How to Increase Employment and Income of People with Disabilities During the Recovery from the COVID19 Pandemic: 10 Ideas

David C. Stapleton
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This policy brief draws heavily on ideas I have encountered, and in some cases contributed to, over nearly 30 years of research on disability policy and the employment of people with disabilities. Most of my work was performed as an employee of Mathematica, Cornell University or The Lewin Group under contracts and grants from numerous federal and state agencies. I am currently semi-retired and working as an independent consultant. If interested in receiving the finished paper, please send me an email at d.stapleton@comcast.net.

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One group likely to be a target of options to support the recovery from the COVID19 recession is those with significant disabilities and chronic conditions who were working, trying to enter the labor force as the pandemic started, for good reason. Past research has shown that, as a group, working-age adults with significant disabilities are among the poorest and most vulnerable groups in the U.S. population. Those who work, despite their impairments or medical conditions, or those who are trying to enter the labor force are particularly vulnerable to the business cycle. Such individuals presumably were far more likely than their peers without disabilities to be struggling economically before the pandemic. There have been many reports of the severe consequences of COVID19 for adults with developmental or intellectual disabilities. It is well established that people with chronic conditions have been far more likely than others to experience the most debilitating effects of COVID19, including death. Such conditions are highly prevalent among older workers. The October Bureau of Labor Statistics Jobs Report found that the employment rate for working-age respondents with disabilities fell by almost 10 percent from September 2019 to September 2020, from 31.4 percent to 28.3 percent. In contrast, the rate for those without disabilities fell by 6.5 percent, from 74.9 percent to 70.0 percent. Many of those with chronic conditions who did not consider themselves to have a work-limiting disability before the pandemic may now realize that they do.

1 See, for instance, Constantino et al. (2020).
Some workers with disabilities were already receiving long-term disability benefits from public programs—most notably Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI), Medicare, Medicaid or veterans’ compensation and health benefits—before the pandemic started. Many more are expected to apply for SSDI and SSI as income support authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other temporary benefits expire. Benefits dampen the impact of business cycles on workers with disabilities who already receive benefits, but benefits for many are low. Poverty rates are exceptionally high among beneficiaries—especially among SSI recipients, but also among SSDI beneficiaries (She and Livermore 2008). For many, work is the only way out of poverty (Livermore 2011).

Many workers with disabilities or chronic conditions adversely affected by the COVID19 and the recession are potentially eligible for SSDI. Applying for benefits is a long and sometimes arduous process, however, and during the process workers may pause any efforts to return to work and will lose whatever connection to employers that they had. Further, many applicants are denied benefits, often after lengthy appeals, and only a minority of denied applicants return to work. Many would be better off if they could somehow manage to return to work rather than pursue disability benefits.

A national effort to help the economy recover from the COVID19 recession is an opportune time to introduce, if only on a temporary basis, policy changes that will increase the employment and incomes of people with disabilities or chronic conditions who have been reliant on work for some or all of their income, as well as those who were on the cusp of entering the labor force. Many attractive ideas for such changes exist, but have not been tested, let alone implemented. A national recovery effort can overcome some of the hurdles that chronically slow progress on these efforts. The first hurdle is that policy responsibilities are shared by states and multiple federal agencies. With strong political leadership, recovery efforts can garner the cooperation and support of these disparate stakeholders, working for a common goal. The second hurdle is fiscal restraint; federal and state budget constraints require most new social policies to be budget neutral, in the sense that projected new expenditures or revenue reductions as the result of the policy’s implementation must be offset by projected expenditure reductions or revenue increases elsewhere. Further, it is rare for projected expenditure reductions or revenue increases induced by the policy change (e.g., reductions in benefits and increases in taxes due to increases in earnings) to count as offsets for this purpose because they may not be realized. Such fiscal constraints are of much less during a recovery, because deficit spending promotes the goal of returning the economy to full employment.

Recovery legislation is temporary in nature, so any policy changes implemented as part of a recovery program are likely also to be temporary. If so, they will provide a chance to learn a great deal that can be used to build the evidence base for permanent policy changes as they provide help to those who directly benefit. Some temporary changes might be so successful that they will quickly become permanent policy. Some changes that are not thought to be budget neutral by usual accounting standards might turn out to be inexpensive or even produce savings after accounting for induced changes in revenues and program expenditures. Others will be less successful, but what is learned will still help efforts to design better policies thereafter.

What follows is a discussion of 10 policy or program changes that could be implemented quickly, either while the pandemic continues or once the pandemic is adequately under control. They draw on a wide variety of ideas and proposals that have emerged in recent years. Some of these proposals have long
histories, and some have been implemented in various ways by other countries. They are organized into three categories, defined by the status of individuals at the outset of the pandemic: workers with disabilities or chronic conditions who had not become reliant on benefits; young people with significant disabilities on the cusp of entering the labor force; and beneficiaries who were working or planning to work, either as a supplement to their benefits or to fully replace them. There is some overlap across proposals.

Workers with disabilities or chronic conditions

1. Short-term return-to-work (RTW) support

Short-term RTW support would be targeted at workers with disabilities and chronic conditions who have been laid off and have been unable to return to work on their own. As an example, Stapleton et al. (2016, 2019) proposed providing six months of cash and RTW assistance to applicants for SSDI benefits who do not qualify for SSDI on the basis of medical evidence alone provided that they develop and follow an RTW plan, with support from a qualified counselor. The temporary benefit amount could be the equivalent of SSDI plus any SSI supplement, or some large fraction thereof. It could also include temporary health insurance (see item 3, below) and supplemental support for services that is instrumental to return to work.

If the growth in SSDI applications following past recessions portends large growth in SSDI applications in the near future, as seems likely, a large number of workers will qualify for this short-term benefit—possibly on the order of a million. If so, processing applications timely will be problematic, so it will be necessary to devote substantial new resources to the process for such an initiative to succeed. In past recessions, SSA’s disability determination process has been bogged down by large growth in SSDI applications and many applicants have had to wait for extraordinarily long periods for decisions, stretching into multiple years. Implementation of a short-term RTW support as part of recovery package would only be feasible if SSA obtained assistance from states and the private sector for the purpose.

Employment Networks (EN), that serve SSDI and SSI beneficiaries under SSA’s Ticket to Work program could play a major implementation role. Most have staff who could readily be trained to be counselors. They already have a contractual relationship with SSA. SSA could consider expanding their scope of work to support the processing of applications. They could, for instance, take applications directly, conduct an initial assessment to determine which applicants meet minimal eligibility criteria, which are strong candidates for employment support, and which need long-term SSDI benefits. State Disability Determination Services (DDS), which already receive funding from SSA to conduct medical determinations, would complete the assessments after which they would make a recommendation to SSA.

When SSA awards temporary RTW benefits, it would pay the monthly cash benefit just as it would to those awarded current-law SSDI benefits and the EN would help the worker develop and implement the RTW plan. To the extent feasible, return to work services provided to these workers would be funded by existing public programs and private health insurance. Additional funding would likely be needed, however. One attractive option is to make grants to the ENs for implementing a self-directed services approach. Under this approach, each worker would be given a budget to pay for such services and would develop a plan to use the funding with the assistance of a counselor. Once the budget is approved, the EN would disperse funds in a manner that ensures that they are used for the intended purpose. One reason to use a self-directed approach during a recovery is that it is likely to generate less
demand for professional services than more traditional approaches—services that will likely be in short supply. In a randomized controlled trial, Cook et al. (2019) found exceptionally positive impacts on mental health, employment and pursuit of post-secondary education by providing self-directed services to young adults with significant mental health disorders, compared to comparably expensive traditional mental health services. Self-directed services have previously been shown to be very successful in other contexts—most notably for procurement of personal assistance services under the Cash and Counselling Demonstration.³

Stapleton et al. (2016, 2019) proposed a short-term RTW benefit in the context of an overhaul to the SSDI disability determination process, with the intent of improving the well-being of applicants who are able, with temporary assistance, to return to work while reducing the number who become long-term beneficiaries. Introducing such a benefit temporarily, in the context of the recovery from a major recession, seems especially attractive because of the expectation that a large share of the targeted workers will eventually apply for SSDI, many such applicants will never go back to work in the absence of support, and a substantial share will become dependent on Social Security and Medicare. The introduction of the benefit may induce some laid off workers to apply for SSDI, just to obtain the temporary RTW support, and will provide temporary support to some applicants who, under current law, would not be found eligible for SSDI. But if the temporary support cushions the economic effects of the pandemic on their households, allows them to eventually return to work, and supports the overall recovery, it will have served its purpose.

2. A disability earned income tax credit (EITC)
A different way to help workers who are likely to apply for SSDI as the result of the recession is to expand the existing earned income tax credit for those determined by SSA to have a medical condition that significantly limits their ability to work. Rigorous research has demonstrated that the EITC played an instrumental role in lifting many low-income families with dependent children out of poverty in the 1990s by encouraging them to work more and supplementing their wage income (Eissa and Hoynes 2006; Chetty et al. 2013). These findings have led to numerous proposals to provide a substantial EITC for workers whose significant medical conditions limit their earnings—on par with the EITC for parents of two or three children (Burkhauser et al. 1997). For instance, Stapleton and Schimmel Hyde (2017) proposed offering such an EITC to SSDI applicants over the age of 50 as an alternative to SSDI for those applicants determined unable to return to their previous occupation because of medical conditions.

In the context of recovery policy, it is important to pay the tax credit to the worker as close to the time that the worker earns it as is feasible. This could potentially be accomplished by have the employer or pay the credit—an approach that would be facilitated by the current widespread use of payroll vendors. The worker would report their eligibility for the credit to the employer, which the employer could verify with SSA. The employer would calculate the credit, add it to the worker’s paycheck, and would reduce the amount that of tax withholding that the employer sends to the IRS by the same amount.

Some may object that the EITC as proposed here is too complicated. Others, however, will consider it a major simplification relative to the currently available SSDI work incentives—the Trial Work Period, Impairment Related Work Expenses, Extended Period of Eligibility, Extended Period of Medicare Eligibility, and Expedited Reinstatement—or to others that have been proposed, such as the $1 for $2

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³ See Foster et al. (2003).
benefit offset. Accumulating evidence suggests that the complexity of the SSDI work incentives make them so hard for beneficiaries, advisors and program administrators to understand that the work incentives themselves have become an impediment to return to work.4 Further, evidence that existing SSDI work incentives, or others tested, have a substantial impact work by applicants or beneficiaries is scarce at best. In contrast, the evidence of the positive impacts of the EITC is strong, albeit for other disadvantaged populations.

As with the first option, above, SSA’s disability determination process would need to take on a new role to make this work. However, this role would be much simpler to implement and be less resource intensive than offering a short-term RTW benefit.

3. **Health care and long-term services and supports**

Workers with disabilities or chronic conditions who lose their jobs during the pandemic are likely also to have lost their health insurance. Their medical conditions may make this loss more problematic than for other workers. It may mean that they are unable to obtain treatment that is instrumental to treating or managing a medical condition and returning to work. In many states, such workers will qualify for Medicaid if their household incomes are below 138 percent of the federal poverty level under provisions of the Affordable Care Act, but in other states Medicaid eligibility for low income adults is more restrictive. The federal government could temporarily expand Medicaid access to all workers with significant medical conditions who have been laid off, with no state-share required. Such a temporary expansion would help some workers get back to work and provide some relief to state budgets, which are already straining to meet increases in Medicaid enrollment.

Young people with disabilities on the cusp of labor force entry

4. **Enhanced support for post-secondary education and training**

Among researchers and practitioners there is a growing consensus that young people with disabilities need better access to post-secondary education and training if they are to become economically independent. There are many ways to enhance post-secondary education and training for this population. Howe et al. (forthcoming) detail how state VR agencies in collaboration with local school systems and state post-secondary institutions can help young people with disabilities gain access to and succeed at postsecondary education and training opportunities that lead to lucrative careers. Hollenbeck (forthcoming) makes the case for providing short-term residential training to such individuals, and new research by Hock et al. (forthcoming) suggests that the federal Job Corps program could potentially serve that purpose. Hippolitus (forthcoming) has developed and piloted an intervention to help post-secondary students with significant disabilities build the confidence and self-help skills they need to succeed in a competitive labor market. Many other private initiatives are trying to help young people with significant disabilities access post-secondary education and training. In response to the pandemic, a new grant program led by the Departments of Labor and Education could invite applications from state agencies and private organizations for new funding that will allow them to expand existing initiatives.

5. **Pre-apprenticeships**

For many young people apprenticeships provide paths to lucrative careers in skilled occupations. They typically involve a mix of paid entry-level work in the occupation, classroom training, and training on the

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4 See, for instance, Chapter 7 in Gubits et al. (2018) and Hoffman et al. (2019).
job. Disabilities limit access to apprenticeship by some youth who would otherwise be strong candidates for them. Kuehn (forthcoming) makes the case for expanding access to apprenticeships for young adults with disabilities. Some state VR agencies, with encouragement from large corporations (notably CVS Health) have already developed pre-apprenticeship programs, through which they help young people with disabilities find apprenticeships that appeal to their interests. The agencies then prepare them to enter the apprenticeships and, in some cases, provide support for accommodations as the apprenticeship proceeds. Grants to specifically support expansion of such efforts would be attractive.

6. Labor market intermediaries specializing in job candidates with disabilities
Many corporations have obtained assistance from a variety of vendors in support of their own efforts to tap into the productive capacity of young adults with disabilities. Such vendors act as “labor market intermediaries” (LMI)—organizations that specialize in connecting employers with prospective employees and ensure that those hired by the employer are well-suited to the job and can be quickly integrated into the employer’s labor force. Temporary employment agencies are the most prominent type of LMI, but as a general rule they do not make a special effort to help employers hire young adults with disabilities.

A company named Viability is a good example of a labor market intermediary. Sponsored by the employer, it’s Job Training and Placement Program (https://www.viability.org/jttp) trains job candidates with disabilities on behalf of an employer and in the employer’s workplace for nine weeks, after which the employer hires those successfully trained as regular employees. This arrangement allows the employer to hire young adults with disabilities without investing in developing their own specialized train expertise and without taking on the risk that a new hire will ultimately be unable to perform the work required. There are many other examples, including some that involve state VR agencies. Since the passage of the Work Innovation and Opportunity Act (WIOA) in 2014, VR agencies have increased their attention to meeting the workforce needs of employers. Several agencies have adopted the Progressive Employment Model, which essentially requires the VR agency or its supporting vendors to act as an LMI to be successful.5

As part of a recovery package, the federal government could invite LMIs specialized in providing employers with access to job seekers with disabilities to apply for grants that they could use to engage more employers and expand their service offerings. Although such LMIs predominantly help young adults obtain jobs, there is no reason to put an upper limit on the age of the job seekers that they serve.

7. Work incentives for SSI children after age 18
Under current law, SSI benefits for children with significant disabilities end at age 18. Approximately 50,000 SSI children attain age 18 per year. Those who want to continue to receive SSI as adults must go through SSA’s age 18 redetermination process, which applies adult medical criteria. About 40 percent are denied adult benefits, including about 70 percent of those whose primary impairment is mental or behavioral (Deshpande 2016). Their SSI benefits are terminated as a result, with one important exception. Under Section 301 of the Social Security Act, SSI payments will continue if the individual is participating in a qualified vocational services program—one expected to lead to employment.

Larson and Geyer (forthcoming) have suggested delaying the age 18 redetermination to a later age, so that youth with disabilities will have more time to complete their education and training in preparation

5 See https://www.explorevr.org/content/vermont-progressive-employment-model.
for work. The efficacy of this idea could be tested as part of a recovery package by having SSA, with assistance from state VR agencies, tell SSI children at age 17 or earlier that their SSI benefits will be extended for a specified period beyond age 18 conditional on their active pursuit of education or training that will lead to a job—the condition of Section 301. State VR agencies are well positioned to support SSA because they already deliver pre-employment transition services to high school students with disabilities, as required under WIOA.

Research in progress may help inform the design of such an initiative. Manasi Deshpande and Rebecca Dizon-Ross at the University of Chicago are conducting a randomized controlled trial to determine whether notifying SSI children and their parents that there is a high chance that their benefits will end at age 18 has an impact on the child’s effort to invest in education and training, and ultimately find a job.⁶ Although the direction of the effect is theoretically ambiguous, based on qualitative research the investigators believe that many parents of SSI children are underinvesting in their child’s human capital because of an incorrect expectation that the child will continue to receive SSI benefits as an adult.

Deshpande (2016) is also relevant to this issue. Using a rigorous economic method, she determined that SSI children who are denied eligibility for adult SSI benefits recover only about one third of their lost benefits through work during the next 16 years. Many return to SSI later, but as a group they experience large losses in income relative to those whose SSI continues at age 18. In considering the size of this loss, it is important to keep in mind that those who continue on SSI are very poor. The maximum SSI benefit for an individual is only about 75 percent of the federal poverty standard for an individual.

As discussed in the next section, there are also important options for improving work incentives available to SSI children who are awarded adult benefits at age 18, as well as to young adults who first become eligible for SSI only after their parents incomes become immaterial to the SSI means test at age 18 or who experience disability onset as young adults.

Working Beneficiaries

8. SSI work provisions

SSI has numerous provisions that are designed to reduce the work disincentives created by the program’s medical eligibility standard for adults (the same standard as SSDI’s): that the individual must be unable to engage in any substantial activity for at least 12 months or until death due to medically determinable conditions. SSA calls these provision “work incentives” but they are incentives in a relative sense only. The primary SSI work incentive, the Earned Income Exclusion, reduces monthly benefits by $1 for every $2 of monthly earnings received in excess of an earnings disregard: often $85 and as low as $65 if the recipient has countable income of up to $20 from some other source. The Earned Income Exclusion is a work incentive relative to losing $1 of benefits for every $1 once the disregard is reached, in the same way that the program treats income from other sources. However, once the disregard is used up the Earned Income Exclusion is equivalent to taxing additional dollars earned at a rate of 50 percent—a rate that exceeds the income tax rate applied to the marginal earnings of the most highly paid workers in the country and that is on top of any other tax liability incurred.

SSI’s minimum disregard has been fixed in nominal dollars—that is, not inflation adjusted—since SSI’s inception in the mid-1970s. That means that the real value of the disregard to the recipient in terms of

⁶ See https://faculty.chicagobooth.edu/-/media/faculty/rebecca-dizon-ross/research/ssi.pdf.
spending power has been gradually declining for about 45 years. According to the Social Security Advisory Board (2017), the $65 dollar earnings disregard would have been increased to $340 in 2017 if it was indexed to inflation in 2017 (the $85 amount would have been $444). It is of no surprise that members of the Advisory Board and many others have been calling for an increase in these low disregards for many years.

One obvious option for a recovery initiative is to increase the earnings and income disregards. To bring them in line with their real value at the time of the program’s inception would amount to a substantial income increase from the perspective of SSI recipients who seek to supplement their low incomes through work. This option, if adopted, would likely become permanent, because repeal at a later date would likely result in a substantial political backlash—a likelihood that is simply due to the stringency of the current disregards.

Another way to reduce work incentives would be to reduce the rate at which earnings above the disregard are reduced, from 50 percent to 25 percent or even lower. One possibility is to use a much lower rate, such as 10 percent or 5 percent, but eliminate the minimum disregards altogether. This approach has the advantage of simplifying the disregard.

The Student Earned Income Exclusion (SEIE) is an SSI work incentive targeted at students on SSI under the age of 22 who are also working. Under the SEIE, the monthly earned income disregard is $1,900 for up to six months in the year. This is particularly valuable to college students who work when the college is not in session. Many have called for increases in the age limit for the SEIE because young adults with disabilities often require more time than their peers without disabilities to complete a given postsecondary education or training program. Others have called for: application of the high disregard for all months, rather than just six months per year; an increase in the disregard further; or an extension through a significant period after the student completes education and training. The purpose of an extension is to ensure that their post-school entry into the labor market will be financially rewarded at a level that is commensurate to the level of reward experienced by their non-disabled peers entering comparable jobs. For instance, the CareerACCESS proposal in effect calls for a version of the SEIE that would be available to all SSI recipients who pursue a career until the age of 30.7

Expanding the SEIE in some fashion during the recovery from the pandemic would help SSI recipients who are attempting to enter the labor force at a time when labor force entry is particularly difficult. While it seems unlikely that policymakers would make such a change permanent without more knowledge about the impact on program costs, a temporary increase would provide a great deal of information about the effect of an increase on program costs and recipient earnings and income. Such information would be helpful for purposes of improving SSI work incentives for young adults in the future.

9. **SSDI work (dis)incentive holiday**
SSDI also has a set of work incentives, but they are quite different than those that apply to SSI recipients. Essentially, SSDI may earn any amount for 12 months (not necessarily contiguous) with no loss in benefits, but after 12 months SSA suspends and eventually terminates if it determines that the beneficiary is engaged in substantial gainful activity (SGA). In 2020, SSA considers unsubsidized wage

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payments or self-employment earnings in excess of $1,260 per month to constitute evidence of SGA for non-blind beneficiaries. The SGA amount for blind beneficiaries is $2,110.

The change from 100 percent SSDI benefits to no benefits as earnings cross the SGA threshold is often called the “benefit cliff”. There is substantial anecdotal evidence and some quantitative evidence that some SSDI beneficiaries who work adjust their work effort to avoid falling off the cliff, although establishing how many do so and what they would earn in the absence of the cliff is highly problematic. There is also evidence that others do not work at all because of the cliff, perhaps because the fixed costs associated with the work available to them are too high (see Gubits et al. 2018).

The rules surrounding determination of when benefits are suspended and, eventually, terminated are complex, poorly understood by beneficiaries, and difficult to administer. As a result, SSA often discovers that benefits should be suspended only many months after the suspension should have started, which means that the beneficiary has accumulated overpayments. The overpayment period and the size of accumulated overpayments are often large. Hoffman et al. (2019) found that, 71 percent of those beneficiaries with sufficient earnings to be at risk for overpayments in the period from 2010 through 2012 (about 2 percent of all beneficiaries) actually experienced overpayments. The median overpayment amount was equivalent to 9 months of benefits—on average about $9,300.

The complexity of the SSDI earnings rules has also made it difficult for SSA to test changes to the rules, as it has attempted to do in several demonstrations. Administering changes to the rules is difficult and may be substantially delayed, adding to the difficulty that beneficiaries subject to the demonstration rules would already have in understanding changes to existing rules that they understood poorly. As a result, despite SSA’s extensive research efforts our knowledge about how many beneficiaries would engage in SGA, and how much they would earn, were it not for the SSDI earnings rules.

One economic recovery option to consider is a two-year holiday from the earnings rules. Such a holiday be of considerable value to many beneficiaries who are struggling economically and would serve the purpose of filling the knowledge gap describe above. In fact, leaders at SSA and numerous experts have suggested conducting an “ultimate demonstration”—temporary suspension of the earnings rules—just to answer the very same questions (Gubits et al., 2019).

10. Disability earned income tax credit with a partial benefit
Recall that Option 2, above, is a disability earned income tax credit offered to qualified SSDI applicants in lieu of SSDI benefits. Such a tax credit is an attractive option for SSDI beneficiaries as well. Gokhali (2013) has proposed offering a partial benefit combined with a similar earned income tax credit to existing beneficiaries, again in lieu of the current benefit. A simpler version of this idea that could be implemented during the recovery from the pandemic would include a monthly benefit that is a modest fixed fraction of the current benefit amount (for example 25 percent), not subject to reduction due to earnings, coupled with a special earned income tax credit administered through the income tax system as discussed under Option 2. Such an alternative would likely help a significant share of low-income beneficiaries who are able to work and could prove to be sufficiently successful that it results in a permanent change to the treatment of SSDI benefits for beneficiaries who return to work.

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8 See, for instance, Stapleton et al. (2020).
9 See also Social Security Advisory Board (2017).
References


