Social Security Claiming and the Business Cycle

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Urban Institute

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The Timing of Social Security Claiming Matters

• Affects size of monthly benefits

• Adjustments for early and late claiming are designed to be actuarially neutral
  – but expected longevity may affect claiming
Claiming Behavior Appears to Be Changing

• Older adults are working longer
  – Between 1993 and 2010, participation rates at ages 62+ have increased 37% for men, 68% for women

• Recent Social Security changes reward delayed claiming
  – For those born in 1943, full retirement age (FRA) is 66 and delayed retirement credit is 8%
  – The retirement earnings test was repealed after FRA

• The recession may have increased early claiming

Research Questions

• What is the distribution of Social Security claiming ages and how has it changed over time?

• How does claiming respond to the business cycle?

• What other factors influence claiming?
SIPP Data Matched to Admin Records

• Admin records run from 1951 to 2009
• Advantages
  – high match rate
  – data spans several booms and busts
  – access to survey data (health, education, wealth)
  – large sample sizes (up to 40,225 men; 37,630 women)
• Restrict sample to insured workers (40+ quarters of covered earnings) who did not claim before age 62
Distribution of Social Security Claiming Ages for Men Who Did Not Claim Before Age 62

<table>
<thead>
<tr>
<th>Birth Cohort</th>
<th>65+</th>
<th>63 or 64</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-24</td>
<td>49.5%</td>
<td>27.2%</td>
<td>23.3%</td>
</tr>
<tr>
<td>1925-29</td>
<td>53.1%</td>
<td>26.2%</td>
<td>20.7%</td>
</tr>
<tr>
<td>1930-34</td>
<td>55.3%</td>
<td>23.1%</td>
<td>21.5%</td>
</tr>
<tr>
<td>1935-39</td>
<td>52.1%</td>
<td>21.9%</td>
<td>26.0%</td>
</tr>
<tr>
<td>1940-44</td>
<td>46.4%</td>
<td>16.4%</td>
<td>37.1%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations from SIPP matched files.
Distribution of Social Security Claiming Ages for Women Who Did Not Claim Before Age 62

<table>
<thead>
<tr>
<th>Birth Cohort</th>
<th>1920-24</th>
<th>1925-29</th>
<th>1930-34</th>
<th>1935-39</th>
<th>1940-44</th>
</tr>
</thead>
<tbody>
<tr>
<td>65+</td>
<td>20.0%</td>
<td>20.7%</td>
<td>24.4%</td>
<td>24.9%</td>
<td>33.8%</td>
</tr>
<tr>
<td>63 or 64</td>
<td>22.3%</td>
<td>22.5%</td>
<td>18.3%</td>
<td>20.3%</td>
<td>17.2%</td>
</tr>
<tr>
<td>62</td>
<td>57.7%</td>
<td>56.8%</td>
<td>57.3%</td>
<td>54.8%</td>
<td>49.0%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations from SIPP matched files.
Distribution of Social Security Claiming Ages for Men & Women Who Did Not Claim Before Age 62

Year of Birth

Source: Authors’ calculations from SIPP matched files.
Percentage of Men and Women Claiming Social Security at Age 62
*(shaded box indicates recession)*

Source: Authors’ calculations from SIPP matched files.
Percentage of Men Claiming at Age 62, by Education and Year of Birth

Source: Authors’ calculations from SIPP matched files.

Urban Institute Program on Retirement Policy  www.RetirementPolicy.org
Percentage of Men Claiming at Age 65 or Later, by Education and Year of Birth

Source: Authors’ calculations from SIPP matched files.

Urban Institute Program on Retirement Policy  www.RetirementPolicy.org
Percentage of Women Claiming at Age 62, by Education and Year of Birth

<table>
<thead>
<tr>
<th>Education Level</th>
<th>1920-24</th>
<th>1930-34</th>
<th>1940-44</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not HS Grad</td>
<td>66</td>
<td>60</td>
<td>57</td>
</tr>
<tr>
<td>HS Grad</td>
<td>59</td>
<td>63</td>
<td>54</td>
</tr>
<tr>
<td>4 Yrs College</td>
<td>46</td>
<td>49</td>
<td>39</td>
</tr>
<tr>
<td>&gt; 4 Yrs College</td>
<td>43</td>
<td>43</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations from SIPP matched files.
Percentage of Women Claiming at Age 65 or Later, by Education and Year of Birth

Source: Authors’ calculations from SIPP matched files.
Percentage of Men and Women Claiming at Age 62, by Health Status and Year of Birth

Source: Authors’ calculations from SIPP matched files.
Estimating Hazard Models of Claiming

• Person-month observations on insured adults age 61 years, 11 months or older
  – remain in the sample until claim, die, leave the survey, or survey ends

• Dependent variable = 1 if claim next month

• Controls include:
  – state unemployment rate
  – lifetime earnings
  – increase in monthly benefits if delay take-up one month
  – health status
  – year of birth
  – demographics
Men and Women Are Now Claiming Later, Even When Other Factors Are Held Constant

Estimated Likelihood of Claiming Benefits by Birth Cohort, Relative to Those Born 1930-34

Source: Authors’ calculations from SIPP matched files.
The Great Recession Increased Claiming for Men, but Had Less Impact than Education or Health

Estimated Impact on Claiming Benefits, Men

Source: Authors’ calculations from SIPP matched files.
High Unemployment Does Not Affect Claiming Much Among Women

Estimated Impact on Claiming Benefits, Women

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Estimated Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not HS</td>
<td>1%</td>
</tr>
<tr>
<td>HS</td>
<td>14%</td>
</tr>
<tr>
<td>Some Col</td>
<td>23%</td>
</tr>
<tr>
<td>Col.</td>
<td>-29%</td>
</tr>
<tr>
<td>Grad Sch</td>
<td>-53%</td>
</tr>
<tr>
<td>Ex/vg</td>
<td>0%</td>
</tr>
<tr>
<td>Good</td>
<td>12%</td>
</tr>
<tr>
<td>Fr/pr</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations from SIPP matched files.
Summary

• Insured workers have delayed Social Security claiming over the past 10 years

• Even men and women with limited education are now claiming later

• High unemployment encourages early claiming for men but not women
Next Steps

• *Who* claims early during periods of high unemployment?
  – Is that changing?

• What are the consequences of early claiming for beneficiaries and system payouts?

• What happened in 2009?
Percentage of Men and Women Claiming at Age 65 or Later, by Health Status and Year of Birth

Source: Authors’ calculations from SIPP matched files.
How Does the Distribution of Claiming Ages Vary over Time and by Characteristics?

• When we incorporate only admin data and time-invariant survey data, we do not need to restrict to those interviewed when they claim
  – need to consider sample selection and mortality
  – restrict to 1920-1944 cohorts
  – $N = 40,225$ men; $37,630$ women

• When we examine claiming and health status, we restrict to those interviewed at age 62
  – $N = 9,507$ adults
Percentage of Men and Women Claiming Social Security before Age 62
*(shaded box indicates recession)*

Year Turning 62

Source: Authors’ calculations from SIPP matched files.

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