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Understanding Participation in SSI

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Increasing financial pressure on the Social Security program 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 can provide 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 to 60 percent, rates that persist even 20 years after the program's inception. 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.

Here we examine participation in SSI using 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 to determine who in our sample is eligible for benefits by implementing the federal benefit formula. We calculate eligibility as the Social Security Administration itself would, including all necessary income exclusions, when necessary adjusting for an ineligible spouse or for living in the household of another. We also impose the asset test, again taking into account the exclusion of a home, a car valued at less than $4,500 needed for transportation to work or medical appointments (we assume all those 65 or older

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can justify the need for a car along one of these lines), burial plots, household furnishings, tools needed for employment, and life insurance less than $1,500. The HRS does not collect this information and we make no adjustments along these lines. 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. We undertake our analysis for the survey years 1998 to 2008.

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 analysis is done using the federal benefit formulas and as such excludes those who are ineligible for benefits from the federal program but who qualify for benefits under programs in their home states. Because those who are entitled to state benefits, but not federal benefits, will be eligible for smaller amounts, on average, and because benefit amounts have been shown to be positively related to participation, we would expect the omitted individuals to have lower participation rates and to bring down the average were they included.

When looking at factors associated with participation in a regression context we are again able to replicate previous results. 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, 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.

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