

HOW COMMON IS “PARKING” AMONG SOCIAL SECURITY DISABILITY INSURANCE (SSDI) BENEFICIARIES? EVIDENCE FROM THE 1999 CHANGE IN THE LEVEL OF SUBSTANTIAL GAINFUL ACTIVITY (SGA)

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The Social Security Disability Insurance (DI) program is designed to support qualified individuals who are unable to engage in “substantial gainful activity” (SGA) due to a medically determinable physical or mental impairment that is expected to result in death or last for at least a year. In 2010, work that generates \$1,000 or more in unsubsidized earnings, net of impairment-related work expenses, is considered to be SGA for non-blind beneficiaries.

Once workers enter the DI program, a small minority return to work, and a much smaller share leave the DI rolls because of work. One reason that far fewer beneficiaries leave the rolls than return to work is that beneficiaries lose all of their benefits if their earnings exceed the SGA level for a sufficiently long period. To avoid benefit loss, beneficiaries may “park” and keep their earnings below the SGA level. Anecdotes about this behavior are widespread, but no statistics on the extent of the phenomenon are available.

Beneficiaries most likely to park are those who have completed their Trial Work Period (TWP)—nine (not necessarily consecutive) months in a rolling 60-month window during which they can earn any amount and keep their benefits. After completing the TWP, a beneficiary enters the Extended Period of Eligibility (EPE), during which benefits continue indefinitely if the beneficiary does not engage in SGA, but are suspended in full during each month of the next 36 months that the beneficiary engages in SGA (apart from a three-month grace period). Benefits are terminated if SGA occurs in the 36th month of the EPE or later. Hence, beneficiaries who have completed their TWP have a strong incentive to restrain earnings below the SGA level.

In July 1999, the SGA level for non-blind beneficiaries was increased from \$500 per month to \$700. The expected effect of this SGA increase on earnings and months off the rolls for work depends on what beneficiaries’ earnings would have been in absence of the increase. Those who would have had earnings below the initial SGA level might increase their earnings by up to \$200 per month, without reducing the number of months spent off the rolls for work. On the other hand, those who would have earned above the new SGA in the absence of the change might deliberately earn less under the new level so as to retain their benefits, thereby reducing earnings and increasing the number of months on the rolls.

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In this paper we assess how common parking is by examining how beneficiary earnings and months off the rolls for work responded to the increase in the non-blind SGA level. Specifically, our analysis compares longitudinal data on earnings and months off the rolls for work of the 1998 non-blind TWP completer cohort to corresponding data for the 1996 TWP cohort. These two cohorts faced the same nominal SGA level in the year they completed the TWP, but the value for the 1998 cohort increased by \$200 halfway through the first year after TWP completion, while remaining the same for the 1996 cohort until halfway through the third year after TWP completion. Our difference-in-difference (DD) methodology compares changes from the TWP completion year to two years after TWP completion for the 1998 cohort (spanning the increase in the SGA level), to corresponding changes for the 1996 cohort.

We find a statistically significant decrease in the percentage with earnings below the old SGA, a decrease in the percentage with earnings above the new SGA, and an increase in the percentage with earnings between the old and new SGA—all consistent with theoretical predictions of parking. The reduction in the percentage of TWP completers with earnings less than \$500 was 0.9 percentage points, the reduction in the percentage with earnings over \$700 was 1.2 percentage points, and the increase for those with earnings between \$500 and \$700 was 2.2 percentage points.

We did not find statistically significant positive effects on overall average beneficiary earnings, but the estimate for all beneficiaries disguises small statistically significant positive effects for those with relatively low earnings in their TWP year, because of opposing effects for those who would have earned more than the new SGA level in the absence of the increase. The largest impacts on earnings were for those with TWP-year earnings between \$500 and \$1,000 per month, but even in this range the average impact was only about \$18 per month—less than 3 percent of the earnings of the 1996 cohort two years after they completed their TWP.

The SGA increase had a significant negative effect on the average number of months that beneficiaries were off the rolls for work. The average effect for all TWP completers was only one-eighth of a month per year. The effect was largest in magnitude for those with TWP-year earnings from \$500 to \$700—six-tenths of a month, or a 17 percent reduction.

The impacts of the 1999 SGA increase clearly emerge from the data and are stronger than those found in earlier studies, but do not indicate that parking is widespread. Our preferred estimates suggest that between 0.9 and 2.2 percent of beneficiaries in the 1998 TWP completer cohort—758 to 1,406 beneficiaries—parked their earnings in this interval during the second year after TWP completion. The total number of TWP completers who were parked in that year was almost certainly much larger, however, because presumably beneficiaries from other TWP completer cohorts were also parked. Using our impact estimates of the SGA change along with results from other sources, we develop a rough estimate of the percentage of all SSDI beneficiaries who are parked below SGA in the typical month from 2002 to 2006: 0.2 to 0.4 percent—small in absolute terms, but large relative to the number of those whose benefits are suspended for work in a typical month, or terminated for work over an entire year.

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