Disability Insurance and the Great Recession

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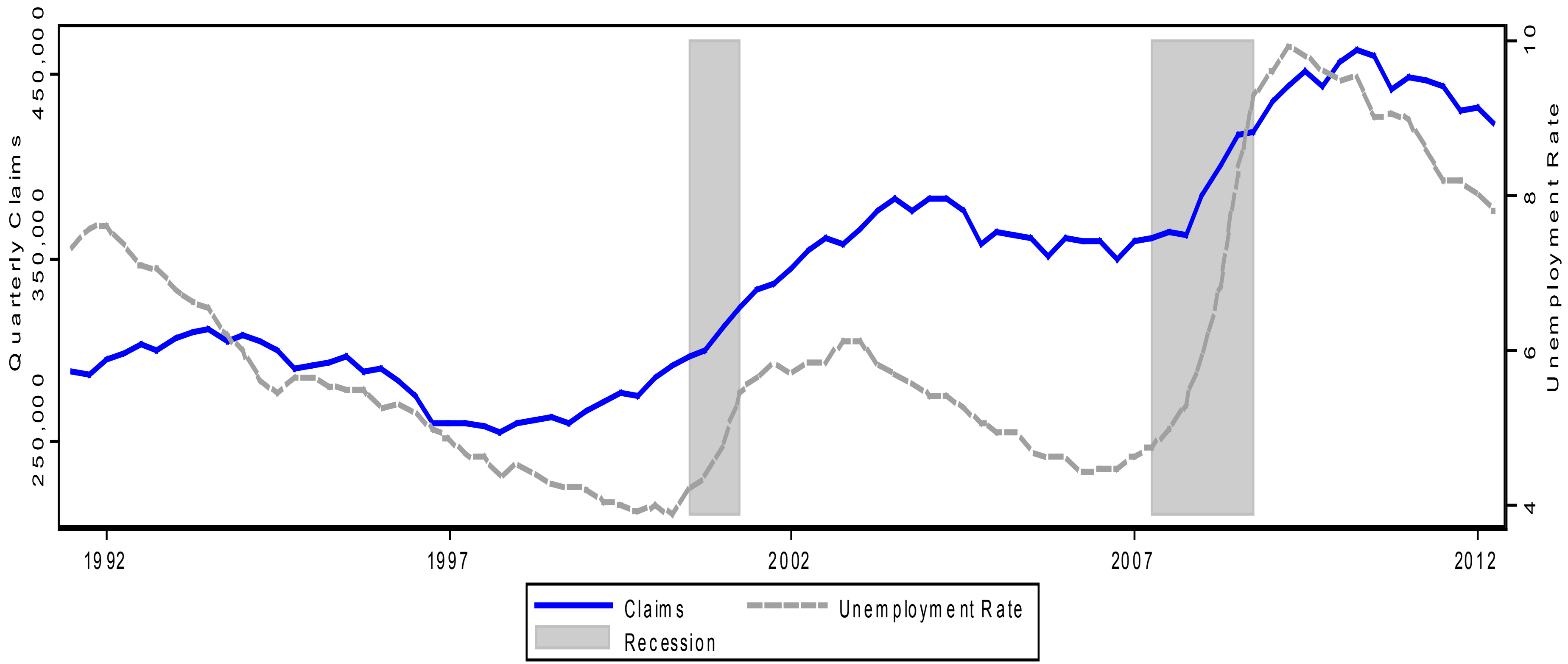
The Great Recession

- The Great Recession (12/07-6/09) led to more than a 5 pp increase in unemployment rate, peaking at 10 percent in 10/09
- Atkinson et al. (2013) estimate 40-90% of one year's output ($6 to $14 trillion) was foregone due to Great Recession
- Bitler and Hoynes (2016) find
  - Countercyclical increases in SNAP and UI expenditures
  - Much smaller increases in EITC & SSI

What about Disability Insurance?

- Unlike SNAP, UI, EITC & SSI, DI does not explicitly target those with low income or who have involuntarily lost their jobs
- Nevertheless, there is evidence that DI caseloads are countercyclical
  - Effects of regional economic shocks
    - Black, Daniel, and Sanders, 2002
    - Vachon, 2015
  - Autor & Duggan 2003 conditional applicants
  - Popular press
    - NPR profile; last Sunday's Post
  - Large increase in claims during and after GR

DI Claiming has a Cyclical Component



Source: Maestas, Mullen & Strand, American Economic Review: Papers & Proceedings, 2015

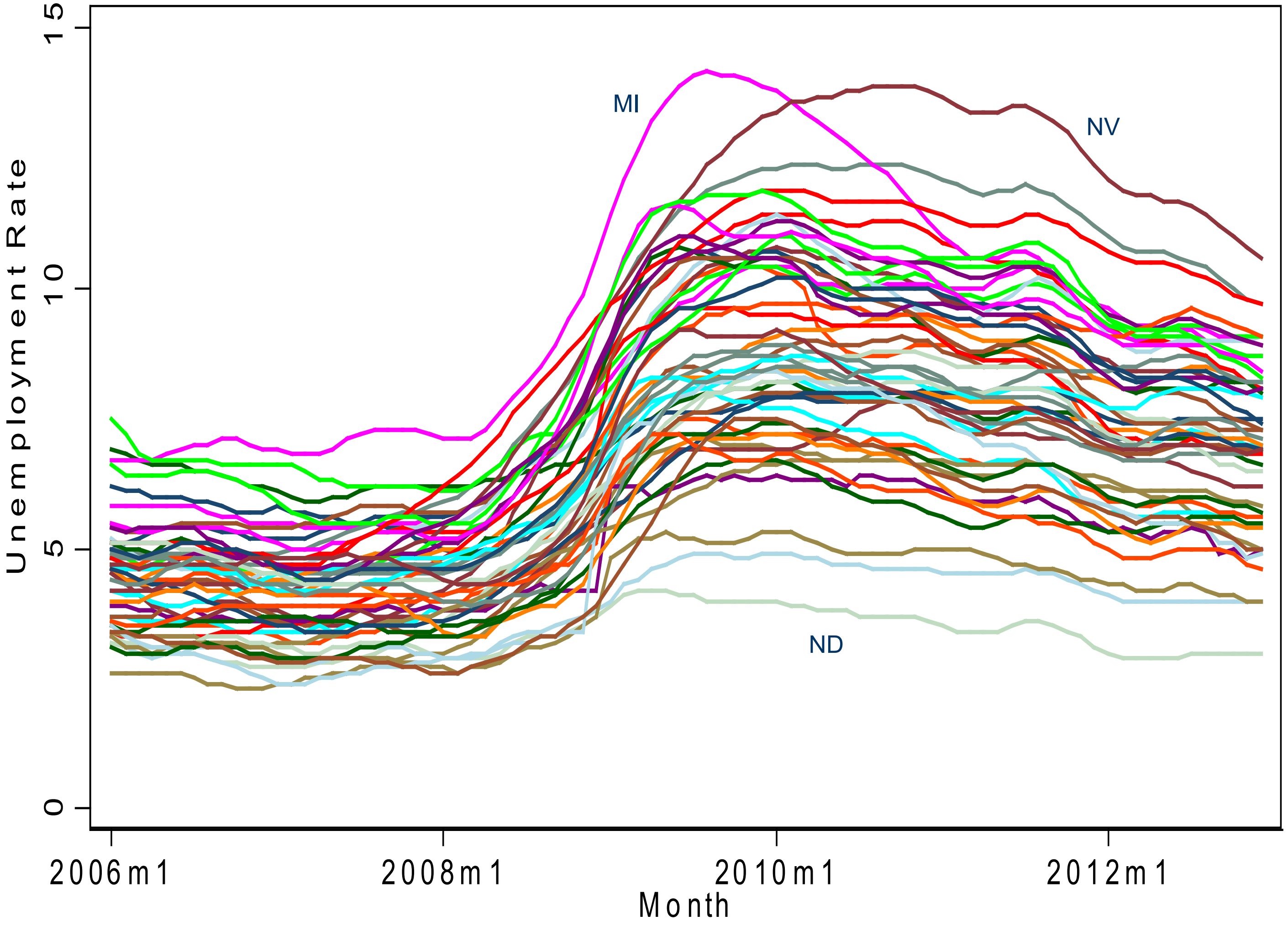
Great Recession

- Maestas, Mullen & Strand (2015) found:
  - – Claiming increased with UE during the GR
    - 1.34 % per 1 PP UE
    - GR increased DI claims by 6.7% (=5*1.34)
  - – But initial allowances did not measurably increase
- What about allowances on appeal?
  - – In this paper we track the flow of induced claims from the Great Recession through the disability determination process

Research Strategy

- Regress number of claims at a given administrative level per state-month on state UE rate *at time of initial filing*
  - Including state & month fixed effects => exploit variation in severity and timing of Great Recession across states
  - In departure from previous literature, we estimate regressions in levels (not logs) and run unweighted to impose adding up constraint

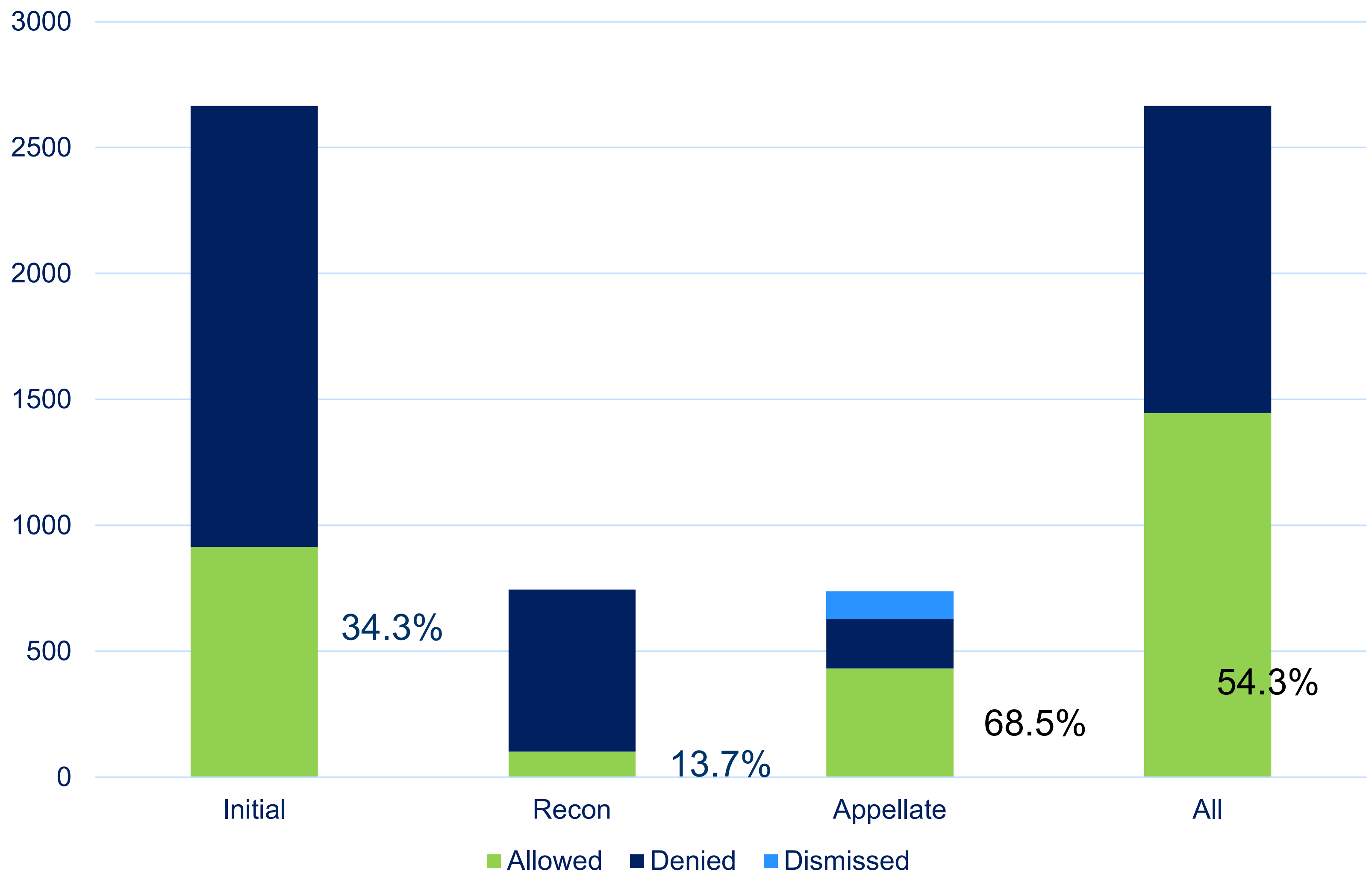
Identifying Variation



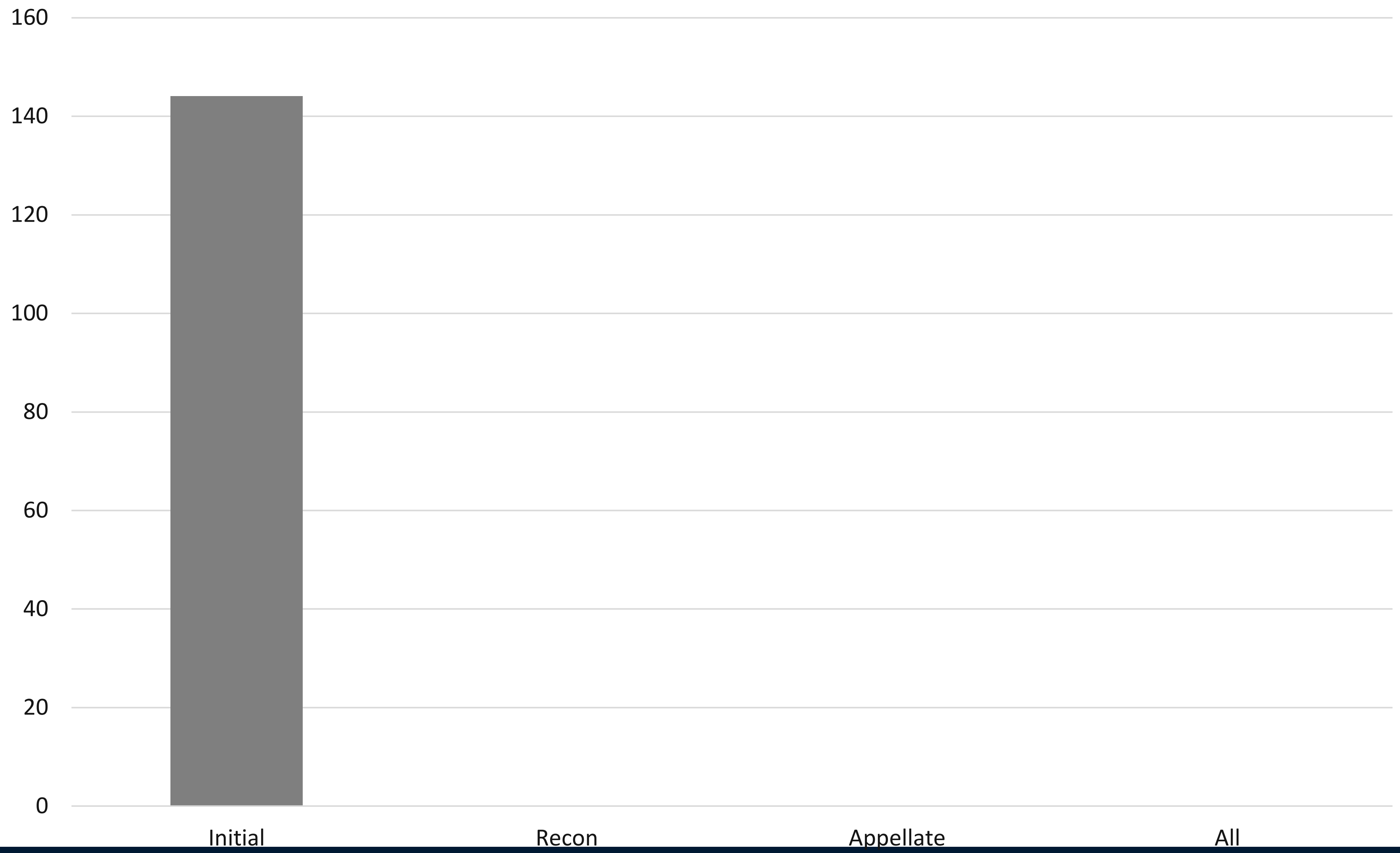
Data

- Universe of initial SSDI claims filed October 2006 – December 2012
- Merge with
  - Reconsiderations in 831 files
  - Appeals in Case Processing and Management System (CPMS)

Summary Statistics: Claims per State-Month, by Administrative Level



Induced Claims, by Administrative Level



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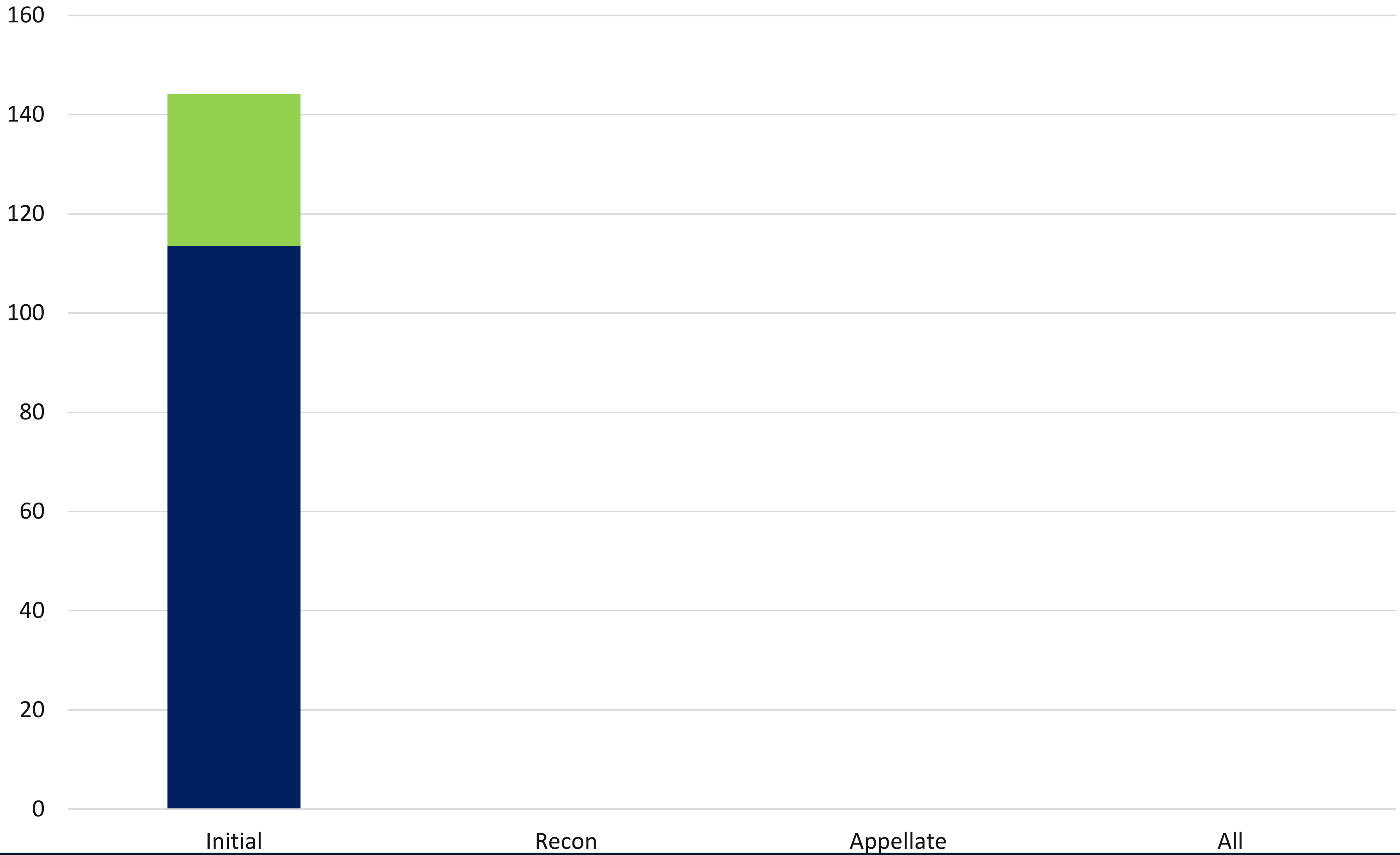

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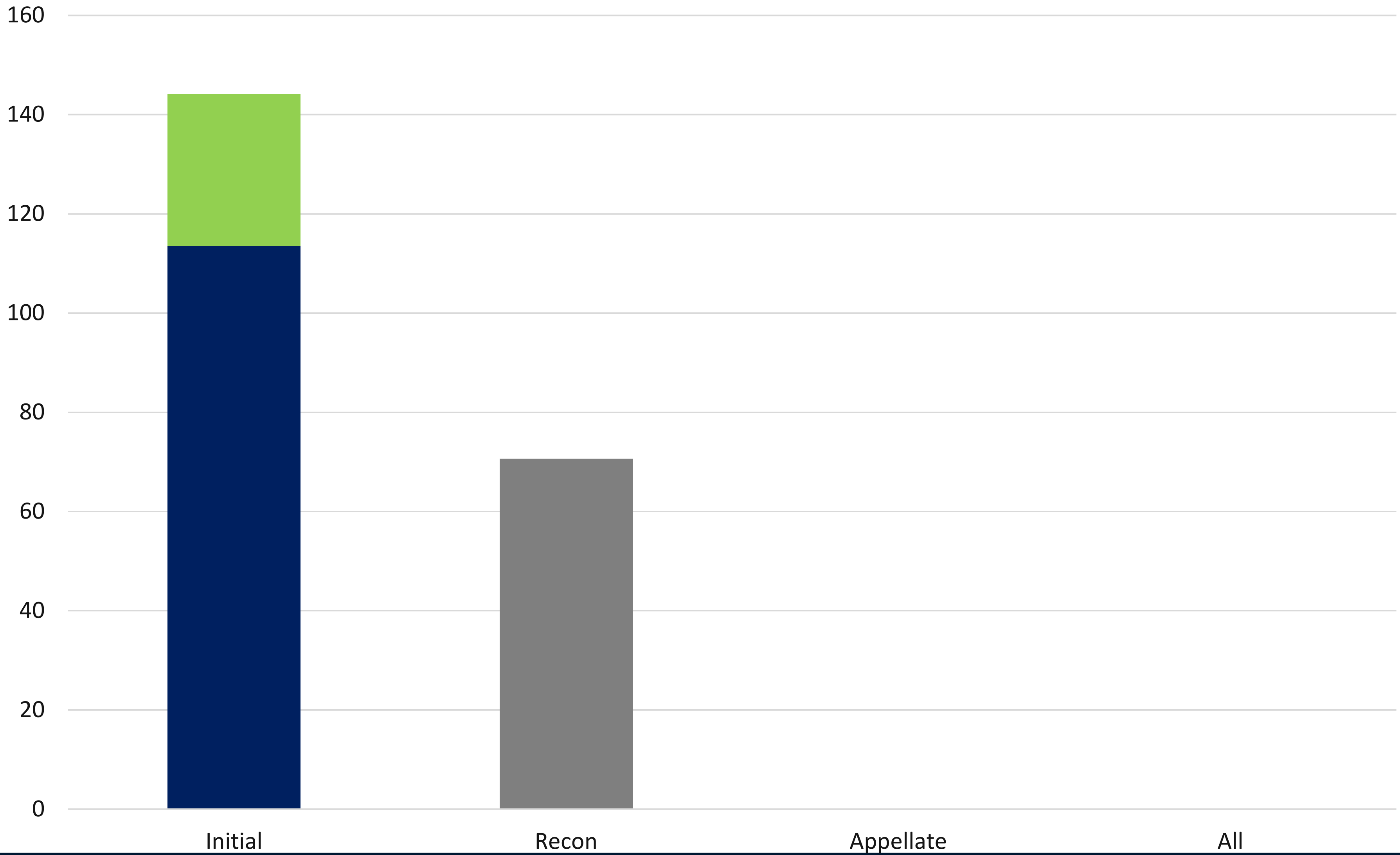

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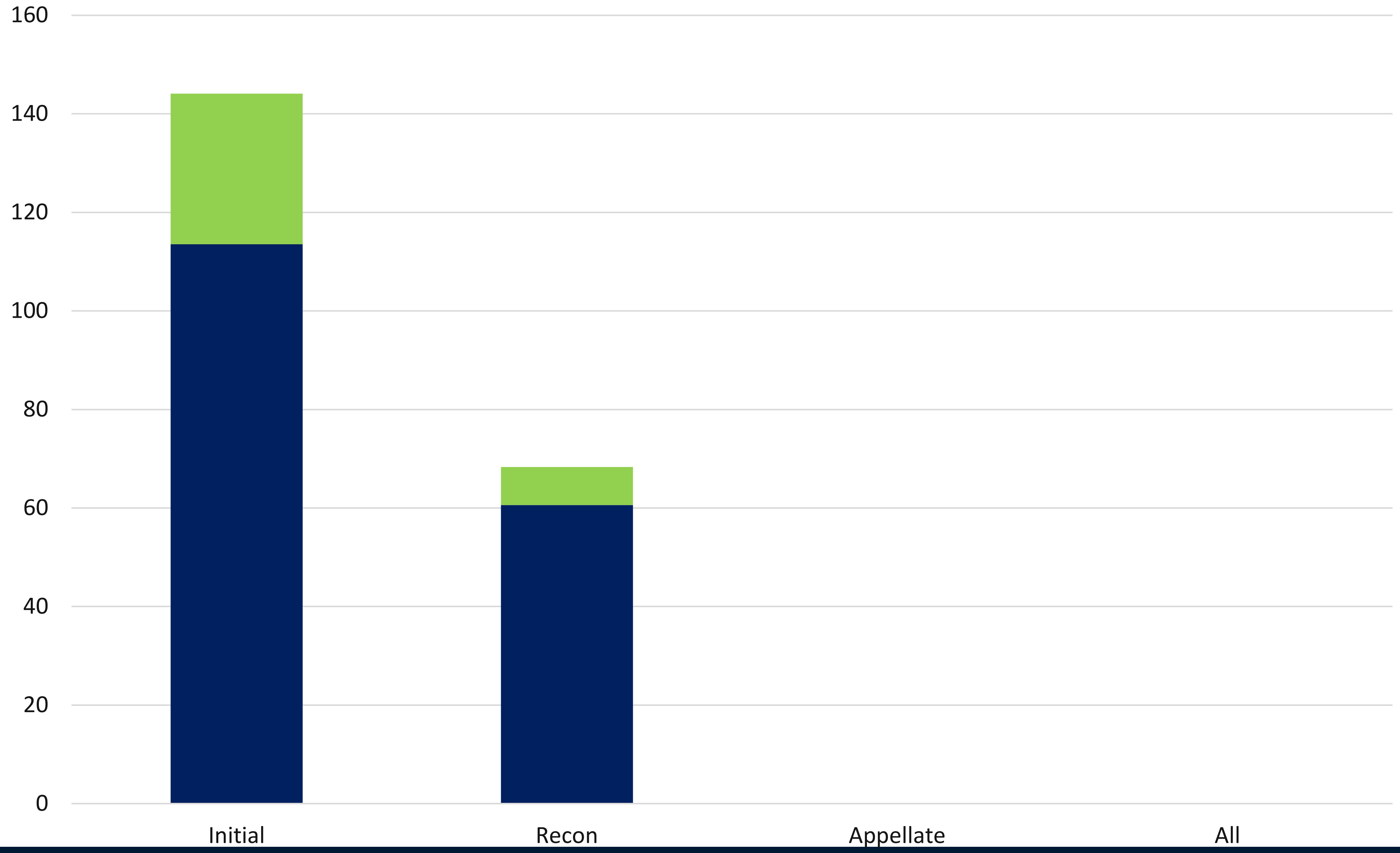

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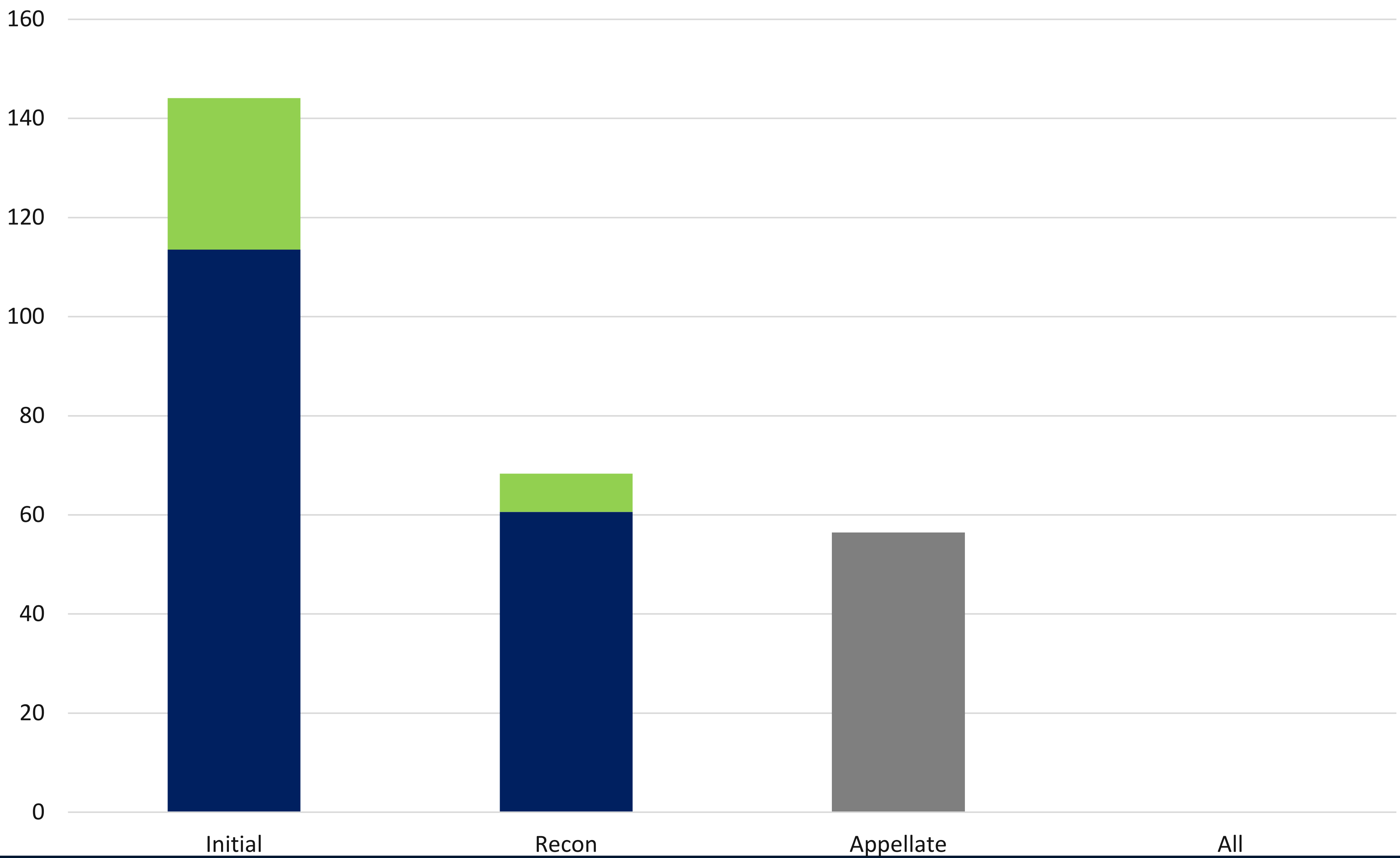

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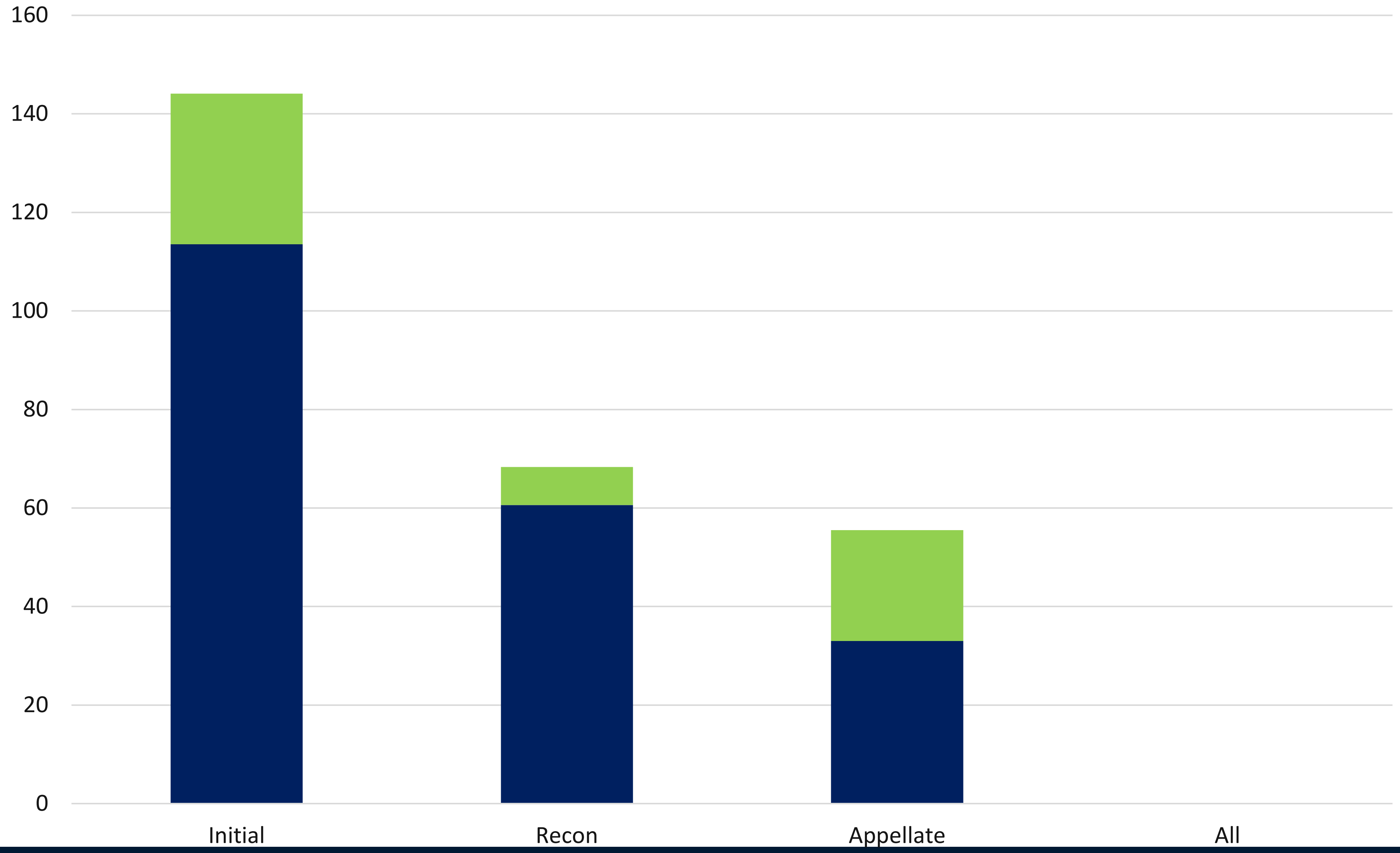

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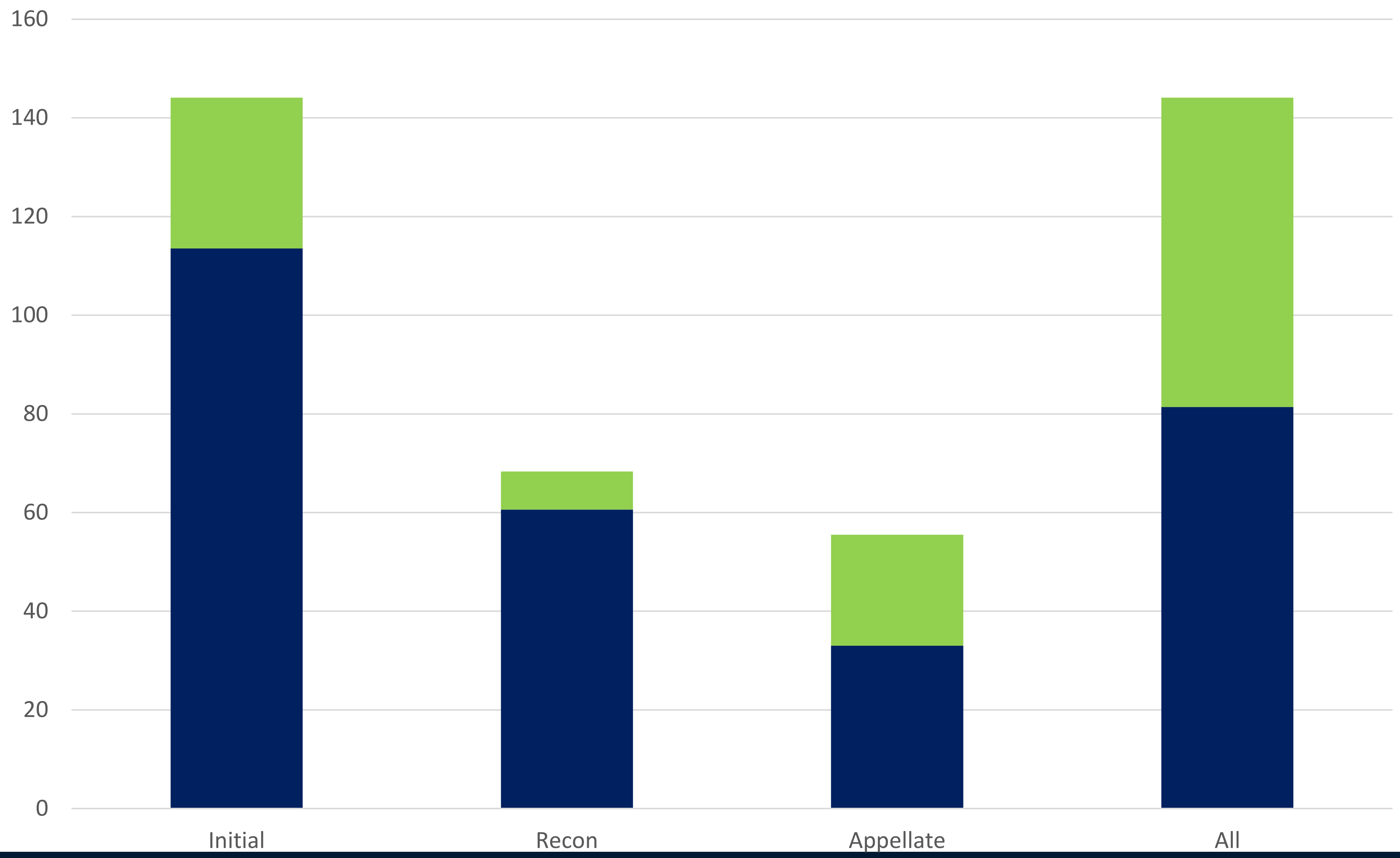

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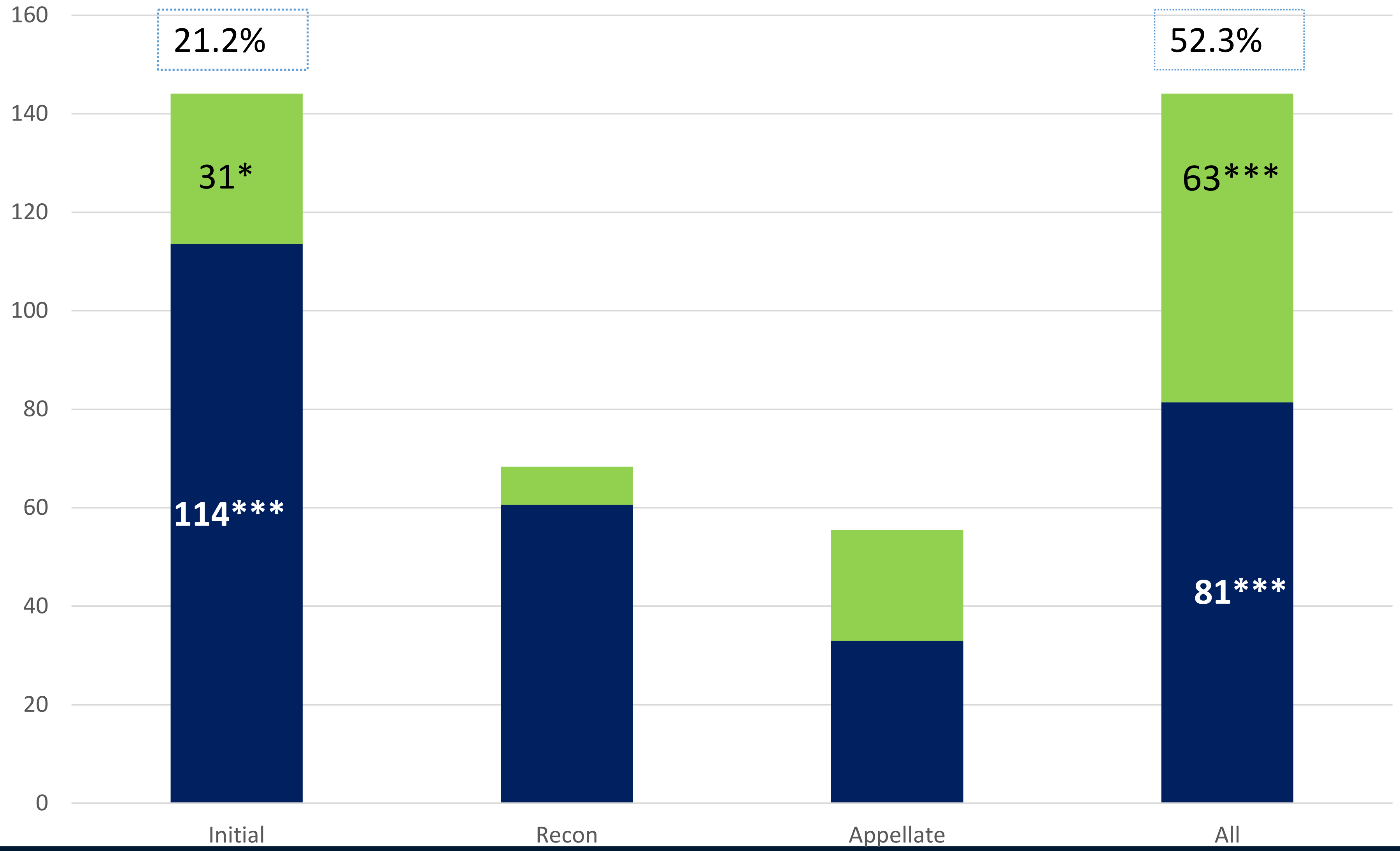


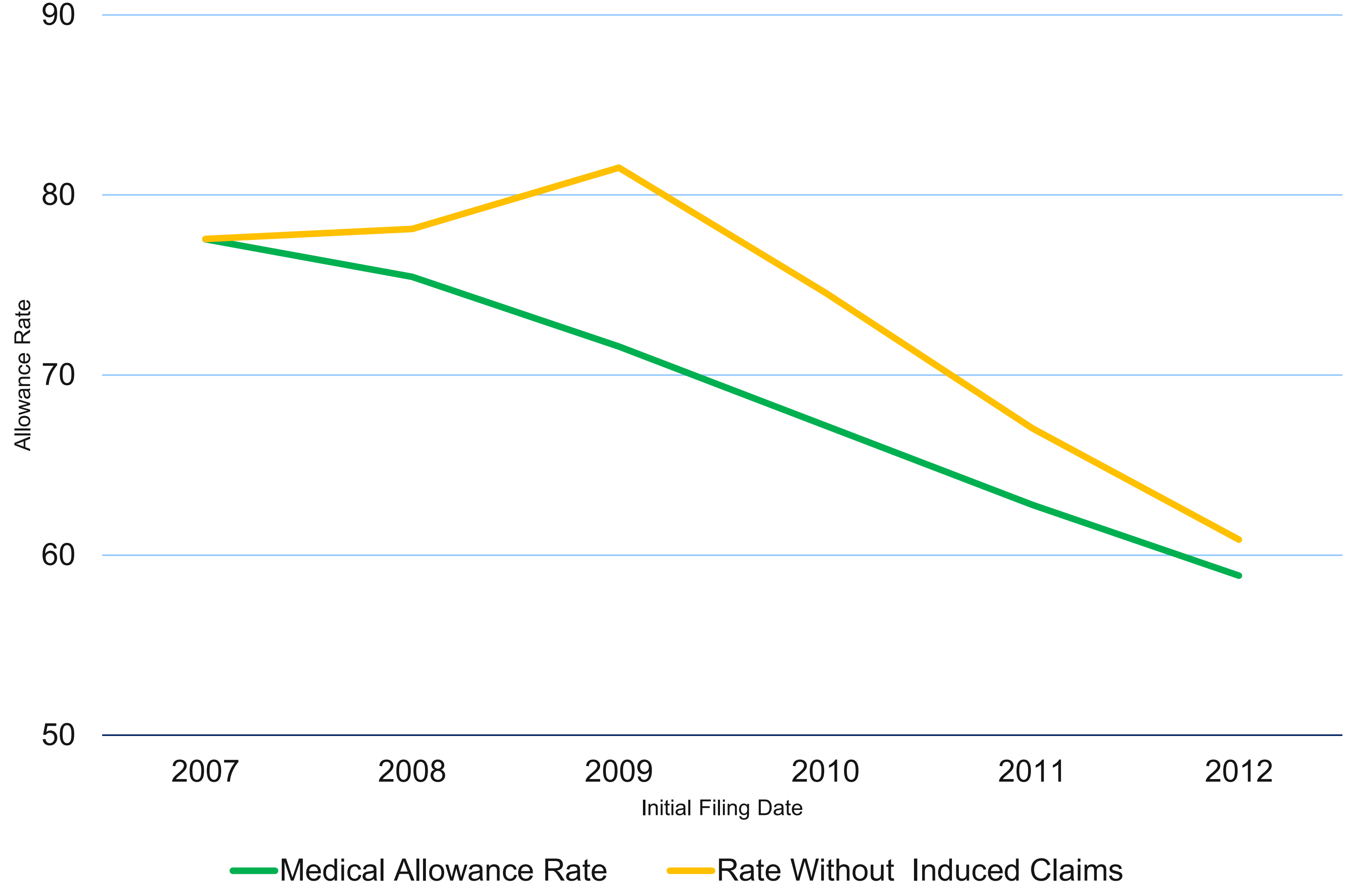
Policy Implications

- Induced claims have lower allowance rates

	All	Induced
Initial	34.3%	21.2%
Appellate	68.5%	52.3%

- Without induced claims, allowance rates would have been higher at all administrative levels

Actual vs. Simulated Appellate Allowance Rate



Conclusion

- We find the Great Recession induced both allowances and denials at all administrative levels.
- Induced claims were more likely to result in denial than average claim at all levels.
- Without the induced claims, we find that the allowance rate at the appellate level would have increased through 2009, then would have started to fall by more than 20 percentage points between 2009 and 2012.