Association Between Social Security Disability Insurance Recipient Rates and State Unemployment Research Abstract

Jacob Hager and Saku Aura, PhD

Over the past thirty years, non-elderly SSDI recipient rate has increased by over forty percent, most prevalently in areas that have experienced labor market decline in industry and agriculture. These areas include the Deep South, Appalachia, and even in the University of Missouri's home state along the Missouri-Arkansas border. As the demand for low-skilled labor decreases and the benefits of disability insurance become easier and more profitable to obtain, this situation seems to be a text-book example of the economic moral hazard of insurance. Such a phenomena can have rippling effects on the Social Security system and the US economy as a whole. To study the effects of economic conditions on state SSDI recipiency rates, we compared state unemployment rates to the flow of SSDI recipients in each respective state. We did this using state unemployment rates and the Social Security Administration's Annual Statistical Report on the Social Security Disability Insurance Program from the years 2003 to 2018. We analyzed the data using a multivariable regression model. While our results show a strong correlation between the increased flow of recipients and the adjusted economic performance of each state, more research is required on this subject. The statistical abnormalities in the recipiency flow and the large amount of "noise" in the data displays that while an observable economic event is occurring, more detailed tests and samples should be performed. Unexplained systematic patterns in the data could have been caused by changes in policy such as the passage of the 2010 Patient Protection and Affordable Care Act and the publishing of the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) in 2013.