

# **Fostering an Inclusive Workforce in the Commonwealth**

Understanding State Workforce Trends and  
Benefit Cliffs

September 11, 2024

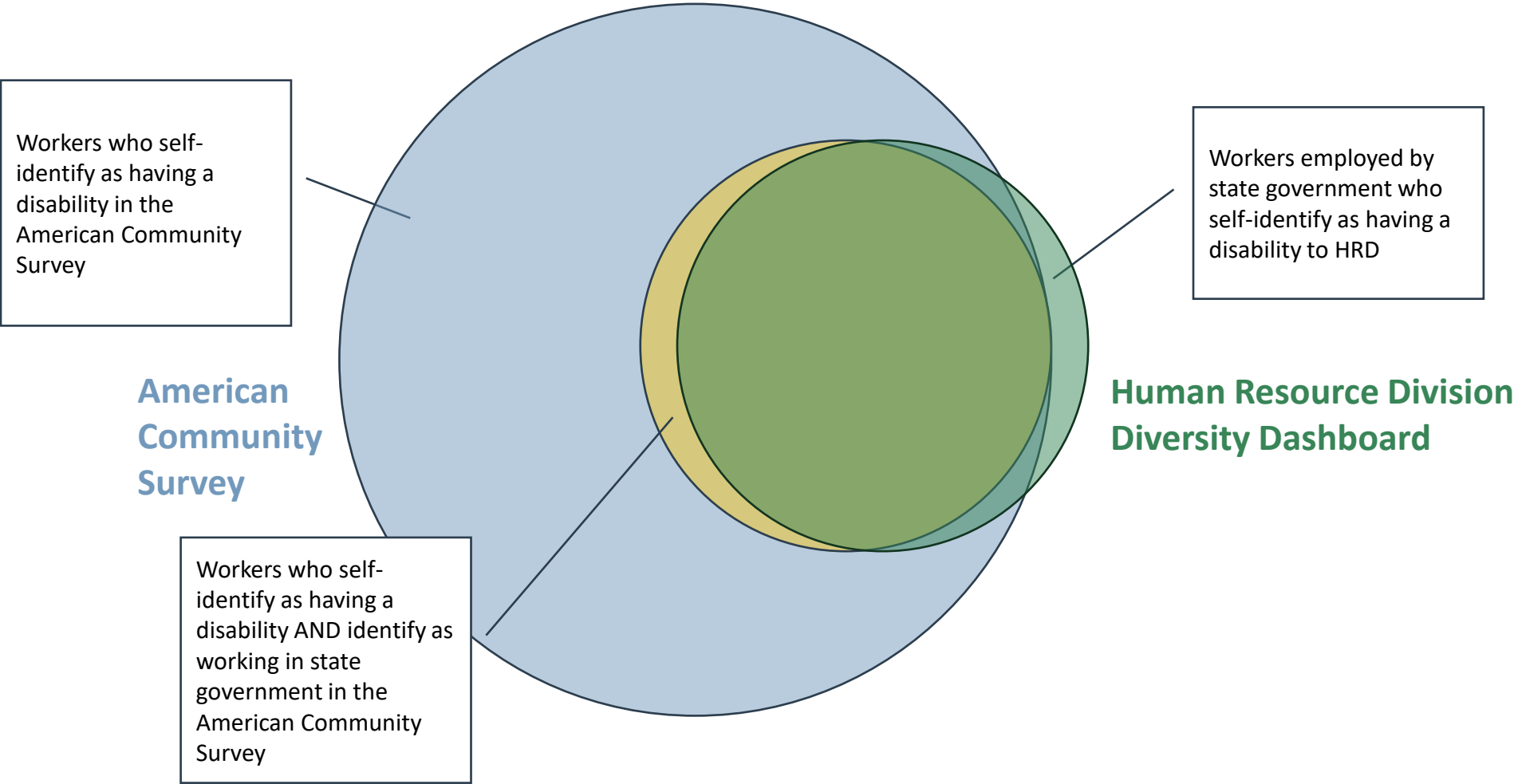


# Agenda

- Introductions
  - Mark Rembert – Chief Economist
  - David Jan – Senior Applied Economist
- Sharing preliminary findings for two research projects
  - The Commonwealth as a model employer
  - The impact of benefit cliffs on people with disabilities

# **The Commonwealth as a model employer**

# Data on state workers who identify as having a disability



# State employment of people with disabilities

There were about **1,550 people (3.4%)** identifying as having a disability working for the executive branch in Q4 FY2024.

**Human Resource Division**

According to the ACS, an **average of 6.3% of state government workers** identified as having a disability between 2018 and 2022.

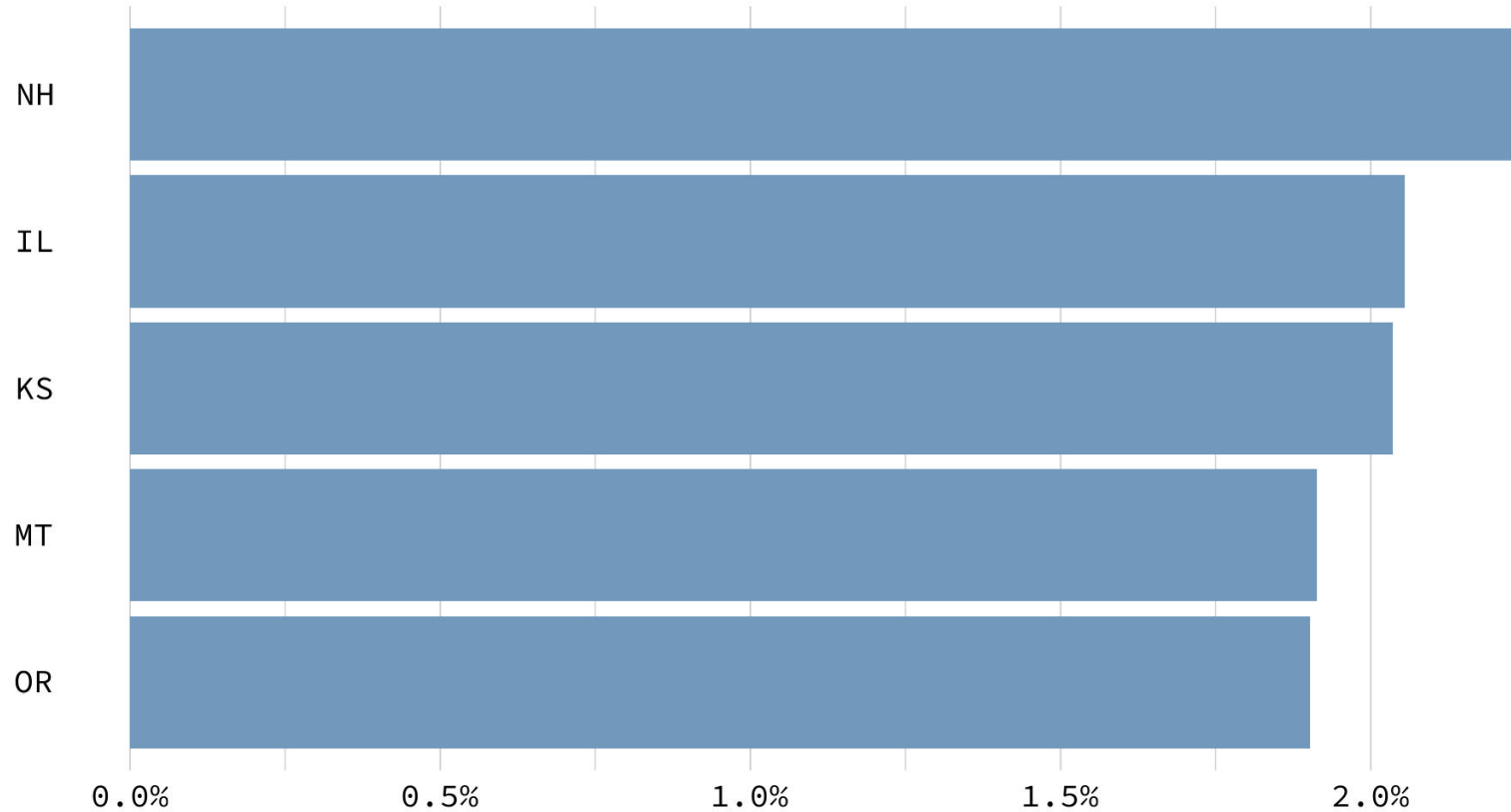
**American Community Survey 2022 5yr**

Outside of state government, **5.5% of workers identified as having a disability** between 2018 and 2022.

- These differences suggest that some workers may choose not to self identify as having a disability.
- **ACS data suggests:** The state employs a larger proportion of workers with a disability than the rest of the economy. This difference is statistically significant.

## States with higher rates of employment of people with disabilities in state government compared to the rest of the economy

Percentage point gap between the share of state government employment among people with a disability and share of people with disability employed in the rest of the economy



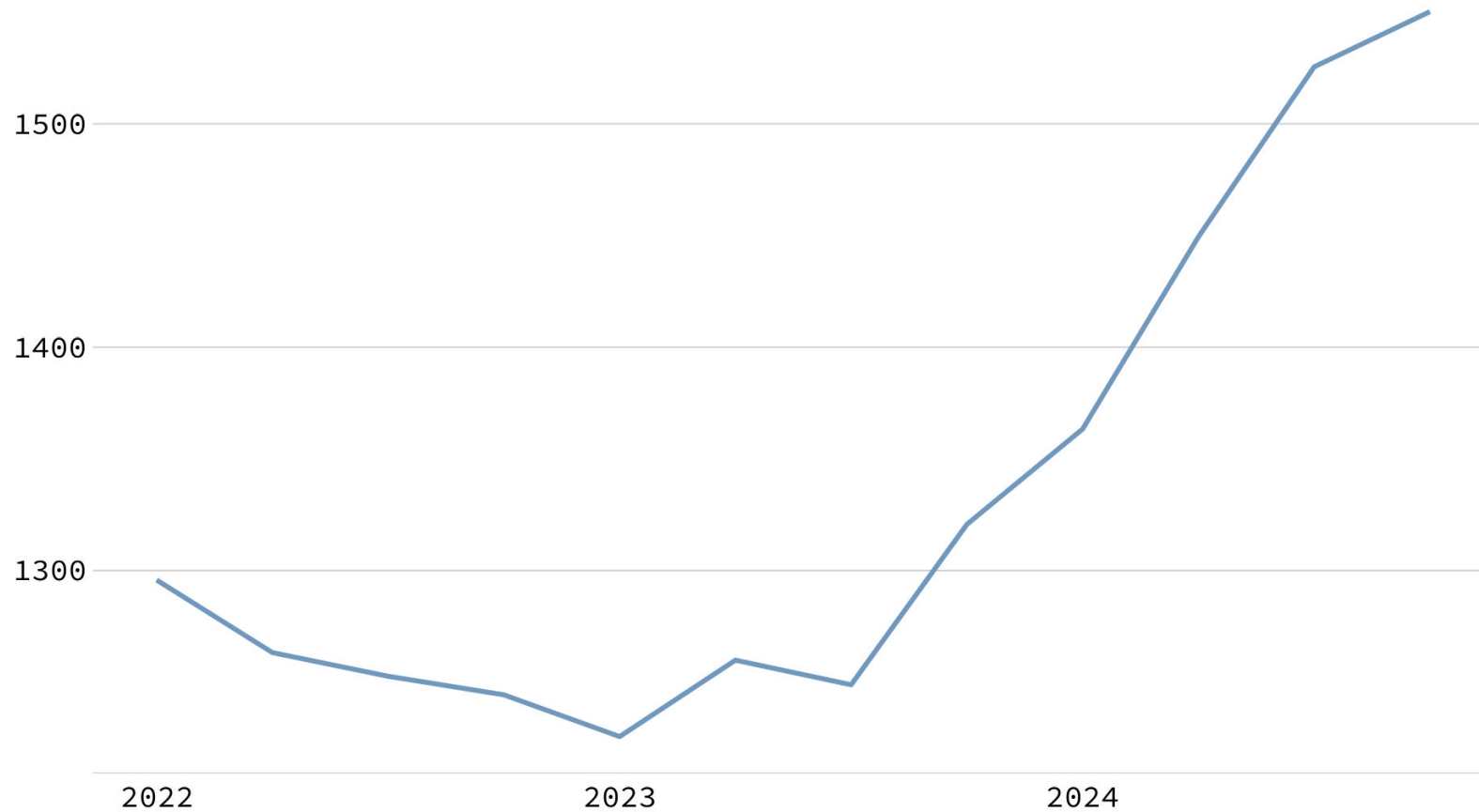
Source: IPUMS US. 2022 5-year ACS sample.

## ACS data suggests there are other states to learn from

- In, New Hampshire, Illinois, and Kansas, the share of state government employment among people with a disability is 2 percentage points higher than the rest of the economy.
- Policy example: **2009 Illinois Disabled Hiring Incentives (HB 0040)** aims to increase the number of individuals with disabilities employed by the state government by creating a structured approach with clear expectations and incentives for state agencies.

## FTE identifying as having a disability

Q1 FY2022 - Q4 FY2024



Source: Human Resource Division

**The number of workers identifying as having a disability has been growing**

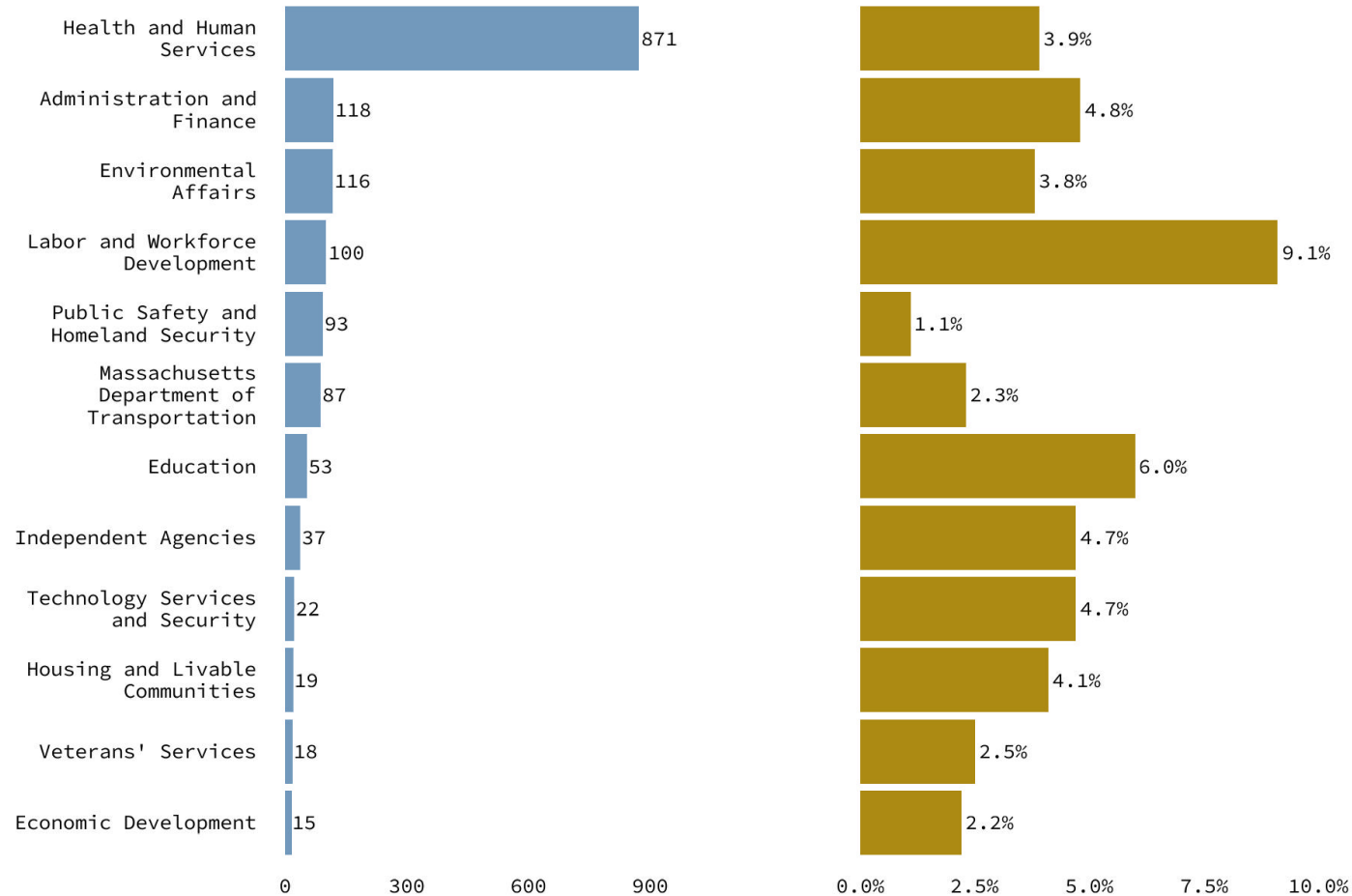
- The number of FTE identifying as having a disability has increased by 20% since Q1 2022.

## Workers identifying as having a disability

Q4 FY2024

# of workers

% of workers



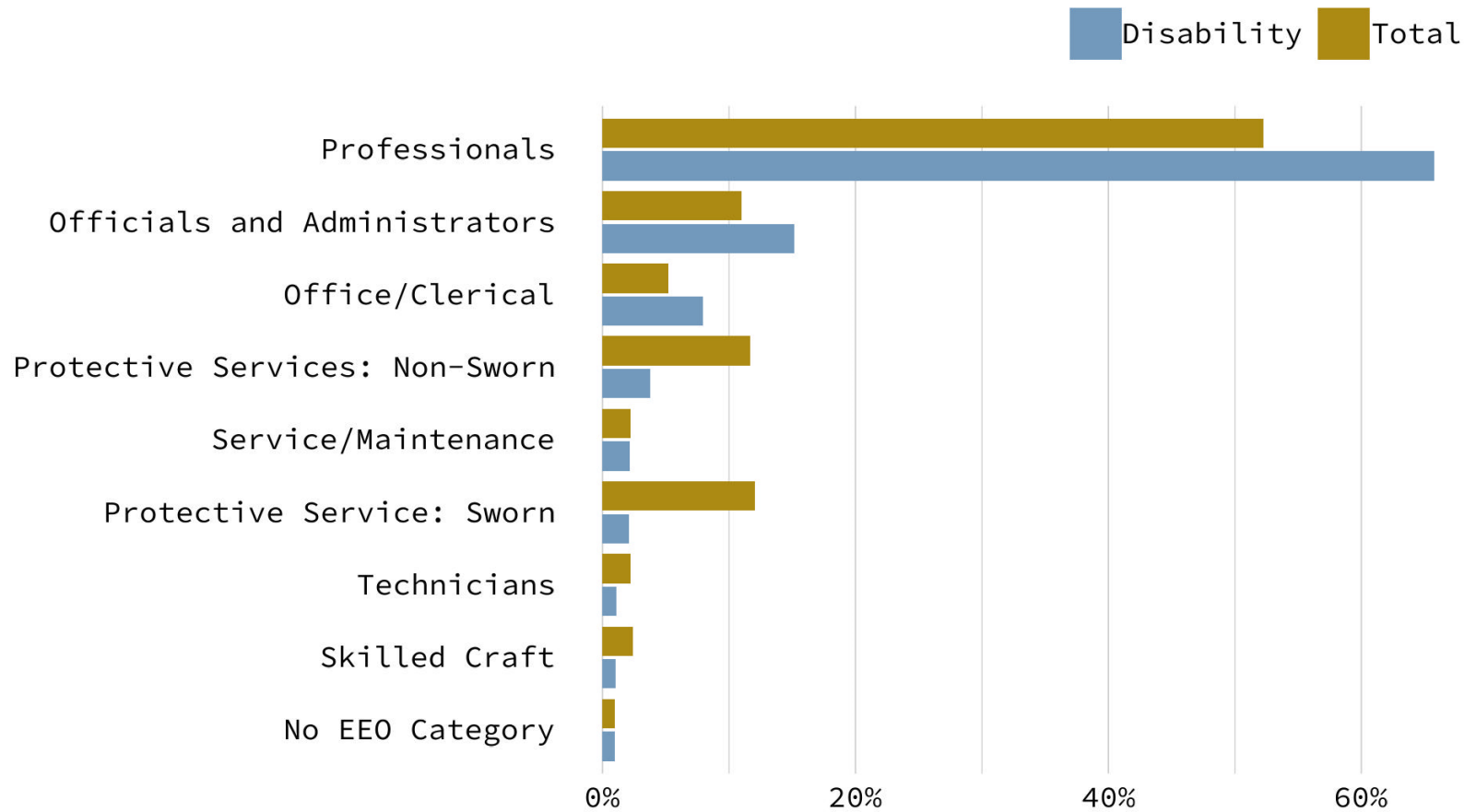
Source: Human Resource Division

## Health and Human Services employs more than 50% of all workers that identify as having a disability

- The share of workers with a disability ranges from:
  - 1.1% in Public Safety and Homeland Security
  - 9.1% in Labor and Workforce Development

## Share of state workers by job category

Q4 FY2024



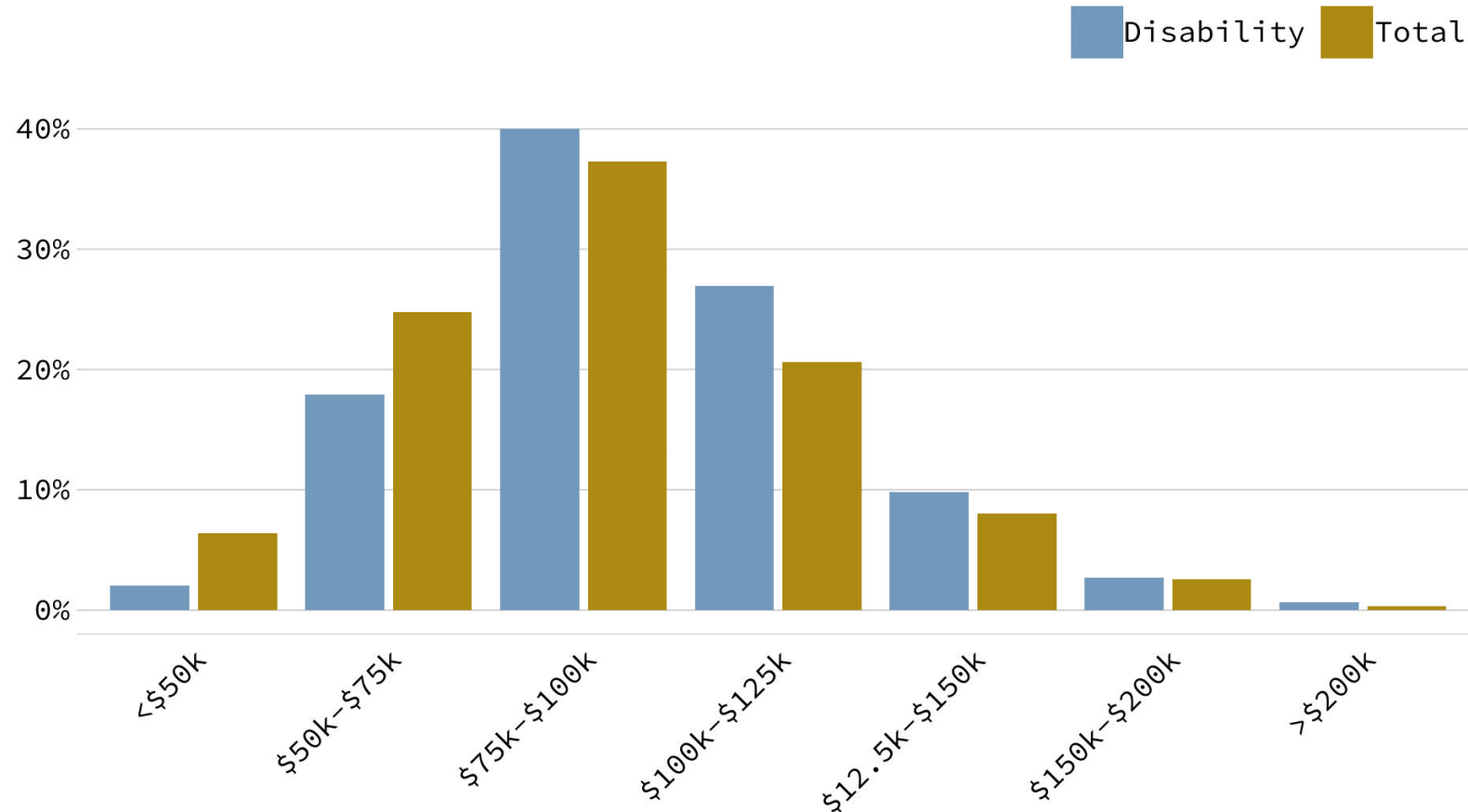
Source: Human Resource Division

**Workers that identify as having a disability are more likely to work in professional, officials, or clerical roles**

- Almost 90% of state workers that identify as having a disability work in either professional, officials and administrators, or office/clerical roles.

## Share of workers by salary

Q4 FY2024



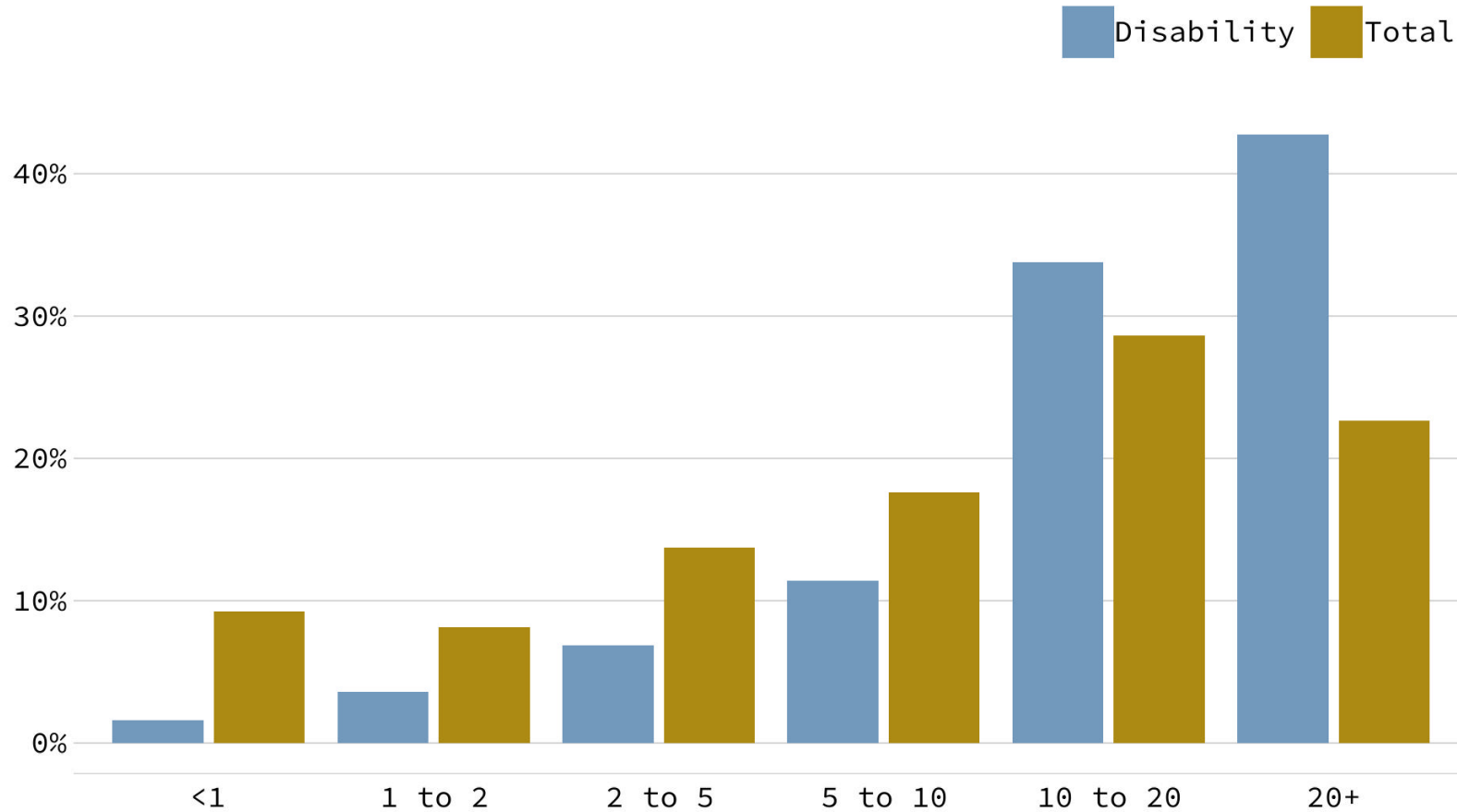
Source: Human Resource Division

**The median salary for workers who identify as having a disability is between \$75k and \$100k**

- Workers that identify as having a disability are more likely to earn \$75k-\$100k and \$100k-\$125k than all other state workers.

## Share of workers by years of service

Q4 FY2024



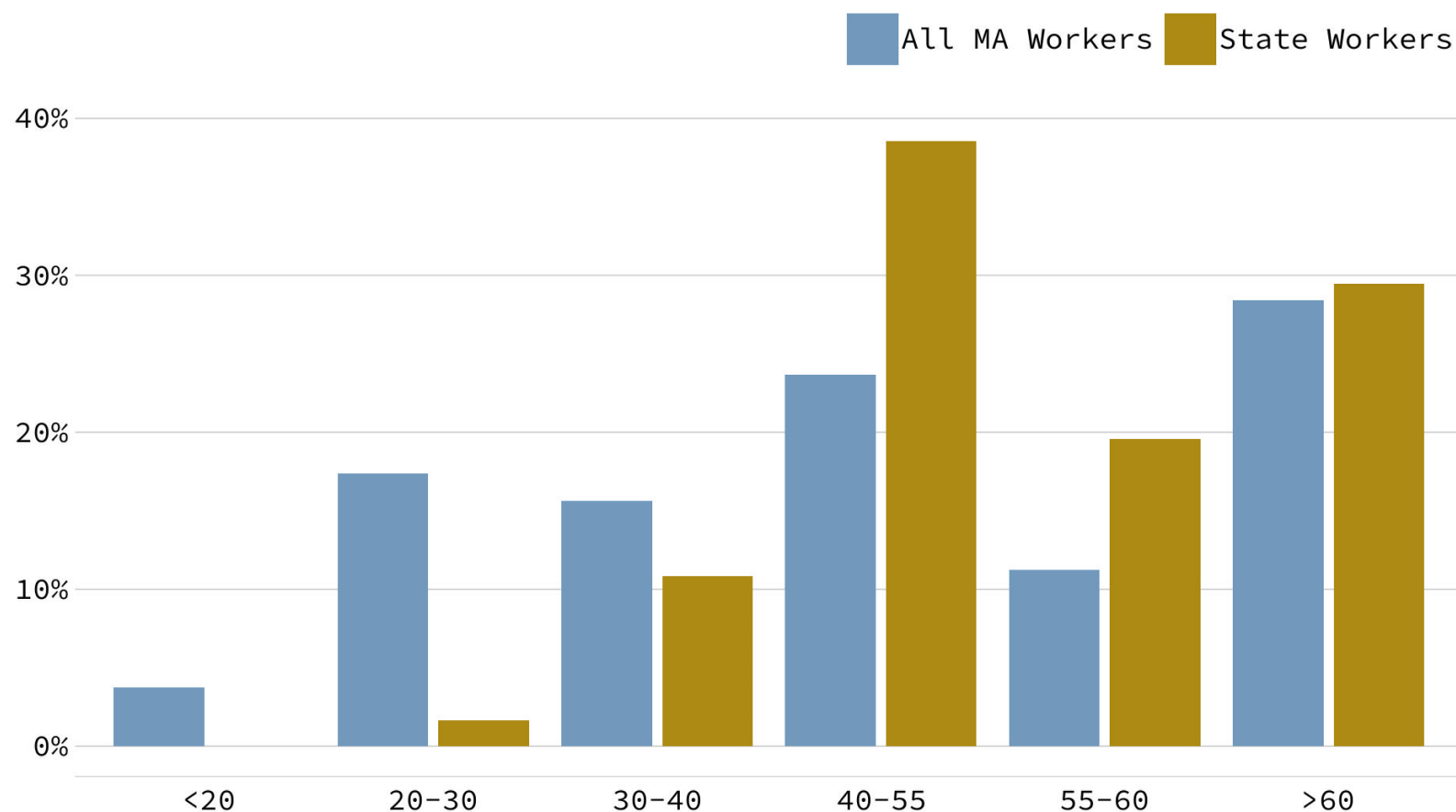
Source: Human Resource Division

## Workers that identify as having a disability are more likely to have a long tenure with the Commonwealth

- More than 75% of workers who identify as having a disability have worked at the Commonwealth for more than 10 years.

## Share of workers with a disability by age group

Q4 FY2024



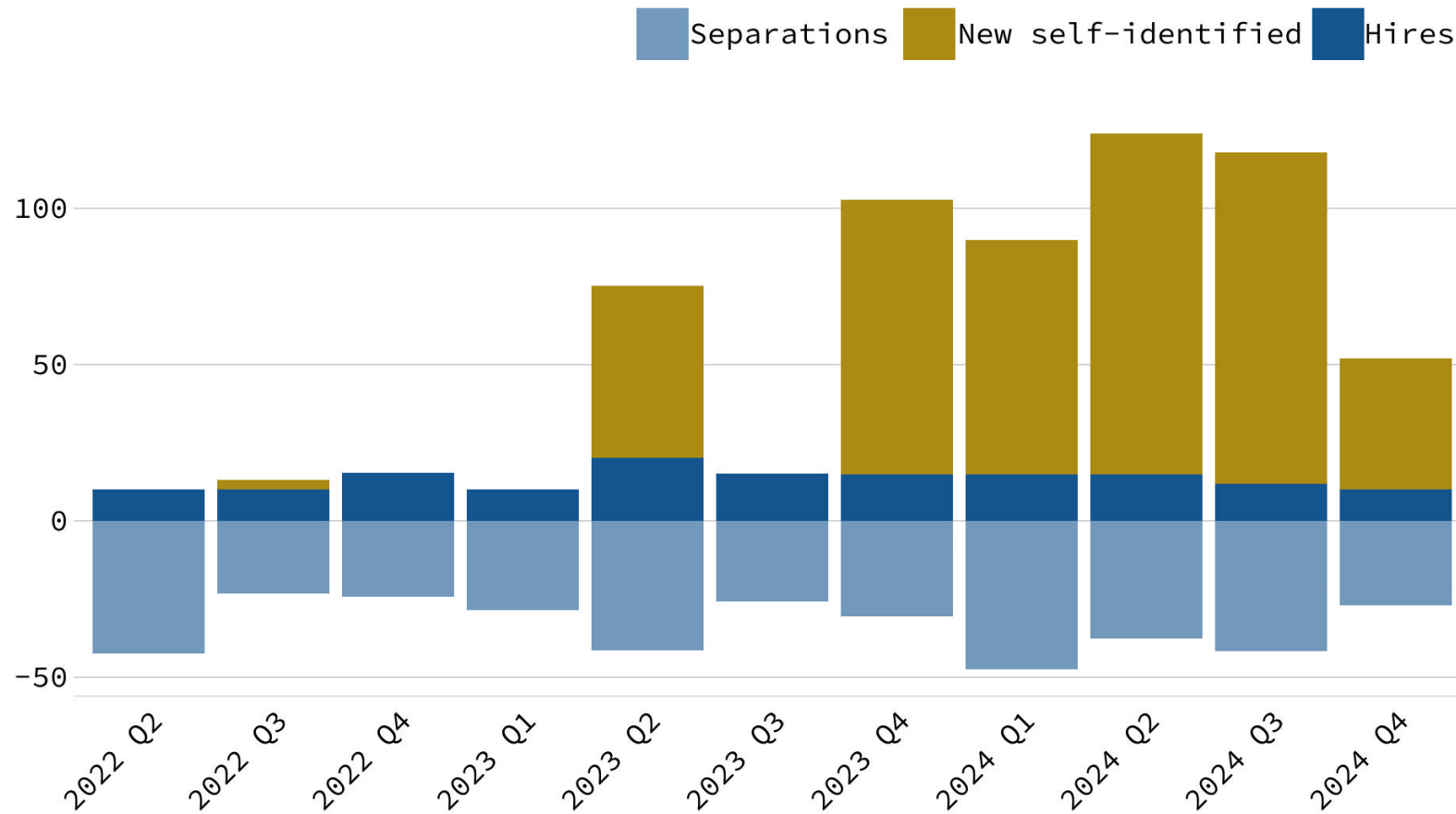
Source: Human Resource Division. American Community Survey PUMS - 2022 5yr Sample

**State workers who identify as having a disability are more likely to be 40 and than all workers with a disability**

- Younger workers that identify as having a disability—particularly those 20-30—are underrepresented among the state workforce identifying as having a disability.
- 17% of the employed population with a disability in MA is 20-30, while less than 2% of the state workforce in that age group identifies as having a disability.

## Components of net-change in state workers with a disability

Q1 FY2022 - Q4 FY2024



Source: Human Resource Division

## Workforce Dynamics: New Hires vs. Separations

- New hires with disabilities: Average 13 per quarter (0.9%) since FY2022
- Separations: Average 33 per quarter (2.8%)
- **Key growth driver:** More current employees are choosing to identify as having a disability

# Key takeaways

- **Commonwealth Employment:** Data comparison reveals the Commonwealth employs a higher proportion of individuals with disabilities than the broader economy, despite lower self-identification rates within its workforce.
- **Worker Profile:** Employees with disabilities are more likely to hold professional positions, have higher average earnings, and exhibit longer tenure compared to the overall state workforce.
- **Age Demographics:** Representation of individuals with disabilities is significantly lower among younger age groups.
- **Workforce Dynamics:** Although separations currently outpace new hires, this hasn't resulted in decreased employment due to an increase in existing workers self-identifying as having a disability.
- **State as Employer:** The data suggests the state provides an environment that supports individuals who develop a disability later in their career. However, there's room to improve recruitment efforts, especially among younger demographics, to attract individuals with disabilities who are already active in the workforce.

# **The impact of benefit cliffs on people with disabilities**

# About the project

- Collaboration with the MA Commission on the Status of Persons with Disabilities
- **Research Questions:**
  - How do decreases in benefits from increased employment income affect persons with disabilities and their incentive to work?
    - Some behavior might be to avoid working full-time for fear of losing critical benefits
  - How might workforce development programs better tailor programs and supports that account for benefit cliffs?
- **Goal of the report:**
  - To illustrate how benefit cliffs act as a barrier to work for persons with disabilities, especially at lower incomes

# Benefit Programs

- SSDI
  - Requires a qualified disability and five years of work experience
  - Individually must earn no more than \$1,550 per month (\$18,600 per year)
  - Average monthly benefit in Massachusetts of \$1,493 (\$17,916 per year)
- SSI
  - Requires a qualified disability
  - Does not require any work experience
  - Payment calculation based on household income
    - Maximum federal monthly benefit is \$943 per month (\$11,316 per year)<sup>1</sup>
    - Household earnings of \$1,971 reduces federal SSI benefits to 0

<sup>1</sup>SSI typically includes a State Supplemental Program adjustment

# Benefit Programs

- In addition to SSDI/SSI, families also co-enroll in other programs such as:
  - MassHealth (provided to SSI enrollees)
  - Medicare (provided to SSDI enrollees)
  - Temporary Assistance for Families with Dependent Children (TAFDC)
    - Enrollment in TAFDC provides MassHealth for the family
  - SNAP (Supplemental Nutrition Assistance Program)
  - Section 8 Housing Subsidies
  - Tax Credits

# Benefits Cliffs

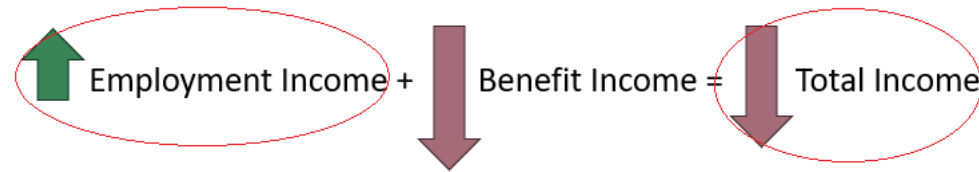
- A benefit cliff happens when a small increase in *employment income* causes a decline in *total income*



- In a cliff, benefits fall faster than the rise in employment income
  - Since benefits decline faster than the growth in earnings, earning more causes a decline in total income
  - Programs that have a severe fall in benefits such as SSDI contribute to a larger benefit cliff

# Benefits Cliffs

- A benefit cliff focuses on a change in *total income* given a change in *employment income*



- Likewise, the phase-out rate is the relationship between *employment income* and *benefit income*

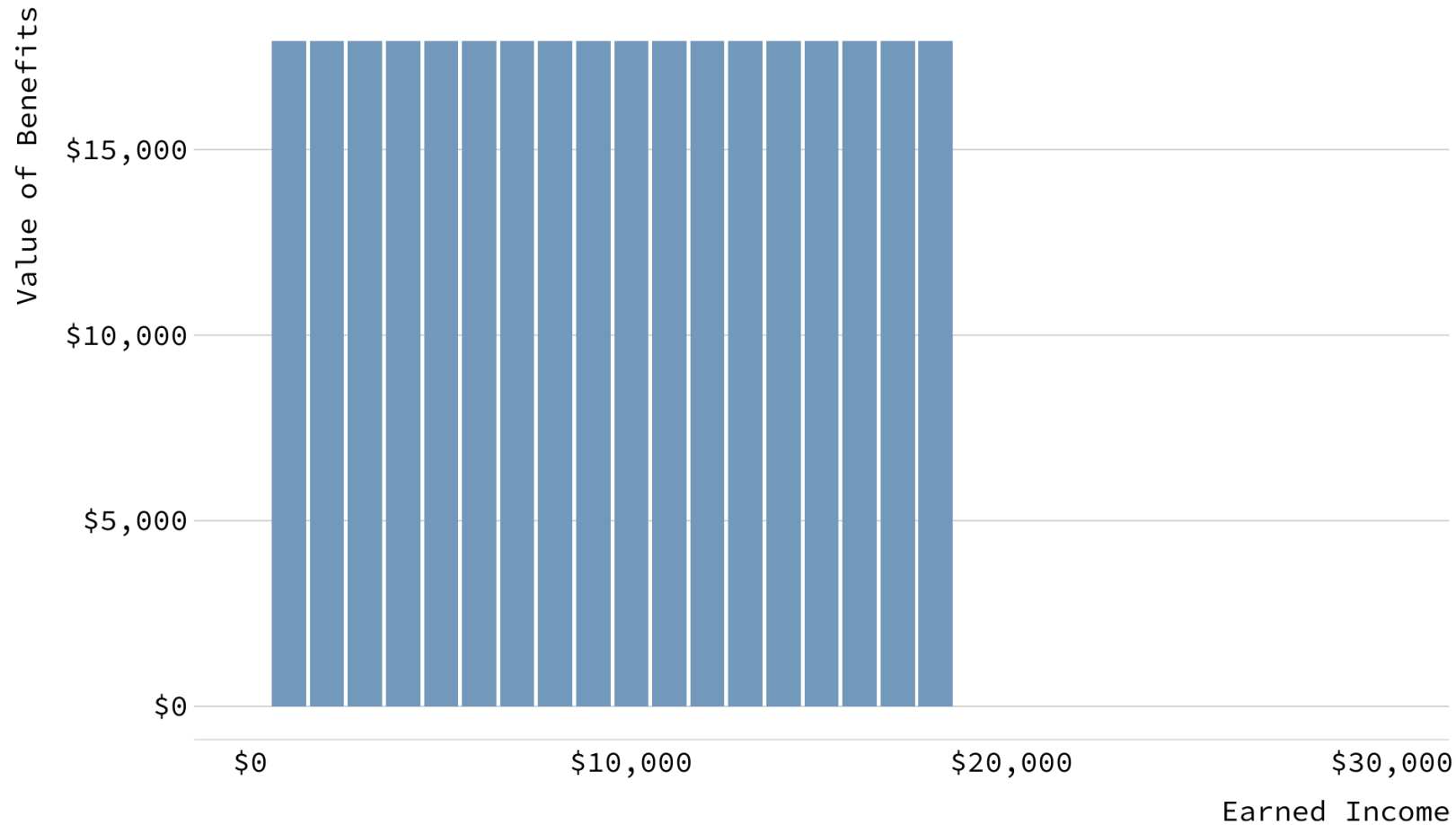


- For SSI, benefit income decreases by .50 for every dollar earned
- For SSDI, benefit income is 0 once the worker crosses a threshold<sup>1</sup>
- Therefore, when phase-out rates are severe, the benefit cliff will also be severe

<sup>1</sup>The Trial Work Period (TWP) and Extended Period of Eligibility (EPE) may extend the timing of the cliff

## SSDI Benefits by Income Level for a Single-Person Household

Massachusetts



Source: The Policy Rules Database (Ilin and Terry, 2021)

## SSDI Phases Out at Earnings Threshold

- SSDI provides constant benefits during eligibility
  - \$17,916 annually<sup>1</sup>
- Benefits are terminated once the worker reaches \$18,600 in annual earnings<sup>2</sup>
  - “Substantial Gainful Activity” limit

<sup>1</sup>Average monthly benefits in Massachusetts of \$1,493 (SSA).

<sup>2</sup>Annualized Substantial Gainful Activity Limit of \$1,550.

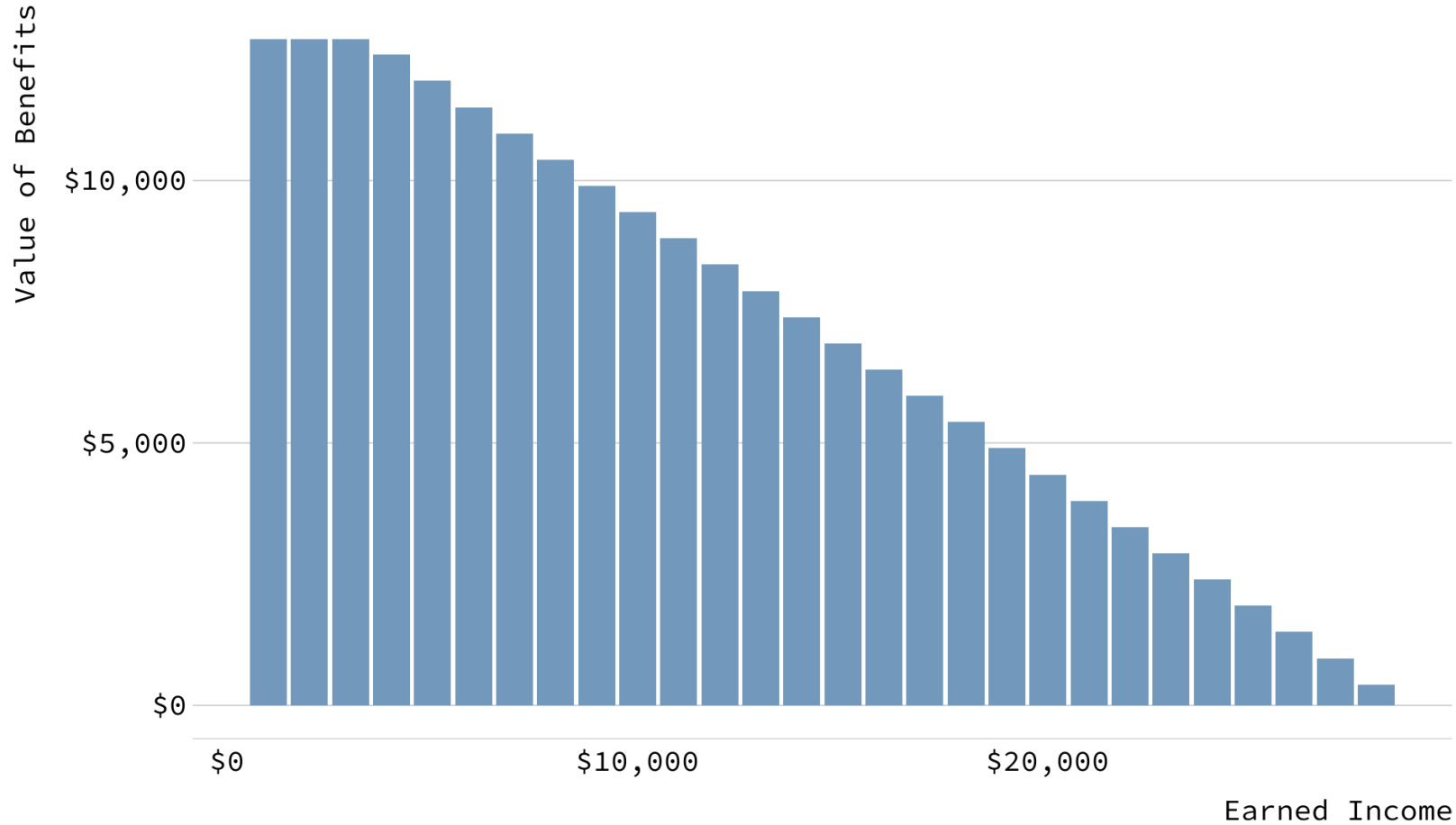
<sup>3</sup>The timing of the loss of SSDI benefits may additionally depend on the TWP/EPE

# SSI Phases Out More Gradually

- SSI has a rapid, but more gradual phase-out
- Every \$1,000 of earnings leads to a \$500 decrease in SSI benefits
- The shape is much different than SSDI and leads to a less severe benefit cliff

## SSI Benefits by Income Level for a Single-Person Household

Massachusetts



Source: The Policy Rules Database (Ilin and Terry, 2021)

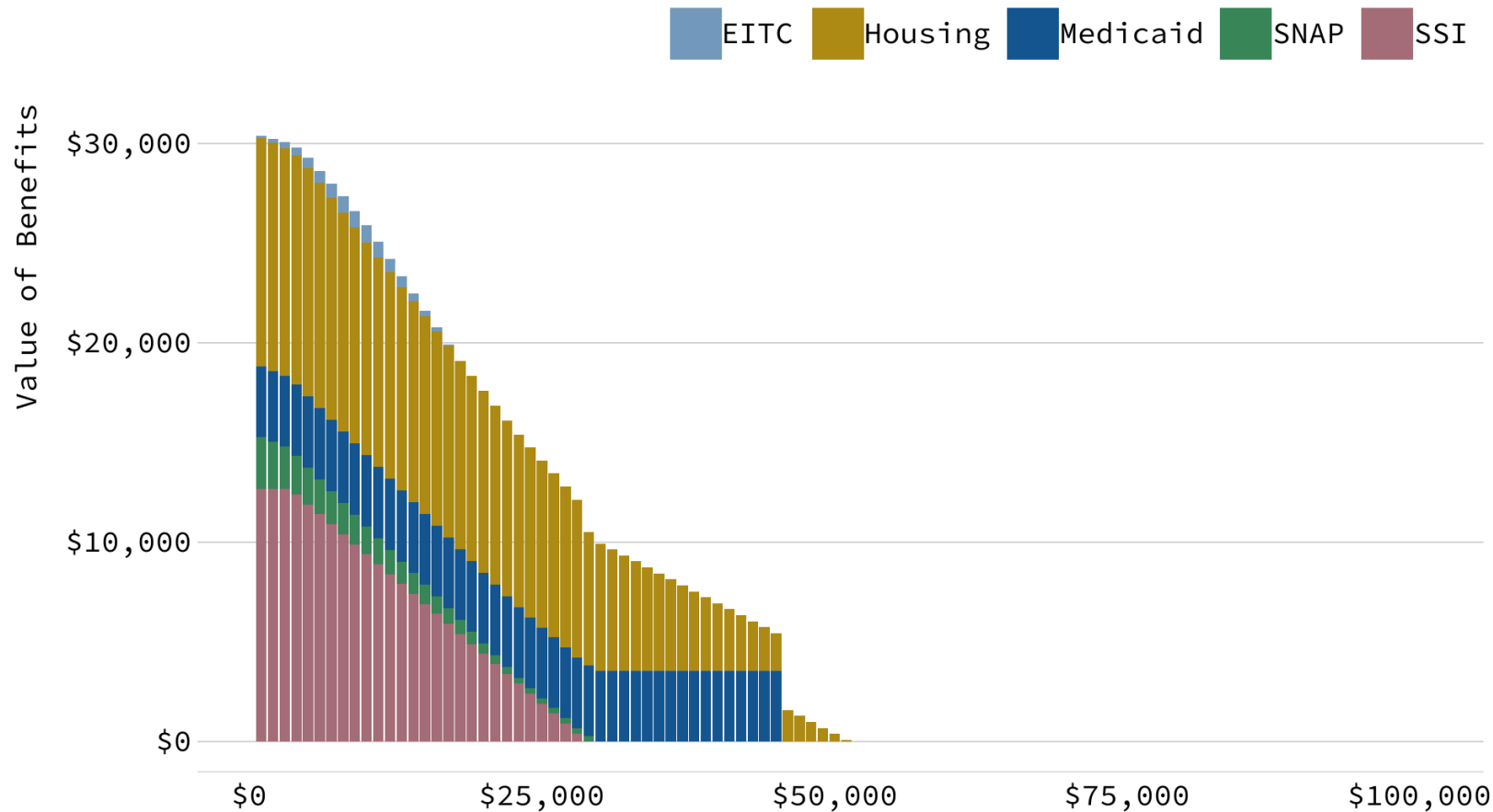
<sup>1</sup>Average monthly benefits in Massachusetts of \$1,493 (SSA).

<sup>2</sup>Annualized Substantial Gainful Activity Limit of \$1,550

# Combined Phase-Outs Matter

## Benefit Values by Income Level for a Single-Person Household

SSI & Other Benefits



Source: The Policy Rules Database (Ilin and Terry, 2021).

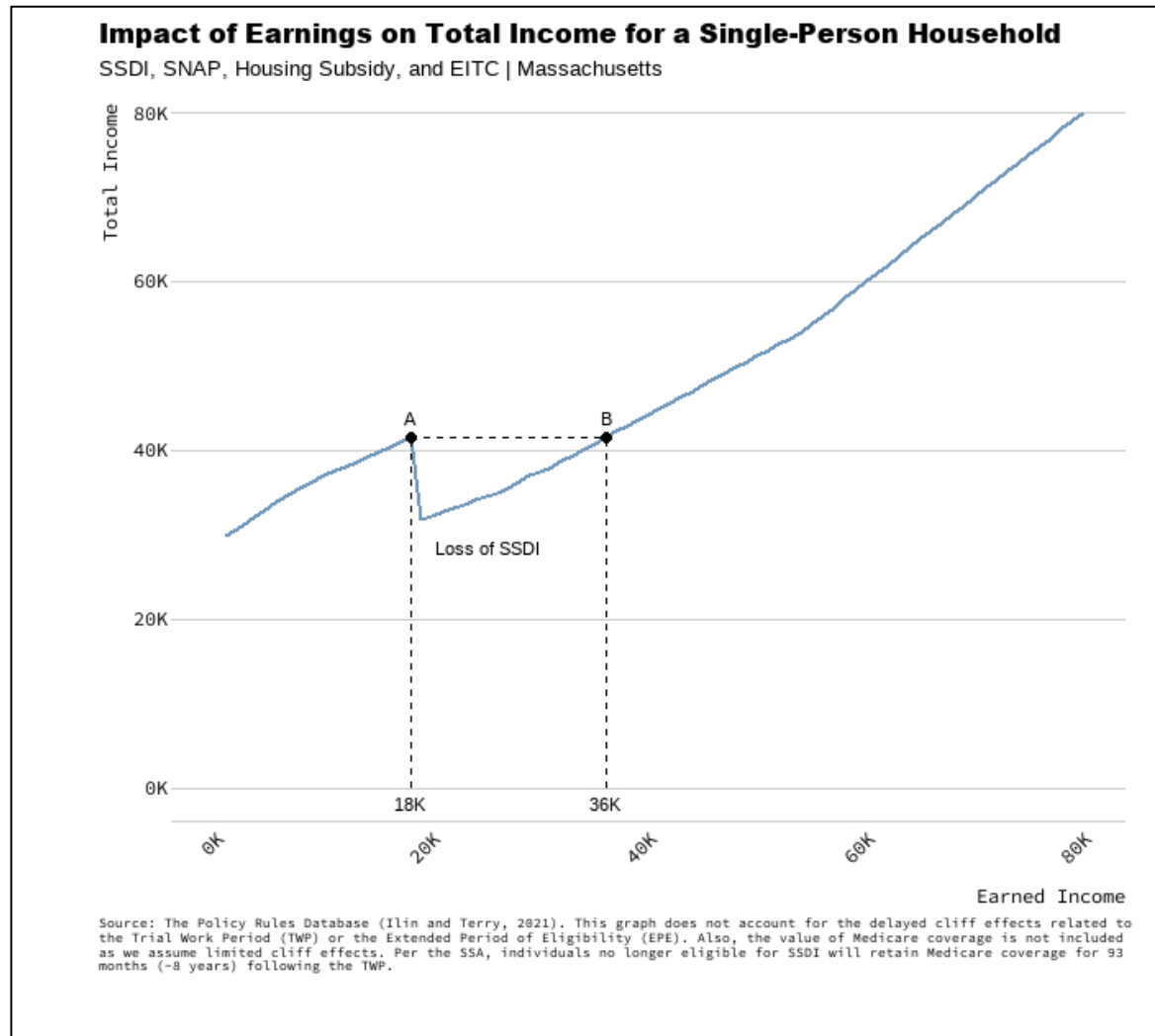
- Families are on multiple benefit programs
- Thus, the combined phase-out of programs affects the benefit cliffs families experience
- In the figure, consider an individual on SSI:
  - SSI benefits as well as housing subsidies, SNAP, and tax credits are all phasing-out, which affects the how much earned income is required to return to the pre-cliff total income.

<sup>1</sup>Average monthly benefits in Massachusetts of \$1,493 (SSA).

<sup>2</sup>Annualized Substantial Gainful Activity Limit of \$1,550

# Benefits Cliff Model

## Scenario #1: Single Individual with No Dependents (SSDI)



## SSDI creates a steep benefit cliff

### Point A to Point B

- The decline in SSDI benefits would cause a large benefit cliff:
  - This individual would need to earn **\$36,000** in employment income to earn as much total income as their received at **\$18,000** in employment income.

### Conclusion

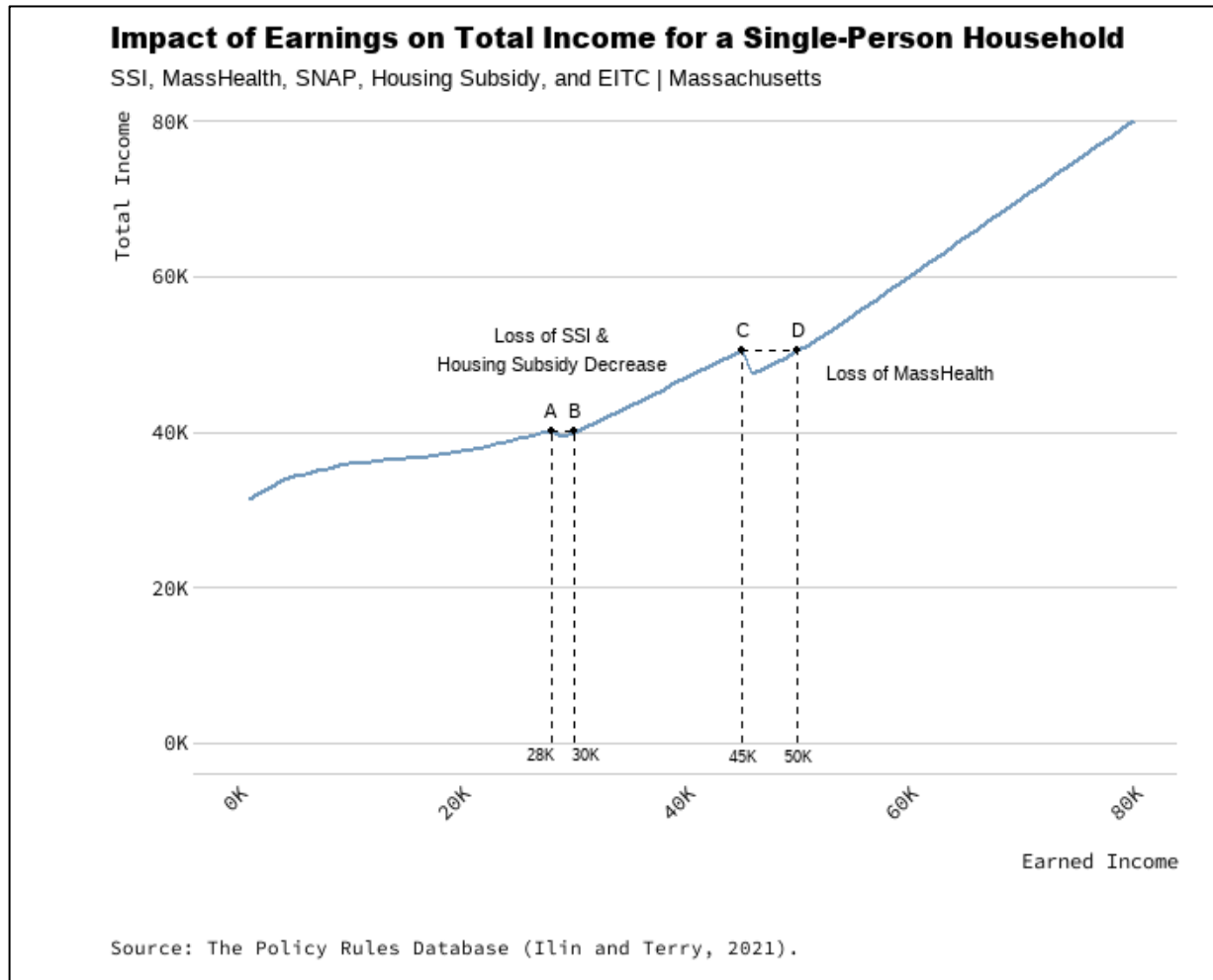
- The individual may be disincentivized to work part-time to avoid the cliff
- Alternatively, seeking a job that pays at least \$36,000 would allow them to earn without uncertainty

<sup>1</sup>Average monthly benefits in Massachusetts of \$1,493 (SSA).

<sup>2</sup>Annualized Substantial Gainful Activity Limit of \$1,550

# Benefits Cliff Model

## Scenario #2: Single Individual with No Dependents (SSI)



## SSI not a major factor in benefit cliff

### Point A to Point B

- Earning past Point A leads to a loss of SSI
- SSI phases out gradually, so the cliff is less severe.
- The main income dip is due to reduced housing subsidies, not SSI

### Point C to Point D

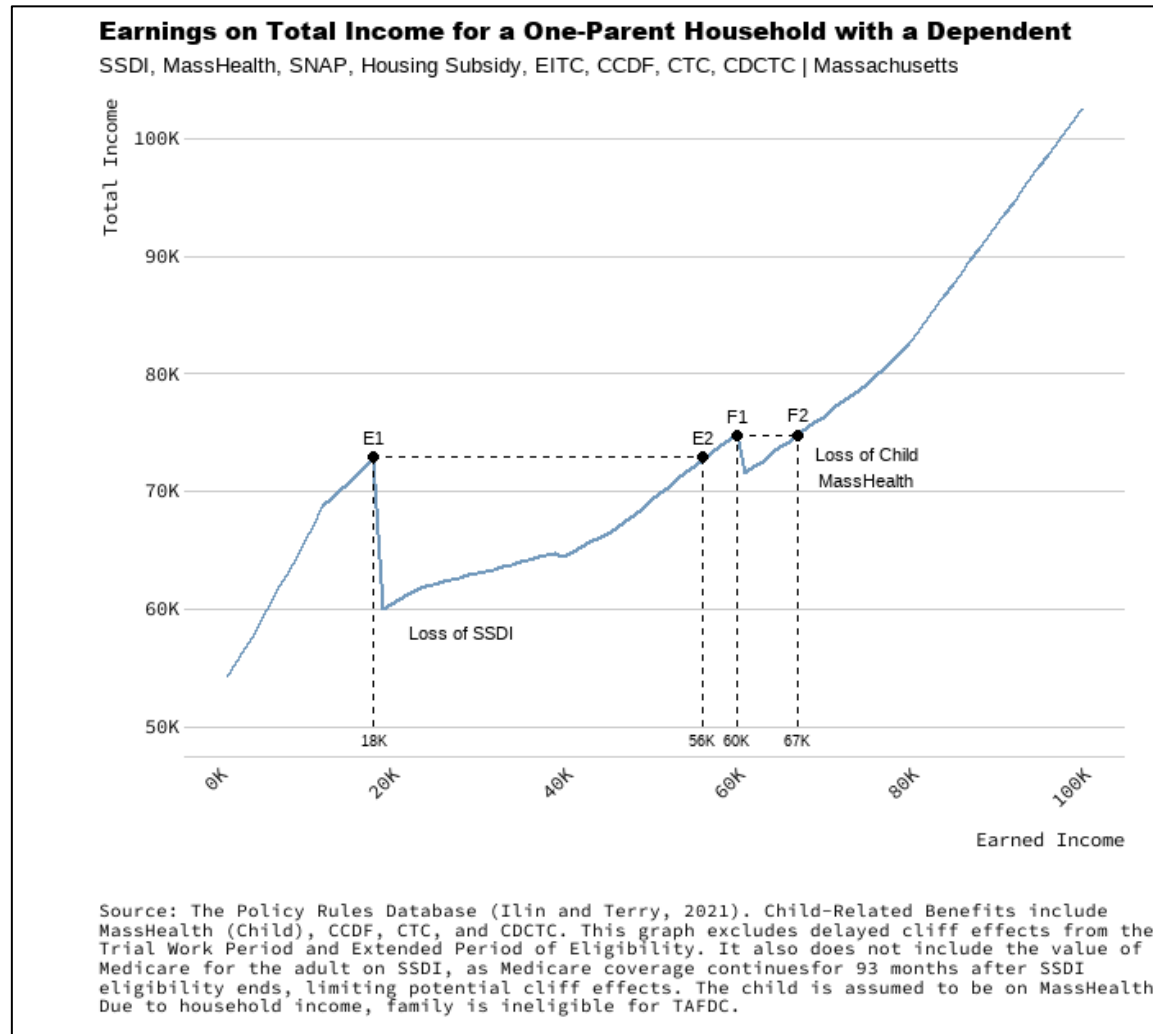
- Earnings over \$45k result in the loss of MassHealth.
- However, individuals earning \$45k often have employer-sponsored healthcare, minimizing the income impact.

### Conclusion

- SSI plays a smaller role in benefit cliffs in this scenario.
- SSI recipients may face fewer barriers to full-time work than SSDI recipients.

# Benefits Cliff Model

## Scenario #3: Single Individual with One Dependent (SSDI)



## Navigating SSDI with dependents

### Additional dependent

- An additional dependent increases the annual SSDI benefit from \$17,900 to \$26,874, causing an even larger loss of benefits

### Point E1 to Point E2

- The decline in SSDI benefits, along with the phaseout of other benefits a large income trough:
  - This family would need to earn **\$56,000** in employment income to earn as much total income as their received at **\$18,000** in employment income.

### Conclusion

- Strong disincentive for full-time work due to the SSDI cliff.

# Exploring labor market scenarios

- SSDI presents the largest benefit cliff obstacle for returning to work
- We consider the labor market options for two cases related to our SSDI scenarios (1 and 3)
  - A person on SSDI who seeks to return to full-time work in their previous occupation.
  - A person on SSDI who seeks to work part-time in the most common part-time occupations.

## Common occupations for MA workers on SSDI

Occupation	Full-time median annual earnings
Cashiers	\$28,997
Janitors and building cleaners	\$41,819
Laborers and freight, stock, and material movers, hand	\$39,904
Cooks	\$34,203
Nursing assistants	\$39,431
Customer service representatives	\$50,621
Retail salespersons	\$46,395
Personal care aides	\$35,571
Landscaping and groundskeeping workers	\$31,269
Driver/sales workers and truck drivers	\$52,116

Source: American Community Survey 2022 5-year sample

**For many people receiving SSDI, returning to work would likely result in hitting an income trough**

- Service-oriented and physically demanding jobs with lower median earnings are common for MA workers on SSDI.

## Common occupations for MA workers on SSDI

Occupation	Full-time median annual earnings
Cashiers	\$28,997
Janitors and building cleaners	\$41,819
Laborers and freight, stock, and material movers, hand	\$39,904
Cooks	\$34,203
Nursing assistants	\$39,431
Customer service representatives	\$50,621
Retail salespersons	\$46,395
Personal care aides	\$35,571
Landscaping and groundskeeping workers	\$31,269
Driver/sales workers and truck drivers	\$52,116

Source: American Community Survey 2022 5-year sample

**For many people receiving SSDI, returning to work would likely result in hitting an income trough**

- In scenario 1, a person would need to make at least \$36k to be as well off as they were at \$18k.
- 40% of SSDI recipients worked in an occupation where median earnings are between \$18,000 and \$36,000

## Common occupations for MA workers on SSDI

Occupation	Full-time median annual earnings
Cashiers	\$28,997
Janitors and building cleaners	\$41,819
Laborers and freight, stock, and material movers, hand	\$39,904
Cooks	\$34,203
Nursing assistants	\$39,431
Customer service representatives	\$50,621
Retail salespersons	\$46,395
Personal care aides	\$35,571
Landscaping and groundskeeping workers	\$31,269
Driver/sales workers and truck drivers	\$52,116

Source: American Community Survey 2022 5-year sample

**For many people receiving SSDI, returning to full-time work would likely result in hitting an income trough**

- In scenario 3, a person would need to make at least \$56k to be as well off as they were at \$18k.
- **84% of SSDI recipients worked in an occupation where median earnings are between \$18,000 and \$56,000**

## Common part-time jobs in MA

Occupation	Part-time median annual earnings
Cashiers	\$9,475
Retail salespersons	\$10,945
Registered nurses	\$62,684
Waiters and waitresses	\$11,844
Janitors and building cleaners	\$11,800
Teaching assistants	\$17,371
Customer service representatives	\$11,844
Nursing assistants	\$18,950
Laborers and freight, stock, and material movers, hand	\$11,133
Personal care aides	\$14,592

Source: American Community Survey 2022 5-year sample

**For many people receiving SSDI, most part-time jobs approach but do not exceed the benefit cliff threshold**

- Among the most common part-time jobs, median earnings for part-time workers are generally below the \$18k threshold to trigger an SSDI benefit cliff.

## Common part-time jobs with median earnings exceeding \$36,000 in MA

Occupation	Part-time median annual earnings
Registered nurses	\$62,684
Licensed practical and licensed vocational nurses	\$41,453
Other physicians	\$114,011
Dental hygienists	\$55,820
Chief executives	\$79,808
Physical therapists	\$51,305
Clinical laboratory technologists and technicians	\$41,295
Financial managers	\$40,595
Pharmacists	\$57,992
Nurse practitioners	\$76,967

Source: American Community Survey 2022 5-year sample

**For many people receiving SSDI, most part-time jobs avoid the benefit cliff**

- Less than 10% of part-time jobs have median earnings that exceed \$36k, and most require highly specialized skills.

## Common work-from home jobs among people with a disability in MA

Occupation	Median annual earnings (work from home)
Managers, all other	\$64,986
Software developers	\$114,011
Management analysts	\$72,962
Lawyers	\$52,116
Accountants and auditors	\$71,919
Computer support specialists	\$52,103
Customer service representatives	\$31,269
Secretaries and administrative assistants, except legal, medical, and executive	\$44,530
Personal care aides	\$13,681
Graphic designers	\$45,604

Source: American Community Survey 2022 5-year sample

## Jobs conducive to working from home tend to pay well, but often require specialized skills

- Many of the most common work-from-home jobs among people with a disability do avoid the benefit cliff under Scenario 1 based median salaries.
- Median annual earnings for customer service representatives would fall into an income trough.
- For tech-related jobs, it is critical to consider the impact of AI. Employment in some areas may be reduced over time due to AI (e.g., computer support specialists). It is important to ensure that training programs incorporate cutting edge AI skills.

# **The Impact of Benefit Cliffs on People with Disabilities**

## **Key Finding 1: SSDI Creates Significant Benefit Cliffs**

- A small increase in earnings can lead to a large drop in total income due to the abrupt loss of SSDI benefits.
- This disincentivizes individuals from returning to full-time work, particularly in common occupations with median earnings below the benefit cliff threshold.
- Our analysis suggests that a substantial proportion of SSDI recipients (up to 84% in certain scenarios) would hit an “income trough” if they returned to full-time work in their previous occupation.
- The analysis helps to contribute to our understanding of the economic factors contributing to high rates of part-time work among people with a disability.

## **Key Finding 2: SSI Presents Fewer Barriers to Full-Time Work**

- The gradual phase-out of SSI benefits, coupled with other programs like SNAP and housing subsidies, creates a less severe benefit cliff.
- This allows individuals on SSI to gradually increase their earnings without experiencing a dramatic drop in total income.

# Policy Implications

## Addressing the Skills Gap for Full-Time Employment:

- **Invest in Robust Training and Upskilling:** Recognizing that many SSDI recipients likely require extensive training and skills development to secure higher-paying jobs and avoid the benefit cliff, the state should prioritize investments in vocational rehabilitation and training programs aligned with jobs that pay salaries that allow workers to avoid the benefit cliff.

## Promoting Diverse and Meaningful Part-Time Work Opportunities:

- **Address the Part-Time Wage Gap:** Acknowledge that most part-time jobs pay below the SSDI benefit cliff threshold, limiting opportunities for individuals seeking gradual transitions to work. Explore strategies to:
  - **Incentivize Quality Part-Time Jobs:** Consider policies that incentivize employers to offer part-time positions in a wider array of occupations and industries, potentially through tax credits or grants.
  - **Promote Flexible Work Arrangements:** Encourage employers to adopt flexible work arrangements, such as compressed workweeks and telecommuting options, which can create more accessible part-time opportunities for individuals with disabilities.
  - **Review Labor Regulations:** Examine existing labor laws and regulations to identify any potential unintended consequences that may discourage employers from offering diverse part-time options.

# Policy Implications

## Exploring the Potential of Gig Work:

- **Recognize the Gig Economy's Potential:** Acknowledge the growing gig economy and its potential to offer flexible, part-time earning opportunities for individuals with disabilities. The state should:
  - **Research Gig Work Opportunities:** Conduct research to understand the types of gig work that may be suitable for individuals with disabilities and identify any potential barriers to participation.
  - **Develop Targeted Supports:** Explore the feasibility of designing specific programs or supports that address the unique needs of gig workers with disabilities, such as providing access to technology, training on online platforms, and assistance with business development.
  - **Ensure Equitable Access:** Advocate for policies that ensure equitable access to gig work opportunities for individuals with disabilities, including addressing issues related to accessibility, discrimination, and worker classification.