiaries by reducing overpayments but would not fundamentally alter the relationship between initial earnings and total income.

If the $65 earned income disregard level had been indexed to inflation from its last update in 1981, it would be $416 in 2022. In 2022, the federal poverty level is estimated to be $1,147 a month, and the federal SSI maximum benefit is $841. Exempting $416 in earnings would allow an SSI beneficiary to increase their income level to just above the federal poverty level. Disregarding this level of earnings would reduce the disincentive to work for dually enrolled SSI and SSDI beneficiaries, with earnings below the substantial gainful activity level of $1,350 in 2022.

Incentivizing part-time employment at less than the substantial gainful activity level is fully consistent with the SSI program's intent. Supporting part-time work improves economic security for working beneficiaries, and research also shows that an attachment to the workforce has beneficial effects on health (ACOEM 2006; Rueda 2012). Interventions, such as the Individual Placement and Support model, can also be used to support employment for people with mental illness, a segment of the program with lower-than-average rates of working (Mann, Mamun, and Hemmeter 2015). Importantly, approaches like the Individual Placement and Support model have not shown they can improve employment to the level that a participant can afford to lose eligibility for SSI or SSDI benefits (Drake et al. 2009; Westat 2011). Similarly, additional part-time work is not expected to result in beneficiaries leaving the program more generally but would better enable working beneficiaries to improve their economic security and health.

Conclusion

SSI is a vital part of the national safety net. It improves the lives of millions of people each year and dramatically reduces the number of people in poverty (Smalligan and Boyens 2019). Despite all these strengths, the SSI program's work rules have serious shortcomings. Current disincentives to work at even low levels undermine the idea that SSI is about providing "supplemental" security income, with potentially serious spillover consequences for the SSDI program. Complicated program rules hinder beneficiaries' attempts to work and increase administrative costs, leading to improper payments that further increase costs to the government, reduce work effort, and cause beneficiaries heartache and financial distress.

The root of some of these weaknesses is that the Social Security Act does not index certain key program parameters, including a critical feature of the program, the earned income disregard. This problem has compounded over decades and becomes more serious with each passing year (SSA 1992; SSAB 2009). Increasing the monthly earned income disregard of $65 to what it would have been if it were indexed consistently from the start of the program would allow SSI beneficiaries to earn $416 a month in 2022 before their benefit begins to be reduced. This would enable SSI beneficiaries to supplement their SSI benefit with earnings that could boost their total income above the federal poverty level.

Notes

[1] Social Security Office of Retirement and Disability Policy, "SSI Monthly Statistics, November 2021," November 2021, https://www.ssa.gov/policy/docs/statcomps/ssi_monthly/2021-11/table01.html.

[2] Social Security Administration, Office of the Chief Actuary, letter to Senator Brown, Senator Warren, and Senator Sanders, July 16, 2021, https://www.ssa.gov/oact/solvency/SSIRestorationAct_20210716.pdf.

[3] Author's estimate.

[4] This extended period of eligibility includes a three-month grace period in which a beneficiary can work above SGA without penalty.

[5] In 1981, the SSI federal benefit rate was $264.70 and the federal poverty level was $385 per person (a weighted average of the census poverty levels for aged and nonaged people living alone).

[6] The earned income tax credit (EITC) for adults without children effectively cancels out the payroll tax for some workers with low wages. However, the person must file a federal tax return to receive the EITC, and many SSI beneficiaries have no other reason to file a federal tax return.

[7] A full explanation of the SSDI work incentive rules is beyond the scope of this paper. See Social Security Administration (SSA), *Red Book: A Summary Guide to Employment Supports for People with Disabilities under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs* (Woodlawn, MD: SSA, 2020), https://www.ssa.gov/pubs/EN-64-030.pdf.

[8] The authors focused on 2001 in part because of legislative changes to SSI that were enacted and implemented before and after 2001.

References

ACOEM (American College of Occupational and Environmental Medicine). 2006. "Preventing Needless Work Disability by Helping People Stay Employed." *Journal of Occupational and Environmental Medicine* 48 (9): 972–87.

Balkus, Richard, and Susan Wilschke. 2004. "Annual Wage Trends for Supplemental Security Income Recipients." *Social Security Bulletin* 65 (2).

Ben-Shalom, Yonatan, and David C. Stapleton. 2015. "Long-Term Work Activity and Use of Employment Supports among New Supplemental Security Income Recipients." *Social Security Administration Bulletin* 75 (1): 73–95.

Berkowitz, Edward, and Larry DeWitt. 2013. *The Other Welfare: Supplemental Security Income and US Social Policy*. Ithaca, NY: Cornell University Press.

Daly, Mary, and Richard Burkhauser. 2003. "The Supplemental Security Income Program." In *Means Tested Programs in the United States*, edited by Robert A. Moffitt, 79–139. Chicago: University of Chicago Press.

Drake, Robert, Jonathan Skinner, Gary Bond, and Howard Goldman. 2009. "Social Security and Mental Illness: Reducing Disability with Supported Employment." *Health Affairs* 28 (3): 761–70.

Favreault, Melissa M. 2021. *Supplemental Security Income: Continuity and Change since 1974*. Washington, DC: American Association of Retired People.

Hoffman, Denise, Benjamin Fischer, John Jones, Andrew McGuirk, and Miriam Loewenberg. 2018. "Work-Related Overpayments of Social Security Disability Insurance Beneficiaries: Prevalence and Descriptive Statistics." Working Paper 2018-04. Washington, DC: Center for Studying Disability Policy, Mathematica Policy Research.

Hoffman, Denise, Priyanka Anand, and John Jones. 2020. "How Do Work-Related Overpayments Affect the Earnings of Overpaid Social Security Disability Insurance Beneficiaries?" DRC Working Paper. Washington, DC: Center for Studying Disability Policy, Mathematica Policy Research.

GAO (Government Accountability Office). 2015. *SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries*. Washington, DC: GAO.

Gettens, John, Alexis D. Henry, Aniko Laszlo, and Jay Himmelstein. 2012. "The Prospect of Losing Benefits and the Work Decisions of Participants in Disability Programs: A Cross-Program Comparison." *Journal of Disability Policy Studies* 23 (3): 179–89.

Livermore, Gina A. 2011. "Social Security Disability Beneficiaries with Work-Related Goals and Expectations." *Social Security Bulletin* 71 (3): 61–82.

Livermore, Gina, Purvi Sevak, and Marisa Shenk. 2018. "Great Expectations but Poorer Outcomes: Declining Employment among a Growing Group of Work-Oriented Beneficiaries." Presented at the Disability Research Consortium Annual Meeting 2018, Washington, DC, August 1.

Mann, David R., Arif Mamun, and Jeffrey Hemmeter. 2015. "Employment, Earnings, and Primary Impairments among Beneficiaries of Social Security Disability Programs." *Social Security Bulletin* 75 (2): 19–40.

OIG SSA (Office of the Inspector General, Social Security Administration). 2018. *The Social Security Administration's Programs and Projects that Assist Beneficiaries in Returning to Work*. Washington, DC: OIG SSA.

Romig, Kathleen. 2021. "The Case for Updating and Simplifying Supplemental Security Income." Testimony before the Senate Finance Committee, Subcommittee on Social Security, Pensions, and Family Policy, Washington, DC, September 21.

Rueda, Sergio. 2012. "Association of Returning to Work with Better Health in Working-Age Adults: A Systematic Review." *American Journal of Public Health* 102 (3): 541–56.

Smalligan, Jack and Chantel Boyens. 2019. "Improving the Supplemental Security Income Program for Adults with Disabilities." Washington, DC: Urban Institute.

SSA (Social Security Administration). 1992. *Supplemental Security Income Modernization Project: Final Report of the Experts.* Woodlawn, MD: SSA.

———. 2018. National Beneficiary Survey: Disability Statistics 2015. Woodlawn, MD: SSA.

———. 2020. *Red Book: A Summary Guide to Employment Supports for People with Disabilities under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs*. Woodlawn, MD: SSA.

———. 2021. Table V.F.1. *2020 Annual Report of the SSI Program*. Woodlawn, MD: SSA.

SSAB (Social Security Advisory Board). 2017. "SSI Statement 2017: Work Incentives and Work Supports in the SSI Program." Washington, DC: SSAB.

———. 2009. "Need for Review of the Supplemental Security Income Programs Benefit Levels, Asset Limits and Income Exclusion Levels." Washington, DC: SSAB.

Waddell, Gordon, and Kim Burton. 2006. "Is Work Good for Your Health and Well-Being?" Paper commissioned by the Department for Work and Pensions, United Kingdom.

Westat. 2011. *Mental Health Treatment Study: Final Report*. Rockville, MD: Westat.

About the Authors

Jack Smalligan is a senior policy fellow in the Income and Benefits Policy Center at the Urban Institute and the principal investigator for the Social Security for Tomorrow's Workforce project. He analyzes the interactions across disability, retirement, and paid-leave policy. Previously, he was deputy associate director at the Office of Management and Budget. Serving five administrations since 1990, Smalligan developed policies that have been incorporated in many pieces of legislation. In 2012, he was a visiting fellow at the Brookings Institution, where he analyzed the Social Security Disability Insurance program. Smalligan received a master's degree in public policy from the University of Michigan.

Chantel Boyens is a principal policy associate in the Income and Benefits Policy Center. Her current work focuses on interactions between Social Security programs and retirement, pensions, disability, and paid-leave policy. Before joining the Urban Institute, Boyens was acting branch chief and senior program examiner in the Income Maintenance Branch of the Office of Management and Budget for nine years and across two administrations. Boyens received a master's degree in public policy from American University.

Acknowledgments

This brief was funded by the Center for Budget and Policy Priorities. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

The authors appreciate the helpful suggestions of Bethany Lily, Kathleen Romig, and Jonathan Schwabish. Thanks also to Alexandria Dallman and Casey Simmons for editorial support for this brief.

URBAN INSTITUTE

500 L'Enfant Plaza SW
Washington, DC 20024

www.urban.org

ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.