The Effects and Channels of Early-Life Removal from the Disability Rolls: Evidence from SSI Children

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Supplemental Security Income (SSI) provides cash welfare to the families of 1.4 million low-income children with disabilities. Deshpande (AER 2016) find that removing youth from the SSI program at age 18 results in large income losses and large increases in income volatility in adulthood. There are two potential interpretations of this finding. One is that SSI is a well-targeted program: when these highly disadvantaged children are removed from the program, they do poorly in the labor market, as expected. An alternative explanation is that SSI contributes to these poor outcomes by discouraging achievement.

In this project, I will distinguish between these two hypotheses and study the channels through which these effects operate. To distinguish between the two hypotheses, I will study the effect of removing children from SSI earlier than age 18 on their adult earnings. If the first hypothesis is correct, then we should expect that children have the same or worse outcomes when removed sooner from the program. If the second hypothesis is correct, then we should find that children have better long-term outcomes when removed at a younger age. I will use variation in continuing disability reviews for children between the ages of 3 and 12, originally used in Deshpande (ReStat 2016) to study effects on parental earnings, to study the effect of removal of young children on their long-term outcomes. After adjusting for observable differences, I will be able to test whether children removed at younger ages have better or worse long-term outcomes than the children in Deshpande (AER 2016) who were removed at age 18.

There are several potential channels through which SSI could affect outcomes, including the income transfer and incentives created by program rules. To understand these channels, I will study the effect of the 18-year-old's removal in Deshpande (AER 2016) from SSI on the adult outcomes of siblings. Siblings who do not receive SSI benefits should only be affected by the 18-year-old's removal through a pure income effect. I will use mother name and father name in the Numident to identify siblings of the 18-year-old and estimate the effect of the removal on sibling adult earnings.

Relevance to Social Security: This project advances SSA's interests in improving the outcomes of SSI youth, and in particular whether removing children from SSI at younger versus older ages is better for their long-term outcomes. The project aligns with SSA's focal area on "induced entry," or in this case "exit," since it measures the effect of continuing disability reviews and age 18 redeterminations on SSI participation and labor market outcomes.