



# THE EFFECT OF THE SSI STUDENT EARNED INCOME EXCLUSION ON EDUCATION AND LABOR SUPPLY

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July 2022*

The caseloads of young adult Supplemental Security Income (SSI) beneficiaries under the age of 30 have been increasing in recent decades. This increase has resulted in concerns about future trends in Social Security Administration (SSA) spending if those young SSI beneficiaries remain on the disability rolls in the future. How to design effective interventions to target young adult SSI beneficiaries and facilitate their transition to economic self-sufficiency remains an open question.

## **The Effect of the SSI Student Earned Income Exclusion (SEIE) on Education and Labor Supply**

SSI provides a basic level of income and other important benefits to youth with disabilities but there are potential costs associated with young SSI beneficiaries remaining on SSI disability rolls. SSI benefits, tied to earned income, can distort decisions about human capital investment and labor supply. SSI is a means-tested program and requires recipients to earn less than \$1,673 per month to remain eligible. This income threshold can be particularly onerous to young adults with disabilities considering attending college but need money for tuition, room and board, and other expenses. This paper studies the Student Earned Income Exclusion (SEIE) which allows young SSI recipients to attend school while working. In the absence of SEIE, SSI beneficiaries receive up to \$794 per month but this amount usually decreases by 50 cents for each dollar of earned income. However, SEIE allows SSI recipients under age 22 who attend school to exclude up to \$1,930 of their monthly earnings before SSI benefits are reduced.

## **Aging out of SEIE Eligibility Reduces School Enrollment and Employment**

SEIE is the only work- and education-oriented incentive administered by SSA, focusing specifically on young adult SSI recipients. Using the Survey of Income and Program Participation (SIPP), this paper compares changes in the education and labor decisions of SSI recipients around the SEIE eligibility cutoff at age 22. This paper finds that SSI beneficiaries a few months older than 22 – and therefore ineligible for SEIE – are less likely to enroll in school, less likely to work, and less likely to work while enrolling in school compared to those who are a few months shy of 22.



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## Implications

- Removing the employment disincentives embedded in the SSI program may promote employment among young SSI recipients. One example could be the increase of the \$65 earned income disregard to the inflation-indexed level.
- Additional income may help defray the cost of education young SSI beneficiaries face and incentivize them to invest in their human capital development.
- Effective interventions targeting the education and labor supply of young adult SSI beneficiaries may help them achieve financial independence, as well as yield substantial savings to SSA over time.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.