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Moving People Off Public Assistance Programs Through Education

Christopher R. Bollinger

University of Kentucky, crboll@email.uky.edu

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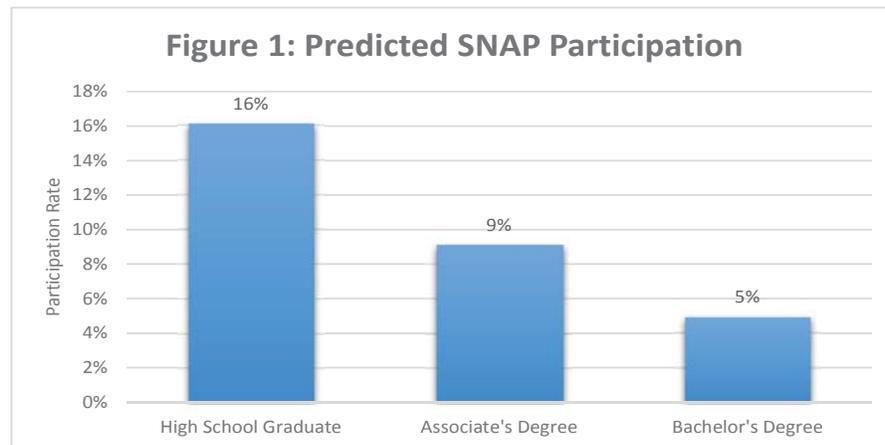
Moving People Off Public Assistance Programs Through Education

By Christopher R. Bollinger (crboll@uky.edu)*

Increasing the education levels of Kentuckians can reduce expenditures on the SSI and SNAP programs by over \$100 million each year.

Two of the largest federal transfer programs are the Supplemental Nutrition Assistance Program (SNAP) and Supplemental Security Income (SSI). Federal expenditures on SNAP exceeded \$74 billion in 2014, and SSI exceeded \$3 billion. While these programs provide families in distress with important support, ideally we desire that Kentucky families would not require this kind of assistance. In 2014, over 800,000 Kentuckians received SNAP assistance each month while over 190,000 received SSI. This brief examines the relationship between participation in these programs and educational attainment for Kentuckians. We find that education is highly related to participation and that those with higher education are much less likely to participate. By increasing educational attainment in Kentucky to the U.S. level, we can move people off of these means tested programs saving over \$100 million annually.

We use the American Community Survey (ACS) for the years 2009-2013 to examine this question. The ACS is well suited to addressing this question as it provides detailed demographic data, including education, as well as data on participation in these programs. The data also allow us to focus on Kentucky. We use statistical models to isolate the impact of education from other known characteristics associated with participation in these programs. In our data, about 17% of families in Kentucky qualified for SNAP during the period we study.



In Figure 1, we present the predicted participation rates for families headed by different levels of education. We find that while families headed by high school graduates have a base participation rate of approximately 16%**, the participation rate of those families where the head of the household has an Associate's degree

Only 5% of college graduates are predicted to participate in the SNAP program, compared to 16% of high school graduates.

decreases by 7% to an overall rate of 9%. Only 5% of college graduates are predicted to participate in the SNAP program, an 11% reduction compared to high school graduates.

We estimate that by simply adding 1% to Associate's degrees and Bachelor's degrees, we could reduce Kentucky's participation rate by 0.3%, moving over 5,000 families off food stamps. The typical family in Kentucky receives a benefit of \$244 per month. The resulting savings would be \$14 million annually. If Kentucky could achieve education rates equivalent to the U.S. average participation would drop by 2%, moving over 33,000 households off food stamps, and saving over \$99 million annually.

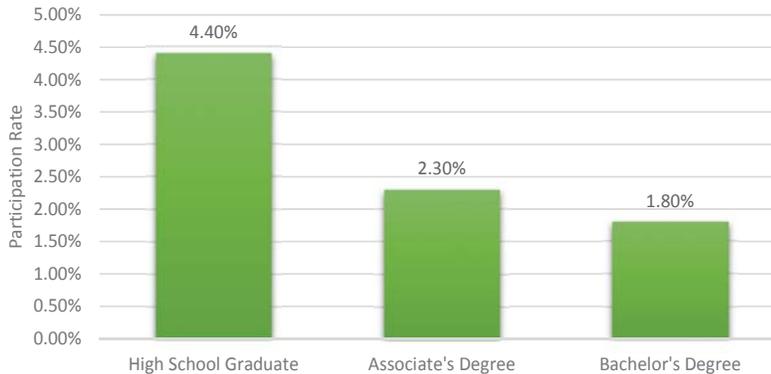
*This research was funded by the Council on Postsecondary Education (CPE) to study the relationship between education and outcomes such as income, employment levels, health, public assistance use, and crime.

**The reason the overall average is higher than these three groups is that families headed by a high school dropout participate at a staggering 35% rate. We focus on high school and above here.



The Supplemental Security Income (SSI) program provides income for individuals who are disabled and poor. In our analysis, we focus on adults who are under 65, although the program does provide benefits for children and seniors. One might be skeptical that education would matter here, but the data reveal that it does. Overall, about 4.7% of adults under 65 in Kentucky receive SSI benefits. Figure 2 provides our model results for the differences in participation between high school graduates and those with an Associate's or Bachelor's degree. Approximately 4.4% of individuals with a high school diploma receive SSI benefits. Our model shows that individuals with an Associate's or Bachelor's degree have a 2.1 or 2.6 percentage point lower participation rate: dropping participation more than half. Our model predicts that only 2.3% of Associate's degree holders and only 1.8% of Bachelor's degree holders would receive SSI.

Figure 2: Predicted SSI Participation Rates



For adults under the age of 65, having a college degree drops predicted SSI participation rates by half.

between high school graduates and those with an Associate's or Bachelor's degree. Approximately 4.4% of individuals with a high school diploma receive SSI benefits. Our model shows that individuals with an Associate's or Bachelor's degree have a 2.1 or 2.6 percentage point lower participation rate: dropping participation more than half. Our model predicts that only 2.3% of Associate's degree holders and only 1.8% of Bachelor's degree holders would receive SSI.

Given that this program is designed to benefit those with disabilities, it may seem odd that participation falls so dramatically with education. There are a number of mechanisms by which this relationship manifests itself. Perhaps the most important, is that the typical jobs for which those with high school diplomas qualify are physically demanding. It is difficult for workers with physical disabilities to perform those jobs. This is significantly less true of the white collar jobs typically obtained by those with a college degree. Education allows individuals with disabilities the opportunity to have a rewarding career and provides opportunities which can mitigate other risks in life.

Increasing the number of college graduates by 1% in each degree type (Associate's and Bachelor's degrees) would reduce SSI related costs by over \$10 million.

Our estimates suggest that were Kentucky to increase educational attainment of Associate's and Bachelor's degrees by 1%, we could reduce participation in SSI by 0.1%. This would reduce SSI roles by approximately 4,000 individuals and payments by over \$2 million. Similarly, were Kentucky to achieve the same educational attainment as the U.S. average, SSI participation would fall by 0.5%. This would reduce SSI roles by 20,000 individuals, reducing costs by over \$10 million.

Education provides opportunities for people to support themselves. Many studies have shown that individuals are happier and more satisfied when they can provide their own means of support and support their families. Moving individuals and families off of these kinds of means tested transfer programs should be a priority for the state of Kentucky, and an effective way to do that is through education.