

SOCIAL SECURITY DISABILITY INSURANCE (SSDI)

Workers with severe work-limiting disabilities.



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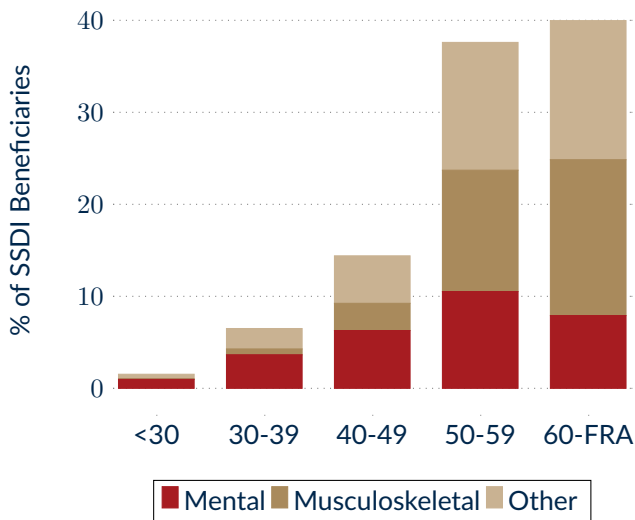
SSDI is a social insurance program that provides cash benefits to disabled workers.

ELIGIBILITY

1. Worked in ten years total and at least five of the last ten years
2. Unable to engage in any substantial gainful activity (SGA = \$1,350/month) due to physical or mental impairment
3. Age below Social Security's full retirement age (FRA: 65-67 depending on birth year)

BENEFICIARIES

In 2020, 77% of SSDI recipients were aged 50 to 67



- Half of SSDI recipients are women
- Highest SSDI rates: AL, AR, KY, ME, MS, WV
- Lowest SSDI rates: CA, UT, CO, AK, HI

EXPENDITURES

- SSDI expenditures = \$146 billion (2020) \approx 3% federal budget; \approx 0.7% GDP
- Financed by Social Security payroll tax contributions

HISTORY



- Created in 1956 and administered by the Social Security Administration (SSA)
- The number of SSDI beneficiaries grew until 2014 because of:
 1. Overall population growth
 2. Rise in women's labor force participation \rightarrow More women working long enough to earn SSDI
 3. Rise in Social Security's FRA \rightarrow SSDI beneficiaries delayed to reclassified as retired workers

EFFECTIVENESS

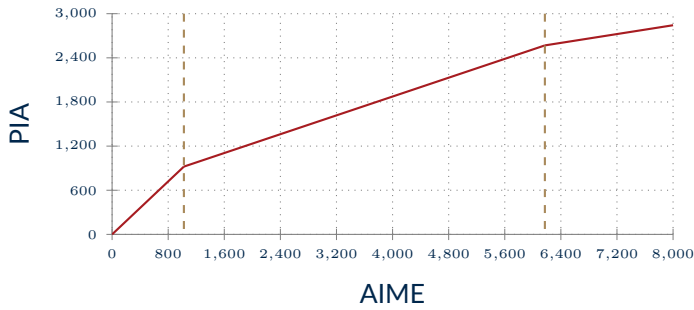
- SSDI reduces the labor supply of marginal SSDI beneficiaries (Maestas, Mullen, and Strand AER 2013)
- SSDI reduces the likelihood of bankruptcy, foreclosure, and home sale (Deshpande, Gross, and Su AEJ:AE 2021)

SOME POLICY QUESTIONS

- What is the relationship between eligibility criteria for disability benefits in state and private programs and how do they impact claiming of federal disability benefits?
- What impact has the Americans with Disabilities Act, which requires employers to provide reasonable accommodations to employees with disabilities, had on SSDI caseloads?

BENEFITS

- SSDI benefits are based on the beneficiaries' average indexed monthly earnings (AIME)
 - AIME: average earnings over career life indexed to reflect changes in national wage levels
- The benefit formula is progressive, replacing a greater share of AIME for low-wage workers than for high-wage workers



$$PIA = \begin{cases} 0.9 \times AIME & \text{if } AIME \in [0, b_1] \\ 0.9 \times b_1 + 0.32 \times (AIME - b_1) & \text{if } AIME \in (b_1, b_2] \\ 0.9 \times b_1 + 0.32 \times (b_2 - b_1) + 0.15 \times (AIME - b_2) & \text{if } AIME > b_2 \end{cases}$$

- PIA: Primary Insurance Amount (benefit level)
- $b_1 = 1,024$ and $b_2 = 6,172$ (2022)
- SSDI benefits begin five full consecutive months after a worker's disability onset date
- After 24 months of receiving benefits, SSDI beneficiaries also become eligible for Medicare