

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Social Security Works for Americans with Disabilities

Since 1956, our Social Security system has protected American and their families against the loss of wages in the event of a serious and life-altering disability. Disability is a risk that all Americans face—an estimated 1 in 4 of today's 20-year-olds will become disabled before reaching their full retirement age.¹ And for many, Social Security benefits are the most important, and often the only, source of protection against lost wages in such circumstances. In 2015, only 34 percent had access to private long-term disability insurance.² In contrast, virtually all working Americans are covered by Social Security,³ and can expect to receive significant protections for themselves and their families in the event of a serious and work-limiting disability. Social Security should not only be protected for Americans with disabilities; it should be expanded.

Why Social Security is Important to Americans with Disabilities

In 2016, 10.8 million Americans—nearly 1 in 5 (17.9 percent) Social Security beneficiaries—receive Social Security Disability Insurance (SSDI) benefits, including 8.9 million disabled workers. The average benefit received by a disabled worker in 2016 is \$13,990⁴—just \$2,110 over the federal poverty limit for an individual.⁵ Although these benefits are modest, they are critical to the economic security of those who receive them. Without SSDI, the percentage of workers with severe and work-limiting disabilities living in poverty would have risen dramatically, from less than 1 in 5 (18.5 percent) in 2013, to nearly half (49.1 percent).⁶ In addition to lifting millions of beneficiaries out of poverty and allowing many more to maintain their standard of living, Social Security has several other features which make it especially vital to Americans with disabilities:

- Social Security's benefits replace a higher percentage of the incomes of lower earners. Workers who experience a severe and work-ending disability early in their working years are likely to have had lower earnings. Others may have become disabled after many years of hard work for low pay. Social Security's progressive benefit formula is especially important for lower-income Americans with disabilities.
- The eligibility criteria for SSDI are strict, and workers who receive benefits have severe, and long-lasting, work-ending conditions. Many of these workers will likely rely on a family caregiver at some point. Caregiving can have adverse effects on lifetime earnings—approximately 6 in 10 caregivers report at least one change in their employment situation (such as reduced hours or taking a leave of absence) due to caregiving.⁷ Social Security's progressive benefits are vital to Americans with disabilities and their family members who care for them.
- Because those who receive SSDI are, by definition, unable to engage in any substantial work, Social Security's benefits, although modest, are the most critical, if not the only, source of income for workers with disabilities. In 2013, Social Security benefits represented 75 percent or more of the incomes of over 3 in 5 (60.8 percent) workers receiving SSDI.⁸

- Social Security benefits are adjusted for inflation, so that they maintain purchasing power over time, and are paid every month until death. This is especially critical for Americans with disabilities, who rely heavily on those benefits. Without the cost-of-living adjustment, people who are disabled at young ages would see those vital benefits erode over their lifetimes. While they can outlive any savings and other sources of retirement income, Americans with disabilities cannot outlive their Social Security benefits.

To Improve Social Security for Americans with Disabilities, Expand Benefits

Although Social Security benefits are vital to the workers and family members who receive them, they are still too modest, and should be expanded. Fortunately, there are a number of policy options that would improve Social Security benefits for all Americans, including Americans with disabilities:

- *Increase benefits across the board.* Although Social Security benefits have substantially reduced poverty among Americans with disabilities, these benefits are still too modest. There are a variety of proposals that would increase monthly benefits for all Americans progressively.⁹ Low-income beneficiaries, including Americans with disabilities, would benefit most from such expansions.
- *Ensure that benefits keep pace with the cost of living experienced by Social Security beneficiaries.* Americans with disabilities, not surprisingly have high health care costs, on average. However, the current index used to protect their benefits from eroding over time does not accurately reflect the higher health care costs they experience.¹⁰ A more accurate cost-of-living index would more accurately account of their high health care costs, thereby ensuring that their Social Security benefits do not erode over time.
- *Provide a caregiver credit.* Many Americans with disabilities may depend on unpaid family caregiving to some degree, and the family members who provide this essential care may have to reduce their own work in order to do so. A caregiver credit would ensure that, when workers forgo wages to provide unpaid care, their Social Security benefits will reflect the value of their caregiving, both to their loved ones and to all of us.¹¹
- *Expand Social Security to include paid family leave.* Social Security was created to empower workers to insure themselves and their families against periods of lost wages—retirement, disability, or the death of a working parent. However, many workers also experience temporary periods out of the workforce due to family caregiving duties and personal medical conditions. The expansion of Social Security to include family leave benefits would ensure that workers, who take time out of the workforce to care for loved ones, including those with disabilities, do not face economic insecurity during these temporary periods without wages.¹²
- *Eliminate the cap on payroll contributions and incorporate investment income.* Only 6.3 percent of working Americans have annual incomes over Social Security’s cap of \$118,500, meaning that a majority of Americans make Social Security contributions on all of their earnings all year long compared to millionaires & billionaires, who pay on only part of their earnings and stop contributing earlier in the year. Eliminating the payroll tax and incorporating unearned income would not only close Social Security’s long-range shortfall and help to finance benefit expansions; it would make contributions to the system more equitable for Americans with disabilities.

¹ SSA, “Fact Sheet: Social Security,” April 2, 2014. <http://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

² Bureau of Labor Statistics, “Employee Benefit Survey,” March 2015, table 16. <http://www.bls.gov/ncs/ebs/benefits/2015/ownership/private/table16a.htm>

³ Of workers covered by Social Security, 90 percent of those aged 21-64 were fully insured for disability benefits, and 96 percent of those aged 21-49 were full insured for survivors’ benefits. Social Security Administration (SSA), “Fact Sheet: Social Security,” April 2, 2014. <http://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

⁴ Social Security Administration (SSA), “Monthly Statistical Snapshot, February 2016,” March 2016. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/index.html?q

⁵ U.S. Department of Health and Human Services, “2016 Poverty Guidelines,” January 25, 2016. <https://aspe.hhs.gov/poverty-guidelines>

⁶ Michelle Stegman Bailey and Jeffrey Hemmeter, “Characteristics of Noninstitutionalized DI and SSI Program Participants, 2013 Update,” Social Security Administration, Research and Statistics Note No. 2015-02, September 2015. <https://www.ssa.gov/policy/docs/rsnotes/rsn2015-02.html>

⁷ AARP Public Policy Institute and National Alliance for Caregiving, “Caregiving in the U.S.,” June 2015. <http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

⁸ Michelle Stegman Bailey and Jeffrey Hemmeter, “Characteristics of Noninstitutionalized DI and SSI Program Participants, 2013 Update,” Social Security Administration, Research and Statistics Note No. 2015-02, September 2015. <https://www.ssa.gov/policy/docs/rsnotes/rsn2015-02.html>

⁹ For example, Senator Brian Schatz (D-HI) has proposed increasing the first bend point of the Social Security benefit formula by 15 percent—approximately a \$70 increase in monthly benefits for all beneficiaries. Senator Brian Schatz, “S.1940 – Safeguarding American Families and Expanding Social Security Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/senate-bill/1940?q=%7B%22search%22%3A%5B%22schatz%22%5D%7D>

¹⁰ Alicia H. Munnell and Anqi Chen, “Do We Need a Price Index for the Elderly,” Center for Retirement Research at Boston College no. 15-18, October 2015. http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf

¹¹ For example, Representative Nita Lowey (D-NY) has proposed a caregiver credit that could be claimed by anyone spending at least 80 hours per month (up to 60 months) providing care to a dependent relative under the age of 12 or a chronically dependent individual. Representative Nita Lowey, “H.R. 3377 – Social Security Caregiver Credit Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/house-bill/3377?q=%7B%22search%22%3A%5B%22%5C%22hr3377%5C%22%22%5D%7D&resultIndex=1>

¹² One proposal for paid family leave comes from the Social Security Works *All Generations Plan*, which would provide those who are insured for Social Security disability benefits up to 12 weeks of paid leave in the event of the birth or adoption of a child, a family member’s illness, or a personal illness. Nancy J. Altman and Eric R. Kingson, *Social Security Works! Why Social Security Isn’t Going Broke and How Expanding It Will Help Us All*, (New York: The New Press, 2015), pp. 221-222.