

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

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## 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 2000's
- 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



Figure 1. SSI Benefits as a function of Earned Income.

## 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 22<sup>nd</sup> birthday

### Event-study

$$Y_{imt} = \alpha + \sum_{m=-12}^{-2} \beta_m D_{imt} + \sum_{m=0}^{12} \beta_m D_{imt} + \delta_{mt} + \theta X_i + \gamma_s + \epsilon_{imt}$$

$Y_{imt}$ : outcomes for SSI beneficiary  $i$  in month  $m$  and year  $t$

$D_{imt}$ : set of dummy variables that capture the months before and after SSI recipient  $i$  turns 22

$\delta_{mt}$ : month-by-year fixed effects

$\gamma_s$ : state fixed effects

$X_i$ : gender and race

Small sample size per month → A static version:

$$Y_{imt} = \beta_0 + \beta_1 \text{Above22}_{imt} + \beta_2 \text{Age}_{imt} + \beta_3 \text{Age}_{imt} * \text{Above22}_{imt} + \delta_{mt} + \theta X_i + \gamma_s + \epsilon_{imt}$$

$\text{Age}_{imt}$ : age of SSI beneficiary  $i$  in month  $m$  and year  $t$

$\text{Above22}_{imt}$ : indicator if an SSI recipient is  $\geq 22$

## 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

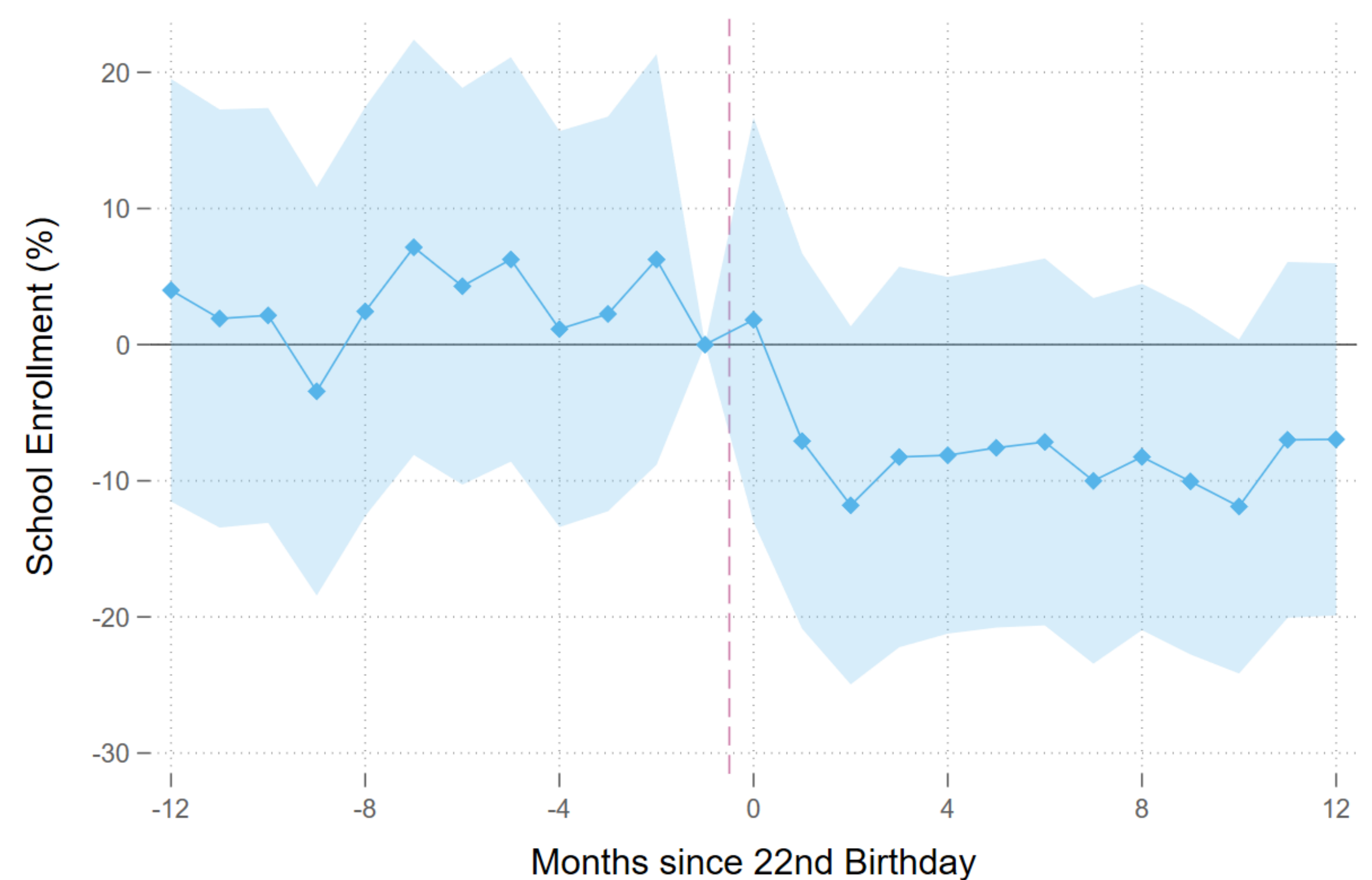


Figure 2. Event-Study Estimates on SSI Recipients' School Enrollment around Age 22.

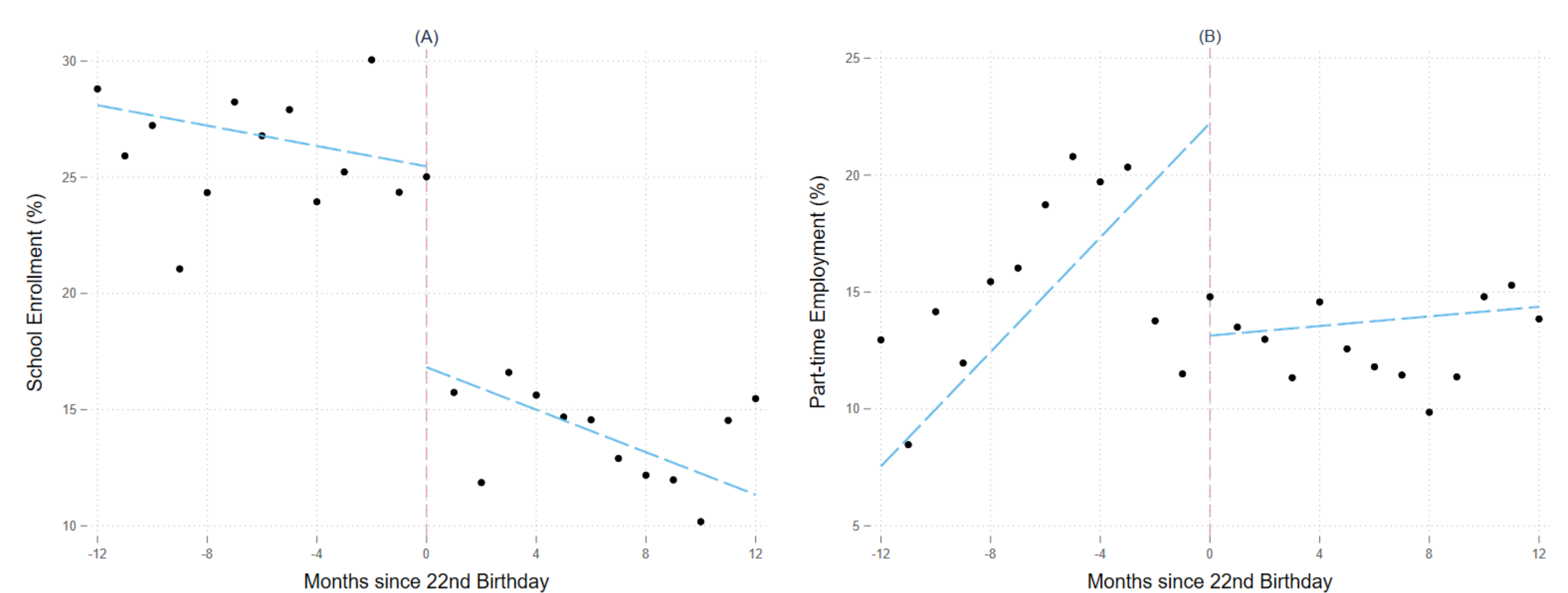


Figure 3. Effect of SEIE Eligibility on SSI Recipients' (A) School Enrollment and (B) Part-time Employment around Age 22.

	Employed & In School (%)	Only Employed (%)	Only in School (%)
Above22	-6.267** (2.600)	-2.140 (3.556)	-2.376 (4.146)
Mean	5.350	12.757	20.809
Obs	1,468	1,468	1,468

Table 1. Effect of SEIE Eligibility on Working while Attending School.

## 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 SSI individuals around age 21

	In School (%)	Employed (%)	Employed & In School (%)
Non-SSI	-.565 (.685)	-.435 (.676)	-.598 (.589)
Above21	5.818 (5.376)	-2.923 (3.473)	-.568 (2.146)

Table 2. Robustness Checks.

## 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

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