The Effect of the SSI Student Earned Income Exclusion on Education and Labor Supply

Shogher Ohannessian
University of Illinois-Chicago

Aim of the Paper

Motivation
- Youth with disabilities ages 19-22 receiving Supplemental Security Income (SSI) benefits face financial constraints and strong labor market disincentives → Poorer education and labor outcomes than other young adults from low-income households
- SSI caseloads ages 22-29 since early 2000s
- No effective targeting → Continue receiving SSI benefits into adulthood and remain trapped in poverty
- Student Earned Income Exclusion (SEIE): an education- and work-incentive for SSI students < 22

Research Question
- The effect of SEIE on SSI recipients’ educational and labor market choices

Contribution
- Effect of means-tested benefits on young childless adults: SSI adults around age 22
- Effect of educational incentives on higher education enrollment of young SSI recipients
- Effect of loss of work incentives

Policy Background

Supplemental Security Income
- Eligibility: low-income; children (0-18) adults (18-65) with disabilities; aged (65+)
- Benefits: $794/month in cash + SNAP (+ state supplements + Medicaid)
- Work disincentives: 50% SSI benefit reduction rate on earnings
- Student Earned Income Exclusion (SEIE): Exempt $1,930 of monthly earnings from the SSI benefits determination if:
  1. < 22
  2. Attend school

Data & Methodology

Survey of Income and Program Participation (SIPP)
- Distinguishes the household member receiving SSI benefits
- Birth year + month → Age precision to the SEIE eligibility cutoff at age 22
- Monthly information on income sources and education and labor outcomes
- Sample: SSI recipients within 12 months of their 22nd birthday

Event-study

\[ V_{int} = \alpha + \sum_{m=1}^{3} \beta_{m} D_{m,t}^{int} + \delta_{int} + \sum_{m=0}^{12} \beta_{m} D_{m,t} + \delta_{t} + \delta_{s} + \epsilon_{int} \]

\[ V_{int} \]: outcomes for SSI beneficiary \( i \) in month \( m \) and year \( t \)
\[ D_{m,t}^{int} \]: set of dummy variables that capture the months before and after SSI recipient \( i \) turns 22
\[ \delta_{int} \]: month-by-year fixed effects
\[ \delta_{s} \]: state fixed effects
\[ X_{t} \]: gender and race

Small sample size per month → A static version:

\[ V_{int} = \beta_{0} + \beta_{A ge} A ge_{int} + \beta_{A ge} A ge_{t} + \beta_{A ge} A ge_{int} + \beta_{A ge} A ge_{t} + \delta_{t} + \delta_{s} + \epsilon_{int} \]

\[ A ge_{int} \]: Age of SSI beneficiary \( i \) in month \( m \) and year \( t \)
\[ A ge_{t} \]: indicator if an SSI recipient is ≥22

Results

SEIE:
- ↑ school enrollment by 8.6pp
- ↑ employment by 8.4pp
- Has no effect on the intensive margin of labor supply
- ↑ working while attending school by 6.3pp

Robustness Checks

- Falsification test: SEIE has no effect on the outcomes of non-SSI individuals
- Placebo test: SEIE has no effect on the outcomes of non-SSI individuals around age 21

Conclusion

Many SSI recipients may attend school or test the labor market but are dissuaded from doing so by either financial constraints or work disincentives.

Contact

Shogher Ohannessian, Ph.D. Candidate
University of Illinois Chicago, Department of Economics
sohann2@uic.edu
www.shogheroahannessian.com
+1 (312) 394-0318