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The (Lack of) Anticipatory Effects of the Social Safety Net on Human Capital Investment

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Key Findings and Policy Implications

This paper focuses on the families of children between ages 14 and 17 who are child beneficiaries of Supplemental Security Income (SSI). The continuing eligibility of these children for SSI benefits is reevaluated at age 18; and most parents overestimate the likelihood that their child will receive SSI benefits in adulthood. The study analyzes the effect of an experimental intervention in which randomly-selected families are presented with the more accurate, predicted likelihood that their child will receive SSI benefits in adulthood. Among the key findings:

Parents appeared to understand the information presented in the intervention and its gravity. They updated their perceived likelihood that their child would be removed from SSI by 20 percentage points relative to the control group.

Parents receiving the experimental intervention expressed 10 percentage points greater demand than the control group for a hypothetical insurance product to insure them against the loss of SSI benefits; and they were 9 percentage points more likely to make plans to work more themselves in the future.

Parents did not, however, increase their take-up of human capital investments for their child, including the tutoring and job training services that were offered, which evidence suggests could increase children's future earnings.

Likely explanations for the lack of human capital investment include parents working more themselves, non-financial goals influencing investment, and families facing investment constraints.

The study suggests that expectations of future SSI benefit receipt have limited, if any, impact on educational investments in childhood. The implication is that informational interventions like the one tested in this study appear to have limited potential to improve the life outcomes of children who receive SSI. From a broader policy perspective, however, the absence of a causal relationship between SSI benefits and human capital investment implies that the many positive social welfare benefits of the social safety net are not offset or moderated by adverse behavioral incentives that might theoretically accompany safety net programs.

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