

**The Supplemental Security Income Program and Material Hardship
after the 1996 Welfare Reform** [⊗]

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The Supplemental Security Income Program and Material Hardship after the 1996 Welfare Reform

Abstract

We analyze SSI applications and benefit receipt after the 1996 welfare reform by single mothers who received cash assistance in February 1997. We address these questions: First, what characteristics are associated with SSI applications and how do they differ between successful and unsuccessful applicants? Second, to what extent is SSI application and receipt status associated with material hardships? We find that unsuccessful applicants and SSI recipients have similar characteristics and that changes in physical and mental health problems during the panel are associated with new SSI applications. Both SSI recipients and unsuccessful applicants are significantly more likely to report any material hardship than those who did not apply for benefits. However, unsuccessful applicants report a significantly higher number of hardships. These results suggest the need for a temporary disability program for individuals whose physical and mental health problems limit their work, but whose disabilities do not meet the strict standards of SSI.

I. Introduction

The passage of the Personal Responsibility and Work Reconciliation Act (PRWORA) in 1996 contributed to substantial increases in labor supply and earnings for many former welfare recipients. However, there is evidence that a sizeable number of former welfare recipients have multiple barriers to employment and are economically vulnerable (Danziger et al., 2000; Blank, 2007; Blank and Kovak, 2007). For many, these barriers to employment include both physical and mental limitations (Danziger et al., 2000; Meara and Frank, 2006; Frogner et al., 2009).

The Supplemental Security Income (SSI) program provides means-tested income support to individuals who meet its disability criteria. The population served by SSI had historically been similar to the population served by the Aid to Families with Dependent Children Program (AFDC) along dimensions like sporadic employment history and low educational attainment. There is also evidence of high rates of disabilities among welfare recipients.

Prior to the 1996 reform, some families headed by single mothers moved from AFDC to SSI, both in response to state fiscal situations, and in response to the state welfare waivers that preceded PRWORA (Kubik, 2003; Schmidt and Sevak, 2004). Although there is some evidence of similar movements after 1996 (Pavetti and Kauff, 2006; Wamhoff and Wiseman, 2005/2006), we know relatively little about the extent to which SSI now serves as a “back-up safety net” for single mothers.

In this paper, we analyze SSI applications and benefit receipt among a sample of single mothers who received cash assistance from Temporary Assistance to Needy Families (TANF) in one Michigan county in February 1997 and who were interviewed five times by the Women’s Employment Study (WES) between Fall 1997 and Fall 2003 (Danziger et al., 2000). We address the following questions: First, what characteristics of WES respondents are associated with SSI

applications after the 1996 welfare reform? Do these characteristics differ between successful and unsuccessful SSI applicants? Second, to what extent is SSI application and receipt status associated with material hardships?

Our results suggest that unsuccessful SSI applicants and SSI recipients have a number of similar socioeconomic and demographic characteristics, and that unsuccessful SSI applicants look much more like SSI recipients than those respondents who never applied for disability benefits. Changes in physical health and mental health problems over the course of the WES panel are associated with new SSI applications.

Both SSI recipients and unsuccessful applicants are more likely to report experiencing at least one of 11 measured material hardships than those who did not apply for benefits between 1997 and 2003, but unsuccessful applicants report significantly more hardships. Controlling for additional income sources reduces the magnitude of the relationship between unsuccessful application and hardships, but does not eliminate the positive correlation. SSI recipients are significantly less likely to report medical hardships, but significantly more likely to report food insufficiency than either unsuccessful applicants or those who never applied.

Taken together, these results suggest the need for a temporary or short-term disability program for individuals whose physical and mental health problems make it difficult for them to work as much as TANF now requires, but whose disabilities do not meet the strict standards of SSI (Blank, 2007). Under current SSI and TANF rules, many of these women end up disconnected from both employment and cash assistance, making them particularly economically vulnerable.

II. Background

The Personal Responsibility and Work Reconciliation Act (PRWORA) of 1996 dramatically transformed cash assistance, replacing the Aid to Families with Dependent Children (AFDC) entitlement program with the Temporary Assistance for Needy Families (TANF) program. TANF includes work requirements, time limits, and sanctions, all of which were designed to move recipients into jobs. In response to PRWORA, a booming economy and other state and federal policy changes (e.g., a 1997 minimum wage increase, expanded child care subsidies, and a higher earned income tax credit), welfare caseloads decreased dramatically in the late 1990s and the labor force participation of less-educated single mothers increased (Blank and Schmidt, 2001).

However, a growing body of literature has documented that despite the increased labor force participation and earnings of former welfare recipients and a modest reduction in the child poverty rate, an increasing number of single mothers have multiple barriers to employment and are economically vulnerable (Danziger et al., 2000; Blank, 2007; Blank and Kovak, 2007). These barriers include physical health problems, mental health problems, and alcohol and drug use.

As the only fully-federal cash assistance program for the poor, SSI provides means-tested cash assistance to the elderly, blind and disabled.^{1,2} SSI applicants must complete a complicated, five-stage disability determination process to receive benefits. At the first stage, individuals must show that they are not involved in “substantial, gainful” economic activity. If an applicant earns more than the “Substantial Gainful Activity” (SGA) amount (currently \$980 per month) s/he is denied at this stage. The second and third stages are about medical

¹ The majority of SSI funding is federal, but most states do supplement benefits with state funds.

² The SSI program differs from the Social Security Disability Insurance (SSDI) program, a social insurance program which provides benefits to disabled workers who have a sufficient work history to qualify, independent of income and assets tests. Most former welfare recipients are not eligible for SSDI due to lack of sufficient work history.

evaluations. Those with “non-severe” impairments or impairments that are not expected to end in death or last at least 12 months are denied in Stage 2, and those with extremely severe impairments (those on an SSA list) are immediately allowed in Stage 3. Stages 4 and 5 are about capacity to work. Applicants who are able to work in jobs that they held in past are denied in Stage 4, and applicants who, given their age, education, and work experience, are judged able to work in any type of employment in the economy are denied in Stage 5.³ Less than half of all SSI applicants are ultimately approved (Nadel et al., 2003/2004).

Of denials, roughly one-third are due to applicants having non-severe impairments, one-third are due to the applicant being judged able to perform his/her usual work, and one-third are due to the applicant being judged able to perform other work (Lahiri et al., 1995). Lahiri et al. (1995) find that denial rates are negatively correlated with self-reported health characteristics and limitations, but that the associations are frequently not as striking as one might expect.⁴ Only 7% of SSI beneficiaries work even part-time, and less than one percent of SSI recipients ever stop receiving benefits (MDRC, 2009).

While SSI is targeted on the disabled and AFDC is targeted on single mothers, there is some degree of substitutability between the two programs. First, the populations served by the two programs have historically been similar in terms of observable characteristics, such as sporadic employment history and low educational attainment. In addition, high rates of both physical and mental disabilities have been documented among AFDC/TANF recipients both before (Loprest and Acs, 1995) and after the 1996 reform (Danziger et al., 2000; Nadel et al., 2003/2004).

³ See Lahiri et al. (1995) for a detailed description of the disability determination process.

⁴ The authors note that this “likely reflects the fact that applicants, as a group, are among the most severely impaired of the disabled. As a result, they display relatively less dispersion in observed health status and functioning than the full population of disabled” (p. 22).

There are several advantages associated with switching beneficiaries from AFDC/TANF to SSI for both states and individuals, and these advantages were strengthened by the passage of PRWORA. From the state's perspective, because SSI is fully-federally funded, whereas AFDC was funded by a matching grant, there have always been state-level fiscal incentives for moving recipients from AFDC to SSI. PRWORA strengthened these incentives by replacing AFDC's matching grants with fixed TANF block grants.

At the individual level, monthly SSI benefits have always been larger than AFDC benefits for recipients in most states. Because TANF benefits have tended to be constant in nominal terms, whereas SSI benefits are indexed each year to the inflation rate, the benefit differential between the two programs has widened. According to Wamhoff and Wiseman (2005/2006), by 2003 an SSI award to an adult in a three-person TANF family would increase family income by 115.4% on average, and this gain was 6% higher than it was in 1996. Even without the widening financial incentives, SSI is relatively more attractive post welfare-reform, given that TANF has stringent work requirements, time limits, and sanctions for not complying with rules. This is particularly true for women with barriers to employment. As TANF becomes relatively less attractive, more individuals may be willing to undergo the lengthy SSI eligibility determination process.

Studies of the pre-1996 welfare system document interactions between the SSI and the AFDC programs. Garrett and Glied (2000) find that over the 1990s, the states with the highest increases in AFDC benefits experienced the lowest increases in SSI caseloads. Kubik (1999) finds that families who were eligible for less assistance from other cash assistance programs were more likely to apply for SSI. Schmidt and Sevak (2004) find that state-level reforms

implemented through welfare waivers in the early 1990s led to a 21.6% increase in the probability of SSI participation among single-mother families.

However, we know relatively little about the extent to which SSI might now be serving as a “back-up safety net.” Surveys of welfare leavers tend to show relatively low SSI receipt among former welfare recipients. Wood and Rangarajan (2003) find 3.5% of New Jersey respondents who received welfare recipients in 1997-1998 reported SSI receipt by 2002. Loprest (2003), using data from the National Survey of America’s Families (NSAF), finds that 3.8% of former welfare recipients were receiving SSI by 2002. Frogner et al. (2009) find higher rates of SSI usage in the Three-City Study (examining Boston, Chicago, and San Antonio), with 16% of recipients reporting SSI income in 2005, but this does not differentiate between SSI receipt of adults versus children in the household.

Wamhoff and Wiseman (2005/06) document that the connections between TANF and SSI are larger than previously indicated-- in 2003, 16% of families receiving TANF included a child or adult SSI recipient. They also find that the monthly incidence of TANF-related SSI awards has gone up and conclude that “a significant proportion of each year’s SSI awards to disabled non-elderly people go to TANF recipients (p 22).” Brandon et al. (2008) use SIPP data and find that disabilities in families that previously received TANF are significantly associated with SSI entry.

It is likely that the complicated SSI application process is difficult for former welfare recipients to navigate. Pavetti and Kauff (2006) evaluate an “integrated intervention project” in Ramsey County, Minnesota targeted at women nearing the end of their TANF time limits. The county hired an occupational therapist to evaluate these recipients for disabilities that would prevent work, and to document these disabilities and decide whether they were viable SSI

applicants. The project then hired legal services lawyers to assist women with the SSI application and appeals processes. This project appears to have been successful at moving former TANF recipients onto SSI. Ramsey County had a 27% increase in child-only cases since 1999, and the majority of its child-only caseload (68%) is made up of families in which the adult receives SSI (Pavetti and Kauff, 2006).⁵

III. The Women's Employment Study (WES)

The WES sample is well-suited to studying the TANF/SSI connection. Respondents were systematically selected from the February 1997 caseload of single mother welfare recipients between the ages of 18 and 54 in one urban Michigan county.⁶ They were interviewed in their homes five times over a period of about 6 years, in the fall of 1997, 1998, 1999, 2001, and 2003. In each wave, respondents provided detailed information on a variety of income sources for the previous month and the previous calendar year; self-reports of health and mental health problems during the 12 months prior to the interview; as well as many individual and family characteristics. The WES also contains information on monthly work status and receipt of cash assistance and Food Stamps for each of the 79 months from February 1997 through August 2003.

Most relevant for our analysis, respondents were asked if they had “applied for disability benefits from the Social Security Disability program, SSI program, Veteran’s Administration, Worker’s compensation, State Disability Assistance, or another program.” They were then asked if they were currently receiving disability benefits. Because respondents had been welfare

⁵ Child-only cases occur when children receive AFDC/TANF benefits but no adults in the household receive these benefits. This can occur when parents in the household receive SSI, when parents are sanctioned from the TANF caseload, when parents in the household are immigrants who are not eligible for TANF, or when children are cared for by an adult who is not a parent.

⁶ Information on the universe of single female-headed welfare cases in the study county was provided by the Michigan Family Independence Agency. The WES sample only includes Caucasian and African American females. The caseload in this county was too small to include other racial/ethnic groups.

recipients, on average, for more than 7 years in February 1997 when the study began, and had limited previous work experience, most would not be eligible for SSDI or veteran's disability or worker's compensation benefits. It is possible, however, that our estimates of SSI receipt, particularly for adult household members other than the WES respondent, are overstated because some of these adults might be receiving SSDI or other types of disability benefits. The Data Appendix contains detailed information on the variables used in our analyses.

WES offers unique advantages for examining the TANF/SSI relationship. First, with five waves that span 79 months, the panel is longer than any other post-welfare reform study.⁷ In addition, WES has very high response rates at each of the five waves: 86 percent, 92 percent, 91 percent, 91 percent, and 93 percent, respectively. The Wave 5 (2003) sample size, 536 observations, is 71 percent of the Wave 1 (1997) sample of 753 observations.⁸

Second, WES contains information which is not available in other surveys, but is important for predicting SSI applications, including data on mental health and physical health conditions. Furthermore, WES data have been linked to administrative records from Michigan's Family Independence Agency that include information on the receipt of TANF and Food Stamps for each month of the panel.

Although WES respondents were residents of a single county, their characteristics are similar to those of welfare recipients in nationally-representative samples. And, their trends in welfare receipt and employment are comparable to those which occurred at the national level.⁹

Macroeconomic conditions in Michigan were also similar to those in other states--in 2000,

⁷ In comparison, SIPP panels span, at most, five years.

⁸ For a discussion of attrition in the sample, see Cadena and Pape (2006).

⁹ Seefeldt and Orzol (2005) compare the WES to a similar sample of welfare recipients from the 1996 SIPP. At the start of both panels, 100 percent received cash welfare; by February 2000, 21.5 percent of WES and 31 percent of SIPP respondents were still receiving cash assistance. At the start of the panel, 42 percent of WES respondents and 35 percent of SIPP respondents were employed. Fifty-one months later, 71 percent of WES and 51 percent of SIPP respondents reported working.

Michigan's unemployment rate was slightly lower than the national rate (3.3% vs. 4.0%). The reforms of Michigan's welfare system were also similar to that of other states.¹⁰

Only 8.1% of WES respondents reported receipt of SSI income at some point over the survey period. However, another 21.0% of respondents applied for SSI unsuccessfully at some point between 1997 and 2003.¹¹ Combining these two figures, almost 30% of respondents applied for SSI at some point over this six-year period, suggesting a potentially important role for SSI in the lives of single mothers after the 1996 welfare reform.¹²

IV. Results

A. Characteristics Associated with SSI Application and Receipt

Table 1 provides data on the demographic and socioeconomic characteristics of WES respondents, classified into one of three mutually-exclusive categories of SSI application and receipt status. In general, the unsuccessful SSI applicants (column 1) look similar along many dimensions to those who received SSI income at some time during the panel (column 2). Both groups are less likely to be currently married or cohabiting than those who never applied for SSI (column 3), and are significantly more likely to lack a high school degree. SSI recipients are significantly more likely to have low levels of work experience or skills than either the unsuccessful applicants or those who never applied for SSI.

SSI recipients are also significantly less likely to be African American (41.9%) than the unsuccessful applicants (60.7%). This is consistent with findings from earlier research on racial

¹⁰ One exception is that Michigan was one of only two states that had not established lifetime time limits during the sample period (time limits were enacted in Michigan in October 2007).

¹¹ One problem with our data is that we do not know the ultimate SSI outcome for WES respondents. It is possible that some applicants who had not received SSI by the 2003 survey may have subsequently received SSI on appeal.

¹² These figures are for respondent applications only and do not include applications for child SSI in WES families. As such, they may underestimate the importance of SSI for these families. Duggan and Kearney (2007) find that enrollment of a child on the SSI program increased family income and reduced the likelihood of poverty.

differences in acceptance rates (GAO, 1992; Lahiri et al., 1995). SSI recipients are the least likely to be working at the time of the 2003 interview (27.9%). The employment rate of unsuccessful applicants (38.4%) is not statistically different from that of the SSI recipients, but they are only half as likely to be working as those who never applied (79.1%).

Table 2 provides information on the health and mental health conditions of respondents, again classified by SSI application and receipt status. SSI recipients and unsuccessful applicants are again more similar to each other than to those who never applied. About 60% of recipients (column 2) and half of unsuccessful applicants (column 1) report a physical health problem, compared to only 16.2% of those who never applied (column 3).¹³ Similar differentials exist for specific health problems that limit activities -- arthritis, rheumatism or bone problems, back or neck problem, breathing problem, heart problem, hypertension or high blood pressure, and diabetes. Both recipients and unsuccessful applicants have a significantly higher likelihood for each of the specific health problem than those who never applied.

SSI recipients report a higher number of days in which they were unable to work due to health problems (15.9) than do unsuccessful applicants (9.68), although this could be endogenous to SSI receipt. Recipients and unsuccessful applicants have similar rates of both mental health conditions and drug and alcohol use, and both groups have more problems than those who never applied for disability benefits. For the majority of health and mental health conditions, there are no statistically significant differences between unsuccessful applicants and SSI recipients (columns 1 vs. 2). But for most variables, the differences in the prevalence of health and mental conditions between the unsuccessful applicants and respondents who never applied for SSI are statistically significant and large in magnitude (columns 1 vs. 3).

¹³ We code a respondent as having a physical health problem if a) she reports herself in fair or poor health; and b) she falls into the lowest quartile for her age group on a multiple-item physical functioning scale.

We next examine the characteristics that are associated with SSI applications and receipt in a multivariate regression framework.¹⁴ Table 3 presents results from these regressions. The first column regresses an indicator for whether the respondent ever applied for SSI between 1997 and 2003 on a number of characteristics measured in the Fall 1997 baseline survey. The coefficients from the logistic regression indicate that respondents with low levels of work experience and skills at the WES baseline were 11.9 percentage points more likely to apply for SSI over the study period. Respondents reporting a physical health problem were 31.3 points more likely to apply, those with a child with a health problem were 12.6 points more likely to apply, and those with hard drug use were 12.4 points more likely to apply. All of these estimated effects were statistically significant at the five percent level or higher.

The next two columns examine the characteristics associated with successful applications. Column 2 compares successful SSI recipients to the entire population of respondents, while Column 3 regresses SSI receipt on these characteristics conditional on SSI application. In general, the results in Column 3 show little evidence of major differences between the successful and unsuccessful applicants on observable characteristics, although the results in Column 3 are less precisely estimated. Respondents with low levels of work experience and skills were significantly more likely to receive SSI benefits. In addition, African Americans appear to be less likely to be successful applicants (estimated coefficient approaches statistical significance at the 10% level).¹⁵

¹⁴ The results presented here are from linear probability models, but all results are robust to estimating in a logistic regression framework. Logistic results available from corresponding author on request.

¹⁵ Regressions that control for the number of physical health problems and the number of mental health problems are qualitatively similar to those presented here. The one exception is that African Americans are significantly more likely to apply for SSI if we control for the number of problems.

In Table 4, we examine SSI applications in an individual fixed-effects framework, analyzing how the decision to apply for benefits between waves is affected by changes in a respondent's situation between waves.¹⁶ As expected, the development of a physical or mental health problem between survey waves is positively associated with an SSI application between waves. In addition, development of a health problem in a child is also positively associated with an application. Changes in family structure from single parent to either cohabiting or married reduce the likelihood of an application between waves. Overall, the results from the fixed-effects analysis are similar to the cross-sectional results. The major exception is that the significant effect of hard drug use on SSI applications (column 1, Table 3) appears to be driven by unobservable characteristics, as it is not significant in the fixed-effects regression.

B. SSI Application and Receipt and Material Well-being

We next examine how the material well-being of respondents in 2003 (the final survey wave) varies by SSI applications and receipt over the 1997-2003 period. Given the similarities between SSI recipients and unsuccessful applicants in demographic, socioeconomic and health characteristics, we expected that unsuccessful applicants would experience more hardships than both the SSI recipients and those who never applied. For example, the data in Table 1 indicate that the mean income-to-needs ratio in the month prior to the Fall 2003 survey was only 4% above the poverty line for unsuccessful applicants (column 1), but 26% above the line for SSI recipients (column 2) and 45% above the line for those who never applied (column 3).

¹⁶ Even though a respondent can appear in the fixed-effects regression multiple times, the number of observations in Table 4 is relatively small. About 70% of respondents were either SSI recipients at wave 1 or never applied for SSI between waves 2 and 5. As a result, they are effectively dropped from the fixed-effects regressions.

The top panel of Table 5 presents means of 11 indicators of material hardship experiences in 2003, by SSI application and receipt status over the entire sample period. These data show that those who never applied for SSI between 1997 and 2003 are much better off in 2003 than both the SSI recipients and the unsuccessful applicants. Recipients (column 2) were significantly more likely to have experienced food insufficiency (39.5%) than the unsuccessful applicants (25.0%); but, the unsuccessful applicants were still significantly more likely to have experienced food insufficiency than those who never applied (13.8%). Respondents who never applied for disability benefits were significantly less likely to have had their telephone cut off (24.9%) than either the recipients (41.9%) or the unsuccessful (47.3%) applicants. For medical hardships, the recipients were significantly less likely to report having no health insurance (2.3%), than either the unsuccessful applicants (17.9%) or those who never applied (21.2%). Recipients were also less likely to report not receiving necessary medical or dental care than the other two groups.¹⁷

SSI recipients were significantly more likely to report any material hardship (83.7%) than those who never applied (62.4%). However, there were no significant differences across the three groups in the likelihood of reporting three or more hardships. The mean number of hardships did not statistically differ between the unsuccessful applicants (1.90) and the recipients (1.67), but the mean for the unsuccessful applicants was significantly higher than for those who never applied (1.42).

We next control for varying respondent attributes and examine whether SSI receipt and application status affect the likelihood of material hardships in a regression framework. In Table 6, we regress an indicator for whether the respondent reported any hardships in Wave 5 (Column

¹⁷ Even though only about 2% of the SSI recipients reported not having health insurance, a much higher percentage reported not receiving needed medical or dental care. The health insurance provided through SSI appears to reduce, but not eliminate, medical hardships.

1), an indicator for three or more hardships (Column 2) and the number of hardships reported (Column 3) on indicators for whether the respondent had ever received SSI or had applied for SSI unsuccessfully between 1997 and 2003 (with never having applied as the omitted category). These regressions control for education and work experience, children's health problems, marital and cohabitation status, race, age, and the number of children in the household.^{18,19}

The results in Column 1 indicate that while both SSI receipt and unsuccessful applications are positively and significantly associated with the respondent reporting at least one material hardship, the effect is larger for recipients than for unsuccessful SSI applicants. SSI recipients were 19.3 percentage points more likely to have reported at least one material hardship than those who never applied, while unsuccessfully applicants were 10.5 percentage points more likely. However, these estimates are not statistically different from each other. This result is counter to our expectation that unsuccessful applicants would be worse off than recipients.

SSI recipients are no more likely than those who never applied to report three or more hardships (column 2). Unsuccessful applicants were 5.2 percentage points more likely to report three or more hardships than non-applicants, but this effect is not statistically significant. Results in Column 3 suggest that SSI receipt is not statistically associated with an increased number of hardships (relative to those who never applied). Unsuccessful applicants report 0.4 more hardships than those who never applied, and this estimate is statistically significant at the five-

¹⁸ We do not control for physical and mental health status in these regressions, because doing so would likely explain away any differences in well-being between SSI applicants and respondents who never applied. We are interested in the actual differences in well-being, regardless of health status.

¹⁹ The estimated coefficient on African American in all regressions in Table 6 is negative and statistically significant, suggesting that the African American respondents have significantly fewer hardships than white women. These results are robust to inclusion of variables for a number of different categories of household income, and to controls for detailed health characteristics. This finding is consistent with findings by Sullivan, Turner, and Danziger (2008) using the same data set.

percent level. Again, however, the coefficients for SSI recipients and unsuccessful applicants are not statistically different from each other.²⁰

Evidence presented by Bound (1989) from the SSDI program and Bound et al. (2003) from both SSDI and SSI suggests that while the own earnings of unsuccessful applicants are low (and decline in the period leading up to applications), many rely on other sources of income. In results not presented here, we add to the corresponding regressions from Tables 6 controls for a number of income sources, including Food Stamps, TANF, child support, Unemployment Insurance, disability benefits received by others in the household, respondent's own earnings, and other household earnings. While the inclusion of these variables does not substantively change the magnitude of the coefficients on SSI receipt, the coefficients on unsuccessful applications are reduced in magnitude, suggesting that unsuccessful applicants reduce material hardships by relying on other income sources. However, these controls do not eliminate their increased risk of material hardships.²¹

In Table 7 we examine each of the 11 hardships separately. For six of the 11 hardships, there are no statistically significant effects – SSI applicants (whether successful or not) do not seem to differ from those who never apply. However, there are a few notable exceptions. First, both SSI recipients and unsuccessful applicants are significantly more likely than non-applicants to report food insufficiency. However, the coefficient is much larger in magnitude for recipients (a 24.7 percentage point increase relative to those who never applied) than for unsuccessful applicants (a 9.7 percentage point increase). This result is surprising, since both successful and

²⁰ One possibility is that the women experiencing the most hardships are those who have been denied for SSI but no longer receive TANF benefits. We have estimated regressions of the effect of SSI receipt among the subsample of women who have both applied for SSI and who are no longer on TANF. Among this group, SSI receipt significantly reduces the probability of three or more hardships and significantly reduces the number of hardships reported. However, since our sample size in this regression is very small (92 observations), we do not report these results here.

²¹ Results available from the corresponding author on request.

unsuccessful applicants in our sample were similar along health, demographic, and socioeconomic characteristics, but SSI recipients have an additional source of income. This unexpected result needs further exploration.²²

SSI receipt significantly reduces the probability of medical hardships relative to individuals who are unsuccessful applicants or who never applied. Recipients are significantly less likely to report having no health insurance, and significantly less likely to report not receiving needed medical care for themselves. This is not surprising, given that SSI recipients are entitled to government-provided health insurance and many of the non-applicants were working for firms that do not subsidize health insurance. Unsuccessful applicants are significantly more likely to report housing upkeep problems and having their telephones turned off than non-applicants, but there are no statistically significant differences on these hardships between the recipients and the unsuccessful applicants.

V. Conclusion

Using panel data from the Women's Employment Survey, we examine SSI application and receipt among women who were welfare recipients shortly after the 1996 welfare reform was implemented. Like previous welfare leavers' studies, we find a relatively low level of SSI receipt among WES respondents between 1997 and 2003—8.1 percent. However, a much higher fraction of respondents did apply for SSI at some point during those six years, but did not receive benefits during the study period—21 percent.

In terms of demographic and health characteristics, the unsuccessful applicants have attributes that are more similar to those of SSI recipients than to the women who never applied

²² This result holds when we estimate fixed effects regressions of changes in food insufficiency on changes in SSI receipt, suggesting that it is not entirely due to individual-level unobserved heterogeneity.

for benefits. We also found that recipients are more likely to report any material hardships than either unsuccessful applicants or those who never applied. However, the mean number of hardships is higher among the unsuccessful applicants than among recipients. Controlling for additional income sources reduces, but does not eliminate, the effect of unsuccessful applications on material hardship.

Our results suggest that health and mental health problems are quite prevalent in the TANF population and that they make it difficult for many women to work as much as the program now requires. Many of these women apply for, but do not have their SSI applications approved. This suggests that their problems limit their employment prospects, but are not severe enough to meet the stringent SSI disability requirements.

One potential policy reform would require state TANF agencies to screen new applicants or those having trouble meeting the TANF work requirements for health and mental health problems, in the way that Ramsey County, Minnesota did for recipients who were nearing their TANF time limit (Pavetti and Kauff, 2006). Recipients who had multiple health and mental health problems could be pre-certified by the agency for a temporary disability program that could be established to provide cash assistance for temporary periods when these problems prevent steady work.

Blank (2007) proposes that a flexible “Temporary and Partial Work Waiver Program” be added to TANF to support people whose disabilities limit their ability to work, but are not severe enough to qualify them for SSI or SSDI. Her proposed program is particularly appropriate for those whose health and mental health problems are episodic. For example, consider a single mother with major depression. If it were determined that she could be expected to work about half-time during the year, one option would be to provide her with a 50 percent TANF benefit

throughout the year. Another option would be to set up the program so that she receives no TANF payments when she is working, but if she has a depressive episode and loses her job, she would immediately begin receiving a TANF benefit because her mental health problem would have been “pre-certified” by the agency.

A previous WES study (Turner, Danziger, and Seefeldt, 2006) indicated that many former welfare recipients found themselves “disconnected,” with no work and no cash assistance for many months during the study period. Many of these women suffer from physical and mental health conditions. A program like the one proposed by Blank (2007) could help fill the existing gap between TANF and SSI, strengthening the safety net.

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Data Appendix: Variable Definitions and Notes

Disability benefit receipt and application variables: Respondents were asked, if they had “applied for disability benefits from the Social Security Disability program, SSI program, Veteran’s Administration, Worker’s compensation, State Disability Assistance, or another program.” They were then asked if they were currently receiving disability benefits. Those who responded yes to both questions are classified as SSI recipients. Those who responded yes to the first question but no to the second question are classified as unsuccessful applicants.²³

Number of children in household: Includes all care-given children, both related and unrelated, in the respondent’s household.

Education: those with a GED are included in the high school graduate category.

Human capital barrier/Low work experience or skills: Worked less than 20 percent of the years between age 18 and Fall 1997 interview or had performed 4 or fewer out of 9 specific skills on a job prior to Fall 1997.

Physical health problem: respondent has age-specific physical limitation and self-reported fair/poor health.

Mental health problem: respondent meets diagnostic screening criteria for one or more disorders: post-traumatic stress disorder, major depression, or generalized anxiety disorder.

Hard drug use: respondent reports use of cocaine, crack, stimulants, heroin, or other hard drugs.

Hardships

Food insufficiency: A respondent is coded as experiencing food insufficiency if she responds “sometimes not enough” or “often not enough” to the question “Which of these statements best describes the food eaten in your household in the last 12 months—enough to eat, sometimes not enough to eat, or often not enough to eat?”

Did not receive needed medical or dental care: Respondents were asked “Was there any time in the last year/since [the last interview date] that you needed to see a doctor or dentist but could not afford to go?”

Housing upkeep problems: Respondents were asked if they had experienced these eight housing upkeep problems in the year prior to the interview—leaky roof or ceiling; plumbing problems; rodents or insects; broken windows; broken heating system; electrical problems; lack of stove or refrigerator; inadequate garbage pickup. Those who reported five or more have “severe problems.”

Eviction: Respondents were asked “Have you been evicted in the last year/since [the last interview date]?”

Homeless: Respondents were asked “Have you ever been homeless in the last year/since [the last interview date]?”

²³ Because all respondents had been welfare recipients, on average, for more than 7 years in February 1997 when the study began, and had limited previous work experience, most would not be eligible for SSDI or veteran’s disability or worker’s compensation benefits. It is possible, however, that our estimates of SSI receipt, particularly for adult household members other than the WES respondent, are overstated because some of these adults might be receiving SSDI or other types of disability benefits.

Telephone cut off: Respondents were asked “Has your phone been disconnected, or have you gone without a phone at any time in the last year/since [the last interview date] because you could not pay the bill?”

Utilities shut off: “Respondents were asked “Has your gas or electricity been turned off at any time in the last year/since [the last interview date] because you could not afford to pay the bill?”

Table 1: Demographic and Socioeconomic Characteristics of WES Respondents, by SSI Application/Receipt Status

| | (1) | (2) | (3) |
|---|--|---|--|
| | <i>Applied for, but did not receive, disability benefits between 1997 and 2003</i> | <i>Received disability benefits between 1997 and 2003</i> | <i>Never applied for or received disability benefits between 1997 and 2003</i> |
| African American | 60.7% | 41.9%** | 54.5% |
| Age in 2003 | 38.00 | 40.67* | 35.20*** |
| Married in 2003 | 15.2% | 14.0% | 22.5%* |
| Cohabiting in 2003 | 13.4% | 14.0% | 17.2% |
| Number of children in household in 2003 | 1.84 | 1.42* | 1.96 |
| No high school degree (1997) | 39.3% | 39.5% | 25.9%*** |
| Human capital barrier (low work exp. or skills, 1997) | 33.3% | 51.2%** | 21.2%*** |
| Percent of years on welfare, from age 18 until 1997 interview | 59.9% | 62.9% | 58.6% |
| Mean monthly income-to-needs in 2003 | 1.04 | 1.26 | 1.45*** |
| Percent of months worked, 1997-2003 | 51.5% | 26.3%*** | 77.0%*** |
| Percent working in 2003 | 38.4% | 27.9% | 79.1%*** |
| Average hours worked, 2003 | 14.01 | 7.95* | 28.3*** |
| Number of observations | 112 | 43 | 378 |

Notes: Significance stars in Columns 2 and 3 indicate whether that value is statistically different from the value in Column 1. * significant at 10%; ** significant at 5%; *** significant at 1%

Table 2: Health and Mental Health Conditions of WES Respondents, by SSI Application/Receipt Status

| | (1) | (1) | (3) |
|--|--|---|--|
| | <i>Applied for, but did not receive, disability benefits between 1997 and 2003</i> | <i>Received disability benefits between 1997 and 2003</i> | <i>Never applied for or received disability benefits between 1997 and 2003</i> |
| Physical health problem in 2003 | 52.2% | 60.5% | 16.2%*** |
| <i>Health limits activity a lot (2003)</i> | | | |
| Vigorous activities | 51.8% | 60.5% | 13.5%*** |
| Moderate activities | 21.4% | 23.3% | 3.4%*** |
| <i>Health problem limits activities (2003)</i> | | | |
| Arthritis, rheumatism, or bone problems | 44.6% | 39.5% | 10.6%*** |
| Back or neck problem | 43.2% | 50.0% | 13.8%*** |
| Breathing problem | 28.6% | 30.2% | 8.5%*** |
| Heart problem | 18.0% | 7.0%* | 1.1%*** |
| Hypertension or high blood pressure | 17.0% | 23.3% | 1.9%*** |
| Diabetes or sugar | 5.4% | 4.7% | 2.1%* |
| Mean number of health problems (of 6) | 1.56 | 1.53 | 0.38*** |
| Days unable to work due to health problems | 9.68 | 15.90*** | 0.74*** |
| Any mental health problem in 2003 | 54.6% | 48.8% | 29.5%*** |
| Depression in 2003 | 35.7% | 39.5% | 15.6%*** |
| Generalized Anxiety Disorder in 2003 | 24.1% | 25.6% | 11.4%*** |
| Post-Traumatic Stress Disorder in 2003 | 30.0% | 14.0%** | 13.3%*** |
| Social Phobia in 2003 | 12.6% | 23.3% | 5.6%** |
| Hard drug use in 2003 | 8.0% | 4.7% | 1.9%*** |
| Any alcohol/drug dependence /hard drug use in 2003 | 9.8% | 7.0% | 3.2%*** |

Notes: See notes for Table 1.

Table 3: Respondent Baseline Characteristics Associated with SSI Application and Receipt between 1997 and 2003

| | (1) | (2) | (3) |
|----------------------------------|------------------------|---------------------|--|
| | <i>Applied for SSI</i> | <i>Received SSI</i> | <i>Received SSI, conditional on having applied</i> |
| Less than high school education | 0.067 (0.044) | -0.017 (0.027) | -0.079 (0.083) |
| Low work experience or skills | 0.119*** (0.044) | 0.085*** (0.028) | 0.148* (0.079) |
| Mental health problem | 0.055 (0.040) | 0.041 (0.025) | 0.046 (0.079) |
| Physical health problem (strict) | 0.313*** (0.050) | 0.132*** (0.032) | 0.079 (0.082) |
| Child health problem | 0.126*** (0.046) | 0.019 (0.029) | -0.030 (0.084) |
| Hard drug use | 0.124** (0.050) | -0.005 (0.031) | -0.042 (0.089) |
| Married/living with husband | -0.0002 (0.062) | -0.035 (0.039) | -0.069 (0.118) |
| Cohabiting as unmarried partner | 0.007 (0.054) | 0.049 (0.034) | 0.131 (0.113) |
| African American | 0.048 (0.040) | -0.039 (0.025) | -0.116 (0.082) |
| Respondent age in 1997 | -0.005 (0.018) | -0.013 (0.011) | -0.019 (0.033) |
| Age-squared | 0.0002 (0.0003) | 0.0003 (0.0002) | 0.0004 (0.0005) |
| # of children in household | -0.010 (0.015) | -0.010 (0.010) | -0.022 (0.031) |
| % of years on welfare as adult | -0.009 (0.080) | 0.074 (0.050) | 0.152 (0.161) |
| Observations | 516 | 516 | 151 |

Notes: All dependent variables are measured at the baseline survey in 1997. * significant at 10%; ** significant at 5%; *** significant at 1%

Table 4: Characteristics Associated with SSI Application, Fixed Effects Analysis

| | <i>Applied</i> |
|----------------------------------|---------------------|
| Mental health problem | 0.041** (0.017) |
| Physical health problem (strict) | 0.152*** (0.020) |
| Substance Abuse | 0.001 (0.042) |
| # of children in household | 0.001 (0.0001) |
| Married/living with husband | -0.056* (0.030) |
| Cohabiting | -0.055** (0.022) |
| Child health problem | 0.059*** (0.021) |

Notes: * significant at 10%; ** significant at 5%; *** significant at 1%

Table 5: Material Hardships among WES Respondents in 2003, by SSI Application/Receipt Status

| | (1) | (2) | (3) |
|--|---|--|---|
| | Applied for, but did not receive, disability benefits between 1997 and 2003 | Received disability benefits between 1997 and 2003 | Never applied for or received disability benefits between 1997 and 2003 |
| Food insufficiency | 25.0% | 39.5%*** | 13.8* |
| No health insurance (mother) | 17.9% | 2.3%** | 21.2% |
| Mother did not receive needed medical or dental care | 33.9% | 23.2% | 34.1% |
| No health insurance (child) ^a | 2.1% | 3.0% | 4.2% |
| Child did not receive needed medical care ^a | 4.3% | 3.0% | 3.3% |
| 5 or more housing upkeep problems | 8.0% | 9.3% | 3.7%* |
| Utilities cut off | 15.2% | 9.3% | 10.8% |
| Eviction | 7.1% | 11.6% | 6.3% |
| Homeless | 8.0% | 2.3% | 5.6% |
| Telephone cut off | 47.3% | 41.9% | 24.9%*** |
| Moved in with others to share expenses | 22.3% | 23.2% | 17.7% |
| <i>All Hardships</i> | | | |
| Any hardship | 73.2% | 83.7% | 62.4%** |
| Three or more hardships | 29.5% | 23.3% | 22.5% |
| Mean number of hardships | 1.90 | 1.67 | 1.42*** |

Notes: Significance stars in Columns 2 and 3 indicate whether that value is statistically different from the value in Column 1. * significant at 10%; ** significant at 5%; *** significant at 1%.

^aThese two questions were asked only to respondents with children under age 18 in the household. All other hardship questions were asked to all respondents.

Table 6: Effects of SSI Application/Receipt Status on Material Hardships in Wave 5

| | <i>Any Hardship</i> | <i>Three or More Hardships</i> | <i>Number of Hardships</i> |
|--|----------------------|--------------------------------|----------------------------|
| Less than high school education | 0.107** (0.046) | 0.140*** (0.041) | 0.456*** (0.156) |
| Low work experience or skills | -0.046 (0.048) | -0.016 (0.043) | -0.095 (0.164) |
| Child health problem | -0.028 (0.056) | 0.065 (0.051) | 0.142 (0.190) |
| Married/living with husband | -0.155*** (0.054) | -0.117** (0.048) | -0.641*** (0.181) |
| Cohabiting as unmarried partner | -0.070 (0.057) | -0.001 (0.052) | -0.234 (0.194) |
| African American | -0.166*** (0.043) | -0.064* (0.038) | -0.523*** (0.145) |
| Respondent age in 1997 | -0.001 (0.022) | -0.011 (0.020) | -0.045 (0.075) |
| Age-squared | -0.00005 (0.0003) | 0.00006 (0.0003) | 0.00026 (0.00096) |
| # of children in household | -0.006 (0.016) | -0.046*** (0.014) | -0.122** (0.054) |
| Received SSI | 0.193** (0.077) | -0.018 (0.070) | 0.134 (0.262) |
| Applied for SSI unsuccessfully | 0.105** (0.051) | 0.052 (0.046) | 0.414** (0.174) |
| χ^2 test of equality of coefficients on Receive SSI and Apply SSI | 1.11 | 0.84 | 0.98 |

Notes: * significant at 10%; ** significant at 5%; *** significant at 1%

Table 7a: Marginal Effects from Logistic Regressions of Individual Material Hardships in Wave 5 on SSI Application/Receipt Status

| | <i>Food insufficiency</i> | <i>No health insurance (mother)</i> | <i>Mother did not receive needed medical care</i> | <i>No health insurance (child)</i> | <i>Child did not receive needed medical care</i> |
|--|-------------------------------|---|---|--|--|
| Received SSI | 0.247*** (0.064) | -0.241*** (0.063) | -0.147* (0.077) | -0.026 (0.036) | 0.012 (0.036) |
| Applied for SSI unsuccessfully | 0.097** (0.042) | -0.042 (0.042) | 0.001 (0.051) | -0.017 (0.023) | 0.015 (0.023) |
| χ^2 test of equality of coefficients on Receive SSI and Apply SSI | 4.71** | 8.37*** | 3.13* | 0.05 | 0.00 |

Notes: * significant at 10%; ** significant at 5%; *** significant at 1%

Table 7b: Marginal Effects from Logistic Regressions of Individual Material Hardships in Wave 5 on SSI Application/Receipt Status

| | <i>Housing upkeep problems</i> | <i>Utilities cut off</i> | <i>Eviction</i> | <i>Homeless</i> | <i>Telephone cut off</i> | <i>Moved in with others</i> |
|--|--|--------------------------|------------------|-------------------|------------------------------|---------------------------------|
| Received SSI | 0.061 (0.037) | -0.004 (0.054) | 0.044 (0.043) | -0.037 (0.039) | 0.166** (0.075) | 0.029 (0.064) |
| Applied for SSI unsuccessfully | 0.043* (0.024) | 0.050 (0.036) | 0.003 (0.028) | 0.011 (0.026) | 0.205*** (0.050) | 0.028 (0.042) |
| χ^2 test of equality of coefficients on Receive SSI and Apply SSI | 0.19 | 0.85 | 0.76 | 1.29 | 0.23 | 0.00 |

Notes: * significant at 10%; ** significant at 5%; *** significant at 1%