

Redistributive Consequences of Insuring Local Disability Risks.

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Abstract

Social Security Disability (SSDI) payments are disproportionately concentrated in poor, rural localities with persistently high claiming rates. This implies considerable redistribution across space and differences in the welfare value of the SSDI program. At the individual level, the program is more generous in areas with higher health risks, higher economic risks, and lower costs of living. At the local labor market level, SSDI claims remove potential workers from the labor market, but provides income which may increase local demand and the magnitude of these forces depends crucially on whether a would-be beneficiary would otherwise work. We frame our results in the context of how much SSDI reduces inequality in both welfare and life-time earnings; and in the context of the discussion on place-based policies.

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