

## Maestas, Mullen, and Strand (2013) Introduction Outline

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- State the question: What are the causal estimates of the effect of Social Security Disability Insurance benefit receipt on labor supply?
- Provide background context
  - SSDI caseload grew 3x while relative unemployment rate of disabled workers fell by half
  - The structure of SSDI has been a major force behind the decline in employment
  - There is difficulty separating the causal effect of SSDI on labor supply
- Discuss prior literature
  - Bound (1989): Used denied applications as a control group for SSDI beneficiaries, found that SSDI accounted for only a quarter of the decline in employment among older men
  - Parsons (1991): Application process also reduces labor supply of applicants
  - Von Wachter, Song, and Manchester (2011): applied Bound's comparison approach to observational data from 1980s and 1990s
  - Gruber and Kubik (1997): Used differential decreases in state-level initial allowance rates in 1970s
  - Chen and van der Klaauw (2008): Used variation in initial allowance rates arising from program rules that relax the vocational eligibility standard discontinuously in 1990s
- Discuss how this study advances the literature
  - New research design: compares labor supply of otherwise similar applicants who were allowed or denied benefits only because their applications were randomly assigned to disability examiners with different allowance propensities at the initial point in the disability determination process
- Discuss primary results
  - Employment rate of beneficiaries on the margin of SSDI entry in 2005 and 2006 would have been on average 28 percentage points higher two years later if they had never received SSDI benefits
  - Finding is consistent with French and Song (2011)
- Additional contributions to literature:
  - Estimate that 23 percent of SSDI applicants are on the margin of program entry
  - The continuous instrumental variable offers a first opportunity to test for heterogeneous treatment effects. Find that usual effect of SSDI receipt on employment is not the same across all beneficiaries.