



# The Impact of Work and Savings Disincentives on Low-Wage Workers: Evidence from a Nationally-Representative Survey

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# Background

- **~100 million people in the U.S.—and more than a quarter of working-age adults—receiving public benefits (Macartney & Ghertner, 2023)**
- **These workers may benefit from earning or saving more money, but the structure of some public benefit programs actively discourages work/savings**
  - High effective marginal tax rates on each additional dollar earned or saved lead to “disincentive deserts” (Gray et al., 2020; Han, 2019; Richardson & Blizard, 2022)
    - Extreme case is a benefits “cliff”, where minor wage gains can lead to catastrophic benefit losses (Roll & East, 2014; Despard, 2022)
  - Asset limits create strong disincentives to save even small amounts (Hurst & Ziliak, 2006; Gruber et al., 1999)

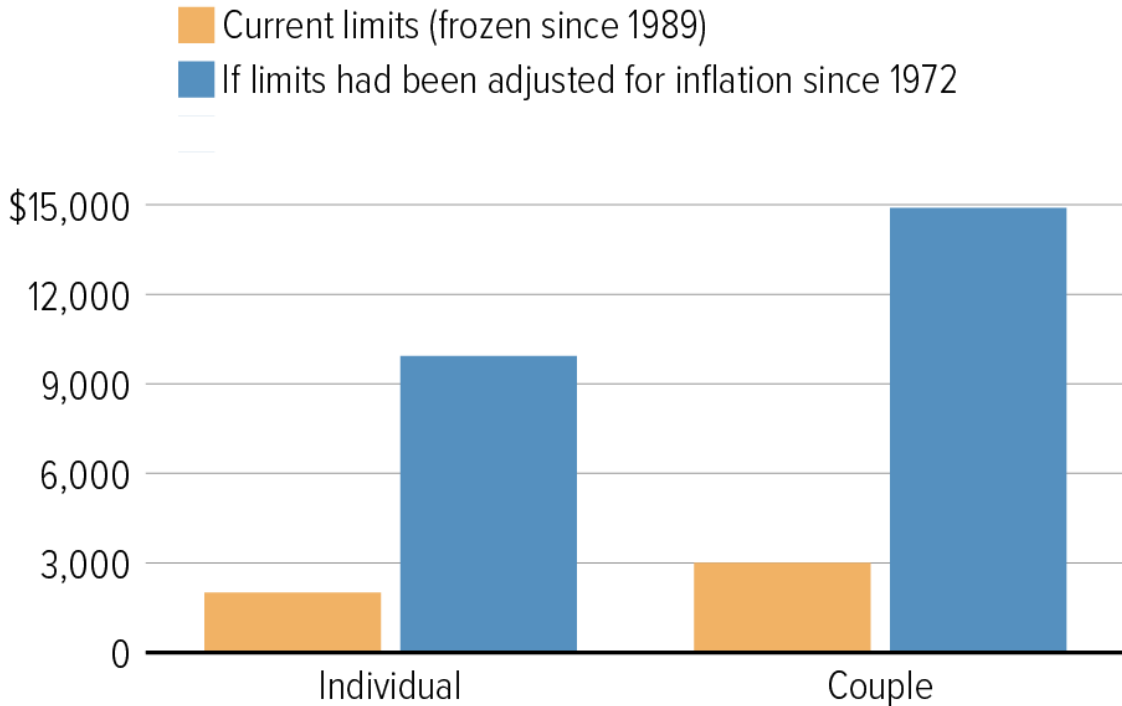


- **Researchers and policymakers are aware of these issues, but their full scope is unknown**
  - Estimates of how many households are affected by benefits cliffs and asset limits vary widely
  - Research tends to be qualitative (e.g., O'Brien, 2008), simulation-based (e.g., Richardson & Blizard, 2022), or focused on a single public benefit program (e.g., Roll & East, 2014)



# Limits, Cliffs, and Deserts

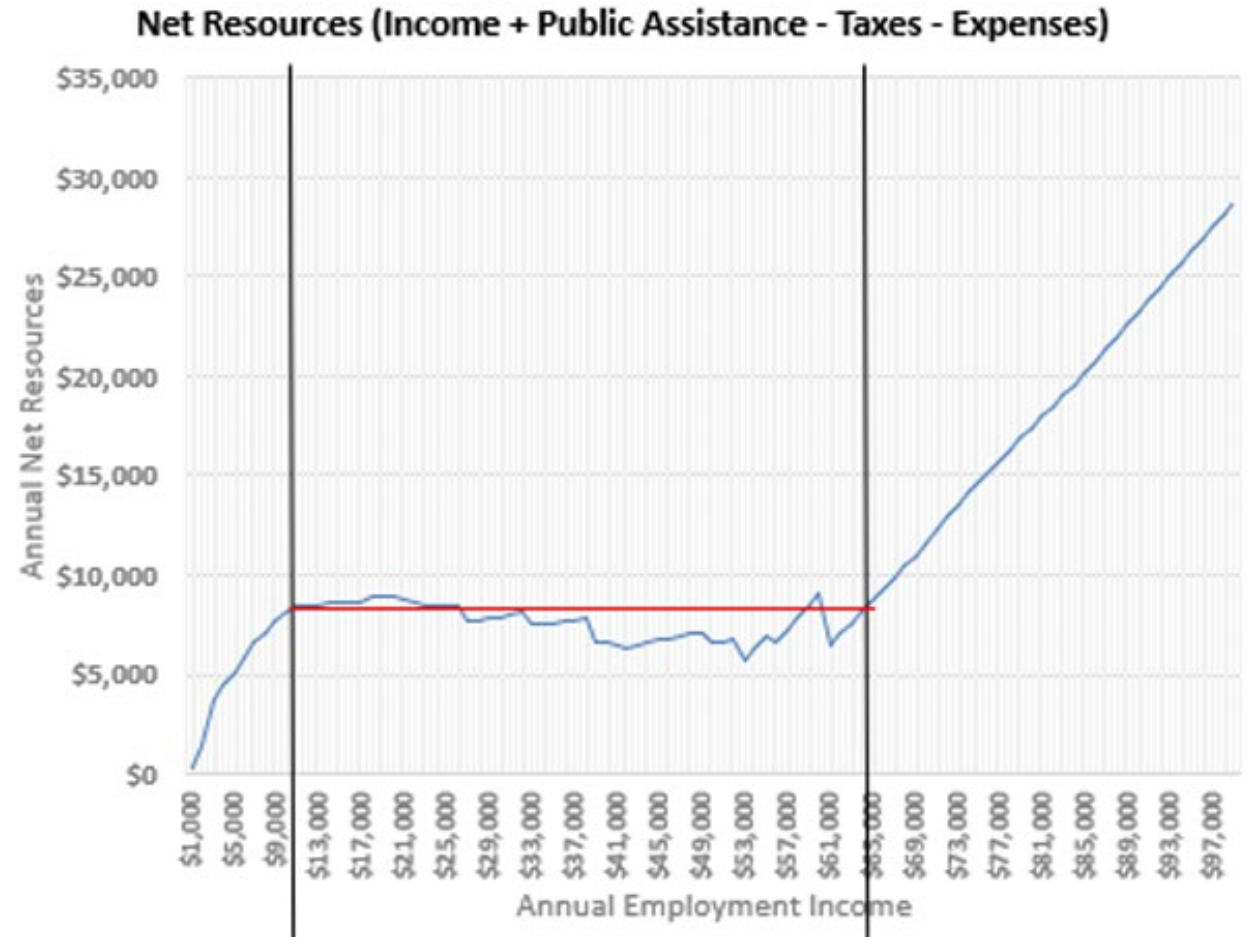
## Supplemental Security Income's Asset Limits Are Outdated



Source: CBPP calculations of Social Security Administration, Bureau of Labor Statistics, and Congressional Budget Office data.

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## Benefits Cliffs in DC for a Hypothetical Family: Single Adult with One Child (Aged Three)



Source: Ilin & Sanchez (2023)



# Study Motivation

- **The two primary pathways out of poverty are earning more or saving more, but the structure of the public benefits system potentially prevents millions of people from doing either**
- **Our study aims to identify the scope, costs, and impacts of work and savings disincentives for low-wage workers in the U.S.**
  - Incidence of disincentive responses
  - Self-reported costs of forgone labor
  - Sociodemographic predictors of disincentive responses



# Data and Sample

- **Study data comes from the Workforce Economic Inclusion and Mobility Survey**
  - Nationally-representative and drawn from a probability-based panel administered by NORC/Amerispeak
  - Sample: U.S. workers over the age of 18 and under 250% of the federal poverty line
  - Administered online and over the phone, in English and Spanish
  - Longitudinal, three-wave survey administered every six months (these results are from Waves 1 and 3)
  - Funded by JPMC Foundation, Prudential Foundation, and Annie E. Casey Foundation



# Measuring Work and Savings Disincentives

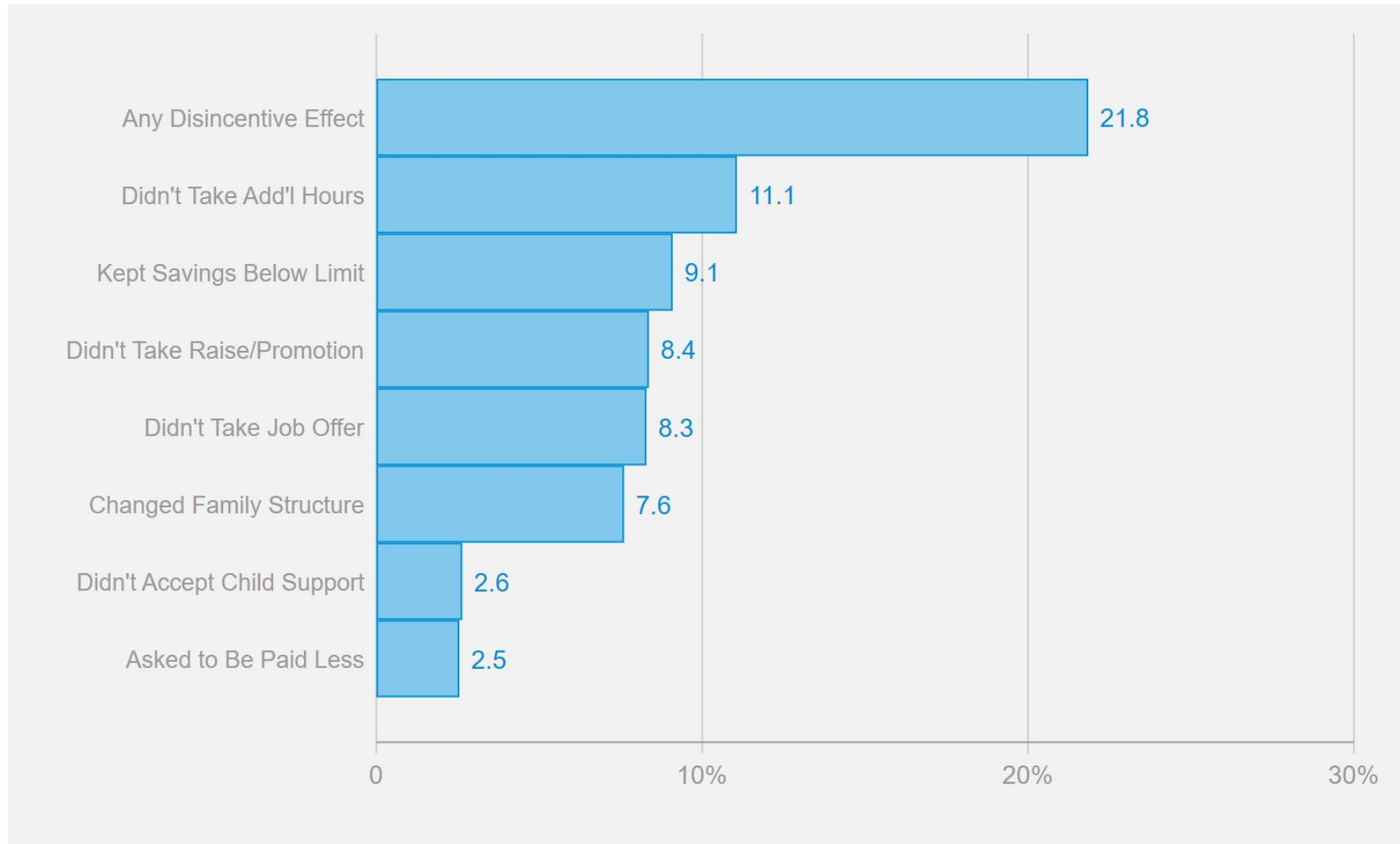
- **If survey respondents reported enrollment in any of 11 public benefits programs, they were asked if they engaged in any of the following behaviors to maintain eligibility (modification of Roll & East, 2014):**
  - Turning down raises or promotions
  - Turning down job offers
  - Turning down extra work hours
  - Requesting lower pay
  - Keeping their savings below a certain limit
  - Changing their family structure, including avoiding marriage
  - Declining child support payments
- **Supplement: If workers reported engaging in certain behaviors, they were asked follow-up Qs about the costs of those behaviors**
  - Lost work hours, lost wages, etc.



# Results



# More than a fifth of low-wage workers on benefits experienced at least one work or savings disincentive effect

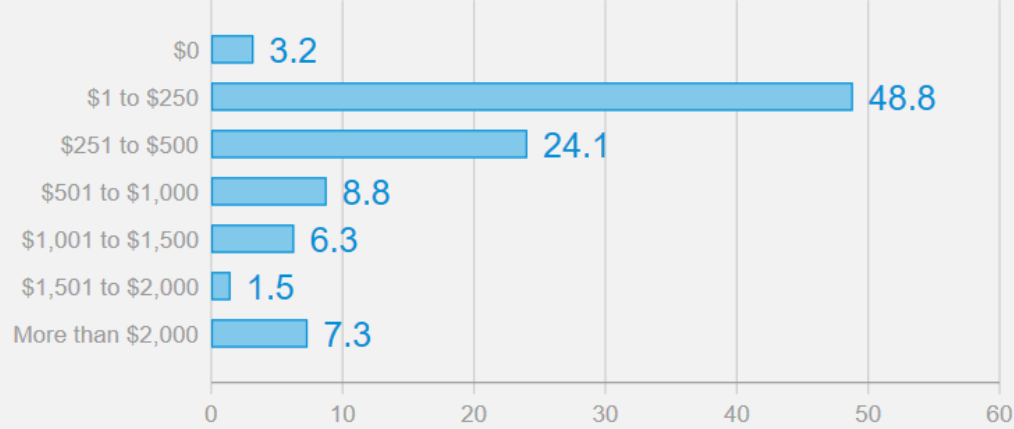


N = 1,169 participating in any public program

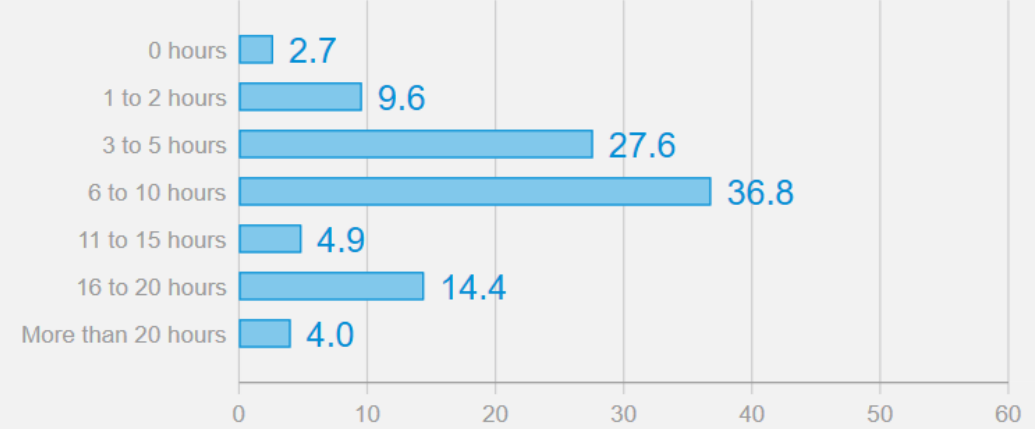


# Workers affected by disincentives report hundreds of hours of lost labor, and thousands of dollars in lost wages, each year

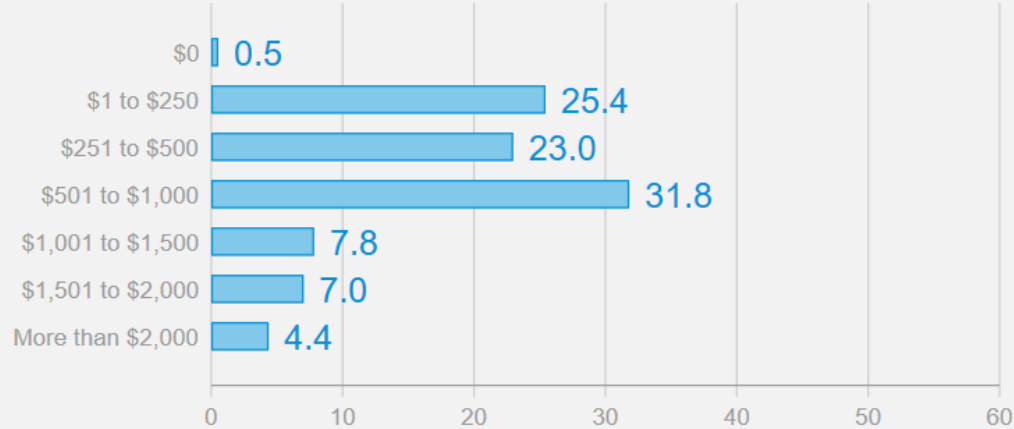
Monthly earnings foregone for not taking a raise [n=56]



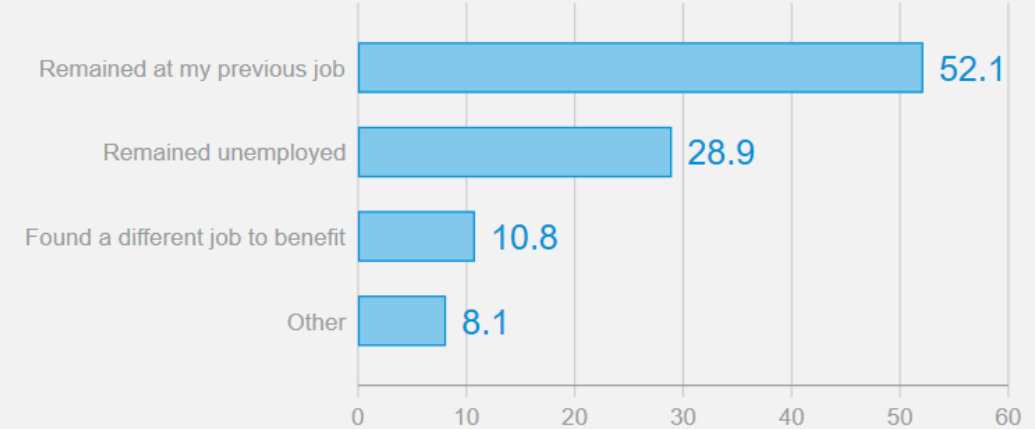
Weekly hours turned down for benefits [n=81]



Monthly earnings foregone for not taking additional hours [n=80]

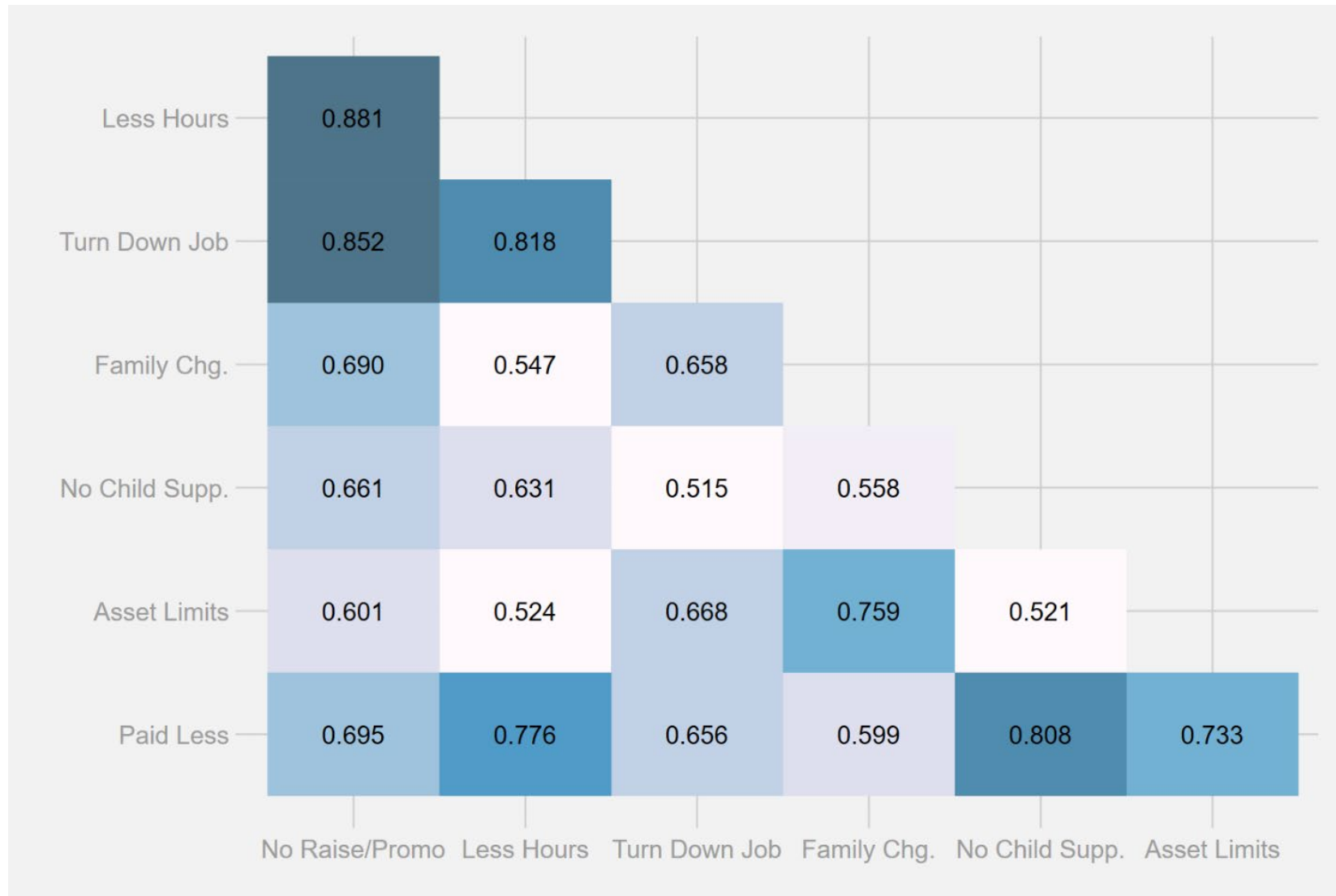


Actions taken after declining job for benefits [n=45]





# Correlations between disincentive responses were strong





# Predictors of work/savings disincensive responses

## Very low income



## State of Residence



## Disability in the Household

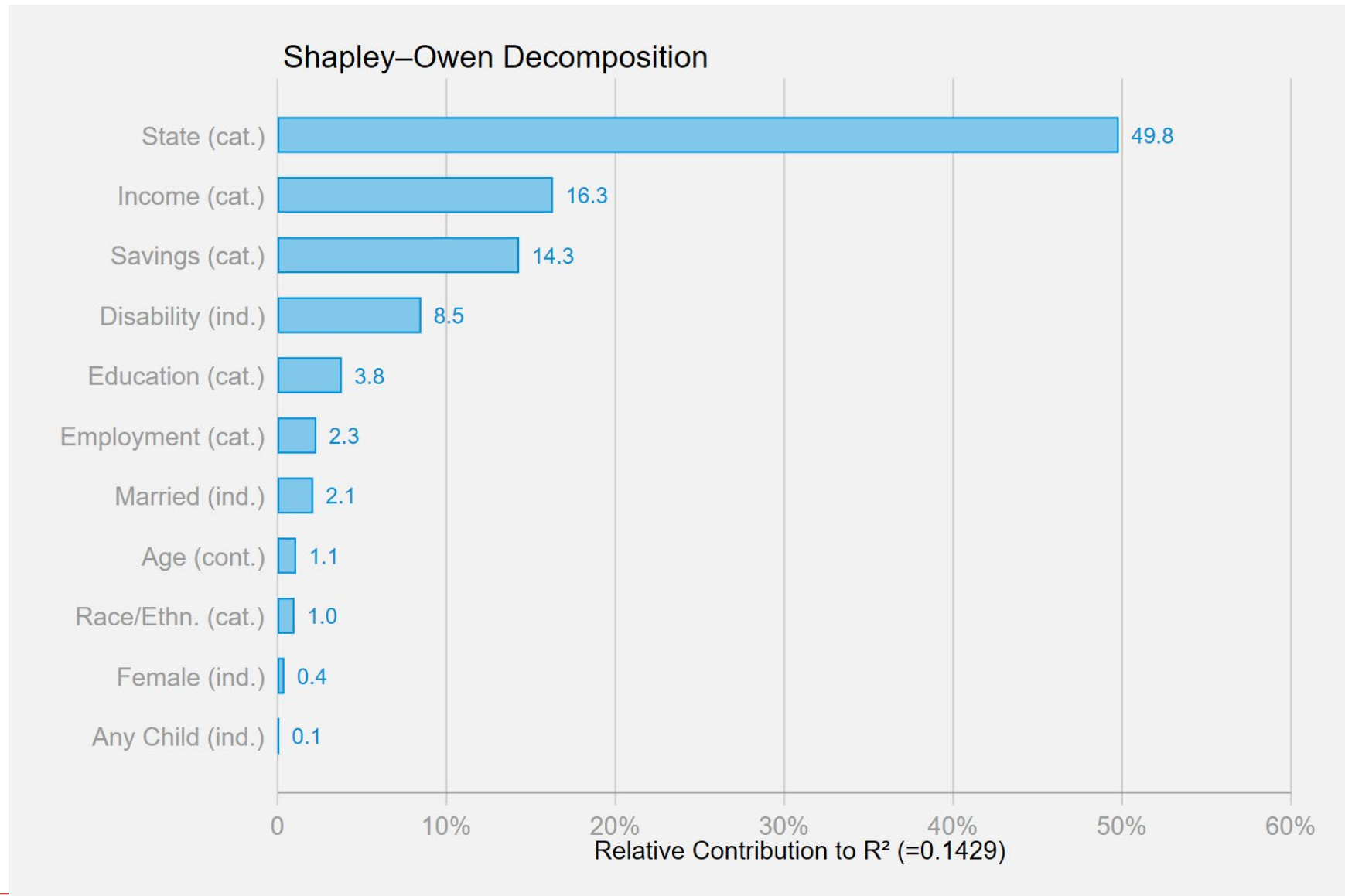


## Higher Savings





# Half of variation in disincentive responses explained by state of residence, with the remainder largely explained by income, savings, and ability status





# Summary

- **Many low-wage workers experience benefits cliffs and asset limits that hinder economic mobility**
  - ~10% of low-wage workers and 22% of those on benefits experienced at least one work or savings disincentive response
  - Multiple responses were common, likely magnifying economic distortions
- **These effects are costly, resulting in workers losing substantial amounts of income, and work hours**
  - This is not just harmful for the worker, but for employers and communities
- **State of residence is a major predictor of disincentive responses, implying strong role for state policy reform in addressing this issue**



- **Addressing these issues is one of the few areas of bipartisan interest in social policy**
- **Moving forward, our research agenda will focus on:**
  - SSI's asset limit: Using transaction data to identify risks to SSI recipients; estimating administrative costs associated with asset limit compliance
  - Linking work and savings disincentives to broader measures of administrative burden in public programs
  - Estimating the relationship between work/savings disincentives and measures of household well-being



Thank you!

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