

Sources of Geographic Variation in Disability Insurance Receipt

JOHN FRIEDMAN, ITHAI LURIE & MAGNE MOGSTAD

Key Findings and Policy Implications

This paper explores the large geographic differences in disability insurance rates across cities and states. It uses IRS administrative data from 1996 to 2015, and allows tax records to be linked between adult children and their parents. The paper finds that:

- Adult children from low income families display sharply varying probabilities of receiving DI depending on the place where they grew up, while those from rich families show no similar differences.
- Places where poor children grow up to have the highest rates of DI receipt tend to be “good” areas based on many standard characteristics, including lower inequality, lower segregation, higher school quality, and higher social capital. States with more generous earned income tax credits, lower tax rates, and less progressive tax rate structures, also have higher DI rates.
- A substantial fraction of the geographic variation in DI rates can be explained by local labor market conditions – meaning that more people apply to DI when the job prospects in their geographic region are worse. However, the degree to which local labor market conditions affect DI rates also varies geographically.

Analyzing the geographic differences in DI enrollment may be very important in understanding the decision-making of people whose health is at the margins of potential eligibility, some of whom decide to apply for benefits, and some of whom do not. Besides health, what influences those decisions? The findings from this study highlight the role of a person’s childhood circumstances, rather than just their current situation, and the role of local labor market opportunities. Also important was the finding that enrollment sensitivity to local labor market conditions, itself, varies geographically.

JOHN FRIEDMAN is Associate Professor of Economics and International and Public Affairs at Brown University.

ITHAI LURIE is a Financial Economist at the United States Treasury.

MAGNE MOGSTAD is a Professor at the Department of Economics at the University of Chicago.

Complete DRC Working Papers available on our website: <http://www.nber.org/aging/drc/papers/>

This research was supported by the U.S. Social Security Administration through grant #DRC12000002-05 to the National Bureau of Economic Research as part of the SSA Disability Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.