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Does Work Pay? The Impact of Paid Employment on the Economic Well-Being of Working-Age People with Disabilities in the U.S.

In the United States, people with disabilities experience high levels of poverty and very low rates of employment. In 2008, 25% of people with disabilities lived in poverty and 40% of working-age people with disabilities were employed. For people without disabilities, the corresponding figures were 9% and 80% (Erickson, Lee, & von Schrader 2010). Major disability-related legislation enacted over the past two decades – including the 1990 Americans with Disabilities Act and the 1999 Ticket to Work and Work Incentives Act – has been passed, at least in part, to address the poor economic well-being of people with disabilities by improving rates of employment among this subgroup. Implicit in these policies is the idea that working for pay will improve the economic well-being of people with disabilities, or at least provide them with the same level of economic well-being as unearned income.

Existing research on the economic well-being of people with disabilities focuses on the declining trend in the disability employment rate or the effects of economic discrimination on employment and wages. Despite the very low rates of employment of people with disabilities, a far smaller body of literature concentrates on the economic well-being of jobless people with disabilities. I could only locate three studies that used population data to describe the economic well-being of jobless people with disabilities, each of which leave considerable gaps in our understanding of the economic well-being of men and women with disabilities. All three studies 1) are exclusively descriptive; 2) focus only on the types and amounts of unearned income while ignoring the value of in-kind benefits; 3) overlook other forms of material hardship like food insecurity or inadequate housing; 4) are confined to men; and 5) fail to test hypotheses about the mechanisms that lead some people with disabilities to work where others do not (Haveman & Wolfe 1990; Burkhauser, Haveman & Wolfe 1993; Stewart 2006). The exclusion of women from evaluations of the economic well-being of jobless people with disabilities is particularly troubling because nearly all of the increase in SSDI disability benefit recipiency over the past two decades is due to women entering the labor force (Autor & Duggan 2006); because SSDI is primarily available only to people with sufficient work history, the expansion of women's labor force participation has directly contributed to the expansion of women's presence in the eligibility pool for SSDI benefits.

This study addresses two overarching research questions: First, do employed people with disabilities experience better economic well-being than jobless people with disabilities, and if so, are they better off on multiple dimensions of economic well-being and by how much? And, second, relative to not working, does working ensure higher levels of economic well-being? In asking this question, I'm really asking two converse questions: If currently jobless people with disabilities were to become employed, would their economic well-being improve? And: If currently employed people with disabilities were to stop working, would they fare as well economically as currently jobless people with disabilities?

The current study makes several important contributions to our knowledge of the economic well-being of people with disabilities. First, I compare jobless and employed men *and women* with disabilities on multiple dimensions of income and material hardship. Second, I consider informal sources of income and the value of in-kind assistance. In the total income figure, I include earnings from formal employment and traditional sources of unearned income, but unlike previous studies, I include income from occasional or under-the-table work and financial support provided by friends and relatives living outside of the household. I also incorporate the dollar values of in-kind assistance. Third, I combine these descriptive analyses with endogenous switching regression models. These models offer a substantial advantage over other possible methods because they allow me to 1) directly investigate the impact that beginning or returning to work has on the total income of people with disabilities, and 2) test hypotheses about the mechanisms that select some people into work but not others.

DATA AND METHODS

Data and Sample

In the current study, I use a pooled data set of the 1996, 2001, and 2004 Wave 1, Wave 5 and Wave 8 core and topical modules of the nationally representative SIPP collected by the U.S Census Bureau. The SIPP collects monthly data on demographic characteristics, educational attainment, individual and household-level earned and unearned income sources and amounts, the type and terms of employment, job characteristics, disability, household composition, and individual well-being along a number of economic and non-economic dimensions. Relative to other data sources that have been used to study disability and economic outcomes, the SIPP provides the best combination of disability and income measures in a longitudinal panel. I limit the analytical sample to people aged 25-64 with mental or physical disabilities who have complete information on income, living arrangements, disability, and measures of material hardship, yielding a sample size of 19,688: 9,783 jobless adults with disabilities and 9,905 employed adults with disabilities.

Methods

Descriptive Analyses of Total Income and Material Hardship

By employment status, I describe how the type and amount of personal unearned income varies by living arrangements, primary reason for not working among those who are currently jobless, and by educational attainment, sex, and race/ethnicity. I also investigate how crucial the respondent's total personal income is to the overall household economy by summarizing respondents' total personal income as a percentage of total household income. By definition this percentage is 100% for those living alone. Last, I compare employed and jobless people with disabilities on four dimensions of material hardship based on thirteen items from the SIPP.

Multivariate Analysis: Endogenous Switching Regression Models

I use endogenous switching regression models to evaluate whether working for pay improves the economic well-being of people with disabilities. Endogenous switching models are appropriate in situations where one is interested in two values but only one value is actually observed. In the present study these values are: 1) the total income of people with disabilities if they work, and 2) the total income of people with disabilities if they do *not* work – but we observe only one value for each person. Endogenous switching models are also appropriate in instances where one is interested in studying the effects of a state (in this case, employment), but placement in that state is the result of a combination of observed and unobserved factors that also affect the outcome of interest (Gamoran & Mare 1989). Models control for demographic and human capital characteristics associated with work and income, as well as characteristics of the household economy that may affect individual decision-making about work and unearned income. Models are estimated separately for men and women.

PRELIMINARY RESULTS

Analyses are still in the early stages, but preliminary results (shown in Table 1) indicate that, unsurprisingly, nearly 80% of jobless people with disabilities receive unearned income from any source. What is surprising, however, is that 60% of employed people with disabilities also receive unearned income despite the fact that they work for pay. Furthermore, the degree to which working for pay protects people with disability against material hardship is limited. Thirty percent of jobless people with disabilities experienced food insecurity, 19% skipped utility bills, 16% did not seek medical care when they needed it, and 18% lived in substandard housing. In comparison, 20% of employed people with disabilities experienced food insecurity, 15% skipped utility bills, 15% did not seek needed medical care, and 17% lived in substandard housing.

CONTRIBUTIONS AND POLICY IMPLICATIONS

A large literature on the relationship between public disability benefit generosity and employment has repeatedly demonstrated that, in times of high unemployment, the number of people with disabilities that turn to disability benefits spikes. Furthermore, declining economic opportunities for low-skilled workers in the U.S. labor market increase the attractiveness of Social Security disability benefits. Policymakers have pursed legislation that encourages employment by people with disabilities to achieve the dual goals of increased economic self-sufficiency for people with disabilities and decreased spending on disability cash transfer benefits. However, pro-employment policies such as the 1999 Ticket to Work and Work Incentives Act or SSDI and SSI work incentives has been generally acknowledged as failures in decreasing dependence on public disability benefits. The proposed study asks whether working improves the economic status of people with disabilities, and if so, by how much. Understanding whether and how much people with disabilities lose when taking on employment will allow for

public policies that can better ameliorate the barriers to working for pay for this population and improve the chances that employment will lead to economic self-sufficiency.

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TABLES

Table 1. Unearned Income Receipt and Material Hardship by Employment Status

	Jobless	Employed
% Receiving unearned income from any source	78.6%	60.9%
Food Hardship		
Problems getting enough food	30.5%	20.0%
Food does not last	25.5	16.1
Problems affording balanced meals	23.4	13.6
Bill-Paying Hardship		
Did not pay some/any of rent or mortgage	11.2%	9.5%
Did not pay gas, oil or electricity bill	18.5	15.4
Telephone company disconnected service	8.0	6.5
Medical Hardship		
Did not see a doctor when needed	15.3%	13.1%
Did not see a dentist when needed	16.0	15.5
Housing Hardship		
Problem with pests	17.8%	16.7%
Problem with broken windows	7.2	5.9
Problem with plumbing that does not work	4.4	3.9
Problem with holes or cracks in wall or ceiling	6.8	6.0
Problem with holes in floor	2.0	1.2
Unweighted N	9,783	9,905

Note: All figures are population weighted.