

# Earnings of Disabled-Worker Beneficiaries

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*Information from the 1-Percent Continuous Work History Sample describes some of the major characteristics of employed disabled-worker beneficiaries. The earner represents a small minority within the beneficiary population as a whole. Younger beneficiaries, men, blacks, the most recently entitled, and those with the highest predisability earnings are most likely to continue working. The dominant pattern of employment appears to be part-time, intermittent work resulting in a low earnings level. Ninety percent of the beneficiary population earn nothing, 5 percent earn less than \$600, 3 percent earn between \$600 and \$1,679, and only about 2 percent earn \$1,680 or more a year. The very few beneficiaries able to sustain themselves through long-term, full-time employment are probably in the process of the trial work period and consequent termination of benefits.*

AT THE END OF 1970, almost one and a half million workers were receiving disabled-worker benefits under the social security program averaging about \$130 a month. Entitlement to disability benefits is based on the existence of a mental or physical impairment that is expected to last for at least 12 months. In addition, the medical condition must be so severe that the disabled person can no longer engage in substantial, gainful activity (SGA).<sup>1</sup> Of the number of disabled workers whose benefits are in current-payment status at any given time, 1-2 percent have their benefits terminated because of medical recovery or earnings above the SGA level. A recent study has described the characteristics and earnings of disabled workers whose benefits were terminated for these reasons.<sup>2</sup> This article, in

\* Division of Disability Studies, Office of Research and Statistics Assistance from the Division of Old-Age, Survivors, and Disability Insurance Statistics was provided by Warren L. Buckler and Robert H. Finch.

<sup>1</sup> For administrative purposes, substantial gainful activity is defined as the ability to earn \$140 a month or \$1,680 annually. The SGA level was originally established at \$100 when the disability insurance program began in 1958. The level has been increased twice by 1966 and 1968 regulations to \$125 and \$140, respectively, to keep abreast of the rising wage levels.

<sup>2</sup> See Jack Schmulowitz, "Recovery and Benefit Termination: Program Experience of Disabled-Worker Beneficiaries," *Social Security Bulletin*, June 1973, tables 1 and 2.

contrast, provides a descriptive analysis of earnings and other data—such as the number of beneficiaries who work, the amount they earn, and their patterns of employment—for all persons receiving disabled-worker benefits at the beginning of 1971.

The data base, the 1-Percent Continuous Work History Sample,<sup>3</sup> provides the 1970 earnings record and other characteristics of the disabled-worker beneficiaries. The earnings record is compiled from earnings in covered employment as reported to the Social Security Administration. The study population includes only disabled-worker beneficiaries entitled before 1970, i.e., during 1969 and preceding years. Since the study presents earnings data for calendar year 1970, work records for persons entitled in 1970 were excluded because those records might have reflected preaward as well as postaward earnings.

## EXTENT OF WORK AFTER DISABILITY

Few disabled workers increase their income through earnings. Only 10 percent, about 127,000 of almost 1.3 million, report any earnings at all. More than 7 of every 10 of those working earn under \$1,680. For those with earnings, the annual median is \$644; about half earn under \$600 a year. Ninety percent of the total beneficiary population earn nothing (table 1).

## CHARACTERISTICS OF WORKING BENEFICIARIES

The young beneficiary is more likely to be employed than the older beneficiary. Although the absolute number of employed disabled-worker beneficiaries increases with age because more older people are disabled, the proportion of beneficiaries with earnings decreases with age. Only about 9 percent of the more than 1 million disabled-worker beneficiaries between ages 45 and 65 work, compared with 19 percent of the 200,000

<sup>3</sup> See the Technical Note at the end of the article.

TABLE 1.—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by amount of earnings and sex

Amount of earnings	Total	Men	Women
Total number .....	1,294,600	915,200	379,400
Total percent .....	100 0	100 0	100 0
Without earnings .....	90 2	89 2	92 7
\$1-599.....	4 8	5 0	4 2
600-1,199.....	2 0	2 2	1 6
1,200-1,679.....	1 1	1 2	7
1,680-2,399.....	7	9	3
2,400-3,599.....	6	7	4
3,600 or more.....	6	8	1
Median earnings.....	\$644	\$720	\$508
95-percent confidence limits of median.....	\$578-734	\$622-817	\$431-586

beneficiaries under age 45 (table 2). When the beneficiary reaches age 65, his disabled-worker benefits are converted into retired-worker benefits.

Seven of every 10 social security disabled-worker beneficiaries are men, yet they account for 8 of every 10 persons earning additional income. Thus, not only are women less likely to be receiving disability benefits, but they are also less likely to continue working after entitlement. Fewer than 1 in 3 of those receiving disabled-

TABLE 2.—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by age, sex, and race

Age in 1970, sex, and race <sup>1</sup>	Number of beneficiaries	Percent with earnings	Percent with earnings over \$1,680	Median earnings	95-percent confidence limits of median
Under 35.....	64,900	26 2	2 6	\$745	\$537-1,048
35-44.....	140,100	14 8	2 1	622	505-856
45-54.....	347,100	9 7	1 7	581	497-738
55-64.....	742,500	7 5	2 0	674	576-792
Men					
Under 35.....	51,500	27 2	2 9	800	538-1,176
35-44.....	106,400	16 1	2 2	675	519-921
45-54.....	241,800	10 1	1 9	639	518-854
55-64.....	515,500	8 4	2 2	756	621-891
Women					
Under 35.....	13,400	22 4	1 3	600	330-1,041
35-44.....	33,700	10 7	1 7	482	226-1,024
45-54.....	105,300	8 6	1 1	497	359-672
55-64.....	227,000	5 3	1 1	504	394-634
White men.....	762,800	10 3	2 2	748	640-856
Under 35.....	39,700	25 9	2 9	762	508-1,246
35-44.....	85,600	16 1	2 1	716	529-969
45-54.....	201,300	9 8	1 8	687	521-934
55-64.....	436,200	7 9	2 3	787	638-935
White women.....	319,300	6 6	1 2	505	410-601
Under 35.....	11,400	21 9	1 2	643	313-1,089
35-44.....	28,200	9 2	1 9	490	196-1,256
45-54.....	89,800	7 9	1 0	449	292-615
55-64.....	189,000	4 6	1 1	523	397-722
Black men.....	137,400	13 1	2 1	616	496-855
Under 35.....	10,200	29 4	1 7	825	424-1,341
35-44.....	17,900	14 5	2 7	600	332-1,368
45-54.....	37,000	11 9	2 1	513	307-909
55-64.....	72,300	11 1	1 8	635	472-966
Black women.....	56,900	10 9	1 2	524	366-753
Under 35.....	1,800	20 0	0	(2)	(2)
35-44.....	5,000	18 0	2 0	(2)	(2)
45-54.....	14,800	12 8	1 6	729	384-1,126
55-64.....	35,600	8 7	1 0	472	252-814

<sup>1</sup> Excludes an estimated 15,000 or 1.6 percent of the total male disabled population and an estimated 3,200 or 0.8 percent of the total female population that are of other races or of unknown origin

<sup>2</sup> Not computed on base of fewer than 1,000 persons with earnings.

worker benefits are women; of the beneficiaries with earnings, women number less than 1 in 4.

Women's earnings average less than men's. Although about 2 in 5 of the employed men earn less than \$600, 3 in 5 employed women are in this category. More than 20 percent of the men earn above \$1,680, compared with less than 10 percent of the women. The median amount of earnings for men is 40 percent higher than that for women, \$720 compared with \$508. Both men and women follow the pattern noted earlier: a greater proportion of younger beneficiaries participate in the work force, although the absolute number of earners is greater among those over age 45.

Severe disabilities appear to be more prevalent among blacks. Just over 11 percent of the workers insured for disabled-worker benefits in 1970 were black, but they comprised 15 percent of those receiving disabled-worker benefits.<sup>4</sup> A greater proportion of blacks continue with some employment. One in every 8 black beneficiaries has earnings, in contrast to less than 1 in 10 of the whites.

The median income for white women was almost \$250 less than that for white men. The employment pattern of black women differs from that of white women. Of all women receiving disabled-worker benefits, 1 in 9 black women increases her income with earnings, in contrast to 1 in 15 white women. Nearly a fourth of women beneficiaries working are black, although they represent only 15 percent of all women with benefits in current-payment status.

## EARNINGS AFTER ENTITLEMENT

When do the few working beneficiaries reenter the labor market in relation to the developmental cycle of their disability? Although the time of the disability onset is not specified in the study data, earnings information is available by year of beneficiary entitlement. The date of entitlement always begins after a required waiting period—currently 5 months but before the 1972 amendments, 6 months. Entitlement can, however, occur at a later time than the beginning stages of the

<sup>4</sup> Jack Schmulowitz, *Social Security Benefits and Earnings of Minority Groups in Covered Employment* (Research and Statistics Note No. 5), Office of Research and Statistics, June 1971

TABLE 3.—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by year of entitlement

Years of entitlement and number of years after entitlement	Number of beneficiaries	Percent with earnings	Median earnings	95 percent confidence limits of median
1969 (1 year).....	248,600	19 9	\$613	\$541-767
1963 (2 years).....	217,600	10 3	645	519-889
1967 (3 years).....	159,700	8 3	609	477-841
1966 (4 years).....	127,000	7 3	653	456-1,010
1965 (5 years).....	115,200	7 1	553	404-860
Before 1965 (5 years or more) ..	426,600	5 6	739	594-886

disease or infirmity since the medical condition may not initially be sufficiently severe for the disabled worker to qualify for an award under the definition of disability used in the social security program.

Data on annual earnings indicate that more people work and earn income the first year after entitlement than in subsequent years. About 20 percent of the almost quarter-million persons initially entitled to benefits in 1969 had earnings in 1970 (table 3). For persons entitled before 1969 the number and proportion of those with earnings in 1970 diminishes rapidly. Ten percent have earnings during the second year after entitlement; after more than 3 years the proportion levels off at about 7 percent. Further research is needed to analyze earnings records of beneficiaries for a series of years in order to determine whether this pattern of labor-market participation is specific only to 1970 or if it is general.

The amounts earned by beneficiaries who worked in 1970 were generally small and differed little with entitlement year or the length of time benefits were received. Table 4 shows the median earnings by number of quarters worked for disabled-worker beneficiaries in 1970.

TABLE 4—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by earnings status and quarters of coverage

Earnings status and quarters of coverage	Total	Median earnings	95-percent confidence limits of median
Total number.....	1,294,600		
Total percent.....	100 0		
Without earnings.....	60 0		
With earnings.....			
Less than one quarter <sup>1</sup> .....	1 0	\$29	\$23-34
One quarter.....	3 0	394	356-431
Two quarters.....	2 0	776	631-922
Three quarters.....	1 0	1,283	1,050-1,528
Four quarters.....	3 0	1,455	1,301-1,609

<sup>1</sup> Represents those who earned less than \$50 during the entire year and therefore not credited for one quarter of social security coverage (a quarter of coverage is a calendar quarter in which a person earns \$50 or more in wages).

Examination of these data indicates that the majority of those with jobs are employed two quarters or less, which produces low median earnings figures and suggests intermittent, part-time work. Relatively few were able to participate in continuous employment. Only 3 percent, around 36,000 persons, worked all four quarters of 1970. Although they earned limited amounts (a median of \$1,455), other studies suggest that many of the recovered persons whose benefits are terminated come from this group. With the data available for this study the higher earning beneficiaries could not be traced beyond 1970 to determine the number who recovered and were terminated.

### EARNINGS BEFORE DISABILITY ENTITLEMENT

Until this point, earnings of persons after their entitlement to disabled-worker benefits has been the central focus. As has been shown, the data indicate that a small proportion of the disabled-worker beneficiary population continues to work after entitlement, earning small amounts. The question arises, however, as to the economic position of disabled-worker beneficiaries before the onset of their long-term illness. Is there a relationship between previous earnings and earnings after disability? To answer this, the earnings data reported in social security records 3 years before entitlement are examined in relation to 1970 earnings.

At least \$1,680 was earned by 3 of every 5 beneficiaries during the third year before entitlement, but only 1 in 14 had made more than \$5,400 (table 5). The median earnings of the total disabled-worker population for the third year before entitlement—\$2,390—was lower than the \$3,149 median of all workers in covered employment in 1963.<sup>5</sup> During 1963 about 25 percent of the labor force earned more than \$5,400;<sup>6</sup> only 7 percent of the disabled-worker beneficiaries did.

<sup>5</sup> Of the 1.3 million disabled-worker beneficiaries receiving benefits in January 1971, about half had become entitled from the program's beginning in 1958 through 1966. The year 1963 was selected as the base year to compare median earnings of all workers with beneficiary earnings 3 years before entitlement.

<sup>6</sup> Bureau of the Census, *Consumer Income*, table 32, "Type of Income in 1963 for Persons 14 Years Old and Over," Series P-60, No. 43, September 1964.

TABLE 5—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by earnings in third year before entitlement

Earnings in third year before entitlement	Number of beneficiaries	Percent with earnings, 1970	Median earnings, 1970	95-percent confidence limits of median
Total.....	1,294,690	9 8	\$644	\$578-734
Without earnings.....	200,900	6 2	654	497-915
\$1-599.....	108,000	12 5	488	353-549
600-1,679.....	210,400	10 9	597	495-776
1,680-3,599.....	333,700	8 9	628	526-838
3,600-5,399.....	350,600	8 0	909	742-1,077
5,400- or more.....	91,000	22 1	626	508-899

Findings from previous studies<sup>7</sup> indicate that disabled beneficiaries are disproportionately represented in semiskilled and unskilled occupations; the proportion with white-collar jobs was half that of the work force as a whole.

Fifteen percent of the disabled-worker beneficiaries at the end of 1970 had no recorded earnings 3 years before entitlement. A worker may acquire fully insured status and thus qualify for disability benefits by working in covered employment 20 of the 40 quarters before the onset of disability. The data in this report, however, are not able to explain why almost 1 beneficiary in 6 had no earnings in the third year before entitlement.

Labor-force participation 3 years before entitlement generally does not predict work after disability. Some of the beneficiary groups with no earnings 3 years before entitlement had reported earnings in 1970. One in 5 of the small group of beneficiaries who had previously earned more than \$5,400 worked after entitlement. Only 1 in 10 of those who earned less than that amount before their disability were employed after entitlement.

It is probable that persons who earned more than \$5,400 were better educated, more skilled, and may have had greater employment opportunities available to them. Disabled-worker beneficiaries who participate in State rehabilitation programs<sup>8</sup> tend to have higher predisability earnings and are younger than the average social security disabled-worker beneficiary.

<sup>7</sup> For further discussion, see Lawrence D Haber, "The Disabled Beneficiary—A Comparison of Factors Related to Benefit Entitlement," *Social Security Survey of the Disabled, 1966* (Report No. 7), June 1969

<sup>8</sup> Ralph Treitel, "Recovery of Disabled After Trust Fund Financing of Rehabilitation," *Social Security Bulletin*, February 1973.

On the basis of these data, the relationship between predisability and postdisability earnings is inconclusive. Postdisability earnings did not vary consistently with different levels of predisability earnings. Therefore, the level of earnings before long-term illness does not determine the amount of earnings as a disabled person. The earnings experience of all beneficiaries after disablement, however, is remarkably consistent. Regardless of earnings 3 years before entitlement, median earnings for beneficiaries working a year or more after entitlement did not vary greatly. Earnings in 1970 showed an average loss of almost 75 percent from the predisability levels for those few who continued to work. Reports from the 1966 social security survey of the disabled note that low median earnings gained from part-time or intermittent work is the general pattern of all the severely disabled within the United States.

## TYPES OF INCOME

Do some kinds of work activity produce greater returns for earning beneficiaries? Are the proceeds from self-employment, for example, greater than wages? What is the most remunerative type of work? What is the dominant mode of employment?

When beneficiaries work, they are mainly wage earners, as are most workers. More than 85 percent of the 1970 beneficiaries with earnings worked for wages only, compared with 93 percent of all covered workers. The proportion of wage earners among women was even greater—more than 95 percent. Types of work activity have traditionally been more diversified for men, however. More than 15 percent farmed, were self-employed, or combined wages with farming or self-employment.

Outstanding are the economic returns from self-employment and from the combination of wages and self-employment (table 6). For the working beneficiary the median earnings for these two categories are 3-4 times that of wages alone. Previous studies<sup>9</sup> indicate that disabled men are

<sup>9</sup> See Lawrence D Haber, *op cit.*, page 9, and Constantina Safilios Rothschild, *The Sociology and Social Psychology of Disability and Rehabilitation*, Random House, 1970, page 197.

TABLE 6.—Earnings in 1970 of disabled-worker beneficiaries with entitlement before 1970, by type of earnings

Type of earnings	Working beneficiaries		Median earnings	95-percent confidence limits of median
	Number	Percentage distribution		
Total.....	126,700	100 0		
Nonfarm.....	109,800	86 7	\$560	\$519-605
All self-employment.....	10,800	8 5	1,451	1,136-1,656
Farm.....	3,700	2 9	675	424-1,006
Nonfarm and all self-employment.....	1,200	9	2,160	1,260-4,680
Nonfarm and farm.....	1,200	.9	750	314-1,488
Men.....	98,900	100 0		
Nonfarm.....	83,100	84 0	585	537-683
All self-employment.....	10,000	10 1	1,468	1,141-1,664
Farm.....	3,600	3 6	700	434-1,026
Nonfarm and all self-employment.....	1,000	1 0	2,400	1,541-5,400 <sup>1</sup>
Nonfarm and farm.....	1,200	1 2	750	314-1,488
Women.....	27,800	100 0		
Nonfarm.....	26,700	96 0	491	415-568
All self-employment.....	800	2 9	( <sup>2</sup> )	( <sup>2</sup> )
Farm.....	100	3	( <sup>2</sup> )	( <sup>2</sup> )
Nonfarm and all self-employment.....	200	7	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> Represents more than \$5,400

<sup>2</sup> Not computed on base of fewer than 1,000 persons with earnings

more likely to shift to or continue in self-employment and farming after disablement than to continue in or begin other types of work. Farming and self-employment offer more flexibility in time and working conditions and greater adaptability to the special needs of the handicapped.

### SGA LEVEL AND FUTURE RESEARCH

The 1972 and 1973 social security amendments raised the earnings test for retired workers to \$175 a month effective January 1973 and to \$200 effective January 1974. Currently, consideration is being given to the adequacy of the "substantial gainful activity" level now set at \$140 a month for disabled-worker beneficiaries. Projections from this study suggest that increasing the level to \$200 a month would have a relatively small effect on the number of disabled-worker beneficiaries in current-payment status. At most, about 10,000 persons would continue receiving benefits if they could earn above \$1,680 but below \$2,400 a year. Less than 1 percent of the total disabled-worker population earn in that range, and just over 1 percent earn above the \$2,400 level.

Although some distinguishing characteristics of the earning disabled-worker beneficiary emerge

from this study, further research is needed to trace other patterns. Exploration might furnish more information on the relationship between specific diseases and work attempts, the major occupations providing part- and full-time work, the significant factors encouraging labor-force participation, the contribution of beneficiary earnings to adequacy of income, the relationship between amount of earnings during the trial work period and terminations, and the effect of work adjustments after disability on occupational mobility. Data from future studies may be able to describe more fully the severely disabled person who is still working.

### Technical Note

The Social Security Administration's 1-percent Continuous Work History Sample is derived from the reporting and informational forms and records used in administering the old-age, survivors, disability, and health insurance program. Data on age, sex, and race are obtained from the employee's application for a social security number; data on geographic area are obtained from the employer's application for an identification number and related employer reports. Data on amount of earnings and length and type of employment are derived from the report forms submitted by employers and self-employed persons. The sample design is a stratified cluster probability sample of the population of possible account numbers.<sup>1</sup>

Estimates based on samples can be expected to differ from figures that would have been obtained had all, rather than a sample, of the records been used for the compilations. The standard error is a measure of sampling variability. The chances are about 68 out of 100 that the difference due to sampling variability between a sample estimate and the figure that would have been obtained from a compilation of all records is less than the standard error. The chances are 95 out of 100 that the difference is less than twice the standard error. The standard error of an esti-

<sup>1</sup> For a more detailed discussion of the sample design and size, sampling variability, and sources of nonsampling variability, see *Earnings Distribution of the United States, 1968*, Appendix B, Office of Research and Statistics, 1973.

mate depends on the sample design elements such as the method of sampling, the sample size, and on the estimation process.

The reliability of an estimated percentage depends on both the size of the percentage and on the size of the total base population. Table I shows the approximate standard errors for percentages of persons with a given characteristic. The standard errors in the body of the table are expressed in percentage points. Standard errors for percentages and bases not shown in the table can be obtained by linear interpolation.

TABLE I.—Approximation of standard errors of estimated percentages

Size of base	Estimated percentages						
	2 or 98	5 or 95	10 or 90	20 or 80	30 or 70	40 or 60	50
2,500.....	2 9	4 5	6 2	8 3	9 5	10 2	10 4
5,000.....	2 1	3 2	4 4	5 9	6 8	7 2	7 4
7,500.....	1 7	2 6	3 6	4 8	5 5	5 9	6 0
10,000.....	1 5	2 3	3 1	4 2	4 8	5 1	5 2
25,000.....	9	1 4	2 0	2 6	3 0	3 2	3 3
50,000.....	7	1 0	1 4	1 9	2 1	2 3	2 3
75,000.....	6	8	1 1	1 5	1 8	1 9	1 9
100,000.....	5	7	1 0	1 3	1 5	1 6	1 7
250,000.....	3	5	6	8	1 0	1 0	1 1
500,000.....	2	3	5	6	7	7	8
750,000.....	2	3	4	5	6	6	6
1,000,000.....	2	2	3	4	5	5	5

## Notes and Brief Reports

### Benefits for Grandchildren and Certain Blind Persons Under 1972 Amendments\*

The 1972 amendments to the Social Security Act made entitlement to child's benefits under the old-age, survivors, disability, and health insurance program possible for the dependent grandchildren of insured workers in certain circumstances. The amendments also modified the disability insured-status requirement for blind persons.<sup>1</sup> Both provisions became effective January 1973. Information on the early experience under these amendments has been compiled from the master beneficiary record of the Social Security Administration.

was living with the grandparent and was dependent on the grandparent for at least one-half his support for the year before the grandparent became entitled to benefits or died.

Relatively few persons have qualified for benefits under this provision so far. At the end of December 1973, only 137 children were entitled to benefits on the basis of their grandparents' earnings record (table 1).

Many more children who would be eligible for benefits as the grandchildren of entitled workers may not have filed for such benefits because they were not aware of the new provision in the law. The Social Security Administration is unable to identify potential grandchildren beneficiaries for those grandparents who were on the rolls when the provision became effective. (Currently, when applicants file for benefits they are asked if they

TABLE 1.—Benefits in current-payment status for all children and for those entitled to benefits on the earnings records of grandparents, end of 1973

Basis of entitlement	Number of children	Average primary insurance amount	Average monthly amount
Entitled on grandparents' record, total.....	137	\$164 39	\$80 10
Retirement.....	58	153 37	57 58
Disability.....	22	171 32	52 58
Death.....	57	172 93	113 63
All entitled children, total.....	4,689,620	187 31	89 88
Retirement.....	620,600	176 41	61 40
Disability.....	1,162,489	194,23	50 33
Death.....	2,906,451	186 87	111 78

#### DEPENDENT GRANDCHILDREN

Beginning January 1973, children may become entitled to benefits on the basis of the earnings records of their grandparents, if the child's parents are either deceased or disabled and the child

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<sup>1</sup> See Robert M. Ball, "Social Security Amendments of 1972: Summary and Legislative History," *Social Security Bulletin*, March 1973.