



WORK CREDIT ACCUMULATION & SSDI ELIGIBILITY AMONG YOUNG ADULTS

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Although the prevalence of disabilities increases with age, 26.4% of adults with disabilities were aged 18-39 years old. In fact, more than one in four 20-year-old young adults becomes disabled before reaching retirement age. Thus, meeting the eligibility criteria and having access to the Social Security Disability Insurance (SSDI) are vital for every worker's economic security and well-being, including young adults, who may have different labor force engagements than older workers. Therefore, this study examines young adults' earnings history and estimates their access to SSDI based on a novel measure of SSDI work credit eligibility.

Observing young adults' work history and SSDI work credit eligibility at each age under the current program rules.

The current SSDI work credit eligibility structure, which is a set of credits based on age and work history, has been static and might not reflect changes in labor force engagement as a result of changing demographic trends. In particular, the extended age range of young adulthood and the multiple employment disruptions they experience while making major life transitions, such as completing secondary education, getting married, and becoming parents.

Using the Panel Study of Income Dynamics (PSID), the Transition to Adulthood Supplement (2005-2018) (Survey Research Center 2023), and SSA's yearly income threshold information, this study estimates the scope of eligibility disparities and the potential for expanded eligibility criteria. Specifically, this study descriptively estimates the share of eligible young adults aged between ages 18-34 years old and by adult milestones, such as education, marital status, and parenthood status. It also explores the intersection of these milestones by sex and race/ethnicity. Then, it estimates the within-person changes in the probability of meeting SSDI credit eligibility at each age.

Between 60% - 70% of young adults ages between 18-34 years old would be eligible for SSDI if they became disabled.

Despite the SSA special rules which allow young workers with limited work history to qualify for SSDI benefits with fewer work credits, this study finds that 60% - 70% of young adults who were

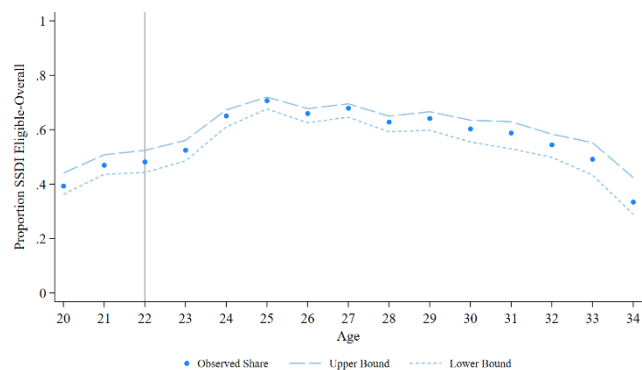


Figure 1. Proportion of Overall SSDI Eligible Young Adults between Ages 20 – 34 Years Old



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ages between 18-34 years old in 2005-2019. This implies that at each age during young adulthood around 30% – 40% of young adults would be deemed *ineligible* for SSDI benefits based on their own earnings.

There are benefit eligibility penalties associated with Being Female and Black/African American.

Benefit Eligibility Penalty is defined as the negative association between a characteristic and the SSDI eligibility. In models stratified by sex and race/ethnicity, this study finds that across the three adult milestones, Black/African American females consistently have the lowest probabilities of meeting SSDI credit eligibility than all their counterparts.

New policy simulation shows increased access to SSDI benefit.

In a simulation exercise, SSDI applicants were allowed to qualify for SSDI benefits for working *a quarter of the time*, instead of *half the time* between the age of 21 and the time disability began. This exercise shows that the share of SSDI-eligible young adults between ages 24-34 increases by around 10%, making more than 80% of young adults eligible for SSDI if needed.

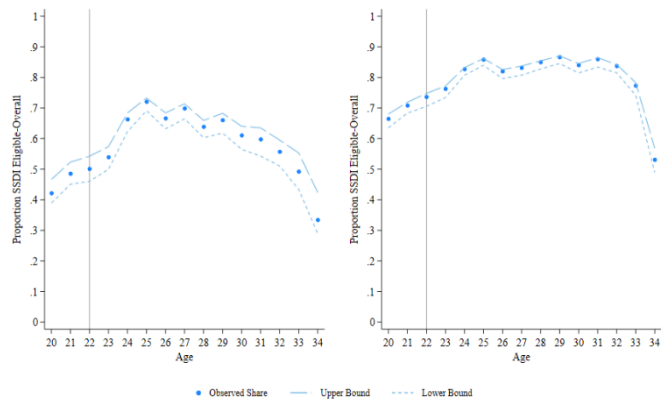


Figure 2. Proportion of Overall SSDI Eligible Young Adults between Ages 20 – 34 Years Old under the Current- vs. the Proposed New Eligibility Structures

Implications

- The findings emphasize persistent racial disparities in the United States, even within a policy framework that does not explicitly consider sex or race/ethnicity as the basis for eligibility criteria. Accordingly, SSA could expand its research objective to include more studies that aim to understand the unintended consequences of eligibility structures for Social Security programs.
- Significant life choices such as pursuing higher education and getting married, play important roles in SSDI access via work credit eligibility. This study points to the need for better support for young adults during this important life stage, so that they are better informed about the choices they would have to make for their future without having negative implications on their economic security.
- A small change in the work credit rule could better align the eligibility criteria with the realities of young adults' lives and improve the effectiveness of the SSDI program by providing support to those who need it.

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