

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

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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.

Introduction:

Arguably no social welfare program in the US is as important or has been studied as much as Social Security. Within it, the disability programs have been a focus of recent attention, Social Security Disability Income (SSDI) and Supplemental Security Income (SSI). Roughly 7.7 million receive benefits under the former, which is funded from credits individuals earn by paying into the Social Security system, and 5.4 million under the latter, which is paid to those without such credits. Far more people meet various definitions of being disabled – between 12 to 13 percent of the population – and some projections suggest that one-in-four individuals will be disabled at some point in their adult life. More than a third of those with disabilities are working, however, and that raises the important policy question: what can be done to get more people with disabilities into jobs?

That topic has generated a remarkable amount of study, including several organizations devoted just to examining the question, in addition to an industry of providers engaged in helping disabled individuals get into the workforce. Most of those efforts have focused on recipients of the two Social Security programs above because that is where virtually all the money is spent.

A key distinction about disability, as opposed to other criteria that affect the ability to work, is that to be eligible to receive Social Security disability, one has to demonstrate that they are literally unable to work. Rehabilitation and improved treatments for disabilities as well as recovery time means that many of those who are certified as disabled may never be able to work again. Indeed, evidence suggests that 60 percent of SSDI recipients say that they have no interest in securing paid work. Health issues are their main reason why.¹

Virtually all of the interventions and subsequent research about helping get disabled individuals into jobs are aimed at the individual beneficiary per se, not just rehabilitation associated with the disability but also job-seeking skills and incentives to get a job. We can think of this as a supply-side approach: What can we do to encourage disabled individuals to try to get a job? The reasons for doing so are compelling. First, individuals who take jobs can move off eligibility for disability benefits, saving taxpayers considerable amounts of money. Second, because work is an important mechanism for integrating individuals into society and building self-esteem, individuals who are able to move into jobs benefit considerably from doing so.

The enormous amount of academic research on moving the disabled into jobs stems from the fact that social security disability payments coincide with a long-standing interest in economics about job search and incentives. Specifically, individuals have some ability to shape their disability status, as discussed below, those who receive disability payments will lose those benefits if they take on appropriate jobs, and they can more or less control whether they take such jobs by limiting their efforts to find and accept

¹ **Gina A. Livermore. 2009. Work-Oriented Social Security Disability Beneficiaries: Characteristics and Employment-Related Activities. Center for Studying Disability Policy. Social Security Administration.**

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

contractor performs them without recontracting, essentially renegotiating, with the contractor. These arrangements may also be easier for individuals with disabilities to manage because any accommodations and special arrangements needed to perform these tasks are likely to have more permanence behind them.

The focus of this report is on the demand side and the possibility of encouraging employers to offer jobs to individuals who receive social security disability benefits by extending the use of the existing Work Opportunity Tax Credit (WOTC) program to cover those individuals. Specifically, I consider the potential cost savings that might be expected from extending WOTC to include recipients of social security disability payments. The focus is on the SSDI program because SSI recipients are already eligible for WOTC.

As I described in previous reports, WOTC is relatively unique in efforts to get individuals into jobs in that there is no cost to it unless it works. Employers only get the tax credit if they hire a covered individual and keep them in the job long enough to qualify for the credit. WOTC is not a program for creating jobs, its function is to shift the preference of employers among potential job candidates toward hiring covered beneficiaries. Employers looking to hire do not seek out unemployed individuals to hire. Their overwhelming preference is candidates currently employed elsewhere, contradicting the theoretical assertion one hears that employers will eventually hire unemployed beneficiaries in any case. The benefits to getting disabled individuals into jobs are wide-ranging, but the savings to taxpayers are the easiest to quantify as individuals who move into paid employment not only stop receiving disability payments, they also stop receiving other subsidies and payments, such as TANF, SNAP, and so forth.

Background to Social Security Disability Programs²

Coverage of individuals with disabilities was not included in the 1935 creation of Social Security because of concerns that are relevant still today, the special and to some degree subjective nature of disability. Private disability insurers had lost considerable amounts of money before then with such coverage in part, it was believed, because of moral hazard problems, or undeserving individuals receiving benefits.

WWII changed the direction of the discussion with the creation of a civilian parallel to veteran's benefits for those disabled working on the war effort, the Civilian War Benefits Program. Legislation in 1956 provided expanded Social Security benefits for older disabled applicants and disabled adults whose disability came from childhood and who had been dependents of Social Security beneficiaries. This established the Social Security Disability Insurance program (SSDI). The law also made rehabilitation of disability beneficiaries a priority.

A series of amendments after 1956 expanded coverage, reduced waiting periods, and also created a new program in 1974, Supplemental Security Income (SSI), to cover individuals who had not earned the work credits that are the basis of Social Security coverage and benefits. Concerns about the sharp increases in the number of disability beneficiaries as well as total benefit budgets were exacerbated by reviews of cases that found, for example, that 20 percent of beneficiaries should not have been eligible

² The Social Security Administration does an admirable job of documenting its history and the challenges its programs face. For disability insurance, see John R. Kearney. 2005/2006. Social Security and the "D" in OASDI: The History of a Federal Program Insuring Earners Against Disability. Social Security Bulletin (66) 3. <https://www.ssa.gov/policy/docs/ssb/v66n3/v66n3p1.html>.

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.

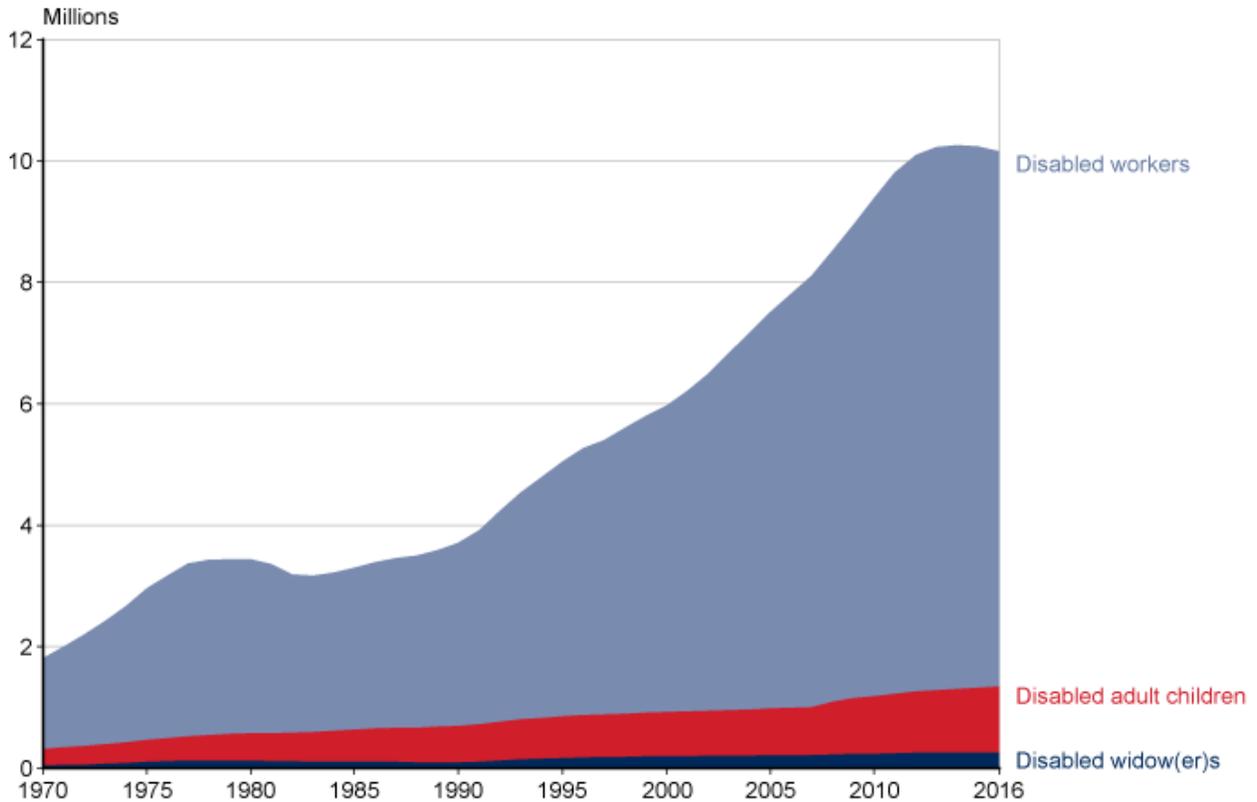
The WOTC program already covers SSI recipients, although as noted below, they make little use of the program. The concern here is therefore with the SSDI program and recipients.

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.

Table 1:

All Social Security Disability Insurance Beneficiaries 1970-2016

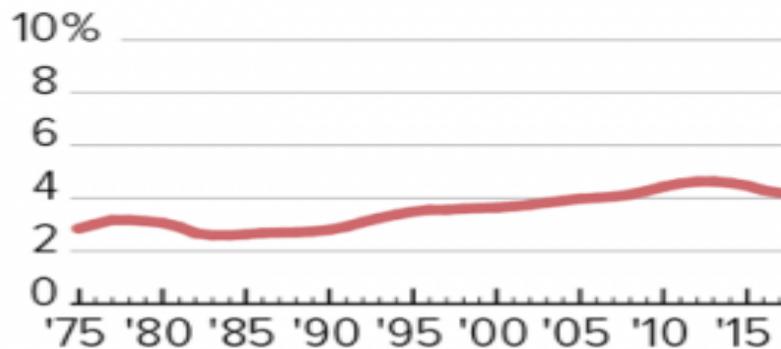


Source: *Annual Statistical Report on the Social Security*

The Social Security Administration summarized the possible reasons for the increase in the use of the SSDI program as follows. First, more individuals are now eligible for it, especially a higher percentage of women who are paying into the program over time. Second, the population itself is growing, so that the number of people in any category, including the disabled, is likely to be greater. A third issue also related to demographic changes is that the population is aging, and older workers are more likely to experience disabilities. When we adjust the figures for changes in demographic attributes in the population, the increase is less, although still substantial, roughly doubling since the 1980s (Table 2)

Table 2

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)

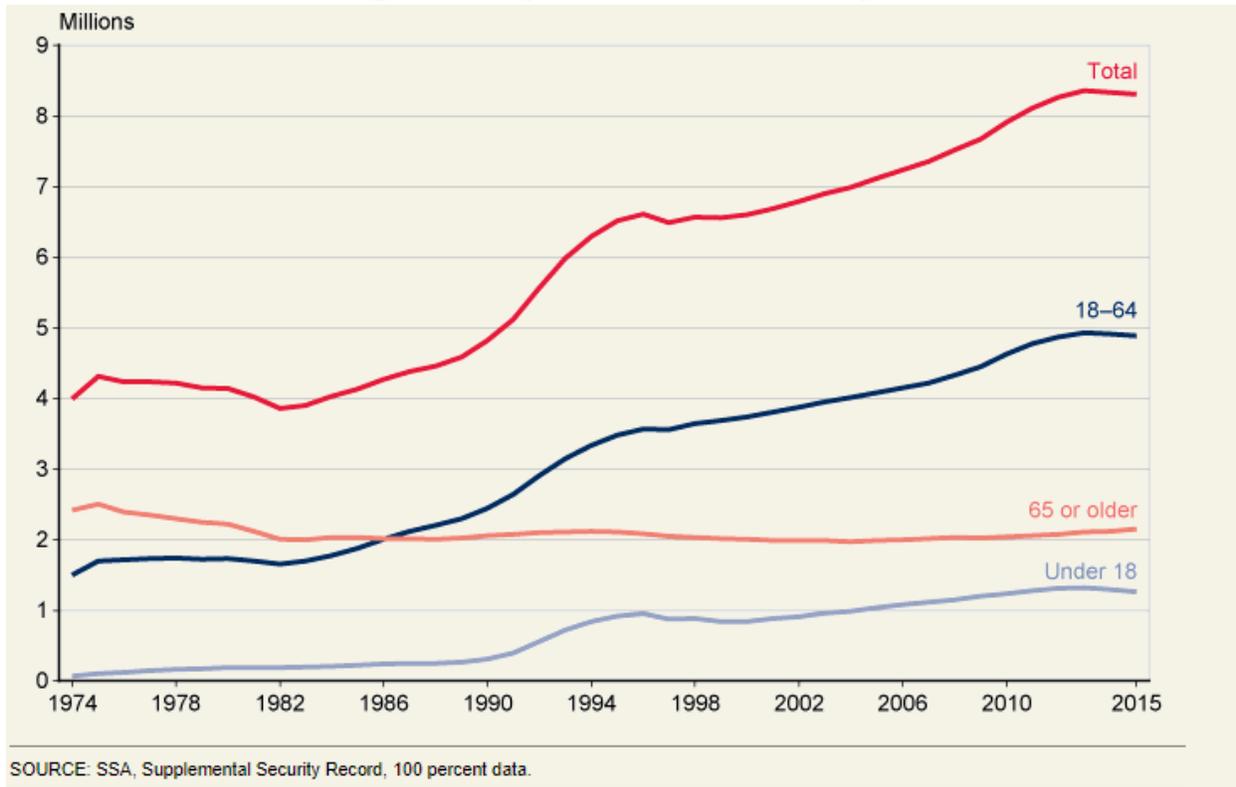
There are other explanations, of course. As in the past, there is continued concern about moral hazard problems, specifically the likelihood that claimants may pursue disability status even when they could work and may delay or decline to return to work even when they might be able to do so. Why that 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>

Persons Receiving Federally Administered SSI Payments 1974-2016



But the increase in SSI beneficiaries has been much more gradual than for the SSDI roles. The total number of beneficiaries also declined, by 136,000 from its peak year of 2013 to 2017, but a more modest decline than we see in SSDI figures. For the purposes here, it is important to note that the experience of the two programs over the same period of time has not been identical. We suspect this is because of the nature of the beneficiaries and their respective ties to the labor market.

Why the increase in SSDI beneficiaries was so large is important to understand, but no matter what the causes are, the cost increases are real and substantial. From the 1980s to the 2000,'s for example, the real cost of the program effectively doubled. The policy interest has been substantially greater in understanding the SSDI roles than in SSI, no doubt because the increase has been so much sharper in SSDI and perhaps as well because benefits are higher for SSDI recipients.

The Labor Market Connection:

Observers have long noted the counter-cyclical nature of the relationship between the unemployment rate and disability benefit claims, which was tied to understanding changes in

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).

Clearly people with disabilities do work. Disability serious enough to impair normal life functions affects roughly 13 percent of the US population.⁷ About 19 percent of those individuals were employed in 2018, in contrast to 66 percent for those without a disability. Of those, 31 percent worked part-time. The unemployment rate (those without a job and actively searching for one) is eight percent among those with disabilities as compared to 3.6 percent for the overall population, but most of the disabled were not in the labor force – 80 percent.⁸

Nevertheless, the fact that the unemployment rate is so comparatively high for people with disabilities – recall that to count as unemployed, one must be actively searching for a job - suggests an unmet interest in working. Data from the General Social Survey finds that people with disabilities, broadly defined, are as likely to want a job but less likely to be actively searching than those without a disability and are as likely to have prior job experience as those without disabilities.⁹ When asked why they are not working, 49 percent in the Survey of Disability and Employment report that they were discouraged from previous attempts to find one and 45 percent also believe that employers would not give them a chance (they could record more than one factor).¹⁰ It seems fair to conclude that there is some considerable interest in working among the disabled that is not being met even if we believe more should have that interest.

A common assumption has been that the difficulty that disability beneficiaries have in getting jobs is that they price themselves out of the market, or in more formal terms, their “reservation wages” are too high. This explanation sounds plausible for anyone without a job: if you are willing to work cheaply enough, someone will hire you. But of course, employment does not work that way. It is not an auction market where candidates announce how little they are willing to accept before being offered a job. Evidence from surveys of Social Security beneficiaries in the 1990s suggests that they are not unreasonable in their estimates of their

⁷ The Current Population Survey definition of disability is a positive answer to any of these questions: Is anyone deaf or does anyone have serious difficulty hearing? • Is anyone blind or does anyone have serious difficulty seeing even when wearing glasses? • Because of a physical, mental, or emotional condition, does anyone have serious difficulty concentrating, remembering, or making decisions? • Does anyone have serious difficulty walking or climbing stairs? • Does anyone have difficulty dressing or bathing? • Because of a physical, mental, or emotional condition, does anyone have difficulty doing errands alone such as visiting a doctor's office or shopping?

⁸ These figures come from US Bureau of Labor Statistics. 2019. Persons with a Disability: Labor Force Characteristics – 2019. News Release 26th February 2019.

⁹ Ali, M., Schur, L., & Blanck, P. (2011). What types of jobs do people with disabilities want? *Journal of Occupational Rehabilitation*, 21(2), 199-210.

¹⁰ Angela Eckstein, Purvi Sevak, and Debra Wright. 2016. Personal Characteristics of Vocational Rehabilitation Applicants: Findings from the Survey of Disability and Employment. *Journal of Vocational Rehabilitation* 46: 177-185.

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.

used with “employment networks,” which are collections of vendors providing job search assistance and work-related rehabilitation services. The networks are paid based on the extent to which the ticket holders they worked with secure employment at appropriate rates of pay.

A critical report of the Ticket-to-Work program and the role of employment networks in it by the GAO concluded that the apparent effect of the program was mainly due to selection effects: the employment networks targeted beneficiaries who were already or likely to find work. Then they and paid those beneficiaries a share of the payment the network received from the Social Security Administration to support the beneficiary to secure their participation. It was difficult to conclude whether the networks were doing anything substantive to aid in the transition to work of the beneficiaries.¹⁵

Beyond the employee networks, SSDI has a wide variety of programs designed to reduce the moral hazard problem of beneficiaries who could work avoiding that option in order to retain their benefits. These include:

- Deductions for Expenses – the cost of expenses related to impairments are deducted from earnings that determine if beneficiaries earn more than the
- Vocational Rehabilitation Programs – benefits continue even if recipients have recovered from their disability as long as they are in an approved vocational rehabilitation program.
- Trial Work Period – full payments continue until nine months of work has been accrued.
- Continued payment of benefits if earnings fall below the limit of “substantial gainful activity.”
- Ninety-three months of Medicare coverage while working.
- Should securing a job leads to the end of free Medicare coverage, individuals may pay for continued coverage, and state assistance may provide supplements to pay for it.

Only two percent of beneficiaries had participated in the Ticket to Work program. They were significantly more likely to end up in a job than non-participants, but they also self-identified as being more interested in getting one than other participants.¹⁶ Revisions in the program in 2008 improved participation but not success in moving participants into jobs. Among SSDI recipients, 28 percent will do some work over the next ten years, 6.5 percent earned enough to have their benefit payments suspended at least once during that period, but only 3.7 percent

¹⁵ GAO (US Government Accountability Office). 2011 Social Security Disability: Ticket to Work Participation Has Increased, but Additional Oversight Needed.

¹⁶ Jody Schimmel Hyde and David C. Stapleton. 2015. Changes to the Ticket to Work Regulations in 2008 Attracted Providers and Participants, but Impacts on Work and Benefits Are Unclear. *from Social Security Bulletin, Vol. 75, No. 4 (released November 2015).*

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.

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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.

The literature on discrimination against the disabled is massive: entire journals are devoted to it as are psychological instruments designed to measure it (a central attribute of reactions to the disabled is to express both discomfort around them and sympathy toward them).²¹ One of the more interesting and recent analyses is an audit study where employers were sent resumes of potential candidates: they were identical except for the fact that some reported a disability. Those that did received 26 percent fewer call backs.²² Baldwin and Johnson surveyed the evidence on the labor market outcomes of those with disabilities to see how much of the difference in outcomes might be accounted for by differences between the two groups in material factors such as education or skills. They conclude first that even when limiting our focus to the most rigorous studies, the overall differences in employability and wages are substantial. Second, even when controlling for other material factors that are different for the disabled, considerable differences in getting jobs and wages remain that are consistent with discrimination.²³

One of the advantages that the disabled face in dealing with discrimination against them is that it is illegal. This is, unlike, say statistical discrimination against individuals who are unemployed. The Americans with Disabilities Act (ADA) passed in 1990 creates disability as a protected category and prohibits acting on it in employment decisions. Paradoxically, there was some initial evidence and a continuing believe that the ADA may have actually made discrimination against the disabled worse because it increased the obligation of employers to employees with disabilities, requiring accommodations and restricting their ability to dismiss them in particular, yet offered few protections against discrimination in hiring the disabled. Therefore, the argument went, employers “understandably” were more reluctant to hire individuals with disabilities. The fact that employment rates for the disabled dropped after the law was passed appeared to provide some prima facie evidence of that relationship. More sophisticated analyses supported it,²⁴ but more recent research suggests that this was not the case.²⁵

²¹ See, e.g., See, e.g., MacLean, D., & Gannon, P. M. (1995). Measuring attitudes toward disability: The Interaction With Disabled Persons scale, revised. *Journal of Social Behavior and Personality*, 10,79 1-806 and Wai Yim Lam, Sameer K Gunukula, Denise McGuigan, New Isaiah, Andrew B Symons, and A.A. Elie 2010. Validated instruments used to measure attitudes of healthcare students and professionals towards patients with physical disability: a systematic review. *Journal of Neuroengineering and Rehabilitation*. 7: 55.

²² Mason Ameri, Lisa Schur, Meera Adya, Scott Bentley, Patrick McKay, and Douglas Kruse. 2015. The Disability Employment Puzzle. <https://www.aeaweb.org/conference/2015/retrieve.php?pdfid=1211>.

²³ Marjorie L. Baldwin and William G. Johnson. 2006. A Critical Review of Studies of Discrimination Against those With Disabilities. In *Handbook of Employee Discrimination*. Edward Elgar.

²⁴ Daron Acemoglu and Joshua D. Angrist. 2001. Consequences of Employment Protection? The Case of the Americans with Disabilities Act. *Journal of Political Economy*. 109(5): 915-957.

²⁵ For a review, see Did the ADA Reduce Employment of the Disabled? 2019. NBER Digest. <https://www.nber.org/digest/nov04/w10528.html>.

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 of 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., Gurvey, 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.

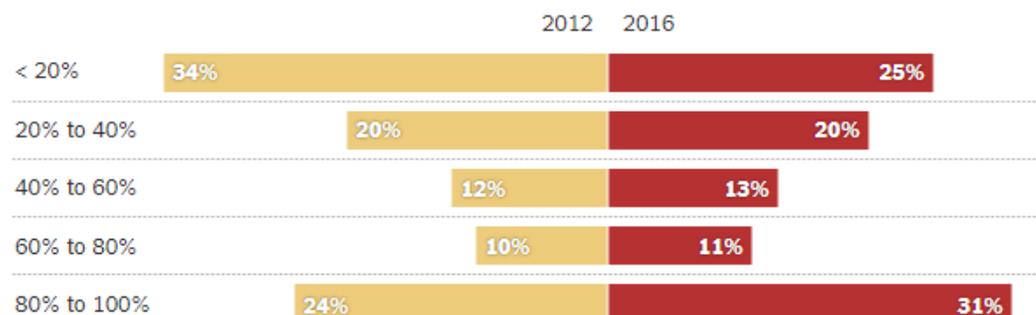
²⁷ Rourke L. O'Brien. 2013. Economy and Disability: Labor Market Conditions and the Disability of Working-Age Individuals. *Social Problems*. 60:3, p321-333.

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>

The Time Employees Spend Working Remotely

Americans who work remotely are doing so for longer periods of time.



Source: Gallup. State of Working America. 2017.

The promise of telecommuting for people with disabilities is that it might address, or at least mitigate, some of the biggest challenges they have in securing and keeping jobs. The Survey of Disability and Employment reports that lack of reliable transportation was a barrier to working for 31 percent of respondents.³⁰ A New Jersey study concluded that half of disabled job seekers there turned down a job offer of transportation difficulties, and a quarter left a job because of problems traveling to work.³¹ A further 33 percent of respondents in the Survey of Disability and Employment said that a barrier to their employment was workplaces that were not accessible. In terms of the accommodations they had received when working with a disability, the most important was flexible schedules, reported by 49 percent.

Working from home eliminates job-related transportation. It is much easier to have a flexible work schedule at home as well in part because it is simply easier to get to the kitchen, bathroom, or other break-related needs at home. More generally, it is easier to arrange the accommodations needed to work from home because for most people, the basic accommodations are already set up in their homes. For employers, the ADA-related accommodations for a worker with disabilities are substantially reduced and possibly eliminated if that individual works from home.³²

Evidence on Demand-Side Interventions:

The GAO examined the Federal tax incentive programs to encourage employers to hire persons with disabilities.³³ The two principal programs – Disabled Access Credit and Barrier Removal

³⁰ Eckstein, Sevak, and Wright, op cit.

³¹ Cited in Jamie Rall. 2015. Getting to Work: Effective State Solutions. National Conference of State Legislatures. 201<http://www.ncsl.org/research/transportation/getting-to-work-effective-solutions-to-help-people-with-transportation-challenges-access-jobs.aspx>

³² The accommodations that employers are required to make for employees working at home is a complicated question, the answer to which varies by state law, by the nature of the work, and so forth.

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.

But fortunately, there is a study of the effect of expanding WOTC to disabled veterans who participated in Ticket-to-Work rehabilitation programs. Disabled veterans may be different from SSDI recipients in that they do not have a history of employment. Nevertheless, this study is our best indication of what might happen if WOTC was extended to a broader group of SSDI recipients.

It compares the different labor market experience between disabled veterans and non-disabled veterans before and after the introduction of eligibility for WOTC for disabled veterans after 2007. Then it compares disabled veterans who met the standard for WOTC eligibility to disabled veterans who did not. Using different estimation techniques, the results suggest that employment was two percent higher for those eligible for WOTC than for those not eligible.³⁵

Note that the test here is not whether the veterans participated in WOTC. It is simply the average effect of being in a group that is eligible for it. One might imagine that the effect would be larger over time as employers became more aware the disabled veterans were eligible for the program. This is a statistically significant and reasonably large effect by the standards of such studies, especially as compared to the supply side interventions described earlier, many of which show no effect. For our purposes, the study shows that expanding WOTC to this group of disabled individuals did increase their employment.

Likely Effects of WOTC on SSDI Recipients:

In my previous report on WOTC, I examined at length how the program works in practice and the evidence of its effects. In most all cases, employers receive a tax credit of up to \$2400 for hiring an eligible individual, after that individual has completed 600 hours of employment, roughly six months. The more complicated question is assessing the benefits of hiring them. Clearly there are benefits to the beneficiaries who move into regular employment. The question we consider below is what the benefits might be to taxpayers, given that beneficiaries who move into employment are likely to stop receiving various kinds of government-provided benefits.³⁶

Job Creation and the Windfall Question: A summary of that earlier report begins with noting that the claim in assessing the effects of WOTC generally is not that it creates new jobs filled by eligible candidates. It is the simpler claim as to whether individuals who are eligible for WOTC are more likely to get jobs, even if in doing so the effect is to shift a potential hire from other categories of workers to WOTC-eligible. We might ask why it would be useful for policy to change

³⁵ Paul Heaton. 2012. The Effects of Hiring Tax Credits on Employment of Disabled Veterans. National Defense Research Institute. Rand Corporation: Santa Monica, CA.

³⁶ One might argue that because SSDI is social insurance, paid for in part by contributions from employees, that recipients who draw on those benefits are drawing on some of their own contributions. While that is true in a normative sense, it is not true in an accounting sense given that there is no separate account for each individual's contributions: they do not get them back if not used, and if they do draw on benefits, they are likely to use far more than the value of their individual contributions.

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.

employers participating in WOTC in California and Texas to examine their behavior. This study concluded that the tax subsidy was by far the factor motivating employers to hire WOTC eligible workers, followed in importance by being a good corporate citizen. They estimate that three-quarters of employers changed their employment practices in some way to accommodate WOTC recipients, and half changed training practices.³⁸

These changes cost money. If employers would have hired applicants like the WOTC candidates even without their participation in the program, it is very difficult to understand why they went to the trouble of putting in these new practices. For convenience, we therefore use that measure of 75 percent to estimate the influence that WOTC had on the decision to hire any WOTC-eligible individual for whom the subsidy was paid. This measure seems conservative given that the 25 percent of employers in the GAO study who did not change their hiring practices may very well still have hired WOTC eligible candidates at least in part because of the subsidy.

It is certainly possible to argue that for many employers, the subsidy is bigger than would be necessary to entice them to hire a targeted applicant. In that situation, the difference between the subsidy and the minimum amount needed to shift them to hire a targeted individual is something like consumer surplus, which the employer captures. Nevertheless, the subsidy in such cases still tips the balance toward hiring and therefore should get credit for any associated benefits as the hiring would not have otherwise happened. The ratio of benefits to costs of moving the targeted individual into a job would be unchanged.

Value of Savings: Then we turn to the value of the benefits that WOTC-eligible individuals would stop receiving if they were to move into a job. Specifically, we estimate what the savings might be if SSDI beneficiaries were eligible for WOTC and then if they moved into a job as a result of the WOTC subsidy. SSDI average benefit payment is \$13,992 per year. As noted above, though, SSDI allows individuals to continue to receive some benefits if working, as long as their income per month is less than \$1220 (“Substantial gainful activity” level) for a typical beneficiary. WOTC requires full-time work for employers to be eligible for the subsidy, which in most cases is above that limit, making individuals ineligible for continued SSDI benefits. But it is possible in the 21 states (and excluding some of their municipalities) that have not raised the minimum wage above the Federal minimum of \$7.25/hr to earn less than that amount and still receive some SSDI benefits. In other words, some WOTC recipients working in a qualified job might not be completely off the SSDI rolls, although the SSDI payment they receive would be minimal.

A more important caveat is that SSDI will allow beneficiaries to work for nine months and retain their full disability payments. The savings to taxpayers associated with moving beneficiaries into jobs would be delayed by nine months.

³⁸ U.S. General Accounting Office, *Work Opportunity Tax Credit: Employers Do Not Appear to Dismiss Employees to Increase Tax Credits*, GAO-01-329 (Washington, D.C.: Mar. 13, 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>

find those most likely to get jobs before accepting them, so it is not clear what their net benefit is to participants.

Social Security paid the Employee Networks roughly \$25,000 for each participant who made it into work and off the SSDI roles.⁴³ That is an important number to bear in mind when we discuss the \$2500 WOTC tax credit.

There are a number of other programs for which SSDI recipients may be eligible, from Federal TANF to state and local need-based income supplements for programs like SSI, to unemployment insurance. It is not possible to secure estimates as to how many SSDI beneficiaries make use of them, unfortunately, so we ignore them in the calculation that follows. On the other side, the SSDI recipients who are receiving other need-based payments may receive less than the average level of those payments.

While SSDI allows beneficiaries to keep their benefit payments for the first nine months of paid employment, the need-based income programs like SSI, SNAP, and Housing Vouchers use total income – SSDI benefits plus any work income - to assess eligibility for their programs. It is likely to be the case, therefore, that once SSDI beneficiaries start employment, their combined income would make them ineligible for these other programs. Taxpayer savings therefore start with paid employment even though the SSDI payments continue for nine months. Then the savings jump up after nine months when SSDI payments cease.

Totaling Up the Savings:

As noted earlier, the cost of including SSDI recipients into the WOTC program is the \$2500 tax credit to employers who hire them.⁴⁴ The savings to taxpayers of moving an individual off SSDI and into employment paying more than \$1220 per month is the reduction in eligibility for various government payments. Aside from SSDI benefits themselves, we calculate those by multiplying the probability that an SSDI beneficiary receives the benefit from each of the main Federal income assistance programs noted above. For simplicity, we only calculate savings associated with the beneficiary per se and do not count the additional payments to the 1.5 million children and 123,000 spouses of the beneficiary who also receive SSDI benefits by nature of being dependents of the beneficiary. Those costs are surely real and substantial.

The value of the savings can be calculated as follows.

Immediately - \$3956 in Medicare savings (parts B,C, and D); \$2775 in SSI payments; \$907 in SNAP benefits; \$2143 in Housing Vouchers = \$9781. If we assume that WOTC would get credit

⁴³ GAO. 2011. Social Security Disability. Ticket to Work Participation Has Increased, but Additional Oversight Needed. GAO-11-324.

⁴⁴ There are certainly administrative costs associated with adding SSDI recipients to WOTC, just as there are administrative savings from removing SSDI recipients from the various programs in which they participate. For convenience, we exclude those costs and savings from both sides of the analyses.

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_DeathTbls.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.

case for doing so is that it opens up more opportunities and in particular work that can be performed at home. It is also fair to note that contract work is typically much less desirable than employment because it comes without employee benefits and legal protections (e.g., contractors are generally not covered by anti-discrimination and ADA requirements, especially when the work is not done on site).

The relevant concern is whether by opening contract work to WOTC would encourage employers who might have otherwise hired WOTC-eligible disabled candidates as contractors where they otherwise might have hired them as employees. That would not be desirable for the job candidates. If, on the other hand, it caused employers to engage individuals with disabilities as contractors as opposed to engaging non-disabled as contractors, it might well be desirable.