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Economic Conditions and SSI Applications

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Over the past 30 years, the Social Security Administration's Supplemental Security Income (SSI) program, which provides income support for disabled individuals, has grown to become one of the most important means-tested cash aid programs in the United States. In 2009, SSI provided benefits to 4.5 million low-income, disabled adults and spent \$37.7 billion in payments to SSI recipients. Between 1990 and 2009, the number of adult SSI recipients increased by 82 percent, and federal government spending on SSI increased 127 percent in real dollars. This study examines the relationship between economic conditions, state policy variables, and SSI applications between 1996 and 2010.

BACKGROUND

A fully federally funded program for the poor, SSI provides means-tested cash assistance to the elderly, blind, and disabled. SSI is one of two major U.S. programs targeted at individuals with disabilities. The Social Security Disability Insurance program (SSDI) provides benefits to workers with disabilities who are insured by their contributions to the Social Security system. Because SSDI eligibility requires a sufficient work history, many individuals who are ineligible for SSDI are eligible for SSI, though many individuals are eligible for benefits from both programs.

While the disability determination process is stringent, there are a number of reasons that SSI participation may depend on economic and policy conditions. First, the SSI means-testing process examines family income, so if unemployment rates for individuals with disabilities rise, or if other members of the family face decreases in income due to the business cycle, this could lead to increases in eligibility. In fact a number of studies have found evidence that SSDI applications are responsive to macroeconomic conditions (Autor and Duggan, 2003; Black et al., 2002; Rupp and Stapleton, 1995; Stapleton et al., 1998; Stapleton et al., 1999). Second, since welfare reform in 1996, Temporary Assistance for Needy Families (TANF) has become less attractive as a source of income support. Welfare reform increased both individual- and state-level incentives to shift recipients from Aid to Families with Dependent Children (AFDC/TANF) to SSI. Because SSI is fully federally funded and TANF is funded by block grants to states, states have a fiscal incentive to shift disabled TANF recipients to SSI. In states where SSI benefits are larger than TANF benefits, and where TANF has strict work or training requirements, SSI also is more attractive.

Consistent with these changing incentives, the existing literature suggests substantial movement of single-parent families to SSI. Kubik (2003) shows that states undergoing unexpected fiscal distress were more likely to show increases in SSI caseloads relative to their AFDC population during the 1990s. Stapleton et al. (2001/02) finds that

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the probability of an SSI application is 2.4 times larger for past AFDC recipients than for other Survey of Income and Program Participation (SIPP) respondents. They conclude that a large share of the increase in SSI participation among young women during the 1990s was due to members of AFDC families. Schmidt and Sevak (2004) find that state-level welfare waivers in the early 1990s led to a 21.6 percent increase in the probability of SSI participation among single-mother families. Schmidt (2013) finds that welfare reform significantly increased SSI participation, and that state policies that sanctioned welfare recipients for noncompliance had positive and significant effects on the SSI caseload. In addition, Schmidt (2013) finds that welfare reform appears to have changed the relationship between SSI participation and unemployment rates, as the SSI program has become more cyclical in response to business cycles in the years following welfare reform for women and children, but not for men.

The research suggesting increasing use of SSI among former welfare recipients implies that the composition of potential SSI recipients has changed in important ways. Given these changes, it is important to re-evaluate the relationship between local economic conditions, state-level differences in welfare policy, and SSI applications, and to understand how this varies by demographic characteristics.

METHODS AND FINDINGS

Our analysis relies on survey data from the SIPP matched to administrative data from the Social Security Administration. The SIPP is a nationally representative, longitudinal survey that collects data on a number of topics including employment, demographics, income, and program participation. Monthly data are available for sample members for up to roughly three years. We use data from the 1996, 2001, 2004, and 2008 SIPP panels. We match the survey data to monthly SSA administrative data on SSI and DI application and receipt. The administrative data allow us to observe date of application, whereas data in the SIPP alone would only allow us to code date of SSI receipt. SSA's 831 file records every application for DI or SSI, and most decisions on that application.

We examine the relationship between SSI application and economic conditions by estimating a series of models of program application on the monthly state unemployment rate, the state SSI supplement amount, a number of state TANF rules, and a measure of state fiscal distress. We control for age, race, gender, educational attainment, marital status, and baseline income. Our sample is newly unemployed 20 to 59 year olds, though we estimate the model on different subpopulations as well.

We find that SSI application risk increases significantly with higher state unemployment rates. The magnitude of this effect is large—suggesting that a one-percentage point increase in the state unemployment rate would lead to a 22-percent increase in the risk of applying for SSI, among unemployed individuals. The results also suggest that female potential applicants may be more responsive to economic conditions than males. We find no evidence that state TANF rules or SSI supplements are related to SSI application risk. However, we do find that individuals living in states experiencing fiscal distress are more likely to apply for SSI.

POLICY IMPLICATIONS

Our results suggest the net benefits of federal aid during downturns may be underestimated. If federal interventions, such as the American Recovery and Reinvestment Act (ARRA) in 2009, result in reduced state unemployment rates, either by averting the laying off of state workers or by stimulating demand, or if they relieve state fiscal distress, the recession-induced increase in SSI and SSDI applications could be dampened. Future research should examine the extent to which federal aid such as ARRA or extended unemployment benefits impact application risk.

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