

## **Racial and Ethnic Differences in the Consumption of Disability Insurance Beneficiaries**

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### **Key Findings and Policy Implications**

This paper analyzes the after-tax income and consumption patterns of households with SSDI beneficiaries by race and ethnicity. It uses data from the Consumer Expenditure Survey from 2010 to 2019. The paper finds that:

- Black and Hispanic households with SSDI beneficiaries have consistently lower levels of income and expenditures than White households with SSDI beneficiaries. Much of this difference results from the overall lower levels of income and expenditure of Black and Hispanic households relative to White households, irrespective of whether they receive SSDI income.
- Racial gaps in household expenditures are notably larger than racial gaps in after-tax income. The total average expenditure of Black households with SSDI beneficiaries is about 30 percent lower than that of White households with SSDI beneficiaries; after-tax income is 18 percent lower. The total average expenditure of Hispanic households with SSDI beneficiaries is about 25 percent lower than that of White households with SSDI beneficiaries; after-tax income is 18 percent lower.
- There is increasing divergence in expenditures between households with and without an SSDI beneficiary over the 2010-2019 study period. Indeed, for some expenditure categories, like food, Black and Hispanic households with SSDI beneficiaries spent less in absolute terms in 2015 than in 2010.

Given that lower earnings histories translate into lower payments from SSDI, it is not surprising that racial differences in the labor market translate into racial differences in the income and expenditures across SSDI beneficiaries of different races and ethnicities. However, any evidence of progressive SSDI replacement rates or other redistributive policy provisions protecting lower-income households disappears when focusing on household expenditures, rather than after-tax income.

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