

The Relationship between Social Security Disability Filing and the Economy

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Abstract

The Social Security Administration (SSA) pays disability benefits under two state-federal programs, the Title II Social Security disability insurance (DI) program and the Title XVI Supplemental Security Income (SSI) program (SSA, 2004). Social Security DI pays benefits to individuals and family members who qualify through Social Security work credits, which are based on total annual wages or self-employment income. The total number of work credits depends on the age when the applicant became disabled. Up to four credits can be earned each year. The SSI program provides monthly cash benefits to low-income aged, blind or disabled persons on need basis. This study investigated the relationship between DI filing and economic cycles. To do this, two monthly economic indicators, the Consumer Price Index (CPI) for the Midwest region, and local unemployment rates were analyzed and regressed on the number of disability filings at two Indiana SSA offices. Monthly data of the number of disability claims filed between July 2000 and May 2004 at the Lafayette office and at the Crawfordsville office was used.

Trend analysis showed some correlation between the pattern of filing for disability and changes in the CPI and the unemployment rate. However, empirical evidence from correlation tests showed high positive correlation between disability filing at both offices and the two economic indicators. Furthermore, regression results showed that the CPI and unemployment were related to the number of disability claims filed. As expected, a rise in the CPI coincided with a rise in disability filing. Likewise, as unemployment increased, so too did the number of disability claims filed. It was clear that the traffic of disability filing at the Lafayette office was more susceptible to economic changes than that of Crawfordsville. The difference in the impact of the economy in the two areas is important for administrative planning purposes. SSA offices serving nonagricultural or labor-intensive economies will face more increases in disability filing than SSA offices located in areas which are located in areas where the industry is not as labor intensive and layoffs would not be as massive or common during extended periods of economic downturns.

The main conclusion from this study is that there is a relationship between SSA disability filing and the economy. A weakened economy leads to increased disability filing. These findings can be used by the SSA to project staffing needs of local offices under different economic conditions. Since the DI program is based on the number of work credits earned, it is important for consumers to acquire professional and vocational training in order to stay competitive in the workforce and remain employed when physically able. Consumers need to have other safety nets in place for the transition period when no income and disability benefits are being received. Consumers need to be proactive to know the requirements for successful disability filing and of other federal or community programs for which they may qualify.

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