



## How Many SSDI Beneficiaries Leave the Rolls for Work? More Than You Might Think<sup>1</sup>

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**K**nowing how many people on the Social Security disability rolls return to work—and eventually leave the rolls—is critical to monitoring program performance and informing policy change. A well-known statistic on those who leave the rolls for work appears in the 1999 Ticket to Work (TTW) and Work Incentives Improvement Act:

“Despite such historic opportunities and the desire of millions of disability recipients to work and support themselves, less than one-half of one percent of Social Security Disability Insurance [SSDI] and Supplemental Security Income beneficiaries leave the disability rolls and return to work.”

—42 USC 1320b-19, Section 2(a)(8)

This statistic, published by the Social Security Administration (SSA) each year, is the percentage of SSDI beneficiaries whose benefits were terminated in the current year because they were working (SSA 2009). Like most such statistics, it is based on the behavior of beneficiaries over a short period—a month or year. It is known as a “cross-sectional” statistic.

However, there is another important way to measure how many beneficiaries leave the rolls for work: by counting them *from the time they first receive their SSDI award* over a period that is much longer than a year. This kind of statistic, known as “longitudinal,” paints a somewhat different picture of the behavior of SSDI beneficiaries. For example, Muller (1992) reports that 2.8 percent of beneficiaries who entered the rolls from July 1980 to June 1981 had their benefits terminated because of work within 10 years of program entry. This longitudinal statistic confirms that leaving the rolls after finding work is a relatively rare phenomenon, but it’s not nearly as rare as the cross-sectional statistics suggest.

Longitudinal and cross-sectional statistics address two fundamentally different questions. Muller’s longitudinal statistic (2.8 percent) shows how many SSDI entrants eventually work enough to leave the program from the time they enter, while SSA’s cross-sectional statistic (0.5 percent) shows how many current beneficiaries leave the rolls for work in a given year. These statistics differ for two important reasons. One is obvious: the longitudinal statistic covers a much longer period. The second is less obvious: the cross-sectional statistic gives disproportionately greater weight to those who stay on the rolls for many years and, by definition, have low exit rates. Those who enter the rolls and leave after finding work are only counted in the denominator of the statistic in the years before they leave. In contrast, the longitudinal statistic gives equal weight to all beneficiaries entering at the same time, regardless of how long they stay on the rolls.

### SSDI Beneficiaries Finding Work and Leaving the Rolls

Longitudinal statistics are critical to understanding the extent to which beneficiaries are working over the long run and could have a substantial bearing on policy decisions. These statistics are rare, however, perhaps because they are difficult to produce. The longitudinal statistics in this brief are from a more detailed report (Stapleton et al. 2010a) in which we used a longitudinal administrative data file, constructed for the TTW evaluation, to produce statistics for SSDI beneficiaries on employment, use of SSDI work incentives, and months off the disability rolls for work. Most of these statistics are for members of the 1996 “award

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cohort”—beneficiaries first awarded benefits in 1996—whom we followed for 10 years; statistics for more recent award cohorts are tracked over shorter periods.

**Beneficiaries who leave the rolls after finding work pass several markers along the way (Exhibit 1).** Within the 1996 award cohort, 28 percent had worked and earned more than \$1,000 (adjusted for inflation) as of 2006, although no more than 16 percent worked in any one year.<sup>2</sup> Over 10 percent completed their trial work period (TWP), and 6.5 percent had their benefits suspended after they found work, including 3.7 percent whose benefits were eventually terminated.

**Only a few who leave the rolls after finding work enroll in publicly funded employment services.** We identified when beneficiaries first used their Ticket from the TTW program or were deemed eligible for state vocational rehabilitation (VR) services (according to Rehabilitation Services Administration [RSA]-911 files).<sup>3</sup> Enrollment in these services can occur at any point along the path shown in Exhibit 1. Less than 7 percent of the 1998 award cohort (the first cohort with complete enrollment data) had enrolled in services as of 2006. Of those, only 18 percent spent at least one month off the rolls after finding work by the end of the 10-year period. The majority of those who spent time off the rolls after finding work (79 percent) never enrolled in services.

Most of those who reached all five markers on the path to leaving the rolls did so during their first five years on the rolls (Exhibit 2). After that, growth in the percentage of those reaching each marker diminished rapidly.

**By the 10th year after award, almost four percent of those in the 1996 award cohort had left the rolls after finding work.** This statistic shows that many more beneficiaries were leaving the rolls after finding work than is indicated by the cross-sectional figure cited in the Ticket Act. The statistic is also higher than what Muller reported.

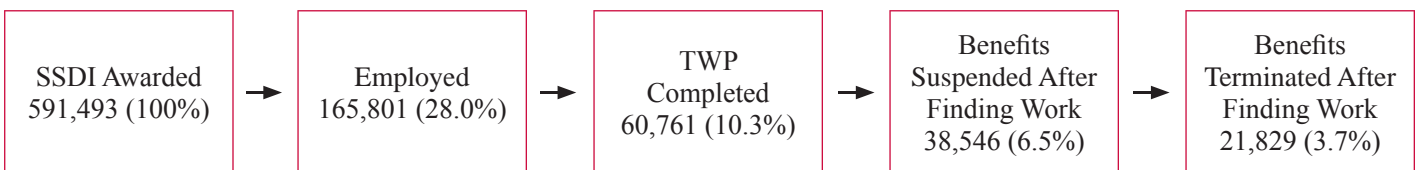
This difference might indicate that members of the 1996 award cohort were more likely to find work and leave the rolls than those in the cohort studied by Muller and others. But the difference may also reflect the different methods used to derive these figures.

The percentage of new SSDI beneficiaries who exit the rolls after finding work, whether temporarily or permanently, fails to capture a critical aspect of these exits: how long they last. This is important because some beneficiaries whose benefits are suspended never have their benefits terminated, and some whose benefits are terminated subsequently return to the rolls. In fact, by the end of the 10-year period, 27 percent of the 1996 cohort members whose benefits had been terminated after they found work had been reinstated.

To determine how long beneficiaries stay off the rolls, we counted the number of months that members of the 1996 award cohort spent off the rolls after finding work: on average, 3 months over the 10-year period. This represents 2.3 percent of the entire period, or 3.4 percent of those months in which benefits were not suspended or terminated for another reason (primarily age and mortality, but also health improvement and other reasons).<sup>4</sup> Of course, most cohort members never left the rolls after finding work; the 6.5 percent who did were off for an average of 42 months.

**The return-to-work statistics for those under age 40 at award—nearly a quarter of the 1996 cohort—are especially remarkable.** Forty-six percent had worked in at least one year by 2006, compared to 29 percent, 20 percent, and 23 percent for those ages 40 to 49, 50 to 61, and 62 to full retirement age at award, respectively (Exhibit 3). Similarly, 20 percent had completed their TWP, and the benefits of almost 16 percent had been at least suspended for work, including almost 10 percent who had benefits terminated. Although individuals under age 40 at award represented only 25 percent of the entire cohort, they accounted for 62 percent of the cohort’s months off the rolls for work through 2006.

**Exhibit 1. From SSDI Award to Termination of Benefits After Finding Work, 1996–2006**



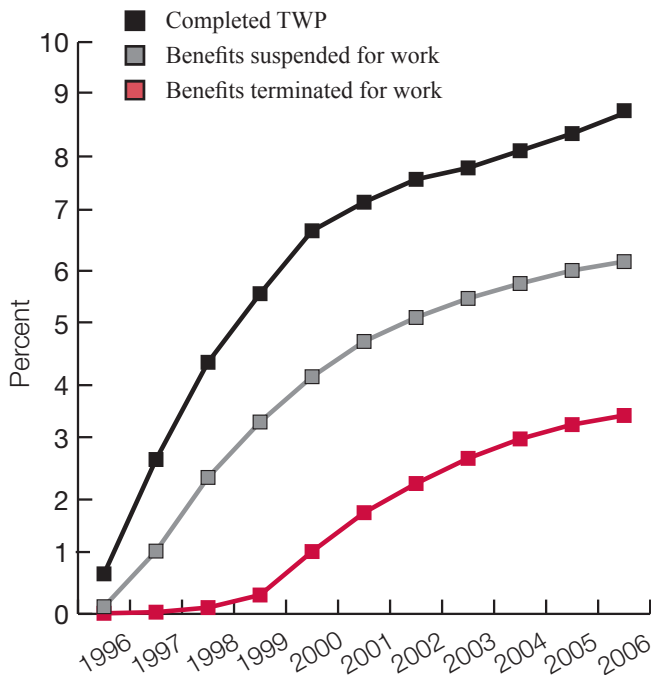
Source: Stapleton et al. (2010a), based on SSA administrative data.

<sup>2</sup> We only examined earnings from the second full year after award and beyond because some beneficiaries receive delayed earnings based on past work during their first year on the rolls. We adjusted earnings to 2007 dollars to account for inflation.

<sup>3</sup> Enrollment in VR is not captured in the RSA-911 file until the individual’s VR case is closed. The more recent enrollment statistics may therefore understate the share of DI beneficiaries who enrolled in VR services.

<sup>4</sup> The denominator for these percentages excludes months during the award year because the DI work incentives make it highly unlikely that a person will exit for work, even temporarily, during the award year. In the denominator for the second percentage, we assumed that individuals who exited the rolls for other reasons left at the end of June during the given year; therefore, 6 months were counted in the denominator for these people. The percentage would be slightly smaller if we had assumed end-of-the-year termination and counted the entire 12 months.

**Exhibit 2. Cumulative Return-to-Work Statistics for 1996 SSDI Award Cohort, 1996–2006**



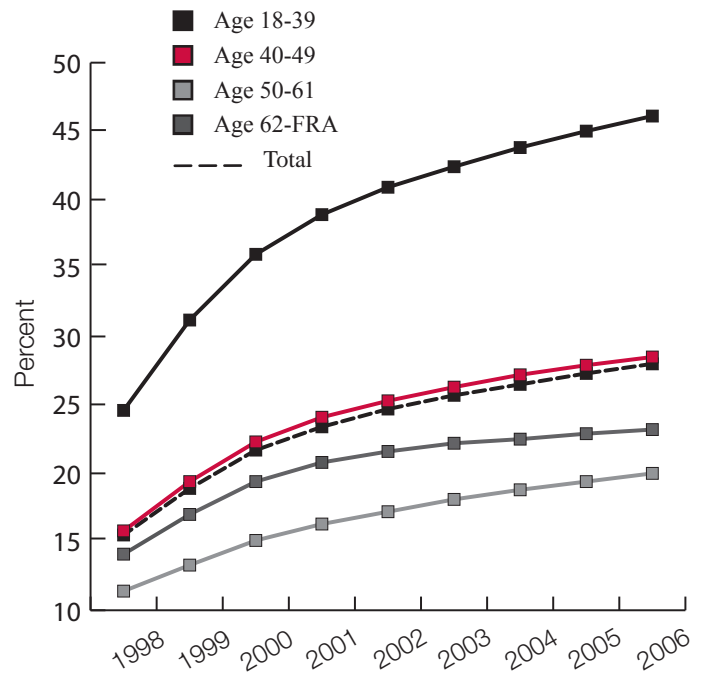
Source: Stapleton et al. (2010a), based on SSA data matched to RSA data.

**Employment and use of work incentives declined substantially for those who entered the rolls in 2000 and later.** For instance, by the sixth year after award, beneficiaries in the 2001 cohort had spent 25 percent less time off the rolls for work than those in the 1996 cohort. This decline may have been due in part to the downturn in the economy. It also appears that the large 2001 increase in the minimum monthly earnings for “trial work” delayed or prevented completion of the TWP for many beneficiaries, and it likely delayed or prevented some benefit suspensions. Other research shows that the 1999 increase in the substantial gainful activity (SGA) threshold for nonblind beneficiaries reduced benefit suspensions for work (Schimmel et al. 2009). However, the size of the effect was small and cannot be distinguished from the effects of other factors in the award cohort statistics, in part because the increase occurred when only a few of those in the earliest of our cohorts had completed their TWP.

**Discussion**

Knowing the extent to which disability beneficiaries find work can help shape the efforts of policymakers to encourage more beneficiaries to exit the rolls and become self-sufficient. In general, the longitudinal statistics paint a more optimistic picture of the efforts of beneficiaries to find work, compared to the cross-sectional statistics. The longitudinal data show that nearly 30 percent of SSDI beneficiaries find work, and a small but nontrivial share (nearly 7 percent) spend time off the rolls after finding work. These

**Exhibit 3. Cumulative Percentage Employed in 1996 SSDI Award Cohort, by Age at Award, 1998–2006**



Source: Stapleton et al. (2010a), based on SSA data matched to annual earnings records from the Internal Revenue Service.

FRA = full retirement age.

shares are much higher for the roughly one-quarter of beneficiaries who enter the rolls before age 40.

Our longitudinal findings also indicate that there are many former SSDI beneficiaries in the labor force who left the program because they found work. In fact, in 2006 approximately 400,000 beneficiaries and former beneficiaries were off the rolls because of work in at least one month, or approximately 4 out of every 100 beneficiaries on the rolls in December 2006 (Stapleton et al. 2010b). These numbers are based on administrative data, and thus we cannot confirm that all were actually working, but we do know they were alive, under age 66, and not receiving benefits. Of course, those who left the rolls after finding work may return to the rolls if they lose their jobs—and perhaps many are doing so in the current recession.

Many beneficiaries return to work without actually leaving the rolls, even temporarily. For instance, 21.5 percent of the 1996 cohort returned to work during the 10-year period, but they never left the rolls. There are numerous reasons for this, including increases in functional limitations and declines in health, but perhaps many of these beneficiaries would have earned enough to leave the rolls if more assistance or better work incentives had been available.

Most beneficiaries who find work and use the work incentives do so during their first five years on the rolls—a finding that has implications for return-to-work initiatives. If beneficiaries are most likely to return to work during

this period, perhaps work incentives should target recent awardees. These findings give policymakers a reason to pay close attention to how recent awardees respond to innovations in work incentives.

We also found that making changes to the SSDI program to help beneficiaries increase earnings might not produce program savings—even if the changes increase exits from the rolls—because the program may end up providing additional support to those who would exit anyway. For example, TTW expanded SSA financing for employment services for those who find work and leave the rolls. But statistics show that 79 percent of such beneficiaries in the 1998 cohort never enrolled in SSA-financed services. TTW might therefore have expanded use of these services by those who would have left the rolls even if the services had been unavailable—a cost to SSA with no program savings unless such beneficiaries leave the rolls sooner or stay off longer. Policymakers might expect such an outcome, but they may not realize its potential magnitude because of the widespread use of cross-sectional statistics.

A similar observation applies to the benefit offset that will soon be tested under the Benefit Offset National

Demonstration (BOND). Under the offset, beneficiaries will no longer lose all benefits if their countable earnings exceed SGA once they complete the TWP and grace period. Instead, benefits will be reduced by \$1 for every \$2 of countable earnings above SGA. If this offset had been in place for the 1996 cohort, at least 6.5 percent of beneficiaries would have used the offset in the next 10 years—the percentage with benefits suspended due to work in at least one month of that period. Their benefits were zero for an average of 42 months but would likely have been much higher under the offset. For the SSDI program to break even, the offset would have had to reduce the benefits of another 6.5 percent of beneficiaries by an equal amount—or reduce them even more to generate a cost savings.

The longitudinal statistics represent “good news” in that, compared to the cross-sectional statistics, they show more beneficiaries leaving the rolls after finding work. They also show that some beneficiaries return to work but don’t leave the rolls. These beneficiaries might become more self-sufficient if better work incentives, such as the benefit offset to be tested under BOND, were available from SSDI.

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