MICHIGAN RETIREMENT AND DISABILITY RESEARCH CENTER
UNIVERSITY OF MICHIGAN

Promoting research on retirement, disability, and Social Security policy

The Effect of the Social Security Student Benefit on Lifetime Earnings

*Kathryn Anne Edwards, Daniel Schwam, and Melanie Zaber**

Social Security's dependent benefits go to children of retired, disabled, or deceased workers who labored sufficiently in covered employment to earn a Social Security benefit. Dependent benefits end when the child turns 19. However, between 1965 and 1981, dependent benefits were extended to age 22 if the child was unmarried and enrolled full-time in school. This was referred to as the "student benefit." It was abruptly ended in 1981, when Social Security faced acute financing issues, as a cost saving measure. Prior research has found that ending the student benefit reduced the probability that dependent beneficiaries would go to college.

This study used a difference-in-differences (DiD) approach to causally identify the effect of the Social Security student benefit on lifetime earnings. This approach leverages an unaffected population — in our case, those without deceased fathers — as a control group. The control group and treated group are compared over time by the timing of high school completion. We used the 1979 National Longitudinal Survey on Youth (NLSY79). Based on high school graduation year, half of the birth cohorts in the NLSY79 were potentially eligible for the student benefit; the others were not. We identify individuals in the survey who would have been eligible for the benefit based on whether they had a deceased father and their high school graduation year.

We find:

- The student benefit likely increased college attendance. (This is a finding from previous literature.)
- The student benefit is associated with an increase in lifetime earnings, when measured cumulatively over the study population's full work lives (ages 19 to 62).

* **Kathryn Anne Edwards** is an adjunct economist at RAND and a professor at the Pardee RAND Graduate School. **Daniel Schwam** is a quantitative analyst at RAND Corporation. **Melanie Zaber** is an economist at RAND, codirector of the Middle-Class Pathways Center, and a professor of policy analysis at the Pardee RAND Graduate School. This research brief is based on working paper MRDRC WP 2023-479, UM23-14.

- The increase in lifetime earnings is driven by a statistically significant increase for women and elder siblings.

Our findings have implications for public finance and the returns on subsidizing college enrollment as well as for Social Security. The student benefit was cut in a cost saving effort, but our results suggest that cutting the benefit might have cost the program more in the long run by reducing earnings and, consequently, payroll tax collections. ❖

Michigan Retirement and Disability Research Center
Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321
Fax: (734) 615-2180
mrdrcumich@umich.edu www.mrdrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center (MRDRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.

Regents of the University of Michigan:
Jordan B. Acker, Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Sarah Hubbard, Okemos; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Santa J. Ono, *ex officio*