MATHEMATICA
CENTER FOR
STUDYING DISABILITY POLICY

DRC BRIEF

DRC BRIEF NUMBER: 2019-02

Making Ends Meet: How Low-Income Social Security Disability Insurance Beneficiaries Meet Their Needs

May 2019

Jack Gettens*
Alexis Henry

***Corresponding author's contact information:**
Jack Gettens
Center for Health Policy and Research
University of Massachusetts Medical School
333 South Street
Shrewsbury, MA 01545
Email: jack.gettens@umassmed.edu
Reference Number: 40112.D-MP-17-Q2

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Disability Research Consortium. The opinions and conclusions expressed are solely those of the authors and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, expressed or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.

This page has been left blank for double-sided copying.

Abstract

This issue brief documents the results of a study of how low-income Social Security Disability Insurance (DI) beneficiaries make ends meet. The study, which is described fully in Gettens and Henry (2019), is based on interviews of 35 low-income DI beneficiaries living in the Worcester, Massachusetts area. We found that study participants used their formal income, mainly DI payments, to support most of their consumption and thus, consumption levels for most were low. Nearly all participants reported living month-to-month without accumulating savings or debt. Most participants reported that they were 'just getting by' or 'finding it difficult to get by.' Policies and programs to support higher levels of consumption would improve low-income DI beneficiaries' material wellbeing and alleviate hardship. These include: (a) DI employment incentives and supports that focus on employment at levels below substantial gainful activity, (b) increased DI benefit amounts for beneficiaries with low benefit amounts, and (c) more favorable treatment of persons with disabilities in eligibility determinations and benefit calculations for means tested assistance programs.

Introduction

A substantial percentage, approximately 38% of DI beneficiaries are living in- or near-poverty with income of less than 150% of the Federal Poverty Level (FPL) (Bailey and Hemmeter, 2015). In his qualitative study, we interviewed 35 low-income DI beneficiaries to determine how they made ends meet. In other words, how did they manage their income, expenses, savings and debt to meet their needs?

How low-income DI beneficiaries make ends meet is uncertain. The poverty-level income for a one-person household in 2018 is $1,012 per month. To put poverty-level income into the context of living expenses, the 40th percentile fair market rent in the area of this study, Worcester, Massachusetts, is $850 per month for an efficiency apartment (HUD 2018). A monthly 'low-cost' food plan for food prepared at home for a one-person household is $240 per month (USDA 2018). Thus, the costs of just two basic needs, food and shelter, exceed the poverty level income by $78 without covering the costs other basic needs including transportation, healthcare, clothing or personal care.

How do low-income DI beneficiaries make ends meet? One possible explanation is that DI beneficiaries primarily base their consumption on their formal income. As the example above illustrates, this suggests that beneficiaries have very limited levels of consumption. A second possible explanation is that DI beneficiaries have access to resources to support consumption at levels beyond their poverty level income. Income as a percentage of poverty is an imperfect measure of wellbeing and some resources available to households are not counted in the formal income used to determine a household's poverty level (Meyer & Sullivan, 2003). For example, low-income households may receive Supplemental Nutrition Assistance Program SNAP benefits to purchase food or housing subsidies to cover a portion of their housing costs. These in-kind income sources are not counted in the determination of a household's poverty level. In addition, some low-income households may have informal income that is not reported and also not included in the poverty level determination. Informal income could include cash assistance from family or friends or income from unreported employment.

Methods

We conducted interviews with 35 low-income DI beneficiaries in greater Worcester, Massachusetts area. Worcester is the second largest city in New England with a population of approximately 184,000. Participants were recruited through a variety of methods to ensure a broad sample. This included recruitment through disability serving agencies and community-based organizations. These included state vocational rehabilitation offices, Career Centers, Independent Living Centers, Recovery Learning Communities, community mental health and social service programs, a benefit counseling program, an on-line job board for job seekers with disabilities, and a Ticket-to-Work program. We also used a snowball sampling method and asked individuals who volunteer for the study to share information about the study with others who might be interested in participating. Study participants met the following: currently received DI benefits based on own work history and either concurrently received Supplemental Security Income (SSI) or Supplemental Nutrition Assistance Program (SNAP) or received a DI payment of less than $1500 per month.

Three interviews were conducted with the study participants. The first interview focused on participants' living situation, disability, health, disability benefits, education and employment. The second interview focused on participants' expenses, income, savings, debt, strategies to make ends meet, and wellbeing. The third interview focused on employment, employment supports, and work incentives.

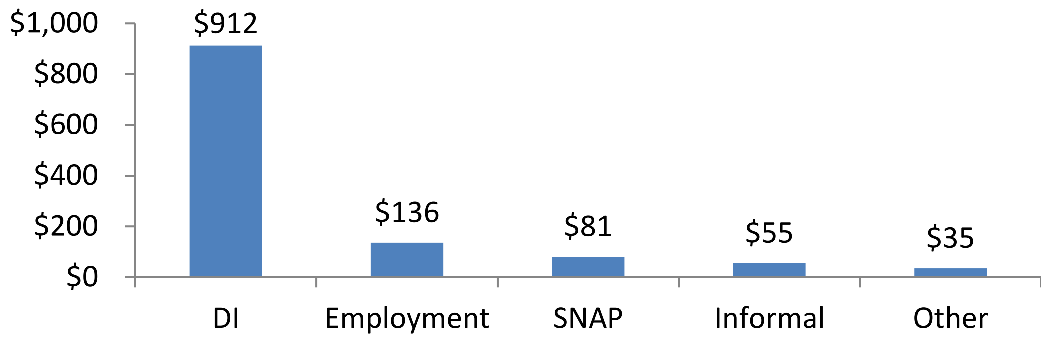
Results

Eighteen of the 35 study participants were 50 years of age or older and only 3 participants were under age 30. There was a range of education levels with 11 participants having completed a 4-year college or postgraduate degree and 12 participants having a high school education or less. Three participants were Hispanic and 6 participants were Black or African American. Approximately one-third of participants (13) were female. Twenty participants reported that they were single and had never been married; only two participants reported currently being married or part of an unmarried couple. Eight participants were homeless.

Participants were asked "Overall, which one of the following best describes how well you are managing financially these days?" The majority of participants reported that they were either 'just getting by' or 'finding it difficult to get by' as one participant described: "*My situation is challenging. I just sometimes don't have enough coming in to make what's going out. I'm comfortable on a day to day basis. With no ability to save, I'm very weary.*" Nearly all participants reported approximately balancing their monthly income and expenditures without any substantial monthly savings or debt.

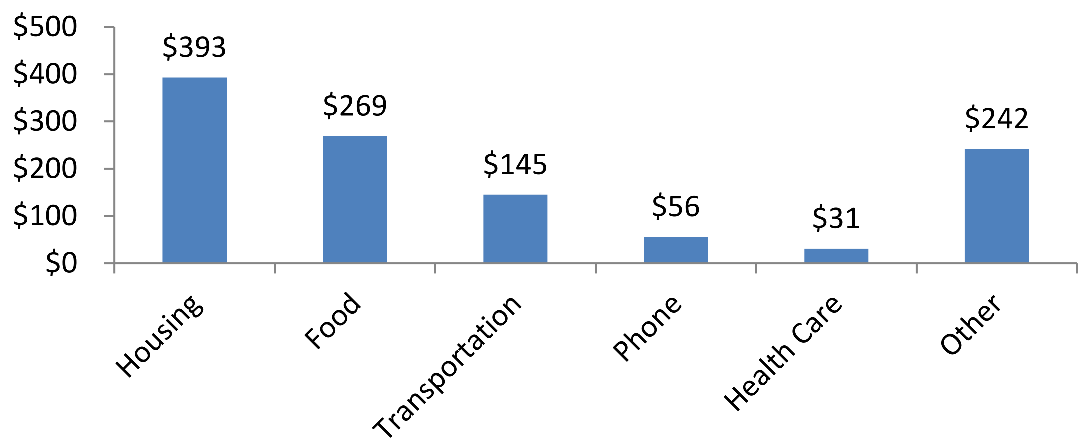
Participants' average monthly cash income, including SNAP was $1218 (SD $273). Sixteen participants had income below 100% FPL, 9 participants had income between 100% and 125% FPL, 7 participants were between 125% and 150% FPL, and 3 participants were between 150% and 190% FPL. Participants' DI income ranged from approximately $500 to $1500 per month and the average DI monthly income was $912 (SD $244). On average, DI accounted for 75% of participants' total cash income; employment accounted for 11%; SNAP for 7%; informal income for 5%; and other income for 3%.

Figure 1. Average Participant Monthly Cash Income by Category



Participants' average expenditure was $1137 (SD $347). On average housing expenditures accounted for approximately 35% and food for 24% of total expenditures. Combined, housing, food, transportation, phone and health care expenses were $895 (SD $361) and accounted for approximately 79% of total expenditures.

Figure 2. Average Participant Expenditure by Category



Participant's housing expenditures were generally low. The average housing expenditure was $393 (SD $259). Seventeen participants had housing costs between $200 and $399 and 30 participants had housing costs of less than $600. On average, higher income participants had higher housing costs and the correlation between total cash income and housing costs was 0.52. Study participants housing expenditures were low because participants were either receiving a public housing subsidy; living in family (parents or siblings) owned housing with a below market-rate rent; living with others; or homeless. Most study participants found that living alone in a market rate apartment was unaffordable. A study participant explained. "*Public housing is a three year wait at the very least so roommates are the only option. My own apartment would cost at least $650. That's not manageable. I could afford $500 or so.*" Participant's health care expenditures were very low. Nearly all participants were dually eligible for Medicare and Medicaid. With this dual coverage, participants reported generally only incurring only minimal out-of-pocket health care expenses.

A portion of participant's consumption was supported by in-kind income. Fourteen participants received housing subsidies and 3 participants lived in family-owned housing for reduced rent. Among these participants, we estimate that the average in-kind housing income was $465. In addition to housing, participants also received in-kind income to support food, transportation, phone service and other consumption. Based on participant's descriptions we estimated that the in-kind income was roughly 10% of participant expenditures for these goods and services, $71. Consumption based on in-kind income is estimated to average $297. Combining expenditures and in-kind income, participant's total consumption average $1433 and in-kind income accounted for approximately 21% of consumption.

Did study participants' have consumption levels that supported their basic needs? Nearly all participants reported that their access to health care services covered through Medicare and Medicaid was good and that their consumption of these services was not limited. One participant noted: "*I have MassHealth [Medicaid] and Medicare. I'm getting everything I need.*" For homeless participants, their consumption of housing was clearly inadequate and they reported it at such. Participants that were not homeless generally described their housing as adequate. Reports of food adequacy varied with most participants reporting at least some limitations in the quality and quantity of food they consumed although the severity of the reported limitations differed. Approximately one-quarter of participants reported more serious limitations, for example skipping meals or having very limited food quantity or variety at the end of each month. *"I'm not getting as much as I need. For example, I don't eat breakfast anymore because I don't have that much money. Yeah. So, I just skip breakfast and do lunch and dinner."* Most participants reported that there was little money available for 'extras. *"Clothing, I could definitely use some new clothing but I don't have the money for it. Yes, that's definitely a problem. Even buying a pair of shoes, I don't have the money for that."*

Study Limitations

The findings of this study are based on the experiences of the 35 study participants and cannot be generalized to the population of low-income DI beneficiaries. The participants were not randomly selected and the characteristics of the participants vary from the characteristics of the national low-income DI beneficiary population. Also, the participants all lived in the greater Worcester, Massachusetts area. Participants in other areas may have different experiences because of area differences in the cost of living and access to services. The findings are based on self-reported data and there may be measurement error.

Discussion

Given that study participants had low and sometimes inadequate levels of consumption, how can consumption be increased? One possibility is to increase consumption by increasing employment income. Only 4 study participants reported that they were unable to work and this suggests that increases in employment may be possible. Social Security Administration (SSA) work incentives that focus on supporting employment at levels below SGA, concurrent with DI participation, may increase beneficiaries income and wellbeing.

Consumption could also be increased through higher DI benefit amounts. Twenty six of the study participants had DI benefit amounts that were below the poverty level. Changing the DI benefit formula so that the minimum benefit was equal to 100% FPL would provide additional income to these participants.

Finally, consumption could be increased through increased targeting of means-tested support to low-income DI beneficiaries. She and Livermore (2007) found that material hardship was more severe among persons with disabilities compared to persons without disabilities after controlling for income, socioeconomic factors and family characteristics. Taking disability status and/or DI beneficiary status into account when determining eligibility or calculating benefits for means tested programs would provide additional support for consumption.

References

Bailey, Michelle S. and Jeffrey Hemmeter. 2015. *Characteristics of Noninstitutionalized DI and SSI Program Participants, 2013 update*. Washington, DC: Office of Retirement and Disability Policy, Social Security Administration.

Gettens, Jack and Alexis Henry. 2019. *Making Ends Meet: How Low-Income DI Beneficiaries Meet Their Needs.* Washington, DC: Mathematica Policy Research Working Paper.

Edin, Kathryn and Laura Lein. 1997. "Work, Welfare and Single Mothers' Economic Survival Strategies." *American Sociological Review*, 62(2): 253-266.

Livermore, Gina, and Maura Bardos. 2014. "Why Are Some SSDI-Only Beneficiaries Poor? Insights from the National Beneficiary Survey." DRC Brief 4.

She, Peiyun. and Gina Livermore 2007. "Material hardship, poverty, and disability among working-age adults." *Social Science Quarterly*, 88(4): 970-989.

U.S. Department of Agriculture. 2018. Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, January 2018. Washington, D.C.

U.S. Department of Housing and Urban Development. 2018. FY 2108 Fair Market Rent Documentation System. Washington, D.C.

This page has been left blank for double-sided copying.

www.mathematica-mpr.com

Improving public well-being by conducting high quality, objective research and surveys

PRINCETON, NJ ■ ANN ARBOR, MI ■ CAMBRIDGE, MA ■ CHICAGO, IL ■ OAKLAND, CA ■ SEATTLE, WA ■ TUCSON, AZ ■ WASHINGTON, DC ■ WOODLAWN, MD

MATHEMATICA CENTER FOR STUDYING DISABILITY POLICY