Social Insurance Policy Design and Racial Inequality

Lukas Althoff (Princeton University) & Ellora Derenoncourt (Princeton University)

The New Deal Era (1933-1939) gave rise to many labor market and social insurance policies in the United States, from the minimum wage to social security to unemployment insurance. Southern Congressmen successfully lobbied to exclude Black workers from protection and benefits (Katznelson, 2006). In particular, in its initial rollout in 1935, the Social Security Act excluded certain parts of the labor market, such as farm and domestic workers. As a consequence, 65 percent of Black workers did not have access to the Social Security System, more than twice the fraction of white workers. Over time, coverage expanded to initially exempt industries: The 1951 amendment newly included farm and domestic workers. We plan to implement an event study design around changes in the eligibility of different groups of workers to study the effect that access to Social Security has had on racial inequality.

Specifically, in this proposed research project, we seek to answer the following questions: 1) How did the initially limited coverage of SSA contribute to racial disparities in social insurance and wealth? 2) How did expansions in coverage mitigate disparities generated by the original design of the program or further reduce inequality in social insurance and wealth, particularly in the 1950s, 1960s, and onwards? 3) Have there been racial disparities in the success of Social Security applications and, if so, where do these disparities come from? In answering these questions, this project hopes to contribute to the focal area of *Disparities by Race and Ethnicity*.