Report on Disability Benefit Cliff Effects in Massachusetts

Executive Office of Labor and Workforce Development
Department of Economic Research
March 2025

Authors
David Jan, Senior Applied Economist
Mark Rembert, Ph.D., Chief Economist

Requested by the Permanent Commission on the Status of Persons with Disabilities

MASSACHUSETTS DEPARTMENT OF ECONOMIC RESEARCH

MASSACHUSETTS EXECUTIVE OFFICE OF LABOR & WORKFORCE DEVELOPMENT

Contents

Executive Summary

This report examines how benefit cliffs—instances where increased earnings lead to a net decrease in total income due to the loss of public benefits—impact the employment decisions of individuals with disabilities in Massachusetts. Using the Policy Rules Database and data from the American Community Survey, the eligibility and value of key support programs are modelled, including SSDI, SSI, SNAP, Section 8 Housing, MassHealth, TAFDC, childcare subsidies, and tax credits. Four common scenarios of households with disabilities are analyzed to illustrate the severity and implications of benefit cliffs.

Key Findings:

- **SSDI cliffs are severe:** The all-or-nothing nature of SSDI creates significant income troughs. A small increase in earnings past the eligibility threshold can trigger a substantial loss of benefits, often requiring tens of thousands of dollars in additional earnings to recover pre-cliff income levels. This strongly discourages full-time employment for SSDI recipients, especially those with dependents who face larger benefit losses. Returning to common previous occupations often proves insufficient to overcome this disincentive.

- **SSI cliffs are less severe:** The gradual phase-out of SSI benefits results in smaller, more manageable cliffs. Although the loss of housing subsidies contributes significantly to the cliff effect for SSI recipients, the overall impact is less detrimental to employment incentives compared to SSDI.

- **Dependents exacerbate the problem:** While dependents increase access to benefits, they also magnify the impact of benefit cliffs, making it harder to achieve financial stability through work. The loss of combined SSDI family benefits and other child-related supports creates steeper income troughs.

- **Part-time work presents a dilemma:** While less likely to trigger the SSDI cliff, part-time work in common occupations often yields insufficient income to meet basic needs even when combined with benefits. Higher-paying part-time opportunities are scarce and require advanced skills and training.

Policy Recommendations:

- **Invest in training and education:** Targeted investments in vocational rehabilitation and skills development programs, aligned with in-demand, higher-paying occupations, are crucial for helping individuals with disabilities navigate benefit cliffs.

- **Reimagine part-time work:** Incentivizing employers to offer more diverse and meaningful part-time positions, along with promoting flexible work arrangements, can expand employment opportunities for individuals with disabilities while balancing the need to maintain certain benefit levels. Further research is needed on policies which may unintentionally limit part-time employment.

- **Explore alternative work arrangements:** The gig economy offers potential benefits, such as flexibility and control over work intensity, which can be particularly advantageous for individuals with disabilities. Targeted supports for gig workers with disabilities could enhance their earning potential and ability to navigate benefit complexities.

- **Improve benefit coordination and planning:** Workforce development organizations should provide comprehensive support to individuals with disabilities, including benefit counseling and career planning that explicitly addresses the challenges of benefit cliffs. This requires tools and resources that simplify complex benefit rules and enable informed decision-making about work and benefits.

By addressing these challenges, Massachusetts can create a more supportive and inclusive labor market that empowers individuals with disabilities to achieve economic self-sufficiency and participate fully in the workforce. Federal policy changes are ultimately necessary to dismantle the disincentives created by benefit cliffs, but the state can take proactive steps to mitigate their impact and improve employment outcomes for this population.

Introduction

In Massachusetts, people with disabilities are much less likely to participate in the labor force than people without disabilities. Many things contribute to this, like challenges with transportation, finding accessible workplaces, facing discrimination, and needing personal care. Recent data shows that about 84 out of 100 working-age adults without a disability are working, but only about 48 out of 100 working-age adults with a disability are. This number is even lower for people with physical disabilities (about 20 out of 100) or those needing help with self-care (about 12 out of 100) (DER Equity Dashboards).

One reason for this employment gap is that people with disabilities often rely on government programs that provide financial support. Programs like Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) offer crucial financial assistance to people with a disability. However, these programs are often designed to reduce benefits as a person's income from work goes up. This is because the programs are intended to help people become financially self-sufficient through employment. The problem is, the reduction in benefits can sometimes happen so quickly or be so large that it's hard for people to earn enough to make up for the lost support.

People with disabilities have to weigh the benefits of working more and earning more money against the risk of losing important financial assistance. The rules for these programs are often complicated, making it hard to know how much working more will really affect their overall income. Sometimes, people with disabilities might take lower-paying jobs than they could get, work fewer hours, or even choose not to work at all, just to avoid losing benefits.

This is because even a small raise can sometimes lead to a big drop in overall income if benefits are reduced too quickly. For example, a $1,000 raise could actually cause someone to lose thousands of dollars in benefits. This situation, where earning more actually leads to less overall income, is called a "benefit cliff."

This report takes a close look at benefit cliffs and how they affect people with disabilities in Massachusetts. The analysis explores how big these cliffs can be in different situations and which ones have the biggest impact on whether someone chooses to work full-time. The discussion focuses on four common scenarios to give a clear picture of the problem.

Benefit cliffs make it much harder for people with disabilities to make decisions about work. However, by working with job training and placement organizations, people can plan their careers in a way that takes benefit cliffs into account. This report also aims to help policymakers understand how benefit programs can sometimes discourage work. By understanding these challenges better, improvements to programs and policies can be made to make sure that working more always leads to a better financial future for people with disabilities.

Methodology

To illustrate how benefit cliffs impact the labor market decisions of individuals with disabilities, the report first models the eligibility and value of programs commonly used by households in Massachusetts, then analyzes how benefit cliffs are formed.

The following are the programs modeled in this report:

Income Benefits

- Social Security Disability Insurance (SSDI)
- Supplemental Security Income (SSI)
- Temporary Assistance for Families with Dependent Children (TAFDC)

Voucher Benefits

- Supplemental Nutrition Assistance Program (SNAP)
- Section 8 Housing

Health Insurance Benefits

- MassHealth
- Tax Credits

Earned Income Tax Credit (EITC)

- Child Tax Credit (CTC)
- Child and Dependent Care Tax Credit (CDCTC)

Child Care Assistance

- Child Care and Development Fund (CCDF)

Even though each program provides a different type of benefit (e.g., direct income, voucher, or tax credit), they can be quantified in terms of the monetary value provided to the household. For example, if a household receives SSI, MassHealth coverage, and Section 8 Housing, the total gross value of each benefit is considered regardless of the form of the benefit. The analysis then compares how new earned income may affect these benefits. Similarly, the total gross value of the tax credits (i.e., the

Earned Income Tax Credit, Child Tax Credit, and the Child and Dependent Care Tax Credit) is calculated, not the net value after tax liability.

Benefit eligibility and values are modeled using the Policy Rules Database (PRD), reflecting current data as of June 2024. The analysis also incorporates contextual data from the Census American Community Survey (ACS).

Overview of Programs

The following provides an overview of the benefit programs modeled and referenced in the report. The main disability benefit programs are Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). Along with disability benefits, households typically enroll in other related programs such as SNAP. These programs are designed to reduce benefits, either gradually or sharply, as a family's income increases—a process known as the program's "phase-out" rate.

Income Benefits

Social Security Disability Insurance (SSDI)

The SSDI program provides direct income for individuals with disabilities that have considerable work experience. To qualify, individuals typically need at least 10 years of work experience, with at least five of those years earned within the 10 years before the onset of disability (SSA).

If they are working, they must earn no more than $1,550 per month, which is known as the Substantial Gainful Activity (SGA) limit. Individuals exceeding this limit are generally ineligible for SSDI benefits. Lastly, eligibility is based solely on the recipient's earnings and is not dependent on other household earners.

The calculation of SSDI benefits is complex, as it depends on an individual's historical earnings. However, according to 2022 Social Security Administration estimates, the average monthly benefit in Massachusetts was $1,493. Additional payments, known as "family benefits", may be available for a spouse and dependents. Each additional family member may receive 50% of the recipient's SSDI amount, up to a family maximum of 150% of the recipient's benefit.

SSDI qualification also provides access to Medicare after a two-year waiting period. In the meantime, recipients commonly apply for MassHealth coverage. In this report, the value of Medicare is not modeled, as it is assumed that cliff effects are limited. According to the SSA, individuals who become ineligible for SSDI retain Medicare coverage for approximately 93 months (about 8 years).

Figure 1

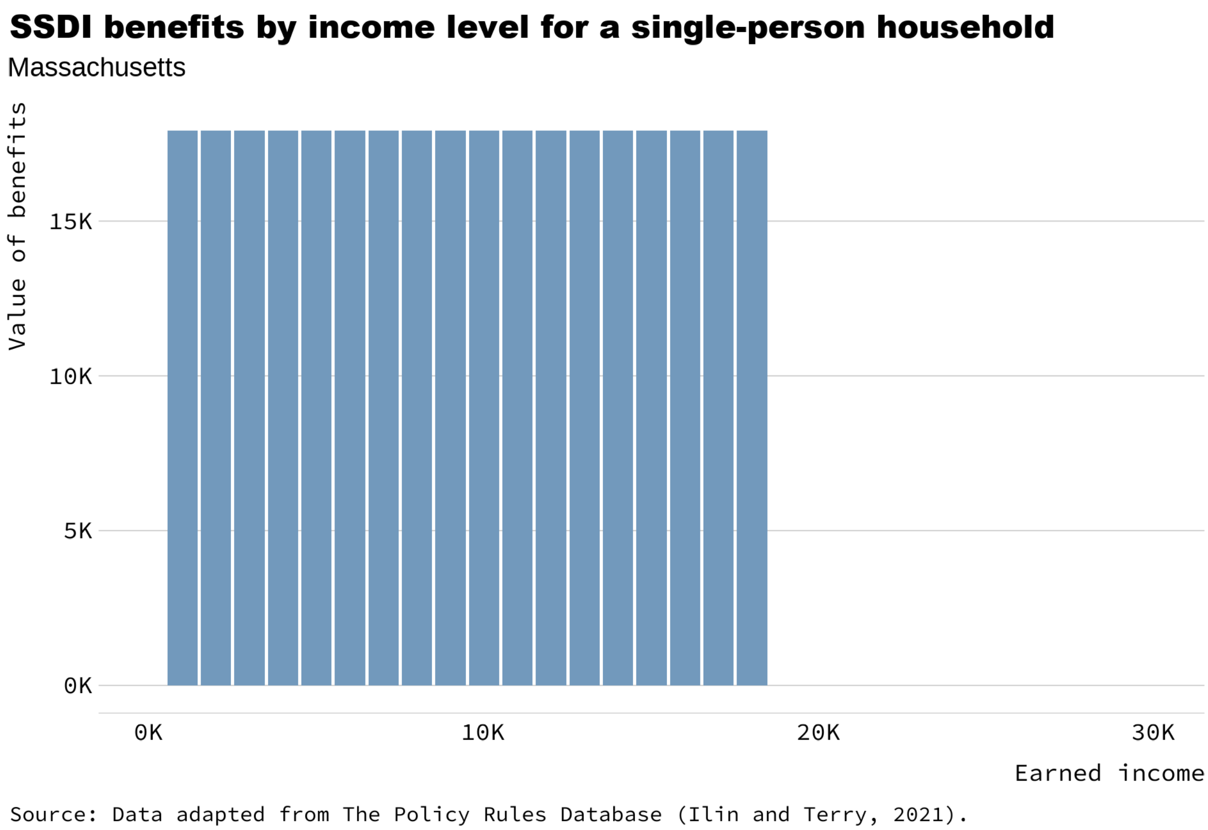


Figure 1 illustrates the phase-out behavior of the SSDI program. For a given level of annual earnings within the SSDI eligibility threshold of $18,600, the individual receives $17,916 in annual SSDI benefits. However, once the individual earns above the threshold, the entire SSDI benefit may be subject to termination. The severe phase-out design of the SSDI program is a key factor driving steep benefit cliffs, which will be analyzed later in the report.

Additional safety net provisions within SSDI may delay the complete drop in benefits, which is not fully captured in Figure 1. Individuals can exceed the monthly SGA limit for nine non-consecutive months within a five-year period while still receiving SSDI benefits, a provision known as the Trial Work Period (TWP). This arrangement can help an individual with disabilities test their comfort level in transitioning from part-time to full-time work without any risk of losing benefits.

Following the TWP, the individual enters a three-year Extended Period of Eligibility (EPE). During the EPE, benefits are suspended in any month earnings exceed the SGA. However, if earnings fall below the monthly SGA, benefits are paid out. A main benefit of this phase is that SSDI benefits are not entirely terminated, but merely suspended for the months in which they exceed the SGA, allowing for work flexibility. An individual's SSDI benefits are only fully terminated after the EPE if they continue to exceed the SGA amount. This termination may occur years later given the length and use of the TWP and EPE.

While the SSDI benefits phase-out is severe, the TWP and EPE help workers test returning to work without jeopardizing their benefits. Households may leverage this flexibility as an opportunity to experiment with increased work hours and pay.

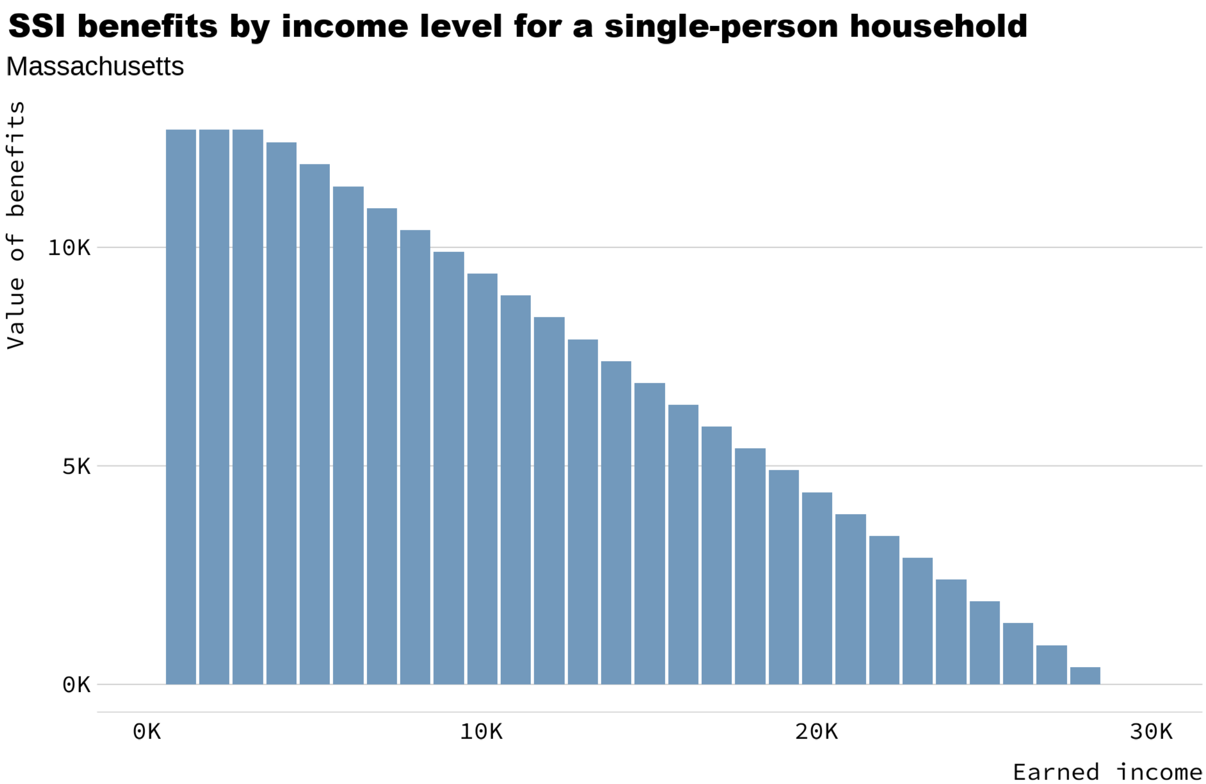
Supplemental Security Income (SSI)

The SSI program provides benefits to people with disabilities who have low income and limited work experience. As of 2024, SSI provides a maximum federal support of $11,316 annually ($943 per month) for an eligible individual. Eligibility for SSI also qualifies individuals for the State Supplemental Plan (SSP), which provides additional support to account for cost-of-living differences across states.

The maximum SSI award is reduced by countable income, which includes both earned income from work and unearned income, such as Social Security benefits, unemployment benefits, and pensions. However, certain benefits—like SNAP and Section 8 housing subsidies—are not considered countable income for SSI. As a result, when a household's countable income increases, the SSI benefit decreases.

Eligibility for SSI benefits also provides access to MassHealth coverage for the individual. However, this coverage does not extend to spouses or dependents, meaning each family member must qualify separately. Additionally, if a household's income becomes too high to receive SSI benefits, the individual can still retain MassHealth coverage, as long as their disability persists and their annual earnings remain under $45,000.

Figure 2



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

Figure 2 demonstrates how SSI benefits alone phase out as an individual earns new income. Roughly, SSI benefits decrease by 50 cents for each dollar earned. While this still represents a rapid loss of benefits, reduction occurs gradually. This gradual phase-out has significant implications on SSI-related benefit cliffs, as they are much less severe than those involving SSDI. However, because SSI is considered countable income for certain programs, such as Section 8 housing and SNAP, receiving it can lead to higher rent obligations or reduced SNAP benefits, contributing an additional financial burden on those receiving SSI.

Temporary Assistance for Families with Dependent Children (TAFDC)

TAFDC is the Massachusetts-administered version of the federal TANF (Temporary Assistance for Needy Families) program, providing cash assistance to households with dependents. Eligibility and benefits are determined based on countable income. To qualify, a household's countable income must first be below 200% of the Federal Poverty Level (FPL), referred to as the "Need Standard." Once eligibility is established, increases in countable income gradually reduce the TAFDC benefit until it reaches zero.

For example, the full monthly benefit for a family of two is $688 (MA DTA). If their monthly countable income is $200 after exclusions and deductions, the benefit is then reduced to $488. When countable income equals or exceeds $688, the family is no longer eligible for TAFDC benefits.

An individual receiving SSI is not eligible to receive TAFDC benefits as they are already receiving cash assistance (SSA). However, the dependent may still qualify on the household's behalf as long as the household income is under 200% of the FPL, which is the case for Scenario 3 later in the report. TAFDC also provides MassHealth coverage to qualifying family members.

Voucher Benefits

SNAP (Supplemental Nutrition Assistance Program)

SNAP provides funds to support a low-income household's food budget. Typically, households making less than 130% of the FPL in gross income are eligible for this program. Further, the benefit amount depends on countable income and household size. According to Massachusetts Department of Transitional Assistance guidelines in 2024, the monthly maximum SNAP amount was $291 for a single-person household and $535 for a two-person household.

Section 8 Housing

The housing voucher system distributes federal funds to Public Housing Agencies (PHAs) across Massachusetts, which then administer vouchers to eligible households. Due to limited funding, only a certain number of vouchers are available each year. To qualify for a housing subsidy, a household's income must be below 50% of the area's median income (HUD).

Families can choose housing that fits their needs, provided the unit is qualified under the Section 8 voucher program. Typically, families must pay at least 30% of their countable income toward rent and utilities, with the housing subsidy covering the remainder. The maximum subsidy is generally 90-110% of the area's Fair Market Rent. If an approved rent exceeds both the family's required contribution and the maximum subsidy, the family must pay the remaining difference. Since countable income includes SSI and SSDI, receiving these benefits increases the family's rent obligation, effectively reducing the net financial support provided by these disability programs.The model assumes rent and utilities total $1,272 for a one-bedroom unit and $1,727 for a two-bedroom unit for the average Massachusetts resident, based on 2022 Census estimates. It also assumes adults and children live in separate rooms, with up to two adults or two children per room.

Health Insurance

Medicare

SSDI recipients receive Medicare coverage following a 24-month waiting period. However, in the model, the value of Medicare benefits is not included in SSDI scenarios, as it's assumed that Medicare cliff effects are limited. According to the SSA, individuals who lose SSDI can retain Medicare coverage for up to 93 months after their SSDI benefits end, providing extended healthcare coverage during the transition period.

MassHealth

Enrolling in certain benefit programs may qualify individuals for MassHealth coverage. For example, SSI provides coverage for the individual, while TAFDC covers both the individual and family. Family members not covered must apply separately for MassHealth.

Childcare Assistance

Child Care and Development Fund (CCDF)

The CCDF program provides childcare subsidies to low-income families with parents who are either working or enrolled in an educational program. Eligibility is based on income relative to the state median, with lower-income families paying a reduced copayment. This model assumes that dependents are school-aged (5 to 12 years old), requiring part-time care during the school year and full-time care during the summer.

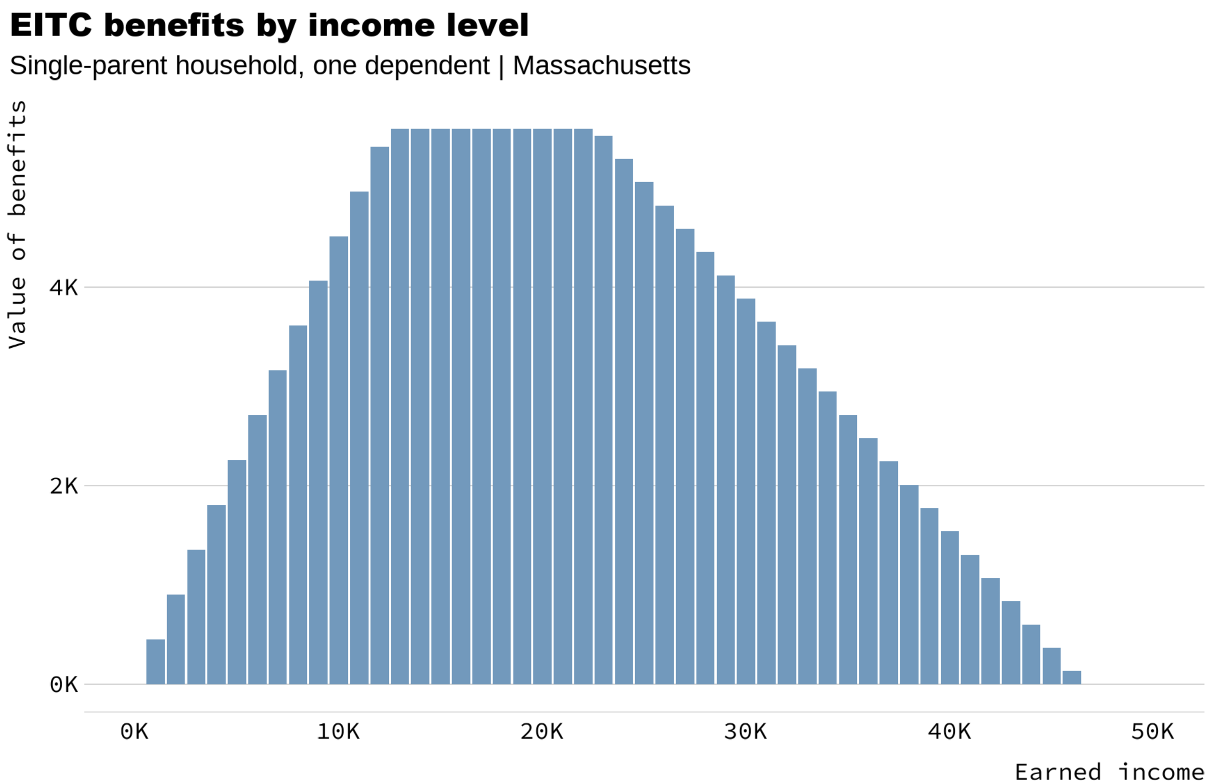
Tax Credits

Earned Income Tax Credit (EITC)

A common tax credit for lower-income individuals is the Earned Income Tax Credit (EITC). The EITC is a refundable tax credit. It can be applied to reduce the tax owed and if the credit exceeds the amount owed, the individual receives the difference as a refund.

For tax year 2023, a single individual with no dependents could receive up to $600 in federal EITC, plus an additional 40% from Massachusetts. The EITC is primarily aimed at families with children, offering $3,995 for one child and $6,604 for two, excluding any state adjustments.

Figure 3



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

In Figure 3, the EITC phase-out rate is examined for a single-parent household with one dependent, where the parent has the disability. The EITC program rewards families that are increasing their earned income. At low levels of annual earned income, the tax credit increases. For example, with $1,000 in earnings, the household receives about $420 in tax credits. If earnings rise to $25,000, the tax credit increases more than $5,000. As shown, EITC benefits begin to decrease after $24,000 in earnings.

Child Tax Credits

Child and Dependent Care Tax Credit (CDCTC)

The Child and Dependent Care Tax Credit (CDCTC) is a tax credit designed for individuals who are working or actively looking for work. The credit amount is based on expenses incurred for the care of dependents under the age of 13 while working or seeking employment, such as costs for daycare or after-school programs. The credit has a maximum of $3,000 for one dependent and $6,000 for two or more dependents (IRS).

Child Tax Credit (CTC)

The Child Tax Credit (CTC) benefits parents with dependents under the age of 17, offering a maximum tax credit of $2,000 per child, with $1,600 being refundable (IRS). The benefit begins to phase out when annual household income exceeds $200,000 for single households and $400,000 for two-parent households. While the CTC is not a significant contributor to cliff effects for low-income families, it remains an important benefit for families to be aware of.

Model Assumptions

The model uses the following parameters:

- Average SSDI benefits in Massachusetts: $1,493 per month (2022 SSA Annual Report, Table 16).
- Disability work expenses are assumed to be $100 per month for the average individual on SSI, based on estimates in the 2022 SSA SSI Annual Report. Disability-related work expenses may increase the SSI benefit by reducing countable income.
- The value of a Section 8 Housing Voucher is based on the local rent and utility expenses in an area. Based on the average Massachusetts resident, it is assumed that the rent including utilities is $1,272 for a one-bedroom unit and $1,727 for a two-bedroom unit (Census). Adults and children are assumed to live in separate rooms with a limit of two adults per room and two children per room.

It is also assumed that households:

- Remain below the countable assets limit for applicable programs.
- Do not have access to employer sponsored healthcare and have not purchased MassHealth CommonHealth coverage.
- Receive income only from work and benefit programs, excluding additional sources such as investments or child support.
- Utilize EITC, CTC, and CDCTC programs when applicable.
- Have school-aged dependents (ages 5–12) who require part-time childcare during the school year and full-time childcare during summers.

Scenarios

To select four common household scenarios with a prevalence of disability in Massachusetts, input was gathered from local organizations such as MassAbility and Work Without Limits. Each scenario assumes that the adult has a disability and is employed.

Scenario 1:

- **Single-person household with no dependents receiving SSDI benefits**
- Additional benefits: SNAP, Section 8 Housing, EITC
- Note: The value of Medicare is not included, as it is assumed that cliff effects would be minimal. The SSA indicates that individuals no longer eligible for SSDI will retain Medicare coverage for 93 months following ineligibility.

Scenario 2:

- **Single-person household with no dependents receiving SSI benefits**
- Additional benefits: MassHealth, SNAP, Section 8 Housing, Earned Income Tax Credit (EITC)

Scenario 3:

- **Single parent receiving SSI benefits with one dependent**
- Additional benefits: MassHealth, SNAP, Transitional Aid to Families with Dependent Children (TAFDC), Section 8 Housing, EITC, Child Care and Development Fund (CCDF), Child Tax Credit (CTC), Child and Dependent Care Tax Credit (CDCTC)
- Note: The household is assumed to receive TAFDC benefits based on the qualifying child, as SSI recipients are not eligible for TAFDC.

Scenario 4:

- **Single parent receiving SSDI benefits with one dependent**
- Additional benefits: MassHealth (child), SNAP, Section 8, EITC, CCDF, CTC, CDCTC
- Note: The value of Medicare for the adult on SSDI is excluded, as cliff effects are assumed to be minimal. It is also assumed that the child receives medical care through MassHealth. The household does not qualify for TAFDC due to exceeding the income limit.

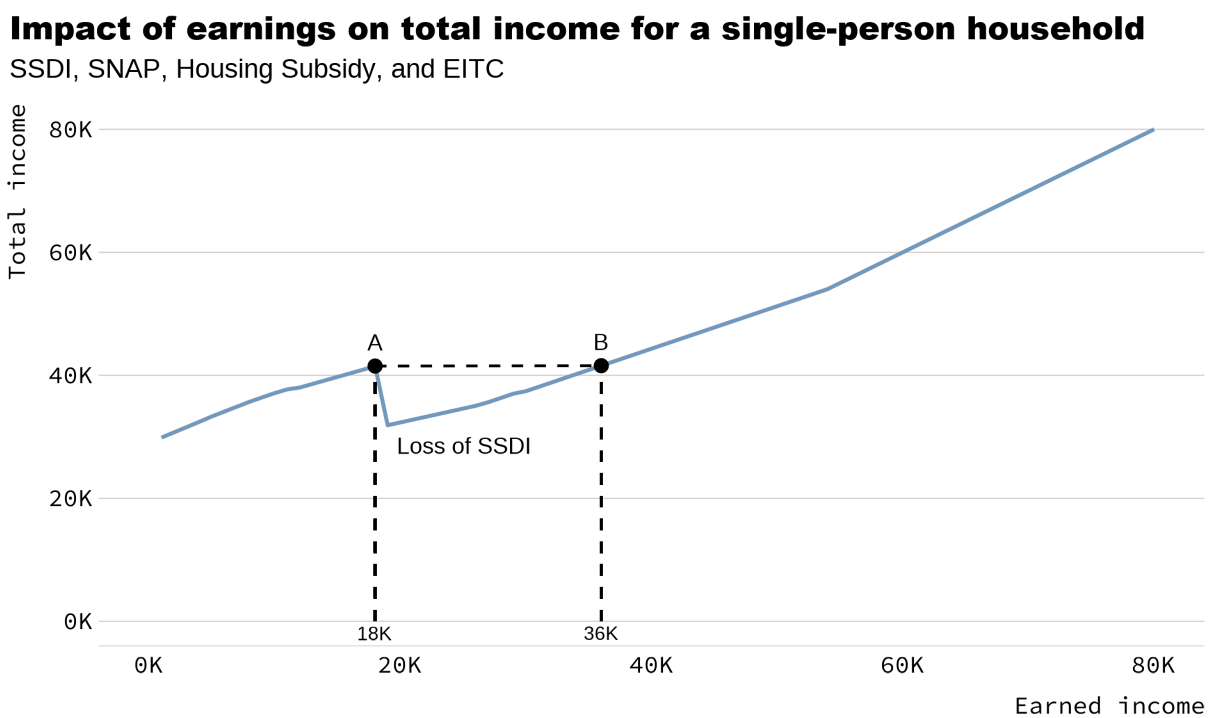
Benefit Cliff Scenarios

Scenario 1:

This scenario considers an individual with no dependents that is enrolled in SSDI, SNAP, Section 8 housing subsidies, and the EITC. According to MassAbility and Work Without Limits, single-person households with no dependents comprise the majority of clients with disabilities that they serve. An individual on SSDI has substantial work experience but has developed a disability that either prevents them from working or limits their ability to work.

This scenario explores the impact of the individual returning to work while still receiving benefits under varying levels of employment activity. The value of Medicare coverage is excluded from calculations given that the program's cliff effects are minimal. Individuals who lose SSDI eligibility will continue to receive Medicare coverage for 93 months.

Figure 4



Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Also, the value of Medicare coverage is not included as limited cliff effects are assumed. Per the SSA, individuals no longer eligible for SSDI will retain Medicare coverage for 93 months following the TWP.

An individual earning minimal annual earned income (e.g., $1,000 or less) would have a total income of roughly $30,000, with more than 90% coming from SSDI and housing subsidies. However, as the worker earns more, the collective phase-out rates continue, reducing the share of benefits and increasing the share of earned income relative to total income. By the time the worker earns $10,000, the share of their total income from SSDI and housing subsidies decreases to 70%.

The severe phase-out of SSDI affects the benefit cliff that occurs shortly following Point A, as shown in Figure 4. Point A represents the highest level of earned income before SSDI benefits are lost. At this point, the individual has a total income exceeding $41,000, with $18,000 from earnings and the rest from benefits. A $1,000 raise may trigger the SSDI cliff, pushing earned income past the threshold and reducing total income by nearly $10,000. The loss of total income is partially mitigated by increased housing subsidies and SNAP benefits due to the substantial reduction in countable income. However, the overall effect of this benefit cliff is that the individual is financially worse off despite earning more.

The benefit cliff creates an "income trough," a period between Point A and Point B where total income falls below pre-cliff levels. This means that, despite additional earnings, total income remains lower than before the cliff. To restore their total income to pre-cliff levels, the individual must earn an additional $18,000, bringing their earnings to $36,000 at Point B. The individual needs to earn more than the initial $10,000 loss because other benefits continue to decrease as earnings increase.

Since total income at Points A and B is the same, there is no financial incentive for individuals to increase their earnings between $18,000 and $36,000. This cliff can discourage individuals from moving from part-time to full-time work. For example, consider an individual working part-time at a minimum wage of $15 an hour, earning about $18,000 per year. If they switched to a 40-hour workweek at the same rate, their annual salary would increase to about $31,000. However, this amount is still lower than the pre-cliff income and insufficient to avoid the benefit cliff, leaving them worse off financially for pursuing full-time work. As a result, the SSDI benefit cliff strongly discourages people with disabilities from working full-time if they earn the minimum wage.

Table 1: Total income comparison

Location	Total income	Earnings share	Benefits share
Point A	$41,501	43.4%	56.6%
Point B	$41,559	86.6%	13.4%

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

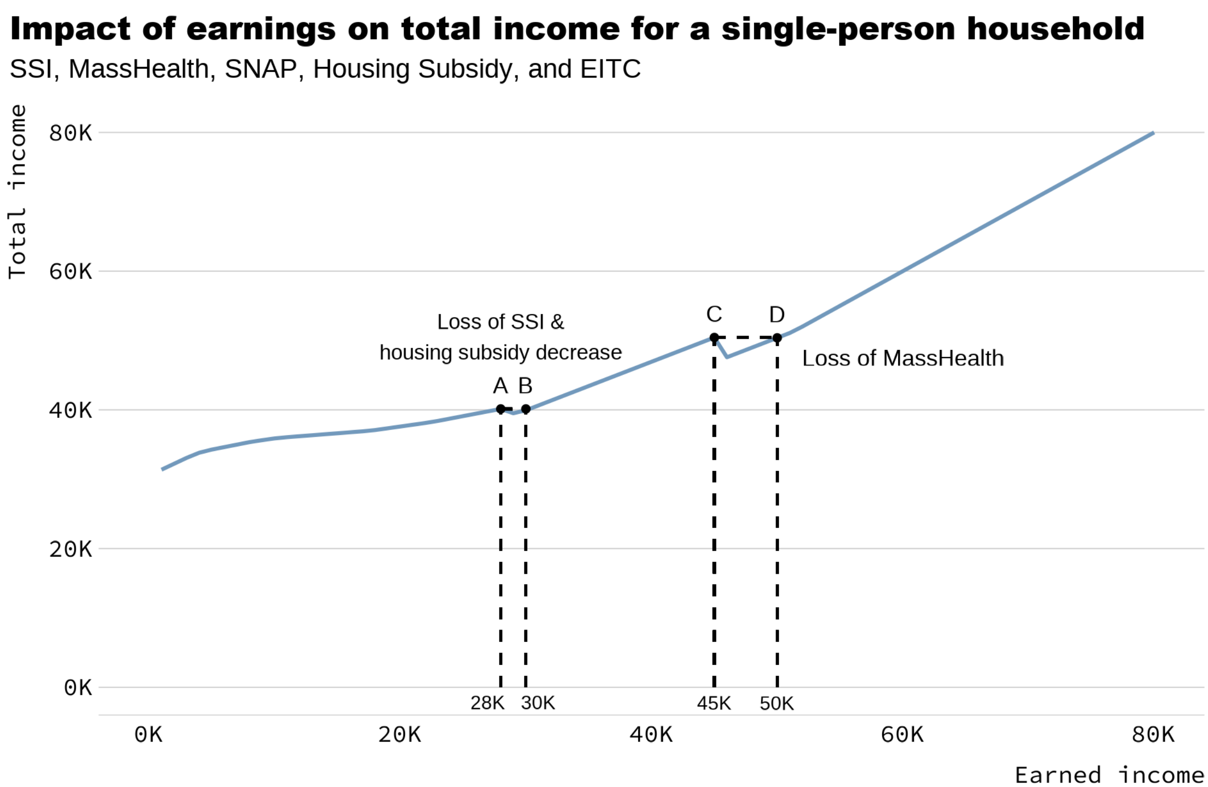
Table 1 illustrates the differences in total income composition at Point A, before the cliff and Point B, the point of recovery after the cliff. Although Points A and B offer nearly the same total income, Point A relies more heavily on benefits (56.6%) compared to Point B (13.4%). Point A may be more attractive to a worker, as they only need to work part-time to achieve the same total income as they would at Point B.

While individuals on SSDI may consider working part-time to avoid the cliff, they may also effectively navigate the cliff by earning more than $36,000 annually, either by pursuing better career opportunities or securing a higher pay rate. By reaching this level of earnings, individuals can be more confident that further income increases will not lead to a significant decrease in total income.

Scenario 2:

In contrast to the SSDI scenario, this situation involves an individual receiving SSI benefits. Eligibility for SSI also grants access to MassHealth coverage, which continues as long as the individual's disability persists, and their annual earnings remain below $45,000.

Figure 5



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

SSI has a considerable phase-out rate, where each new dollar earned results in a 50-cent reduction in benefits. However, SSI phases out gradually, resulting in a much less severe benefit cliff compared to SSDI. In Figure 5, new earnings shortly following Point A ($28,000 in earnings) result in a complete phase-out of SSI and a reduction in housing subsidies.

Table 2: SSI benefit share before and after the cliff

Annual earnings	% of maximum SSI benefit
$24,000	18.9%
$25,000	15.0%
$26,000	11.0%
$27,000	7.1%
$28,000	3.1%
$29,000	0.0%

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Maximum SSI benefit is estimated at $12,688 annually.

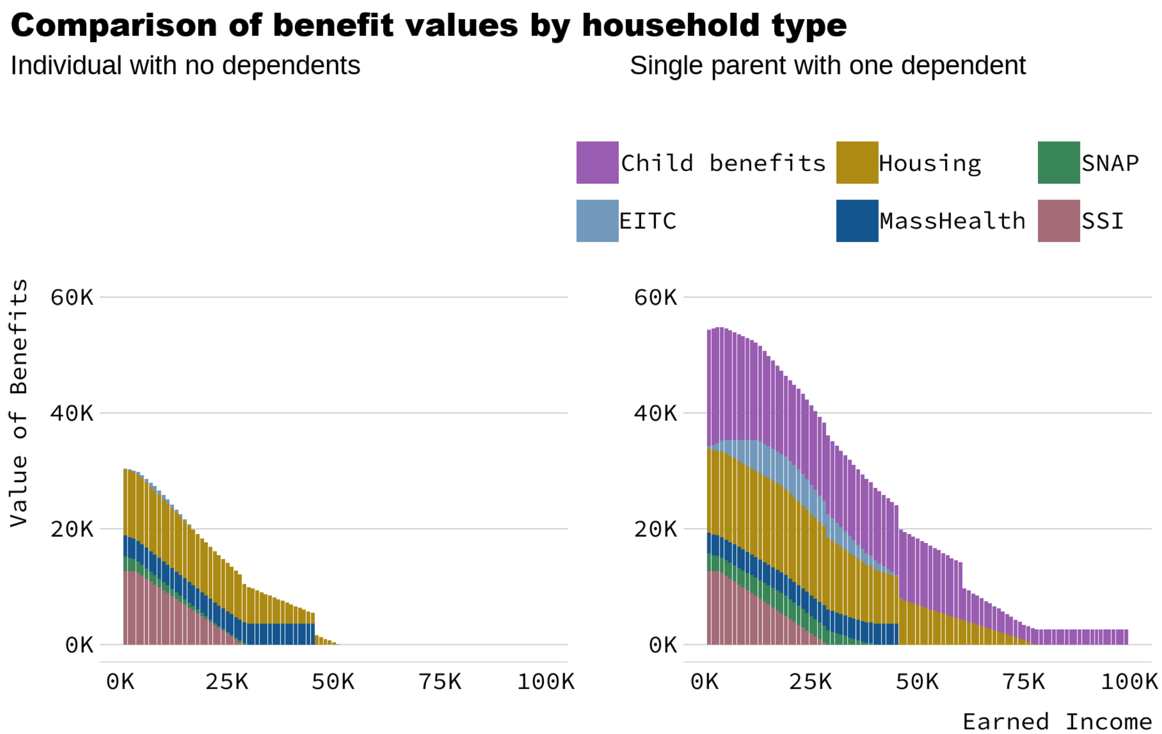
Since SSI payments decline gradually as earnings increase, the loss is minimal by the time SSI is fully phased out. As shown in Table 2, at $28,000 in annual earnings, the annual SSI benefit is only about 3% of the maximum amount. Therefore, the benefit cliff following Point A results in the loss of just 3% of the maximum SSI benefit. In fact, this benefit cliff is primarily driven by a decrease in housing subsidies rather than the loss of SSI. This suggests that SSI recipients may face fewer barriers to full-time work than SSDI recipients given the lower severity of benefit cliffs.

Figure 5 indicates that after Point C, the individual may face the loss of MassHealth coverage. However, they are likely to avoid this benefit cliff, as three-quarters of workers in Massachusetts earning $45,000 have access to employer-provided healthcare, which can mitigate the impact of this loss (2022 1-year Census ACS).

Scenario 3:

For households on SSI, having a dependent provides access to additional benefit programs such as Transitional Aid to Families with Dependent Children (TAFDC), Childcare and Development Fund (CCDF) subsidies, and tax credits like the Child and Dependent Care Tax Credit (CDCTC) and the Child Tax Credit (CTC). In addition, having dependents also may increase existing benefits and extend the phase-out period.

Figure 6



Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021).
Child-related benefits include MassHealth (child), TAFDC, CCDF, CTC, and CDCTC.

Figure 6 compares the benefits for a single household with no dependents to a single-parent household with one dependent. The difference in graph heights indicates that having a dependent significantly increases the value of benefits. This increase results from both enhanced existing benefits and access to child-related ones. In the household with dependents, child-related benefits, such as TAFDC, child tax credits, and child MassHealth coverage, make up a large share of total benefits. Additionally, programs for a household with no dependents fully phase out at roughly $50,000 in earnings, whereas some benefits for the household with a dependent are retained beyond that point.

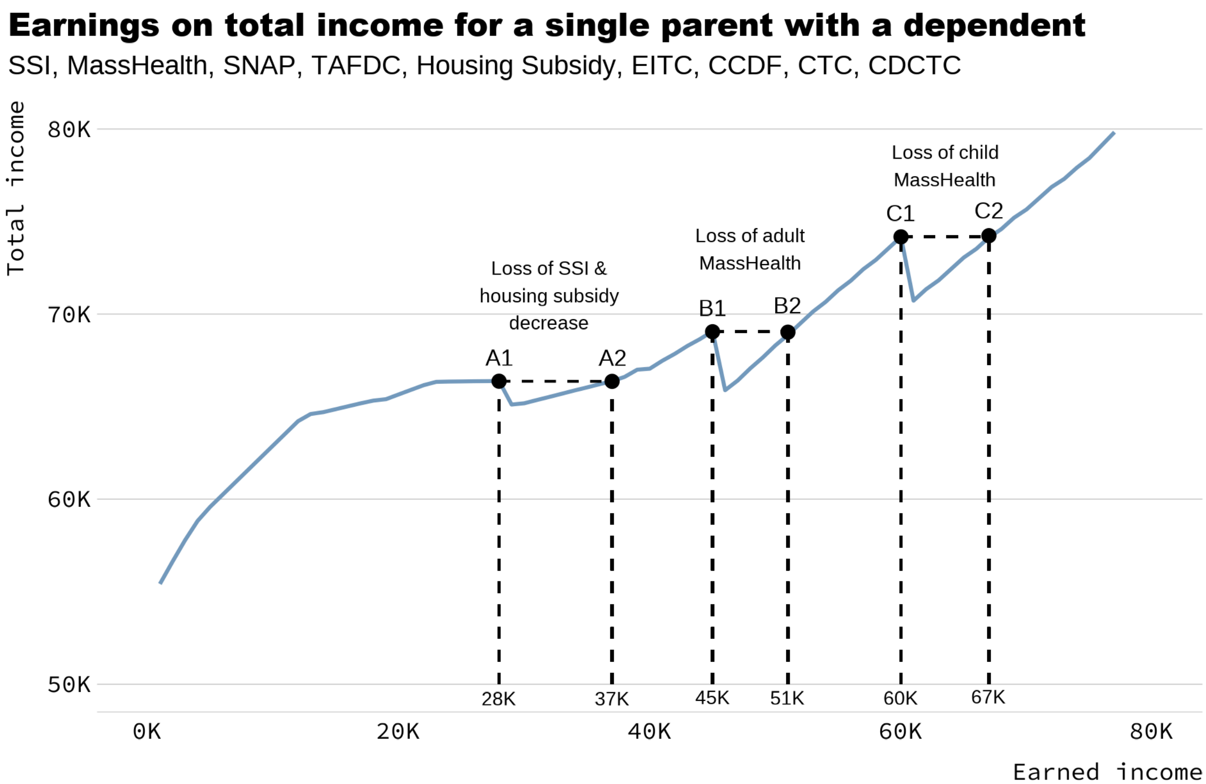
Table 3: Expanded Benefits for Households with Dependents

Program	Annual benefits (no dependents)	Annual benefits (one dependent)	Eligibility threshold (no dependents)	Eligibility threshold (one dependent)
Housing subsidy	$10,700	$14,900	$52,000	$78,000
SNAP	$1,400	$3,000	$30,000	$39,000
EITC	$800	$4,500	$18,000	$47,000

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Annual Benefits represent the value of benefits at $10,000 of annual earned income, rounded to the nearest hundred. The eligibility threshold estimates the earnings level at which an individual or household no longer qualifies for benefits.

Table 3 further highlights differences in increased benefits for certain programs when adding a dependent. With a dependent, the EITC increases substantially from roughly $800 to $4,500, while the eligibility threshold extends from $18,000 to $47,000 in annual earnings. Similarly, SNAP benefits roughly double, and the increase in housing subsidies reflects the need for a two-bedroom unit for a household with a dependent. While the increase of these benefits is important for supporting working families, an extended phase-out period is also critical in helping them plan long-term to replace benefits.

Figure 7



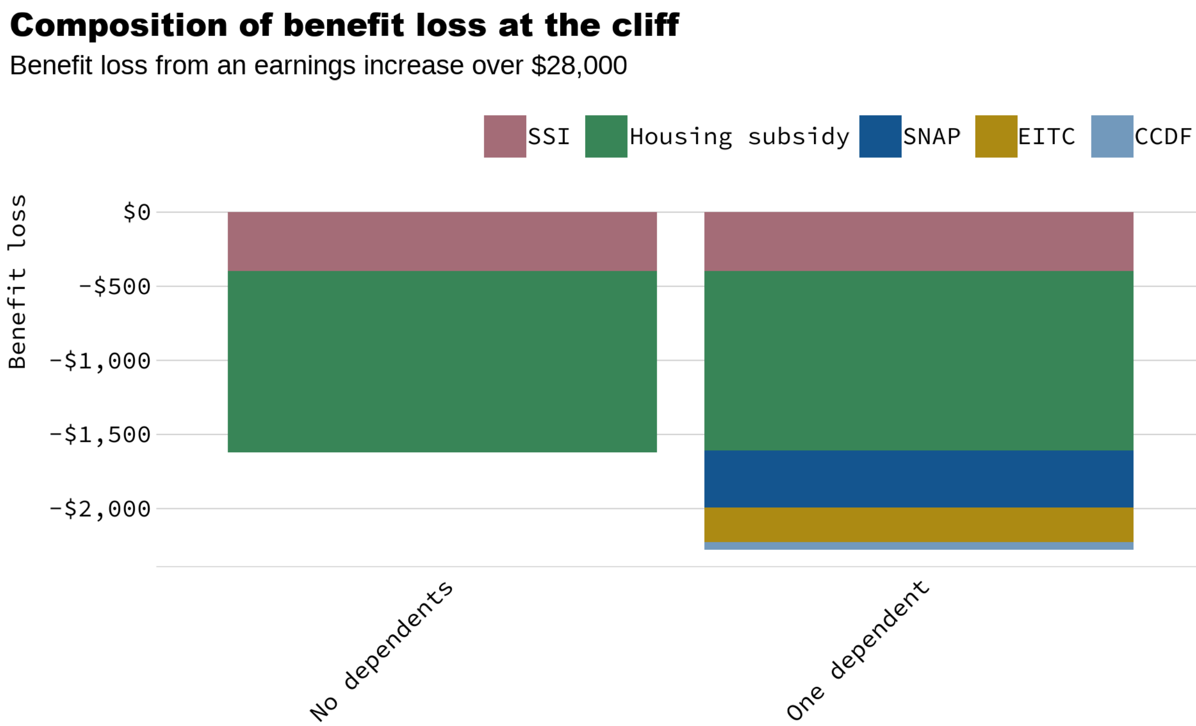
Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021).

Figure 7 illustrates how total income changes as earnings increase for a single parent on SSI with a dependent. From $24,000 to $28,000 in earned income, total income remains flat at $66,000. This occurs because the overall reduction in benefits offsets the increase in employment income. This creates a considerable disincentive, as earning an additional $4,000 leaves the worker no better off.

Further, Point A1 marks the highest earned income level before losing SSI benefits. Since SSI phases out with each dollar earned, its impact on the benefit cliff following Point A1 is minimal. Instead, the decrease in housing subsidies is the primary factor in the loss of total income. This benefit cliff creates an additional disincentive to increase wages between $28,000 and $37,000.

Other cliffs occur after Points B1 and C1, linked to the loss of MassHealth coverage for the adult and child, respectively. While these are concerning, a worker earning $45,000 or more annually often has access to employer-sponsored healthcare and may avoid these healthcare-related benefit cliffs.

Figure 8



Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021).
Benefit loss during the cliff following a $1,000 earnings increase from $28,000 to $29,000.

Figure 8 compares the benefit loss after $28,000 of earnings between households with no dependents and those with one dependent. The overall loss for the household with one dependent is roughly 40% higher than for the household with no dependents, as losses from SNAP, the EITC, and CCDF subsidies account for the difference. Therefore, while benefits increase with an additional dependent, the benefit loss is also greater at the cliff.

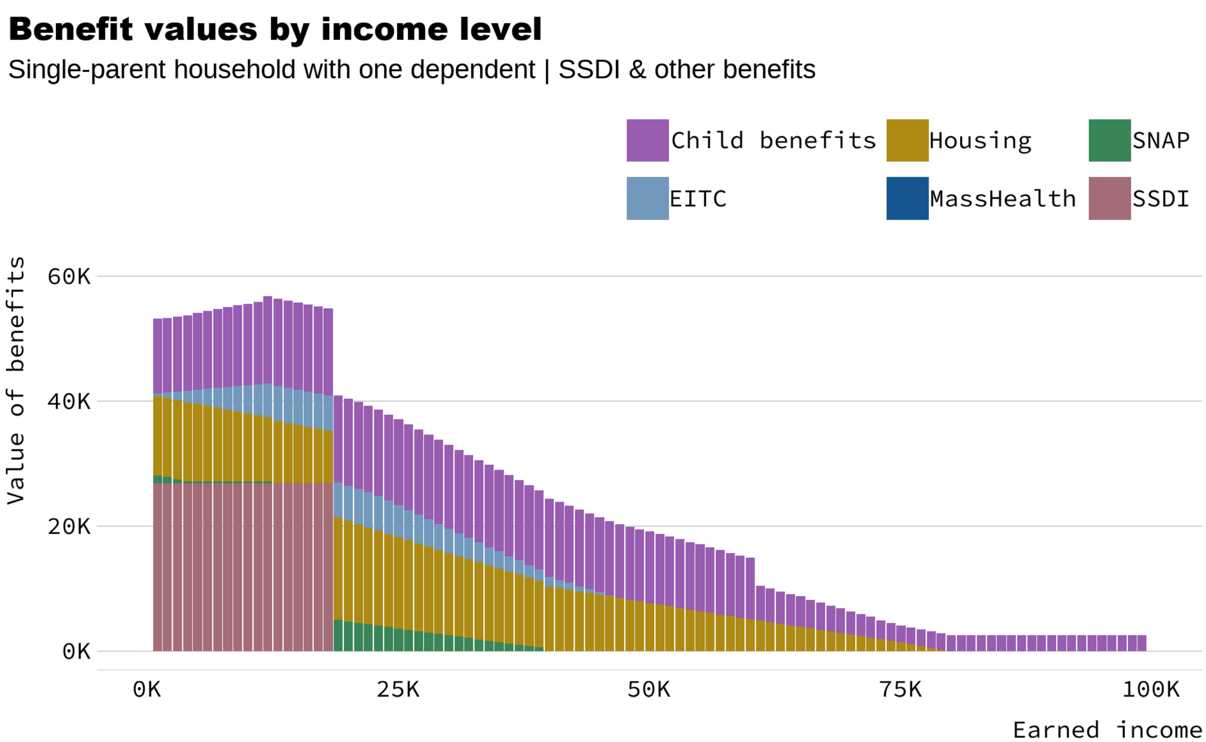
In both scenarios, SSI does not contribute significantly to the benefit cliff due to its gradual phase-out, as mentioned earlier. Since SSI benefits remain constant regardless of the number of dependents, the reduction in SSI benefits is the same in both scenarios. While the overall housing subsidy is higher for the household with one dependent, assuming a two-bedroom living arrangement, the benefit loss after the cliff is comparable between scenarios.

Scenario 4:

Single parents on SSDI with dependents experience a more severe benefit cliff due to increased benefits associated with having a dependent. A household with additional family members can receive increased SSDI benefits through "family benefits". These family benefits provide extra SSDI payments to support additional family members. Each additional family member may receive 50% of the individual's SSDI amount, with an approximate family maximum of 150% of the SSDI amount (SSA). Assuming an average SSDI payment of $1,493 per month, the household would receive an additional $747 for the child, totaling $2,240 per month or $26,874 per year.

For a single-parent household with one dependent, the adult receives SSDI and other benefits, excluding TAFDC due to the household's income being too high. The adult with a disability is assumed to be on Medicare, while the child, without disabilities, is covered by MassHealth. As noted earlier, the value of Medicare is not modeled, as its cliff effects are assumed to be minimal.

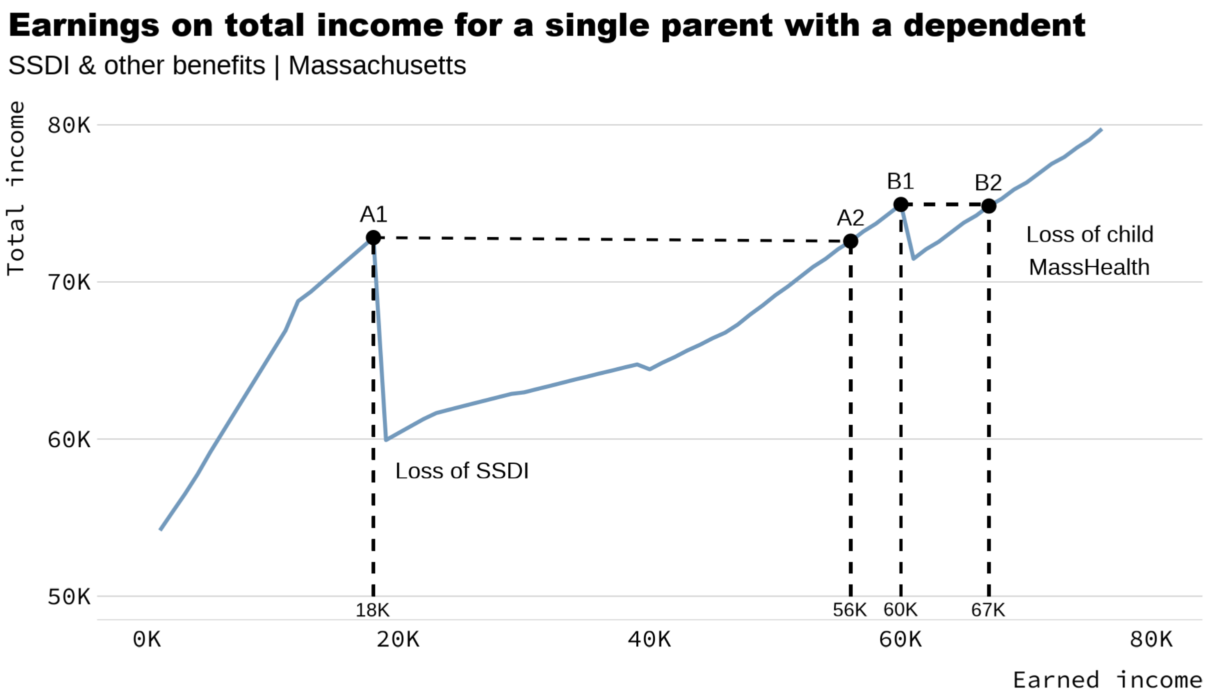
Figure 9



Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Child-related benefits include MassHealth (child), CCDF, CTC, and CDCTC. The value of Medicare for the adult on SSDI is excluded.

Figure 9 shows the composition of benefits for the parent on SSDI with a dependent. SSDI makes up the largest share, accounting for roughly half of total household benefits during the eligibility period. Although, SSDI benefits increase when additional family members are included, the income threshold for losing benefits remains the same. As a result, the impact of losing enhanced benefits can be more severe.

Figure 10



Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). SSDI and other benefits include MassHealth (child), SNAP, the Housing Subsidy, EITC, CCDF, CTC, and the CDCTC. It also does not include the value of Medicare for the adult on SSDI, as Medicare coverage continues for 93 months after SSDI eligibility ends, limiting potential cliff effects.

Figure 10 shows the impact of the loss of SSDI on the benefit cliff following Point A1. Earnings past Point A1 trigger the SSDI cliff, causing a total income loss of nearly $13,000. The loss is partially offset by increased housing subsidies and SNAP benefits due to lower countable income. As a result, the single-parent household with a dependent is as financially well-off at $18,000 in earnings as it is at $56,000, despite a $38,000 difference in earnings.

Unless the household can earn income excess of Point A2, there is a strong disincentive to increase earnings beyond $18,000. This has significant labor market implications, including the choice between part-time and full-time work. For comparison, Illin and Sanchez (2023) find a similar outcome for a hypothetical family on benefits in Washington, DC, where there is no financial gain from increasing earned income between $11,000 and $65,000, a $54,000 difference.

To illustrate the potential labor implications of the SSDI cliff, consider an adult on SSDI with a dependent working part-time at 20 hours per week, earning approximately $18,000 annually. At Point A1, this household receives a total annual income of $73,000 from benefits and earnings. If the adult works full-time at the same hourly rate, their earnings would increase to about $36,000, but their total income would drop to $64,000. In this scenario, the worker loses $9,000 in total income by doubling their work hours.

Further, a household that crosses the SSDI cliff is likely to have employer-sponsored healthcare to offset the loss of child MassHealth coverage after Point B1. According to 2022 1-Year ACS estimates, over 80% of workers earning $60,000 annually report having access to employer-sponsored healthcare.

Benefit Cliffs and the Labor Market

These scenarios have highlighted the complexity of labor market decisions faced by households with disabilities encountering large benefit cliffs. While workers not dependent on benefits can be confident that earning more is beneficial, those on disability benefit programs face uncertainty. This uncertainty may lead to an aversion to increasing work hours or pursuing wage gains, causing them to forgo opportunities for advancement.

The SSDI benefit cliff poses the largest hurdle for households, as earning more than $18,600 annually triggers a complete loss of SSDI benefits. While this loss may be partially offset by increases in other benefits like SNAP, the overall income loss is substantial especially for those with dependents. On the other hand, while SSI benefits phase out rapidly, they are typically not the primary drivers of benefit cliffs.

Although the impact can be mitigated by considering occupations and work hours that earn enough to avoid the cliff, these decisions may be limited by current skills, education, and personal obligations. These decisions can be challenging, but career planning with an understanding of benefit cliffs can lead to better labor market choices.

This section explores potential labor market options for households facing SSDI benefit cliffs in the context of Scenarios 1 and 3. Two cases are considered:

- 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.

Full-Time Work

A potential opportunity is to focus on individuals who were previously working full-time, experienced a disability that led to SSDI enrollment, and are now ready to return to full-time work. This approach may allow for an easier transition, as these workers likely possess the necessary skills and education to resume their previous occupations. However, these individuals are likely to face challenges navigating the SSDI benefit cliff when returning to work.

The following analysis uses 2022 5-year Census ACS estimates to identify the previous occupations of SSDI recipients who are out of work. Occupational history for these SSDI recipients is observed through ACS question 42, which asks about their most recent employment within the past five years. Social Security recipients under 60 were excluded, leaving only SSDI recipients.

Table 4: Most common occupations for Massachusetts workers on SSDI

Occupation	Full-Time Median Annual Earnings
Cashiers	$28,997
Retail salespersons	$46,395
Janitors and building cleaners	$41,819
Stockers and order fillers	$35,674
Customer service representatives	$50,621
Laborers and freight, stock, and material movers, hand	$39,904
Driver/sales workers and truck drivers	$52,116
Personal care aides	$35,571
Nursing assistants	$39,431
Waiters and waitresses	$31,242

Source: American Community Survey 2022 5-year sample. Highlighted rows indicate occupations that may not provide enough earnings to avoid the SSDI benefit cliff under Scenario 1. Full-time median annual earnings are based on the total working population.

Table 4 shows the most common previous occupations of SSDI recipients who are currently out of work. These occupations typically involve service-oriented, material handling, or transportation jobs, and are typically physically demanding. Based on Scenario 1, an individual earning $18,000 is financially comparable to one earning $36,000 because SSDI and other benefits fall as earnings increase. As a result, the goal for an SSDI recipient would be to return to an occupation that pays at least $36,000 annually on a full-time basis, as there are no further benefit cliffs beyond this earnings level, ensuring that any additional income reliably increases their total income.

Common occupations, such as retail salespersons, janitors and building cleaners, and customer service representatives, provide enough income to avoid the effects of the SSDI benefit cliff in Scenario 1. However, other occupations—such as cashiers, stockers and order fillers, personal care aides, and waiters and waitresses—may not provide sufficient earnings to avoid the cliff. If SSDI recipients returned to full-time work in these lower-paying roles, they could end up in an income trough, where their total income is lower than before the cliff. This situation could demotivate full-time workers in these roles and incentivize them to reduce their hours to a level below the cliff, allowing them to maintain a higher benefits-to-earnings ratio. According to 2022 5-year ACS estimates, nearly a third of SSDI recipients worked in occupations where median earnings ranged between $18,000 and $36,000, indicating that many SSDI recipients returning to full-time work may fall into the income trough.

In Scenario 3, the SSDI benefit cliff is more severe due to the increased benefits associated with having a dependent. As noted earlier, a household with $18,000 in annual earnings is as well off as one earning $56,000, meaning the household requires at least $56,000 in total income to effectively navigate the cliff. In this case, returning to any of the common occupations listed in Table 4 would result in falling into an income trough, as all full-time median annual earnings are below $56,000. Moreover, over three-fourths of SSDI recipients worked in occupations where the median earnings were between $18,000 and $56,000, underscoring an even stronger disincentive to work full-time with a dependent (2022 5-year ACS).

Part-Time Work

Over one-third of people with disabilities work part-time, compared to less than one-quarter of those without disabilities (2022 5-Year ACS estimates). Several factors may contribute to this preference for part-time over full-time work, including flexibility in managing medical appointments, limited workplace accommodations, and concerns about losing benefits. However, working fewer hours may make it more difficult to effectively navigate the SSDI cliff.

Table 5: Common part-time jobs in Massachusetts

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. Part-time median annual earnings are based on the total working population.

Table 5 lists the most common part-time jobs in Massachusetts. For an SSDI recipient interested in part-time work, it is likely that taking a common part-time job would not trigger the SSDI benefit cliff, as most median annual earnings fall below the SSDI eligibility threshold of $18,600. In fact, nearly two-thirds of part-time workers in Massachusetts earn less than this amount, suggesting that many part-time workers with disabilities may not encounter the SSDI benefit cliff (2022 5-Year ACS estimates).

While a part-time worker may retain SSDI benefits, their total income could still fall short of a sustainable standard of living. For example, if an individual works part-time as a retail salesperson, earning around $11,000 annually, their total income, including SSDI benefits as outlined in Scenario 1, would be less than $40,000. According to the MIT Living Wage Calculator, an average of $58,000 is required to cover basic expenses in Massachusetts, such as food, housing, and transportation. Without additional income sources, the individual may struggle to make ends meet.

Table 6: Common part-time jobs with median earnings exceeding $36,000 in Massachusetts

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. Top part-time jobs exceeding $36,000 in annual earnings.

Table 6 identifies the most common part-time occupations with annual earnings over $36,000. While these jobs provide enough income to avoid the SSDI benefit cliff for individuals without dependents, they usually require higher education and extensive training. Fewer than 10% of all part-time jobs offer earnings above $36,000, suggesting that it may be especially challenging to work part-time and still avoid the SSDI benefit cliff (2022 5-Year ACS estimates).

Navigating the SSDI benefit system in pursuit of a higher standard of living presents significant challenges. Full-time work is generally a more effective strategy for avoiding benefit cliffs due to its higher earnings potential. However, many SSDI recipients returning to full-time work may encounter income troughs, especially those with dependents. This can create a strong incentive to work fewer hours and maintain pre-cliff earnings to maximize benefits. While part-time work offers flexibility and may help mitigate the loss of benefits, it often limits opportunities for continuously improving one's standard of living. Despite these challenges, collaborating with workforce development professionals to create career paths that take benefit cliffs into account, as well as exploring options for additional education or specialized training, may yield better labor outcomes.

Conclusion

Individuals with disabilities in Massachusetts face various challenges in the state's labor market, one of which is the difficulty of navigating benefit programs. For example, SSDI has been shown to be the main driver of severe benefit cliffs experienced by individuals with disabilities, particularly those with dependents. The abrupt loss of SSDI benefits often requires a lengthy recovery period to return to pre-cliff income levels, which can discourage individuals from pursuing full-time work, especially if their past earnings were below the benefit cliff threshold. In contrast, an individual on SSI may experience a less severe benefit due to the gradual phase-out of benefits. This gradual phase-out may allow SSI recipients increase earned income without experiencing a dramatic drop in total income.

This analysis reveals the complex and often discouraging landscape faced by SSDI beneficiaries in Massachusetts seeking to re-enter the workforce. The presence of steep benefit cliffs, particularly for those with dependents, creates significant financial disincentives to pursue full-time employment. Many common occupations, even when performed full-time, fail to provide sufficient earnings to offset the loss of SSDI benefits and other supports, leading to potential income troughs. This situation can discourage work effort and trap individuals in a cycle of financial insecurity.

While part-time work may seem like a solution to mitigate benefit loss, it often results in incomes falling below a sustainable living wage. Furthermore, opportunities for higher-paying part-time work that could help individuals navigate the benefit cliff are limited and often require specialized skills and training not readily available to many SSDI beneficiaries.

Additionally, this analysis highlights the urgent need for a multifaceted approach to support SSDI beneficiaries in Massachusetts who aspire to re-enter the workforce. Benefit cliffs pose a significant barrier to economic self-sufficiency, although the state has little ability to impact the design of these programs. Yet, there are still opportunities for the state to influence the support people with disabilities can access to develop new skills and navigate the complexities of the benefits cliff. Addressing this issue requires a combination of policy interventions, targeted programs, and a shift in perspective towards work and disability.

- **Investing in Training:** The analysis shows that many SSDI beneficiaries may require substantial upskilling or retraining to access higher-paying jobs, likely requiring increased state investment in vocational rehabilitation programs. These programs should be closely aligned with in-demand occupations that offer wages sufficient to navigate the benefit cliff.

- **Rethinking Part-Time Work:** The current landscape of low-paying, limited part-time opportunities hinders those seeking meaningful employment. Yet, part-time work may be the best option for many workers to engage in the labor force and maximize their income. The state should explore strategies to incentivize employers to offer more diverse and meaningful part-time positions which would benefit people with disabilities. Promoting flexible work arrangements, such as compressed workweeks and telecommuting, can further expand accessible part-time options for individuals with disabilities. Additionally, the state might want to consider whether there are policies which have an unintended impact on reducing part-time employment, potentially limiting opportunities for people with disabilities.
- **Exploring Alternative Work Arrangements:** While the focus of policy is often on wage and salary employment, the rise of the gig economy has expanded alternative work arrangements, presenting other options for individuals with disabilities. In particular, gig economy work can provide people with disabilities greater control over their work intensity and earnings, making it easier navigate the benefit cliff. Additionally, the gig economy's emphasis on remote work can offer a unique advantage to people with a disability who face challenges related to commuting or physical limitations. Limited research suggests that people with work limitations are already more likely to engage in "self-directed" work like gig work than the overall population. More research is needed to understand the types of gig work suitable for this population and to identify potential barriers to participation. Targeted supports—such as providing access to technology, training, and assistance with business development—could complement existing career services and help individuals navigate the complexities of the gig economy and maximize their earning potential.

To address these issues, workforce development organizations must collaborate with people with disabilities to create career plans that account for when benefit cliffs are likely to occur. This is a challenging task, as households may be enrolled in multiple benefit programs, each with its own eligibility criteria, conditions, and rules on how earned income affects benefits. However, with a better understanding of when and how severe these benefit cliffs are, an appropriate strategy, such as pursuing part-time or full-time work, becomes more apparent.

Ultimately, dismantling the financial disincentives created by benefit cliffs will require federal policy change, but until that happens the state should continue to explore opportunities to expand opportunities and foster an inclusive workforce where individuals with disabilities can thrive. By investing in training, reimagining part-time work, and exploring new and emerging work arrangements, Massachusetts can pave the way for a more equitable and supportive environment for people with disabilities to achieve their employment goals and improve their economic well-being.

Appendix

Figure 1 SSDI benefits by income level for a single-person household

Earned income	Benefit income
$0 - $18,600	$17,916
Greater than $18,600	$0

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

Figure 2 SSI benefits by income level for a single-person household

Earned income	Benefit income
$1,000	$12,689
$10,000	$9,399
$20,000	$4,399
$30,000	$0

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

Figure 3 EITC benefits by income level for a single-parent household with one dependent

Earned income	Benefit income
$1,000	$451
$10,000	$4,514
$20,000	$5,593
$30,000	$3,885
$40,000	$1,539
$50,000	$0

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

Figure 4 Scenario 1: Single-person household on SSDI

Earned income	Benefit income	Total income	Description
$18,000	$23,501	$41,501	Total income before SSDI cliff (Point A)
$19,000	$12,876	$31,876	SSDI cliff reduces total income (trough minimum)
$36,000	$5,559	$41,559	Recovery phase, returning to pre-cliff income (Point B)

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSDI, SNAP, housing subsidies, and the EITC.

Figure 5 Scenario 2: Single-person household on SSI

Earned income	Benefit income	Total income	Description
$28,000	$12,134	$40,134	Total income before SSI-related cliff (Point A)
$29,000	$10,511	$39,511	SSI-related cliff reduces total income (trough minimum)
$30,000	$9,935	$39,935	Recovery phase, returning to pre-cliff income (Point B)
$45,000	$5,435	$50,435	Total income before MassHealth cliff (Point C)
$46,000	$1,584	$47,584	MassHealth cliff reduces total income (trough minimum)
$50,000	$384	$50,384	Recovery phase, returning to pre-cliff income (Point D)

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSI, MassHealth, SNAP, housing subsidies, and the EITC.

Figure 6 Comparison of benefit values by household type

Earned income	Benefit income (no dependents)	Benefit income (one dependent)
$1,000	$30,373	$54,418
$25,000	$14,097	$41,362
$50,000	$384	$18,307
$75,000	$0	$3,429
$100,000	$0	$2,600

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSI, MassHealth, SNAP, housing subsidies, EITC, TAFDC, CCDF, CTC, and CDCTC.

Figure 7 Scenario 3: SSI for a single-parent household with one dependent

Earned income	Benefit income	Total income	Description
$28,000	$38,383	$66,383	Total income before SSI-related cliff (Point A1)
$29,000	$36,111	$65,111	SSI-related cliff reduces total income (trough minimum)
$37,000	$29,374	$66,374	Recovery phase, returning to pre-cliff income (Point A2)
$45,000	$24,073	$69,073	Total income before MassHealth (adult) cliff (Point B1)
$46,000	$19,887	$65,887	MassHealth (adult) cliff reduces total income (trough minimum)
$51,000	$17,874	$68,874	Recovery phase, returning to pre-cliff income (Point B2)
$60,000	$14,173	$74,173	Total income before MassHealth (child) cliff (Point C1)
$61,000	$9,724	$70,724	MassHealth (child) cliff reduces total income (trough minimum)
$67,000	$7,137	$74,137	Recovery phase, returning to pre-cliff income (Point C2)

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSI, MassHealth, SNAP, TAFDC, housing subsidies, EITC, CCDF, CTC, and CDCTC.

Figure 8 Composition of benefit loss at the cliff

Programs	Benefit loss (no dependents)	Benefit loss (one dependent)
SSI	-$399	-$399
Housing subsidy	-$1,224	-$1,208
SNAP	$0	-$384
EITC	$0	-$234
CCDF	$0	-$54
Total	-$1,623	-$2,278

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Benefit loss during the cliff following a $1,000 earnings increase from $28,000 to $29,000.

Figure 9 SSDI benefit values by income Level for a single-parent household with one dependent

Earned income	Benefit income
$1,000	$53,185
$25,000	$37,069
$50,000	$19,156
$75,000	$4,053
$100,000	$2,600

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSDI, MassHealth, SNAP, housing subsidies, EITC, CCDF, CTC, and CDCTC. The value of Medicare for the adult on SSDI is excluded.

Figure 10 Scenario 4: SSDI for a single-parent household with one dependent

Earned income	Benefit income	Total income	Description
$18,000	$54,823	$72,823	Total income before SSDI cliff (Point A1)
$19,000	$40,936	$59,936	SSDI cliff reduces total income (trough minimum)
$56,000	$16,595	$72,595	Recovery phase, returning to pre-cliff income (Point A2)
$60,000	$14,932	$74,932	Total income before MassHealth (child) cliff (Point B1)
$61,000	$10,474	$71,474	MassHealth (child) cliff reduces total income (trough minimum)
$67,000	$7,833	$74,833	Recovery phase, returning to pre-cliff income (Point B2)

Source: Data adapted from The Policy Rules Database (Ilin and Terry, 2021). Programs include SSDI, MassHealth, SNAP, housing subsidies, EITC, CCDF, CTC, and CDCTC. The value of Medicare for the adult on SSDI is excluded.