How Education Affects Economic Security, Longevity and Net Social Security Benefits: Evidence from the Social Security Student Benefit Program

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March 28, 2022

One-Year Project Proposal: NBER Retirement and Disability Research Center

Focal Areas:

- Area #4, Economic Security of SSA Beneficiaries
- Area #7, Informing Trust Fund Projections

Abstract

Education is strongly associated with income, health, disability and longevity—and therefore also associated with an individual's expected payroll taxes and expected receipt of OASI, SSDI and SSI. Isolating the causal effects of education are challenging, however, since health and income are both inputs to education and outputs of education. In ongoing work (SSA grant #RDR18000003 Project NB22-12), we are identifying the causal effect of education on SSDI receipt and income by leveraging variation in college attainment arising from the elimination of the Social Security Student Benefit Program (SBP) in 1982. We propose to build upon this research over the course of the next year in two directions.

First, we will measure the causal effect of education on longevity/mortality rates using the same identification strategy, leveraging SSA administrative data and the elimination of the SBP program. Second, we will combine our estimates from the first part of this project (income, SSDI receipt) with our new estimates (longevity) to identify the social welfare effect of the 1982 SBP program and the causal effect of college attainment on net social security outlays. For this welfare analysis, we will calculate the Marginal Value of Public Funds (MVPF). The numerator of the MVPF is the value that SBP recipients received from the program, which includes not only the dollar value of the benefits received but also the increased income, reduced disability and extended longevity that the SBP induced by raising college attainment. The denominator of the MVPF calculation is the net effect of the SBP on the government budget. This includes the benefits paid to SBP recipients, net of increased payroll tax receipts, reduced SSDI benefits and extended OASI benefits.

In addition to retrospectively evaluating the social welfare effects of the Social Security Student Benefits Program, these estimates can also inform future SSA trust fund projections in the face of an increasingly educated American population. Understanding the causal effect of education on SSA receipts and outlays can inform SSA planning regarding future government policies expanding access to education, such as the Biden administration's proposal to fund free access to community colleges that is currently being debated in Congress.