OUTCOMES: SOCIAL SECURITY DISABILITY INSURANCE

Social Security Disability Insurance (SSDI) is a federal benefit for workers who become disabled before they reach retirement age and are no longer able to fully support themselves through work. SSDI is funded through the social security payroll tax, and because it is a social insurance program, workers must have worked above a minimum amount in order to be eligible. In order to receive SSDI, workers must also have a medical condition that meets the Social Security Administration's strict definition of a severe, long-term disability. A 20-year-old worker has a more than 25% chance of becoming disabled before reaching retirement age, meaning SSDI benefits are vitally important to many people in this country. The benefit formula is progressive (higher earners receive larger benefits, but a smaller fraction of their prior earnings), and the average monthly benefit for a disabled worker in August 2016 was $1,166. These benefits replace about 50% to 55% of the average lifelong earnings for a median worker. Nearly 9 million disabled workers received SSDI in August 2016, with an additional 137,000 spouses and 1.7 million children receiving benefits of roughly $350 per month. SSDI allows and encourages recipients to work and earn up to the "substantial gainful activity" level of $1,130 a month in 2016 without jeopardizing their benefits. Recipients can also test their ability to work, earning unlimited amounts for a nine month trial period and subsequent three month grace period before benefits are suspended. Even then, individuals can often return to DI if their earnings drop below "substantial gainful activity."

For a helpful guide from the Center on Budget and Policy Priorities, click here.

Who benefits?

SSDI protects older workers nearing the end of long careers. About 70% of DI beneficiaries are over age 50, with the likelihood of disability increasing sharply with age. Recipients must be "insured" to receive SSDI, meaning every recipient has a significant and recent work history. On average, beneficiaries paid into Social Security for 22 years before becoming eligible for SSDI.

Most SSDI recipients have limited education and have worked low-income physically demanding jobs. Before receiving SSDI, most beneficiaries worked at physically demanding jobs and more than half of beneficiaries have a high school education or less, making it unrealistic for them to change professions when their job becomes too physically demanding given their disability status. DI beneficiaries also have much lower per capita family incomes than non-beneficiaries, on average.

SSDI is increasingly important for women and minorities. Non-Hispanic African Americans are 1.5 times to twice as likely to receive SSDI as non-Hispanic whites of the same age. While decades ago most SSDI recipients were men, today there are nearly equal numbers of male and female SSDI recipients due to women's increased labor force participation. In 2013, 4.3 million women received DI benefits. Of these women, many were minorities: 26% of black women and 21% of other women of color who received Social Security did so as disabled workers, with only 12% of white women receiving Social Security benefits as disabled workers.

SSDI Benefits are at Risk

The 2015 budget deal avoided the 20% benefit cut SSDI beneficiaries were expected to face at the end of 2016 and shored up the SSDI trust fund until 2022; however, long-term funding concerns still exist. The bipartisan budget deal temporarily reallocated some of the payroll tax rate from Social Security's main retirement fund – the Old-Age and Survivors Insurance (OASI) Trust Fund – to the DI Trust Fund. Updated programmatic, demographic and economic data released after the budget deal means SSDI will stay viable until 2023. Despite this gain, however, disability insurance remains the most pressing concern when it comes to Social Security's funding shortfalls, as the OASI Trust Fund is not expected to deplete until well after 2022.

Concurrent receipt of SSDI and Unemployment Insurance (UI) is also being threatened. The number of people receiving benefits from both programs only totals 117,000, which is less than 1% of the disability rolls. While the dual receipt is rare (and therefore not a burden on the overall budget), it is critical for the few who receive it. Eliminating UI benefits could also eliminate some of the incentives in place that encourage SSDI recipients to work as much as they are able to.

Why it Matters: Good Outcomes of SSDI

SSDI reduces poverty and provides vital income assistance.

- According to the Center for American Progress, SSDI benefits are so modest that about 1.6 million of beneficiaries (nearly 20%) live in poverty. However, without these disability benefits, over 4 million beneficiaries would be poor. Poverty rates for disabled adults not receiving SSDI are also significantly higher than poverty rates for SSDI beneficiaries.
- For over 80% of beneficiaries, SSDI is their main source of income, and for one-third, it is their only source of income.
- Disabilities are associated with a 79% drop in earnings, a 35% drop in after-tax income, and a 22% drop in food consumption; disability insurance can protect against these negative outcomes for disabled workers.
- A study of homeless mentally ill veterans found that receipt of disability insurance is associated with improved subjective quality of life and is not associated with increased alcohol or drug use.

SSDI goes to the people who need it most. SSDI recipients are generally unable to work, so disability benefits do not significantly reduce labor market participation.

- The strongest causal estimate found that SSDI has very small impacts on employment. Researchers found that among marginal SSDI applicants, the difference in employment above the "substantial gainful activity threshold" was only 19 percentage points, which is a significant overestimate as it only applies to the 23% of beneficiaries who are most likely to be denied (and therefore constitutes a 4.3 percentage point change out of the entire applicant pool). They also found that even among applicants who do work, the average work capacity is far below pre-disability earnings levels.
- Several other studies have found that SSDI applicants would not be able to work if they did not receive assistance. Using the employment of rejected applicants as an upper bound for the amount SSDI recipients are able to work (because rejected applicants have less severe conditions than accepted ones), researchers have found that even rejected SSDI applicants have very low employment rates, indicating that the ability of actual SSDI beneficiaries to work is even lower.
- According to the Center for American Progress, the Organisation for Economic Co-operation and Development (OECD) has determined that the U.S. program's eligibility criteria are among the strictest in the world. SSDI benefits in the U.S. are also less generous than most other countries' DI programs: many other countries replace 80% of prior earnings with disability benefit programs, whereas the United States only replaced 50-55% on average.
- The definition of disability under SSDI is so strict that most applicants are denied. According to the Center for American Progress, nearly 80% of applicants are denied initially, and fewer than 40% of applicants are ultimately approved after all appeals. Thousands of applicants die each year while waiting for benefits.

We can afford to keep SSDI solvent.

- According to the Center on Budget and Policy Priorities, the reallocating of funds between the Old-Age and Survivors Insurance (OASI) fund and disability insurance that occurred because of the 2015 budget deal did not affect the solvency of OASI.
- According to the Center on Budget and Policy Priorities, enrollment in DI has grown based on four main factors: population growth, aging baby boomers, an increase in women in the work force, and a rise in Social Security's full retirement age from 65 to 66. These are well-understood phenomena that indicate that the growth is temporary and expected to level off as baby boomers age into full retirement. The Center for Economic Policy Research confirms that this levelling off has already begun, and growth in disability insurance is now at its lowest level in 25 years.
- The United States spends very little on disability benefits compared to other advanced countries. According to the Center for American Progress, in 2009, U.S. spending on Social Security Disability Insurance was 0.8% of GDP, which put the U.S. at 27th out of 34 OECD member countries when comparing spending on equivalent programs.