SSDI Work Eligibility Criteria and the Labor Market

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In 2016 36% of Social Security Disability Insurance (SSDI) applicants were denied benefits because of nonmedical reasons (technical denials) (SSA 2018). Among these reasons are insufficient overall and recent work history. This is because to be considered eligible for SSDI individuals must have accumulated a total of 40 work credits in their lifetime, and at least 20 work credits in the last 10 years.[1] Despite the importance of these requirements, little is known about how they interact with the labor market. In this project, I plan on asking two questions. First, how do labor market shocks affect SSDI eligibility and subsequent applications and awards? Second, how do these eligibility requirements affect SSDI and Supplemental Security Income (SSI) applications and awards, and subsequent labor outcomes?

While recent work has analyzed how the Great Receession affected SSDI program participation (Maestas et al, 2018), it mainly analyzed the short-term effects of labor market shocks (up to 14 months) mainly capturing how the availability of jobs affects decisions to apply for the program. However, if labor market shocks lead to long-term unemployment, they may affect individuals' work history and SSDI insurance rates years beyond the shock. I thus plan to use local projection methods (Jorda, 2005; Zidar, forthcoming) and data from the Master Beneficiary Record (MBR) from the Social Security Administration (SSA) to analyze how state unemployment rates affect SSDI outcomes up to 10 years after. More specifically, I will study work history eligibility, applications, and awards, and what types of workers are most affected.

Second, while prior work has studied the labor market effects of SSDI receipt, this work generally measures local average treatment effects (LATE) on specific types of individuals, such as those with marginal disabilities or with higher incomes (Maestas et al, 2013; Gelber et al, 2017). No research instead has analyzed the consequences of work history eligibility for SSDI, which affects a substantial number of individuals but who are less connected to the labor market. I plan on using a regression discontinuity design and SSA data from the MBR, the Supplemental Security Record (SSR), the Master Earnings File (MEF), and the Numident file to study how work history SSDI eligibility affects SSDI and SSI application rates and awards, subsequent labor force participation and earnings, and individual health (as captured by mortality). Moreover, if SSA allows the linkage of individuals to their spouses and children, I plan on analyzing the spillover effects of SSDI receipt on family members.

Focal Areas of Interest: Understanding Long Term Projections and Models

Typical projections of SSDI applications and awards have ignored how labor market shocks affect work history and thus SSDI eligibility years after the shock has occurred. This will be the first paper to measure such long-term effects. Moreover, no prior work has analyzed how SSDI

[1] These work requirements are relaxed for younger individuals.

rules on work history affect SSDI applications and subsequent labor market outcomes, which could then affect employment taxes and the health of the Disability Insurance Trust Fund.

References

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