

Cost Savings and Social Benefits Associated With The Addition Of An SSDI Category To The Work Opportunity Tax Credit

By Peter Cappelli
George W. Taylor Professor of Management
Director – Center for Human Resources
The Wharton School – University of Pennsylvania June 2019

EXECUTIVE SUMMARY

- The work opportunity tax credit (WOTC) is a highly effective mechanism to encourage employers to hire unemployed and stigmatized individuals. Disabled individuals receiving social security disability income (SSDI) are among the groups of employees that employers are reluctant to hire.
- Although employers earn WOTC credits by hiring stigmatized individuals in a number of categories defined by statute, SSDI recipients are not covered, while supplemental security income (SSI) recipients are.
- There are immediate savings to be achieved to the United States when an individual transitions from SSDI benefits to employment, and even greater savings after nine months when other benefits phase out. The immediate savings are \$ 9,781 (\$7,336 if the cost of the WOTC credits is taken into account) and \$17,381 per year when all benefits, including those that only end after nine months, are taken into account.
- Because the WOTC credit is a one-time incentive for employers (earned within the first year of employment) the savings continue over time as a former SSDI recipient stays in the workforce without the offsetting cost of the credit. Over a ten year period, the savings are close to \$175,000 per individual.
- In addition to the monetary savings, disabled individuals and society in general, benefit from non-monetary factors (self-reliance, more positive attitudes and health, and greater social stability) as a result of rejoining the workforce.
- The US economy benefits as well by having more workers, and as a result, more consumers.
- The growth in telecommuting has made it easier and more efficient for disabled individuals to join the workforce; what is needed is a proven incentive such as WOTC to encourage employers to look more closely at the SSDI population as a source for workers.

a job if offered. In other words, they have a financial incentive to not accept a job in that they will lose their benefits if they do.

Government leaders and administrators have long been aware of this problem and have made various adjustments to the payment structure and enforcement of regulations to reduce both the incentives to avoid taking a job and the ability to do so if one is able to work. The same problem exists with most other social welfare programs, such as food stamps (SNAP) and welfare (TANF). These other programs have arguably seen fewer efforts to reduce the incentive problems and surprisingly more efforts to address the other side of the equation - the demand side - the interest of employers in hiring beneficiaries of the programs.

The considerable amount of effort given to motivate disability recipients to take jobs contrasts sharply with the apparent absence of effort to encourage employers to offer jobs. Efforts to reform welfare have arguably spent almost as much time on the demand side as Social Security has spent on the supply side in getting recipients into jobs.

One argument for focusing on the demand side in the case of disability is the well-known phenomenon of discrimination against individuals with disabilities. In other words, discrimination is a factor on the employer side that restricts the ability of disabled job seekers from securing jobs. It is true that there are prejudices against other job seekers, including the unemployed and especially those who have no prior work experience. That prejudice is at least rooted in some real interest, in that individuals who have already demonstrated that they can function in a workplace are a much better bet to succeed as an employee than those who have never worked before. Social security beneficiaries receiving SSDI benefits are different in that they have a record of long employment service: otherwise they would not have the work credits to receive those benefits. Prejudgment and prejudice against the disabled as job candidates is not rooted in the same reality, and the evidence suggests that it is widespread.

Research has suggested one special hurdle that the disabled may have to overcome to secure a job that non-disabled candidates do not, and that, surprisingly, is the Americans with Disabilities Act, which requires employers to make reasonable accommodations to help employees with disabilities secure jobs. We consider below the evidence as to whether it is the cost and difficulties associated with making such accommodations for the disabled associated with the Act have contributed to the low levels of employment among the disabled.

A second reason for focusing on the demand side and employers now has to do with changes in work, specifically the increasing willingness to allow employees to work from home or telecommute. The majority of jobs now essentially have no physical demands. This is obviously true for service jobs. The most difficult part of work for many people with physical disabilities is simply getting there, getting to the office or workplace. For people with mental disabilities, the psychological stress of being in a workplace and navigating social and interpersonal demands may be among the most difficult part of having a job. All those challenges are mitigated considerably when individuals are allowed to work from home.

A related change in work has been the rise or at least the greater awareness of work performed as individual contractors rather than as employees. The nature of the tasks performed by contractors is quite different from the tasks performed by employees because they cannot be supervised. Tasks to be performed must be laid out in advance, the "client" cannot change those tasks nor alter how the

for payments. This led to reforms in 1980 that both restricted eligibility and provided for more reviews of cases. More aggressive enforcement of the rules appeared to slow the increase in disability classifications and identified more recipients who were violating the rules by working for pay beyond the allowed limits.

For the purposes here, the most important change in practice may have been the effort beginning in 1999 to move more beneficiaries back into jobs, in turn, off disability payments. The "Ticket to Work" program introduced then got its name from a voucher that beneficiaries could use to seek help from vendors and State agencies to help them get jobs.

A public policy issue dating from the initiation of disability payments through to the present has been to limit the costs of these payments, and most of that concern had to do with the rise in the number of beneficiaries.

SSDI is a social insurance program. To qualify for it, applicants must have earned income that is paid into Social Security taxes. The number of "credits" one earns to qualify is based on reporting earnings and how recently they have been earned. Although eligibility is not completely straight-forward, the current standard is roughly the equivalent of 10 years of full-time work. What constitutes a disability is considerably more restrictive than the self-reported measures used by the Census and requires a review by Social Security to see whether the applicant is unable to do basic tasks associated with "basic work," such as sitting and remembering information for at least the next six months. The maximum monthly benefit for individuals who qualify for disability insurance payments in 2019 is \$2040 per month. Dependents of beneficiaries may also be eligible for payments.

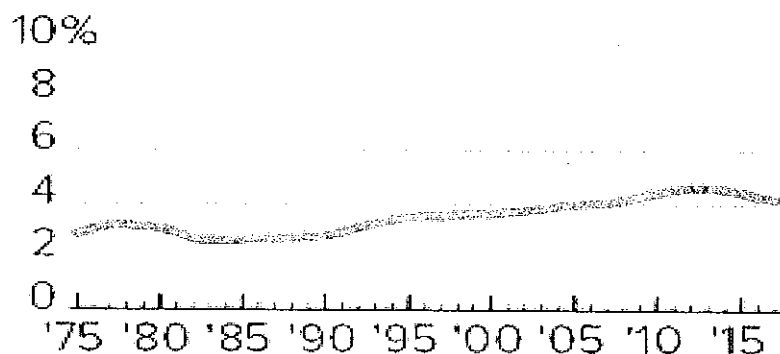
SSI, in contrast, is not insurance. Adults and children are eligible for benefits whether or not they have prior work histories if they have an impairment that makes you unable to work for pay of more than \$1220 per month and will last at least a year. The maximum monthly benefit for an individual in 2019 is \$771.

The WOTC program already covers SSI recipients, although as noted below, they make little use of the program. The concern here is therefore with the SSDI program and recipients.

Table 1 shows the number of beneficiaries of the SSDI program over time and in particular the growth in the program over recent decades. The effects of the 1980 reforms and constraints are clearly visible in the initial decline in the roles and then the slower increase in SSDI recipients until the 1990s, roughly coinciding with a change from Republican to Democratic administration. The growth has been reasonably continuous since the early 1990s. The most recent results are somewhat encouraging for concerns about the expansion of the program in that beneficiaries peaked in 2013 (2014 for just covered workers) and declined by roughly 1.7 million to 2017.³

³ The source for these figures and the SSI figures below is the Social Security Administration's Statistic Reports, including the 2018 Supplement.

Percent of insured workers receiving benefits, adjusted for demographic factors*



*Demographic factors include population growth and aging, growth in women's labor force participation, and increase in Social Security's full retirement age.

Source: Office of the Chief Actuary, Social Security Administration.

(Reproduced from the Center for Budget and Policy Priorities)

There are other explanations, of course. As in the past, there is continued concern about moral hazard problems, specifically the likelihood that claimants may pursue disability status even when they could work and may delay or decline to return to work even when they might be able to do so. Why that behavior would be on the rise over decades is not obvious, though.

The explanation that is of most interest to us is on the demand side, the availability of jobs for disabled candidates, which may affect initial decisions as to disability claims and especially the ability to move off disability roles and back into employment. We might think of these issues as related to the state of the labor market, which we return to below.⁴

For comparison purposes, the increase in SSI beneficiaries has been much more gradual than for the SSDI roles despite being subject to many of the same demographic changes as for SSDI. (An exception being that the incidence of SSI beneficiaries is less sensitive to age – via years of work experience - than are SSDI beneficiaries.) Here again, the total number of beneficiaries has actually declined by 136,000 from its peak year of 2013 to 2017, a more modest decline than we see in SSDI figures. Adjustments for demographic changes would also reveal a slower overall increase here.

⁴ Their summary does not mention a prime concern – whether the standards for receiving benefits have become easier and whether monitoring for malfeasance is reduced. See *Why are Disability Rates Increasing?* Social Security Administration. <https://www.disability-benefits-help.org/faq/disability-rates-rising>

the unemployment rate itself.⁵ Part of this relationship is built into the underlying concept of “ability to work.” If there are no jobs available that I can perform, then my disability appears to prevent me from working; in a booming economy where more jobs are available, including more that match my disability, it is much more likely that I could find one that accommodates my abilities. This situation may seem especially likely after the passage of the Americans with Disabilities Act in 1990, which requires that employers make reasonable accommodations for individuals with disabilities to allow them to work. But there has to be a job available before accommodations can be made.

The attention given to the growth in the SSDI program has mainly concentrated on managing the moral hazard problem, limiting the abuse of these programs by individuals who claim benefits and yet could work. Our concern here is with what happens after becoming a beneficiary, specifically what happens that keeps beneficiaries from returning to work. Exactly how many recipients of SSDI we should expect to return to work is a difficult question to answer, especially because qualifying for these programs requires that beneficiaries show that they *cannot* work. The belief that at least some beneficiaries should be able to return from work stems first from the belief that at least some people recover functionality from the disability that forced them out of work, and better medical treatments should make that number greater over time. We also expect that rehabilitation services that help people adapt to their disabilities should lead some beneficiaries back into the labor market.

A common view and the arguably the focus of most policy intervention is that the number of beneficiaries who return to work is held down by a lack of interest in working. The reason for that, the argument goes, is that they lose their benefits if they return to work, at least to full-time work in regular jobs. The fact that the SSDI benefits are far less than the recipients had been earning at work suggests that the need for money as a motivator for going back to work should matter for these beneficiaries. Fifty-five percent of those who returned to work cited the need for income as the reason. In contrast, only nine percent of beneficiaries who moved into jobs credited rehabilitation services as the reason.⁶

⁵ For the seminal study, see Parsons, Donald O., “The Decline of Male Labor Force Participation,” *Journal of Political Economy*, LXXXVIII (1980), 117–134. John Bound articulated how to estimate what the experience of individuals classified with disabilities might have been without disability payments. Bound, John. 1989. “The Health and Earnings of Rejected Disability Insurance Applicants.” *American Economic Review*. 79:3, pp. 482–503 and Bound, John. 1991. “The Health and Earnings of Rejected Disability Insurance Applicants: Reply.” *American Economic Review*. December, 81:5, pp. 1427–34. David Autor and Mark Duggan brought attention to the post 1990s rise of SSDI roles and the state of the job market. Autor, David H. and Mark G. Duggan. 2003. “The Rise in the Disability Rolls and the Decline in Unemployment.” *Quarterly Journal of Economics*. 118:1, February, 157–206.

⁶ Evan S. Schechter. 1999. Industry, Occupation, and Disability Insurance Beneficiary Work Return *Social Security Bulletin*, Vol. 62, No. 1 (released June 1999).

value: thirteen percent said they would take a job if it paid 80 percent of what they had been receiving before their disability, which may have been a decade before.¹¹

The obvious point about SSDI beneficiaries is that they must have had a strong attachment to work or they would not qualify for benefits (dependents of the claimants of course are exceptions). In that sense, their experience is quite different from SSI beneficiaries who do not necessarily have any work experience.

The belief that the difficulty in getting beneficiaries off SSDI payments and into paid employment is due to their reluctance to give up payments and return to work runs deep because of the belief that individuals prefer free payments (leisure) to work even when they can work. No doubt there are many examples of this, but there is also evidence that substantial numbers of the disabled want to work, not only because it is possible to earn far more money by working than through benefits but also because work brings so many other benefits to individuals: integration into communities, a sense of purpose, respect in communities, and personal dignity.

In the early 1980s, SSA attempted to quantify the savings to taxpayers just in reduced benefit costs and concluded that the payoff from expenditures on rehabilitation efforts that moved beneficiaries into jobs was considerable, from about 1.3X to 2.6X depending on the assumptions used.¹² An estimate from the Congressional Budget Office was that moving 0.5 percent of SSDI beneficiaries into jobs and off the benefit roles would save \$3.5 billion over their working lives¹³; a more recent estimate from the Government Accounting Office concluded that reducing the beneficiary roles by one percent saves \$3 billion just in SSDI benefits.¹⁴

Current Assistance Programs:

The Federal Government has developed a number of initiatives to help SSDI recipients secure jobs. The most ambitious began with reforms in 1999 and the creation of the Ticket to Work initiative. It allows SSDI recipients the option to secure assistance from vendors who they choose to help assist them in finding jobs. The program is essentially a voucher that can be

¹¹ Sophie Mitra. 2008. The Reservation Wages of Social Security Disability Insurance Beneficiaries. *Social Security Bulletin*, Vol. 67, No. 4 (released May 2008).

¹² Leo A. McManus. 1981. Evaluation of Disability Insurance Savings Due to Beneficiary Rehabilitation. *Social Security Bulletin*, Vol. 44, No. 2 (released February 1981).

¹³ CBO. 1999. Pay-As-You-Go Estimate: H.R. 1180 Ticket to Work and Work Incentives Improvement Act of 1999. Washington, D.C., Dec. 13, 1999.

¹⁴ U.S. General Accounting Office, Social Security: Disability Programs Lag in Promoting Return to Work, Letter Report to Congressional Committees, U.S. Senate and House of Representatives, United States Government Accounting Office, 1997. Removing 1% saves \$3 billion.

actually transitioned out of the SSDI program by securing work from 1996 to 2006.¹⁷ This is only marginally better than the results from an earlier decade, before the Ticket to Work program: only three percent of new recipients moved off the rolls in the ten-year period beginning in the early 1980s. Of those, one-third eventually came back onto beneficiary status.¹⁸

The benefit accommodations noted above do a great deal to offset the disincentives of disability beneficiaries to work, especially the concern that they might not be able to sustain working and would lose benefits. The Survey of Disability and Employment conducted by Mathematica in 2015 is the best data we have on the experience of disabled job seekers. Twenty-three percent of respondents reported that losing their SSDI and Medicaid benefits were a barrier to their working, but eight other factors were rated as more important barriers: Aside from health, the most important factor cited by 58 percent of respondents was inability to find a job, followed by 49 percent who report that they were discouraged by unsuccessful attempts in the past to find a job.¹⁹ A wide range of policies and practices have been tried to help disability beneficiaries hunt for jobs, and no doubt more efforts to support job search might help.²⁰ But it also important to consider whether the virtually complete focus on the supply side – on the beneficiaries themselves – is still the sensible approach.

The Problem on the Demand Side: Discrimination

Beyond the obvious concern that SSDI beneficiaries are at least initially unable to work, the fact that those who want to work have such difficulty securing jobs, despite the above programs to help with job search and to reduce the disincentives to do so, suggests that focusing on what might be holding back employer interest in hiring individuals with disabilities makes sense.

As noted above, an advantage that SSDI beneficiaries have over other job seekers is a history of significant job experience. Some of it may be dated, however, and that represents a considerable constraint. The unique challenge that disabled job seekers face is discrimination.

¹⁷ D.C. Stapleton, S. Liu, D. Phelps, and S. Prenovitz. 2010. "Work Activity and Use of Employment Supports Under the Original Ticket to Work Regulations: Longitudinal Statistics for New Social Security Disability Insurance Beneficiaries." Washington, DC: Mathematica Policy Research, 2010

¹⁸ L. Scott Muller. 1992. Disability Beneficiaries Who Work and Their Experience Under Program Work Incentives. *Social Security Bulletin*, Vol. 55, No. 2 (released April 1992).

¹⁹ Angela Eckstein, Purvi Sevak, and Debra Wright. 2017. Personal Characteristics of Vocational Rehabilitation Applicants: Findings from the Survey of Disability and Employment. *Journal of Vocational Rehabilitation* 46: 177-188.

²⁰ For a discussion and some evidence in favor of the "supported work" model of assisting the disabled in job search, securing initial work experience, and advancing a career with coaching support, see Drake, R. E., Skinner, J. S., Bond, G. R., & Goldman, H. H. (2009). Social security and mental illness: Reducing disability with supported employment. *Health Affairs*, 28(3), 761-770.

Nevertheless, something caused the rate of employment among the disabled to decline since 1990, and the ADA surely did not prevent that.

To make an obvious point, efforts to help the disabled with job seeking are not going to address the problem of discrimination. More broadly, a look on the demand side and to the availability of jobs makes sense.²⁶ Here there are some compelling studies, including some evidence that the availability of jobs actually changes how people see their own impairments: increasing their perception that they are disabled when jobs are not available and decreasing it when they are.²⁷ The evidence is also clear that the number of disability claims and beneficiaries rises when jobs are scarce.²⁸

Telecommuting and Working from Home:

If discrimination represents the dark side of the workplace for disabled job seekers, the new trend of telecommuting and alternative work represents a possible bright side. Reliable figures on the extent to which employees are allowed to work from home are difficult to obtain. The US Bureau of Labor Statistics reports that 23 percent of full-time employees and 29 percent or part-time report working at least some hours at home on a typical day.²⁹ How much of that is additional work, as opposed to substituting for work in the office, is difficult to say, but a recent Gallup survey suggests that a large proportion of workers are spending most of their time working outside their employer.

²⁶ As an example of the interest in demand-side approaches to securing jobs for the disabled, see this journal special issue: Chan, F., Strauser, D., Gervy, R., & Lee, E.-J. (2010). Introduction to demand-side factors related to employment of people with disabilities. *Journal of Occupational Rehabilitation*, 20(4), 407-411.

²⁷ Rourke L. O'Brien. 2013. Economy and Disability: Labor Market Conditions and the Disability of Working-Age Individuals. *Social Problems*. 60:3, p321-333.

²⁸ Hugo Benítez-Silva, Richard Disney, and Sergi Jiménez-Martín. 2010. Disability, capacity for work and the business cycle: an international perspective. *Economic Policy*. 25(63): 483-536.

²⁹ BLS. 2018. Employed Persons Working at Home, Workplace, and Time Spent Working at Each Location <https://www.bls.gov/news.release/atus.t06.htm>

Reduction – were designed to reduce the costs of architectural adaptations necessary to accommodate workers with certain physical disabilities. These are very targeted programs that affect only workers with some disabilities, mainly those affecting their mobility: Only half of individuals with disabilities have ambulatory challenges, and not all of those require physical accommodations.³⁴ They found that the programs were not used very often. There were no studies of the effects of the programs.

The report noted that SSI recipients are covered by WOTC, but as the Table below, they account for only 1.6 percent of WOTC recipients, and there are no studies concerning those recipients. Individuals who are “vocational rehabilitation referrals” are also eligible for WOTC. These are individuals with disabilities in rehab programs run by the US Department of Veteran Affairs, in state plans under the Rehabilitation Act of 1973, or Ticket-to-Work programs. The program was introduced in 2007. They account for only 1.5 percent of WOTC participants.

Table 2. WOTC Certifications by Target Population, FY2015-FY2017

	FY2015		FY2016		FY2017	
	Number	%	Number	%	Number	%
TANF Recipients	76,639	4.0%	87,158	3.5%	73,065	3.6%
Veterans ^a	121,629	6.4%	158,083	6.4%	149,495	7.4%
Ex-felons	53,307	2.8%	70,590	2.8%	67,862	3.4%
Designated Community Residents	75,568	4.0%	89,155	3.6%	78,300	3.9%
Vocational Rehabilitation Referrals ^b	27,932	1.5%	34,905	1.4%	30,831	1.5%
SNAP Recipients	1,381,946	72.9%	1,825,056	73.5%	1,376,325	68.2%
SSI Recipients	23,480	1.2%	41,797	1.7%	32,384	1.6%
Long-Term TANF Recipients	131,839	7.0%	169,283	6.8%	133,148	6.6%
Other ^c	4,188	0.2%	8,122	0.3%	76,479	3.8%
Total	1,896,528	100.0%	2,484,149	100.0%	2,017,889	100.0%

Source: Data are from DOL, Employment and Training Administration, Past Program Outcomes and Data Reports, <https://www.doleta.gov/business/incentives/opptax/wotcResources.cfm>.

- a. Includes all veterans certified under any of the “qualified veteran” criteria.
- b. Includes Ticket-to-Work recipients.
- c. This category includes long-term unemployment recipients in FY2016 and FY2017.

Chart Source: Congressional Research Service. *The Work Opportunity Tax Credit*. Updated September 25th 2018.

³³ U.S. General Accounting Office (GAO) Report to Congress. BUSINESS TAX INCENTIVES: Incentives to Employ Workers with Disabilities Receive Limited Use and Have an Uncertain Impact. **December 2002. GAO-03-39.**

³⁴ Kraus, L., Lauer, E., Coleman, R., and Houtenville, A. (2018). 2017 Disability Statistics Annual Report. Durham, NH: University of New Hampshire.

who gets hired. The reason at present is because most all hiring is of people who already have a job. We fill roughly 66 million vacancies in the US each year, and there are fewer than 6 million unemployed, so it is obvious that most vacancies are not filled by the unemployed.

Employers have been resistant to hire individuals who are unemployed, especially those who fit the additional categories of disadvantage that make them eligible for WOTC and in particular no recent or stable employment. If we can shift hiring toward more individuals who are unemployed, particularly those who are otherwise supported by various taxpayer programs, social welfare is improved: frictional unemployment is reduced as is actual unemployment.

One way to assess whether the WOTC would be successful is to see to what extent individuals eligible for the program actually get jobs. The veterans study above for disabled individuals suggests that it does, although earlier research on the WOTC per se suggests that it moved relatively few eligible individuals into jobs. The reason for that is because relatively few employers make use of the program or appear to be aware of it.

If we use a broader criterion, is the WOTC a cost-effective approach to moving targeted individuals into jobs, the answer is decidedly yes. Note that only employers who hire targeted individuals receive the subsidy, so the costs only come to bear if and when such individuals move into jobs. If the subsidy causes employers to shift their hiring to a targeted individual, then all the benefits of moving them into employment should be attributed to the WOTC. It does not have to be the sole factor for hiring the targeted individual. It simply has to be enough to tip the balance at the margin toward hiring. The empirical issue is whether the subsidy in fact does so.

A common concern is whether individuals who are hired and who receive the WOTC benefit would have been hired even without the subsidy, in which case the subsidy is simply a windfall gain to the employer. The attributes of individuals who are eligible for WOTC subsidies are those whose members struggle to be hired. The idea that when the labor market gets extremely tight, employers will have no choice but to hire those job seekers is unfortunately not true. That view assumes vacancies are filled only by the unemployed, but of course individual employers can always meet their hiring needs by hiring candidates who are working elsewhere, as indeed is the case for virtually all vacancies now.

A set of case studies conducted for the US Department of Labor in 2001 concluded that while employers liked the program and the WOTC-certified employees they hired seemed to do about as well as other candidates, the employers claimed that they would have hired those employees in any case and that the subsidies played little role in the hiring decisions.³⁷ But a more thorough study conducted by the Government Accounting Office the same year used a random sample of

³⁷ These two findings together are puzzling. If the employers were willing to hire candidates like those the WOTC targets, it would be irrational for them to ignore the subsidies. See Westat and Decision Information Resources, Inc., *Employers' Use and Assessment of the WOTC and Welfare-to-Work Tax Credits Program*. Washington, D.C.: U.S. Department of Labor, Employment and Training Administration, Office of Policy and Research, Mar. 2001.

SSDI beneficiaries also receive Medicare, which costs an average of \$9400 per beneficiary. If they move into a job above the \$1220 limit, they still retain Medicare Part A coverage for 93 months, which is worth \$437 per month or \$5244 per year³⁹ but not the other components. The reduction in costs is therefore the difference of \$3956.

SSDI beneficiaries receive other forms of government support as well, though. Because SSDI is social insurance, as opposed to need-based support, individuals can be eligible for it as long as their work-related income falls below the \$1220 level even if they receive income from most other sources. Because the definition of disability for Supplemental Security Income (SSI) from Social Security is the same as it is for SSDI, meeting the standard for SSDI benefits means meeting the disability standard for SSI, although the latter is need-based. Roughly 30 percent of SSDI beneficiaries also receive SSI benefits, which are \$771 per month or \$9252 per year.⁴⁰

In addition to Social Security benefits, about 25 percent of SSDI recipients receive housing subsidies from the Federal Government. The average subsidy in the form of a housing voucher is \$8571 per year. Roughly 60 percent of SSDI beneficiaries also receive SNAP or food stamp benefits, which average \$126 per month or \$1512 per year.⁴¹

Then there are other services that Social Security provides beneficiaries beyond cash payments. One of these is rehabilitation services that are contracted to state vocational rehabilitation programs at a cost of roughly \$13,000 per recipient.⁴² These are presumably necessary for individuals to get into the position to accept a job such that moving beneficiaries into a job does not eliminate those costs.

Where the benefits are not so clear is the Ticket-to-Work program, which is designed to help find SSDI beneficiaries a job. Less than one half of one percent of those beneficiaries who are entitled to use the program at a point in time actually did so. On the other hand, as noted above, less than four percent of SSDI recipients exited the program into employment over a ten year period: the number of beneficiaries who use the program and the number who exit it are similar and indeed may well be the same individuals. Criticism of the Employee Networks behind the Ticket-to-Work program noted earlier suggested that they screened applicants to

³⁹ CBO. 2016. Social Security Disability Insurance: Participation and Spending.

⁴⁰ Rupp, Kalman, Paul Davies, and Alexander Strand. 2008. "Disability Benefit Coverage and Program Interactions in the Working-Age Population." *Social Security Bulletin* 68 (1). They calculate that one-third of SSDI recipients also received. Fast Facts & Figures About Social Security, 2017. SSA Publication No. 13-11785 estimates that the figure is 27 percent. Our 30 percent figure is the average of these two.

⁴¹ Center on Budget and Policy Priorities. 2018. Policy Basics: Supplemental Security Income. Washington, D.C. provides the estimates for housing subsidies and for SNAP.

⁴² VR Reimbursement Claims Processing. Social Security Administration. <https://www.ssa.gov/work/claimsprocessing.html>

for 75 percent of those transitions into employment, then the WOTC-induced savings would be \$7336.

After nine months, taking away SSDI payments increases the savings per year to \$23773. The WOTC-induced proportion of the savings as above would be \$17,830.

These savings accrue year-after-year, and there is good evidence that SSDI beneficiaries typically remain in the program until they transition into Old Age Retirement from Social Security. (Indeed, the concern with SSDI is how few beneficiaries transition out of it.) The average age of a beneficiary is 53.5, which means that unless they move into a job and earn enough to exit the program, they will continue to earn SSDI benefits until between age 65 and 67, depending on their date of birth, when that transition occurs. The average disabled worker at age 53 will live longer than the time required to make that transition.⁴⁵ As noted earlier, less than four percent of beneficiaries now leave the benefit roles for employment.

For convenience, we calculate the reduction in costs from a WOTC-induced job over ten years, 9.25 of them with full savings. The total would be \$174,708.⁴⁶ A policy choice might be to consider whether the Employment Network expenditures are worth continuing in the context of WOTC eligibility. If not, substituting WOTC for it would provide another \$24,000 in one-time savings. A caveat here is that not all SSDI beneficiaries will remain employed until they transition into retirement, but if WOTC reduces the years of dependency, the savings are still substantial.

Other Considerations

The economic case for expanding WOTC to cover SSDI beneficiaries seems extremely strong. It also appears to be an opportune time to shape and expand employer interest in hiring the disabled because of the growing willingness to allow employees of all kinds to work at home, in some cases full-time but at least for some proportion of the working week. Working from home substantially reduces the challenges that disabled individuals with ambulatory programs have in managing transportation to work, a substantial factor in keeping many from work. It also accommodates the social challenges presented by other types of disabilities of managing the workplace by making breaks and physical accommodations easier. On the employer side, it may reduce their concerns about accommodations and perceived disruptions in work arrangements that they believe may be more likely with disabled workers.

An issue worth considering is whether WOTC as applied to disabled candidates should be expanded to include paid work that is not employment and that operates as contracting. The

⁴⁵ The average SSDI recipient at age 53 will live between 16 and 20 years (men) longer and 20 to 25 years (women), depending on the year when their disability began. Tim Zayatz. Social Security Disability Insurance Program Worker Experience. Actuarial Study No. 118. Tables 9A and B, Expected Future Lifetime. https://www.ssa.gov/oact/NOTES/as118/DI-WrkerExper_DeathTbIs.html#wp1364024.

⁴⁶ This assumes 9.25 years of full savings and 0.75 years without the SSDI cash benefit savings. SSDI recipients must wait to receive Medicare benefits, but those who also receive SSI benefits can get them immediately.