Explaining Geographic Differences in Young Disability Insurance Rates

JOHN FRIEDMAN, MAXWELL KELLOGG, ITHAI LURIE, MAGNE MOGSTAD

Key Findings and Policy Implications

This paper examines the large geographic differences in DI enrollment rates among younger beneficiaries. It uses administrative tax data that links young adults (age 24-34) to their parents. The paper finds that:

- Adult children from low income families display sharply varying probabilities of DI enrollment depending on the place where they grew up, while those from rich families show no similar differences.

- These differences in DI take-up of children from low income families vary over time, as well as across geographic place; again, a variation not apparent for children from richer families.

- Places where poor children grow up to have the highest rate 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.

- State level tax policies are also predictive of DI rates; states with more generous earned income tax credits, lower tax rates, and less progressive tax structures each tend to have higher DI take-up. These are also the characteristics of places that tend to produce higher income mobility.

By drilling down on the differences between communities where low-income during childhood leads to higher versus lower DI enrollment as adults, we can better understand the longer-term social and economic circumstances that are associated with DI enrollment. Understanding these relationships, and their associated pathways, may be particularly important in understanding the decision-making of people whose health is at the margins of potential eligibility.

JOHN FRIEDMAN is Associate Professor of Economics and International and Public Affairs at Brown University as well as a NBER Research Associate.
MAXWELL KELLOGG is a doctoral student in the University of Chicago Department of Economics.
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 and a NBER Research Associate.
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 #DRC1200002-06 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.