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Abstract

Have Changes in State Workers' Compensation Programs Contributed to Rising Social Security Disability Insurance Receipt?

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During the 1990s, real outlays on Social Security Disability Insurance (DI) benefits increased nearly 70 percent whereas real Workers' Compensation (WC) cash benefit spending fell by 12 percent. There has been concern that this relationship between two of the nation's largest social insurance programs may be due to individuals substituting towards DI as state WC policies tightened. We show this correlation between the national series does not hold within states, the level at which a causal relationship should operate. However, a causal relationship may still exist between the two programs despite a lack of correlation. We then test how regulatory changes in state WC program parameters impact WC outcomes (intended effect) and DI outcomes (unintended effect). We find no compelling evidence of WC tightening causing DI rolls to increase. We conclude it is unlikely that state WC changes were a meaningful factor in explaining the rise in DI.

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