

## **Understanding Participation in SSI**

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The increasing financial pressure on the Social Security program strongly suggests that important changes will be implemented in the not too distant future. Discussions of potential changes frequently include increases in the normal retirement age and changes to the Consumer Price Index – both of which will reduce benefits. These benefit reductions are likely to have significant implications for the well-being of low-income elderly who depend heavily on Social Security.

The primary public support program for low-income elderly is the Supplemental Security Income Program (SSI). SSI provides a guaranteed income for the elderly, blind, and disabled. As such, it provides an important backstop against the potentially negative effects of changes in Social Security and a ready mechanism to offset reductions in Social Security for the poorest Americans. However, despite the goals of the program, many of those elderly who are eligible for benefits from SSI do not enroll. Numerous studies have consistently found participation rates at approximately 50-60 percent (Menefee et al. 1981, Warlick 1982, McGarry 1996), rates that are evident even 20 years after the program's inception (McGarry 2002). Understanding this low level of participation is likely to be increasingly important if Social Security benefits fall in real terms and more individuals face income below the SSI guarantees.

In this project, we re-examine participation in SSI, drawing on the rich data in the *Health and Retirement Study* (HRS). We examine participation over an extended period of time, during which there were both significant economic and social changes. We also look at support and potential support from children to assess whether family transfers provide a supplement or alternative to public assistance.

## **Data**

The first step in our analysis is determining who in our sample is eligible for benefits. To do so, we mimic the SSI eligibility parameters and compare both countable income to the income guarantees. Our data come from the HRS. The first cohort of HRS respondents was interviewed in 1992 when they were approximately 51-61 years old – too young to qualify for SSI benefits as an elderly individual. We therefore draw on data from the 1998 wave of the survey, when additional cohorts were added to the study population and the original sample was old enough that some qualified for benefits, through the 2010 wave. Because income guarantees can rise above the federal guarantees in some states, eligibility depends on the state in which the

individual lives. However, if we wish to consider the possibility that an individual can relocate, perhaps to be closer to children or grandchildren, the state benefit itself might be less important.

Our analysis therefore begins with an analysis based on the federal level, and then extends it to include income guarantees specific to the individual's state of residence.<sup>1</sup> In each case we examine only participation among the elderly, ignoring those entitled to benefits at younger ages due to disability, although we do document the fraction that appears to have been receiving benefits prior to age 65.

We calculate eligibility as the federal/state itself would, including all necessary income exclusions, adjusting for an ineligible spouse or for living in the household of another, when necessary. We also impose the asset test, again taking into account the exclusion of a home, a car valued at less than \$4,500, and life insurance less than \$1,500.<sup>2</sup> All those with non-zero expected benefits and with assets below the relevant maximum (\$2,000 for a single person and \$3,000 for a couple) are considered eligible for benefits.

Despite the detailed measures of income and assets, our determination of eligibility is unlikely to be perfect. In addition to the typical errors in the reporting of income, the income measures in the HRS refer to various periods of time, adding another source of error in eligibility. With respect to income from employment, respondents are asked to report earnings during the last calendar year. In contrast, for many of the types of income that are typically received monthly (such as Social Security and SSI), respondents are asked to report the amount received in the last month. For income from assets, such as rental property or other business income, the window of time is left to the respondent. Thus, even with error-free reporting, we could observe individuals who are receiving SSI benefits who do not appear to be eligible based on earnings received in the previous year. However, because the incomes of the elderly are likely to be less variable than those of the working-age population, we do not expect this issue to be of substantial importance, but we do acknowledge the potential for both type I and type II errors.

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<sup>1</sup> We also note that access to the state identifiers is restricted, so the analysis at the federal level may be more useful for comparison to others beginning such a project.

<sup>2</sup> Up to \$4,500 of value for a car needed for work or for transportation to medical appointments is excluded from assets. We assume all those 65 or older can justify the need for a car along one of these lines. Burial plots, household furnishing, and tools needed for employment are also excluded. The HRS does not collect this information and we make no adjustments along these lines.

We undertake our analysis for the survey years 1998 to 2010. Here we report single year results for 2010. The full paper will contain results for multiple years of data. To date we have completed the analysis on the federal level for each of the survey years and are working on the state-level benefits for some years. Results reported here are thus preliminary and incomplete.

## **Analysis**

The fraction of eligible households who enroll in SSI is surprisingly similar across waves. In 1998, the first year used in our analysis, 58 percent of those whom we deem eligible based on the federal limits report the receipt of SSI benefits. This number is slightly higher than the roughly 54 percent found in previous research and based on both the SIPP and AHEAD surveys. Such a result is not surprising as our sample excludes those who are ineligible for benefits from the federal program but who qualify for benefits under programs in their home states. Because their benefits are lower, on average, their participation rate is likely to be lower.

When looking at factors that are associated with participation in a regression context, we are again able to replicate those observed early on. The greater the benefit to which the household is entitled (and correspondingly, the lower their non-SSI income) the greater the likelihood that they enroll. Individuals in poor health are also more likely to enroll. Married individuals, those with more years of education, and those who own a home are less likely to enroll as are those who reported positive earnings in the previous year.

In moving to the more novel covariates in our analysis, we find that the income of children has an effect on enrollment. There is no effect on participation for having children or for the number of children or number of daughters. However, conditional on having children, those who have received financial help from children are significantly less likely to enroll.

## **Conclusion**

The Social Security program has done much to improve the well-being of the elderly as the sharply falling poverty rates for the elderly throughout the 1960s and 1970s attest. However, there remains a subset of elderly with incomes below the poverty line; and many of these individuals are not enrolled in the SSI program. Here we begin to examine the relationship between family and public assistance. While we find some evidence of substitution between

sources of assistance, it is small. We are currently augmenting our study with additional years of data and a more complete accounting of state benefits.

## References

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