

### Position

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Generations United strongly supports the role Social Security plays in providing economic security and indispensable protections for families that lose a breadwinner's support because of death or disability. Current discussions about reforming Social Security in order to sustain the program for future generations should recognize that the best way to support our younger generations is to strengthen Social Security, not to cut it.

### Recommendation

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Generations United recommends Congress strengthen Social Security and improve economic security for families by reinstating the student benefit.

### Background

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When Congress enacted the student benefit in 1965, it recognized the growing importance of a college education and extended Social Security child benefits until age 22 for children enrolled in college. The benefit acknowledged that most young adults enrolled in post-secondary education depend largely on their parent's income. Student benefits helped children enroll in college and complete their education. In 1983, Congress ended the benefit to address the short-term funding crisis of Social Security.<sup>i</sup>

### Student Aid

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While the cost of higher education has almost doubled since 1979, financial aid is less adequate. In 1979, the average Pell Grant covered about one-fifth of the average cost of private institutions and 40 percent of the average costs of public institutions. Currently, the average Pell Grant covers less than ten percent of the costs of private institutions and 20 percent of public institutions. In their decision to remove the student benefit, Congress assumed the Pell Grant would provide enough support to those who would have previously received the student benefit. Despite Congress' recent and important additional investment in Pell Grants, the cost of education drastically outpaces the Pell Grant. As a result, the Social Security student benefit is more imperative than ever.<sup>ii</sup>

### Previous Concerns Addressed

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Policymakers cited the lack of an inadequate verification structure for student benefits as a concern when deciding to end the program in 1983. However, this is no longer the case. The verification of student status could build on the existing infrastructure of the Free Application for Federal Student Aid (FAFSA), which conducts similar verification with institutions of high education.<sup>iii</sup>

### Cost-effectiveness

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The risk of disability or premature death is greater than many people realize. Almost four in ten men (38 percent) recently entering the labor force and three in ten women (31 percent) will become disabled or die before reaching the full retirement age.<sup>iv</sup> As college costs climb rapidly, replacing lost parental support is even more important today. Restoring the student benefit would offer students whose parents are deceased and disabled the support they need to become the educated workforce our country's economy needs.

Providing student benefits for children of deceased or disabled workers is estimated to cost about 0.07 percent of taxable payroll over the 75-year actuarial horizon. For a worker earning \$50,000 per year, a 0.07 percent increase in the Social Security contribution rate would represent an additional \$35 in Social Security contributions per year split between the hypothetical worker and their employer. College students earn on average 61 percent more over their lifetimes than high school graduates.<sup>v</sup> Their potential increased earnings and payroll tax contributions could at least partially offset the modest cost of the program.

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<sup>i</sup> Gregory, Janice, Thomas N. Bethell, Virginia Reno and Ben Veghte. *Strengthening Social Security for the Long Run*. Washington, DC: National Academy of Social Insurance, 2010.

<sup>ii</sup> Gregory, et al., *Strengthening Social Security for the Long Run*.

<sup>iii</sup> Ibid.

<sup>iv</sup> Robert Baldwin and Sharon Cho, *A Death and Disability Life Table for Insured Workers Born in 1985*, Social Security Administration, February 2006,

<sup>v</sup> Ibid.