

Enhancing Economic Opportunity and Mobility for People with Disabilities through Asset and Income Limit Reforms

CHALLENGE

Current asset and income limits on federal benefits for people with disabilities create barriers to labor force participation and accumulating savings.

One in four Americans—61 million adults—live with some type of disability.¹ While advancements in medicine, technology, and public policy over the past thirty to forty years have made it possible for more people with disabilities to participate in the U.S. economy, safety net programs with income and asset limits have created barriers for these individuals to join the labor force, advance in their careers, save for the future, and support their families. The pandemic has exacerbated these trends, as labor force participation has declined, while unemployment and poverty rates have risen for people with disabilities, especially people of color.^{2,3} As policymakers consider measures to create more equitable growth, advancing greater economic opportunity and mobility for people with disabilities should be prioritized.

Participation in the Economy

Even before the pandemic, people with disabilities faced significant and widespread barriers to employment, such as disparities in educational attainment and training, transportation barriers, lack of workplace accommodations, lack of needed services and supports, and patterns of discrimination.⁴ People with a disability are more likely to work in service occupations and to be self-employed, and less likely to work in the private sector or in management and professional occupations than those without a disability.⁵ While most working-age people with disabilities want to work,⁶ in 2021, only 19.1 percent of persons with a disability were employed.⁷ By comparison, nearly 64 percent of people without a disability were employed in 2021. While the jobless rate for people with disabilities dipped slightly in 2021 compared to 2020, the jobless rate for people with disabilities has increased overall since the pandemic began when compared to 2019, with significantly higher unemployment rates among Hispanics (13.3 percent) and Blacks (15.1 percent) than for Asians (8.5 percent) and Whites (9.3 percent) with

disabilities in 2021.⁸ A large proportion of people with a disability—about eight in ten overall—were not in the labor force in 2020, across all age groups.⁹ Before the onset of the pandemic, 26 percent¹⁰ of people with disabilities were living in poverty, about two and half times the 10.5 percent¹¹ poverty rate for the population as a whole. Consequently, one in three have an unmet healthcare need due to the cost over the past year.¹²

Barriers to Work and Saving

Supplemental Security Income (SSI) is a federal assistance program administered by the Social Security Administration (SSA) that provides income supports for people who qualify as disabled and have limited resources and income. Important features of the program have not changed since it was established in 1972. Recent estimates show that about 4.4 million working-age adults with a disability received an average monthly benefit of about \$600.¹³ In 2021, to be eligible for SSI, monthly income must be less than \$794 for an individual or less than \$1,191 for a married couple.¹⁴ The maximum benefit amounts remain well below the federal poverty level.^{15,16} Moreover, SSI has an earnings offset known as “income disregards” that effectively imposes a high marginal tax on work—\$1 for every \$2 earned, or 50 percent—on income over \$65 per month.¹⁷ Other disincentives to work faced by SSI disability beneficiaries include potential loss of income supports and health insurance, complexity of work rules, and delays at SSA in processing beneficiaries’ earnings reports that lead to overpayments—which serve to further shrink already insufficient benefits by requiring beneficiaries to repay the government however much they were overpaid.¹⁸

SSI poses additional challenges for beneficiaries to accumulate savings, which can act as an important buffer against financial hardship. Research by the JPMC Institute has shown that six weeks of income provides an important backstop—about \$5,000 for a middle-income

family to sustain a simultaneous adverse shock on both income and spending.¹⁹ However, SSI rules include rigid limits on countable assets, such as savings, making it difficult for SSI beneficiaries and their families to achieve any measure of economic security. Those limits are now significantly out of date and have not been adjusted for inflation since 1989; individual SSI beneficiaries are limited to \$2,000 or less in countable assets, and married couples to \$3,000 or less, creating a disincentive for marriage.²⁰ Some people with disabilities and their families are eligible to save through Achieving a Better Life Experience (ABLE) accounts, modeled on 529 qualified tuition accounts, that can be used for certain living expenses that improve health, independence, and quality of life. However, only individuals who experienced a disability before the age of 26 and who satisfy certain SSA criteria are eligible.²¹

The annual contribution limit is \$15,000, with a resource exclusion of \$100,000, and the cumulative limit is set by states that offer ABLE accounts.²² These caps do little to encourage employment or savings.

While SSI benefits provide needed stability for people with disabilities, the employment and savings barriers that many people with disabilities face creates a dilemma in which people with disabilities keep their wages and assets low or risk the loss of eligibility for a program that provides survival income and health insurance. Moreover, people with disabilities may also be paid a subminimum wage in certain circumstances.²³ These income and asset restrictions make it difficult for people with disabilities to meet their basic needs, let alone achieve the aspirations of a middle-class life, often putting goals such as homeownership or a family beyond their reach.

SOLUTION

Update and simplify the asset and income limits for Supplemental Security Income (SSI) to expand economic opportunity and mobility for people with disabilities.

The SSI program should be updated and reformed to incentivize individuals with disabilities who are able to work to seek employment without the risk of losing their economic security.²⁴ Promising proposals call for raising monthly SSI benefits to 100% of the federal poverty level and boosting asset limits to \$10,000 for individuals and \$20,000 for couples and families with disabled children, updating outdated income rules for inflation, and eliminating the penalty for married couples.²⁵ Thereafter, program benefits, income disregards, and asset limits should be indexed to inflation to keep pace with rising living costs.²⁶ Modernizing the program with provisions such as these is estimated to cut poverty among SSI beneficiaries by more than half and lift more than 3 million people above the poverty lines, according to the Urban Institute.²⁷ Moreover, the revised limits would allow people with disabilities to advance in their careers. Additionally, subminimum wages for workers with disabilities, currently allowed under Section 14(c) of the Fair Labor Standards Act, should be eliminated.

While ABLE accounts offer a tool for people with disabilities to manage their finances, additional measures can be taken to expand access and increase the flexibility of the accounts. Many people become disabled after age 26, for example, so raising the qualifying age would provide an additional measure of economic security to people living with disabilities.²⁸ Additionally, education and retirement savings should not count toward the SSI asset limits, so that individuals with disabilities are better able to access education, enhance their skills development, and build reserves for retirement.²⁹

The current structure of the SSI program places individuals with disabilities who work at risk of losing their economic security. To address this barrier, the asset and income limits for SSI should be updated and simplified. A reformed SSI program would play a crucial role in expanding economic opportunity and mobility for people with disabilities.

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ENDNOTES

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