



Injecting Work Incentives into the Social Security Disability Program

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In 2013, the Social Security Disability Insurance (SSDI) program spent \$143 billion while taking in just \$111 billion. That shortfall, explains Jagadeesh Gokhale, economist for the Cato Institute, will only continue, and the SSDI Trust Fund is projected to run out of money entirely in 2016.

In addition to being insolvent, Gokhale explains that the SSDI program -- intended to provide a safety net for individuals unable to work -- is full of work disincentives. Many individuals enrolled in the program are actually able to work, at least to some degree, but they choose not to for fear of losing SSDI benefits.

Gokhale explains that some individuals move into the SSDI program after exhausting unemployment benefits. Indeed, various research indicates that there are a number of SSDI enrollees with work capabilities:

- A study comparing identical SSDI applicants -- some of whom were admitted to the program while the rest were rejected from the program -- found that many rejected applicants returned to the work force, indicating that over 25 percent of current SSDI beneficiaries actually have work capacity.
- Another study found the likelihood of a rejected SSDI applicant returning to work to be 35 percent.

If a substantial number of SSDI enrollees actually have work capabilities, shouldn't they be encouraged to exercise those capabilities and reenter the work force? Gokhale suggests a new benefit structure in order to induce enrollees to work rather than remain in SSDI, outside of the labor force, for fear of losing benefits. His plan would:

- Use a "benefit offset" that would reduce an enrollee's SSDI benefits if he enters the workforce but would provide an additional subsidy -- from a non-SSDI source -- based on his earnings.
- That subsidy would increase as his earnings increase, in order to encourage, rather than discourage, additional work.

In short, Gokhale describes his plan as one that would pay capable individuals to work rather than pay them to remain idle. While there are many SSDI enrollees who appear to have some level of work capability, they choose not to enter the labor force. By creating an incentive structure that only improves with work activity, Gokhale suggests more SSDI beneficiaries would return to work and seek employment.

