

Social Security Claiming and the Business Cycle

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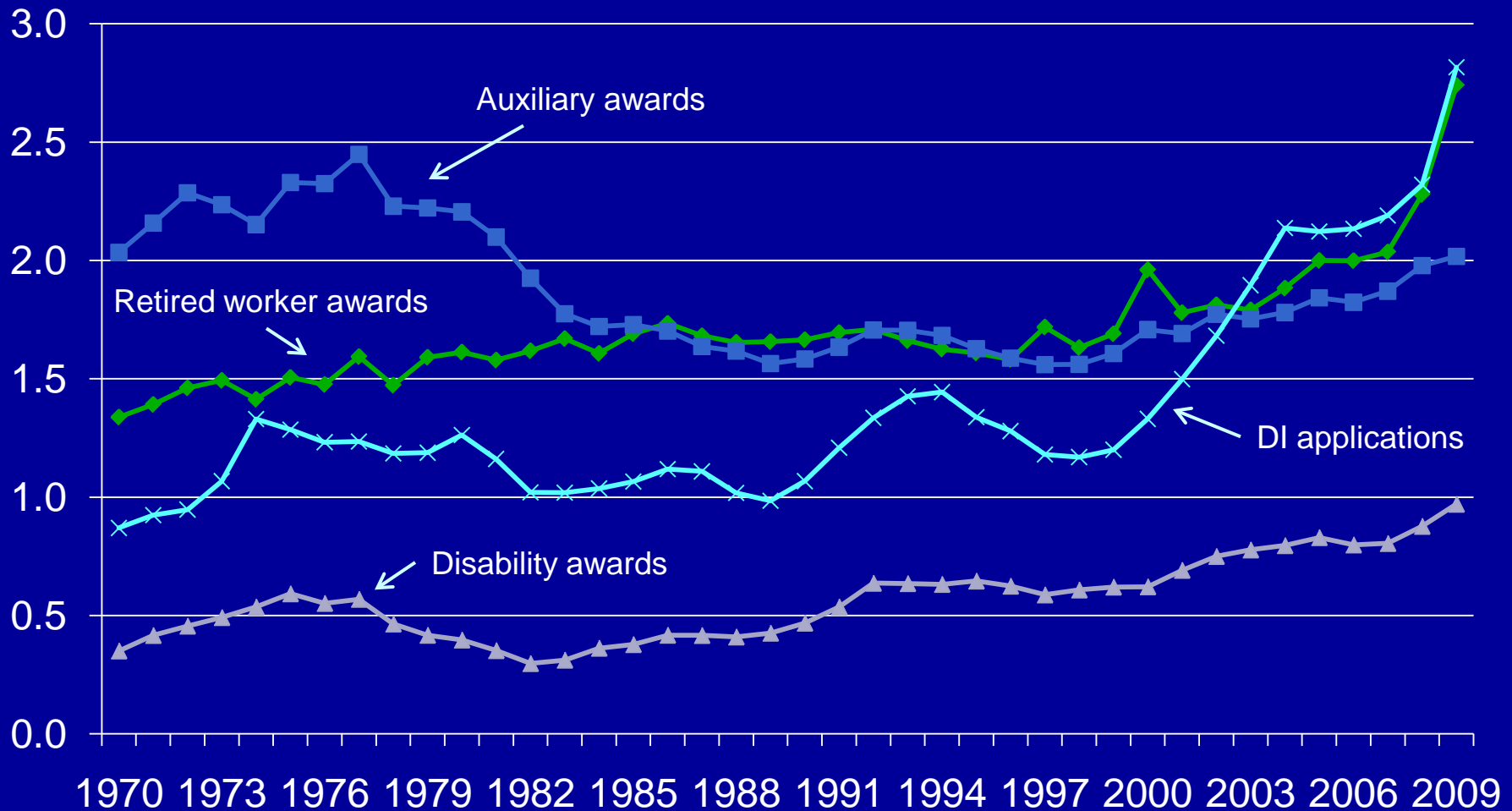
The Timing of Social Security Claiming Matters

- 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 - The retirement earnings test was repealed after FRA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

Social Security Benefit Awards and DI Applications, 1970-2009 (millions)



Source: SSA (2011).

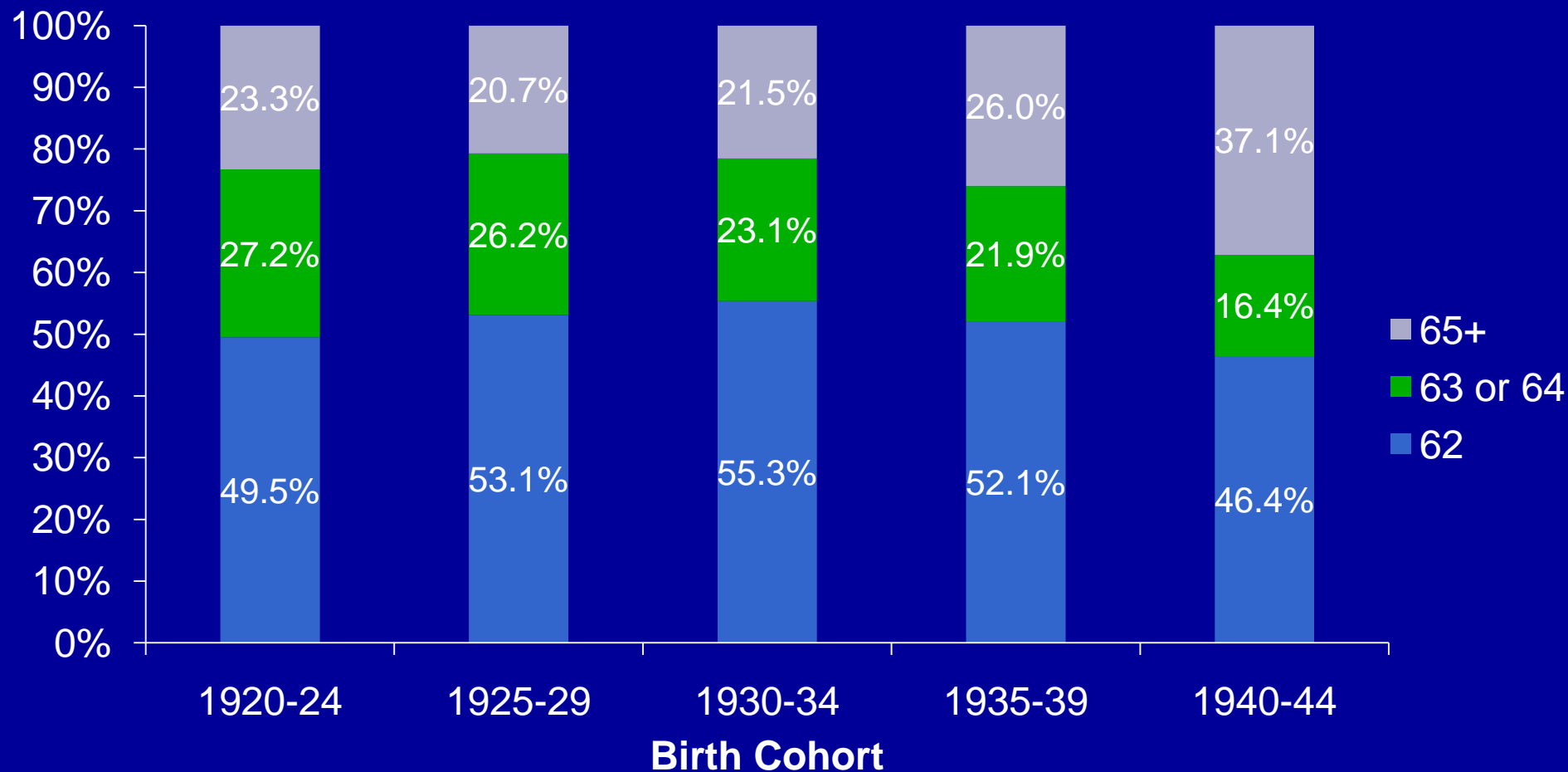
Research Questions

- 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

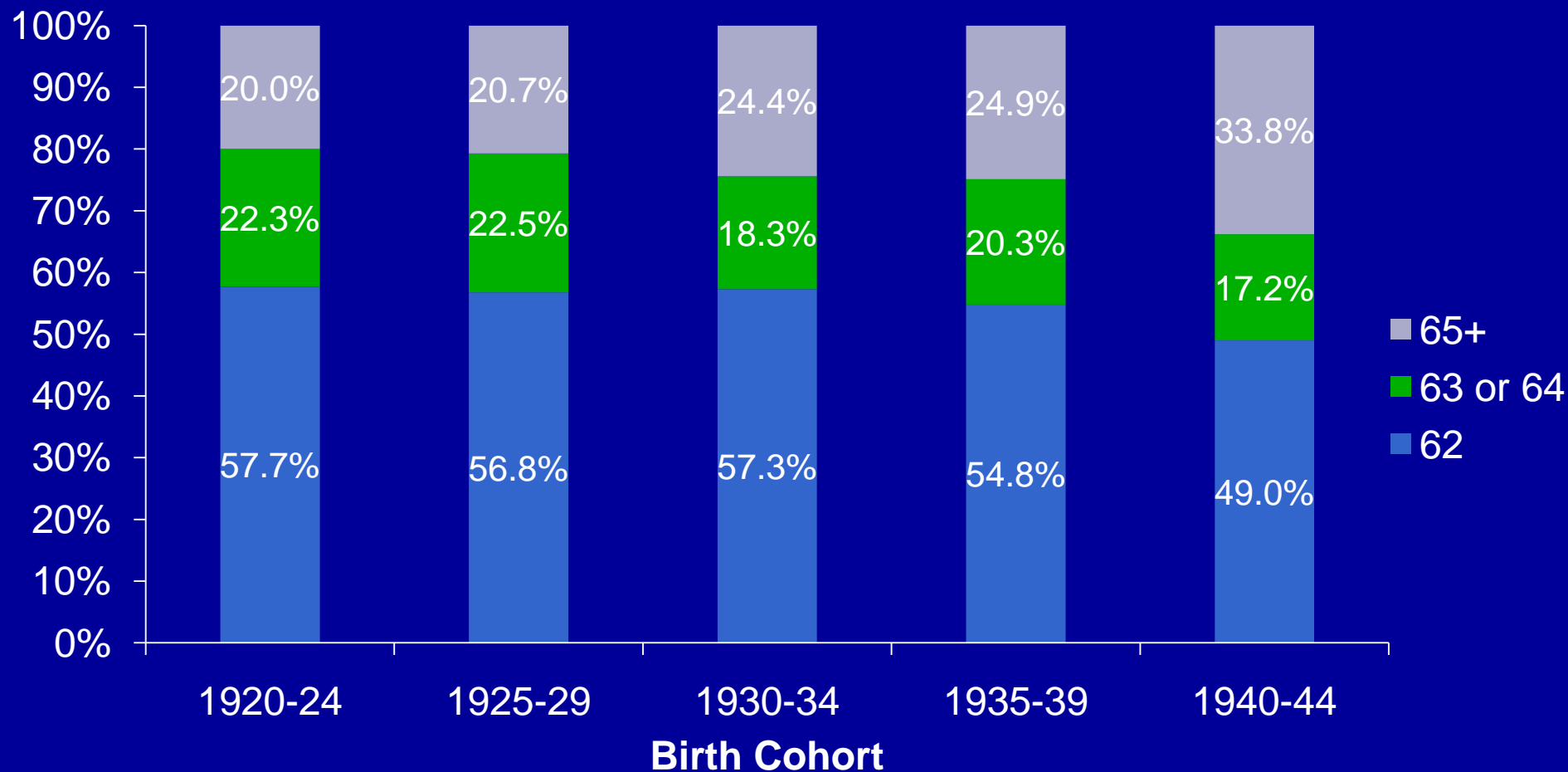
- 1984, 1990-1993, 1996, 2001, 2004, & 2008 panels
- Admin records run from 1951 to 2009
- Advantages
 - high match rate
 - data spans several booms and busts
 - access to survey data (health, education, wealth)
 - large sample sizes (up to 40,225 men; 37,630 women)
- Restrict sample to insured workers (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



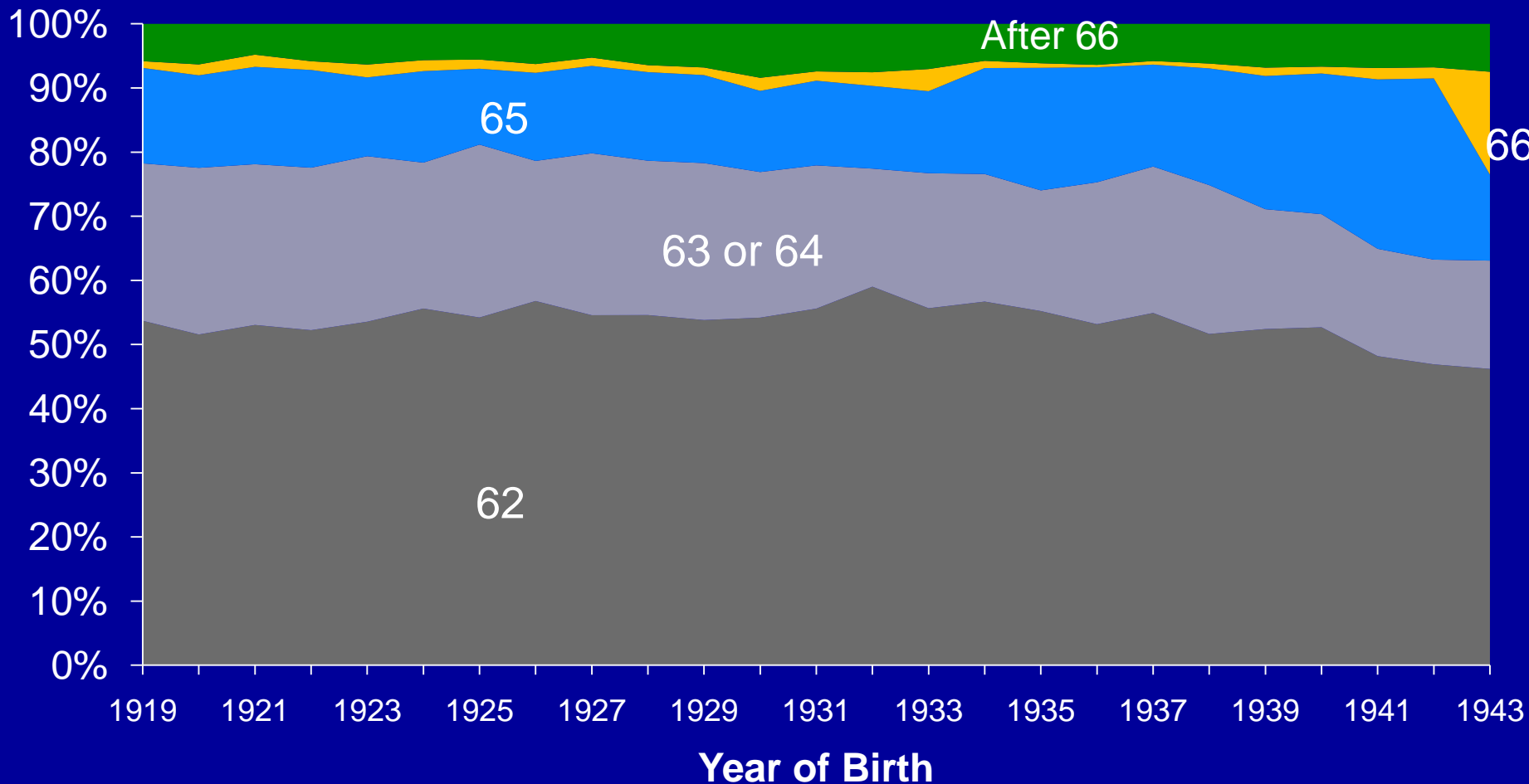
Source: Authors' calculations from SIPP matched files.

Distribution of Social Security Claiming Ages for Women Who Did Not Claim Before Age 62



Source: Authors' calculations from SIPP matched files.

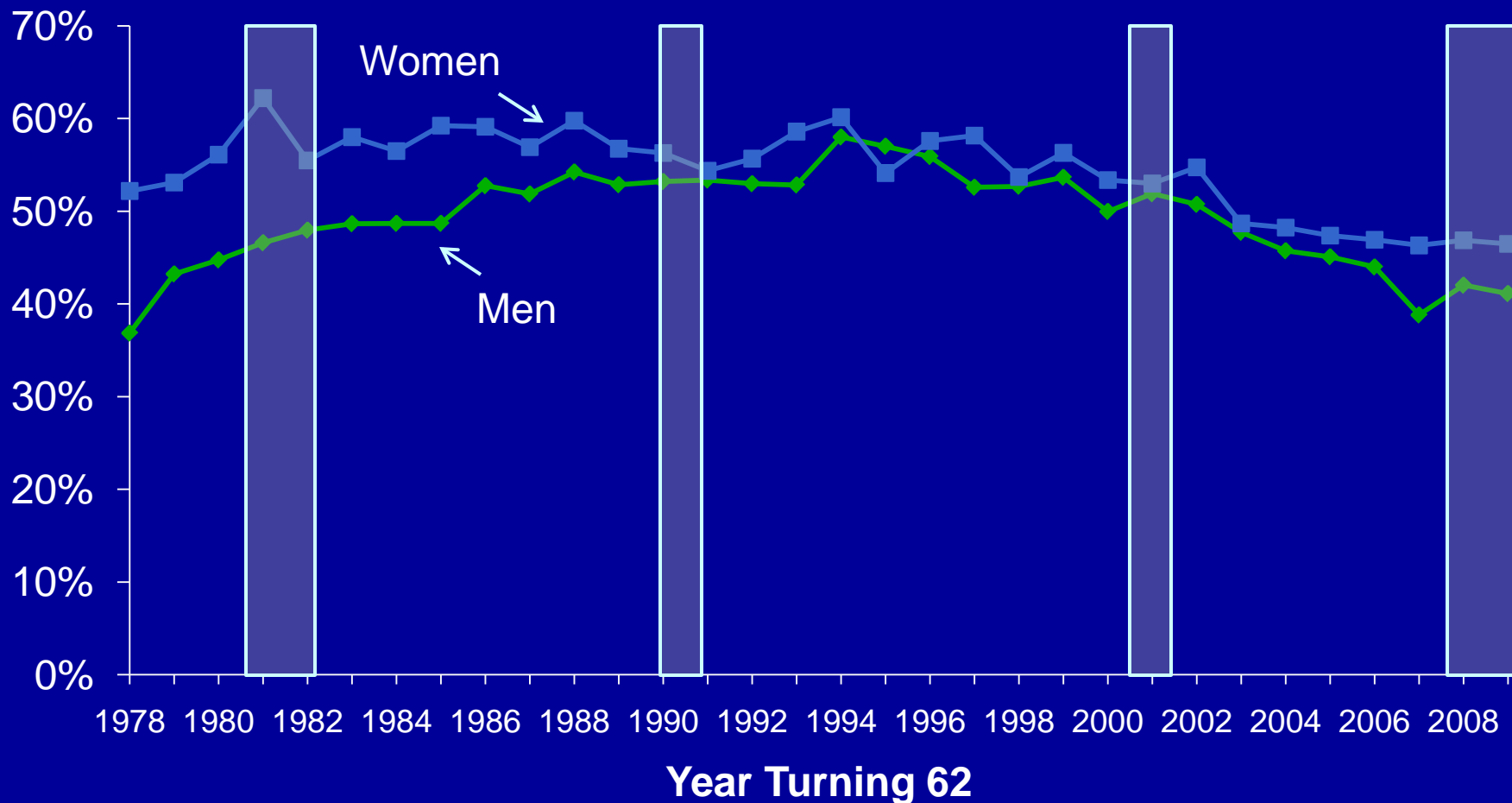
Distribution of Social Security Claiming Ages for Men & Women Who Did Not Claim Before Age 62



Source: Authors' calculations from SIPP matched files.

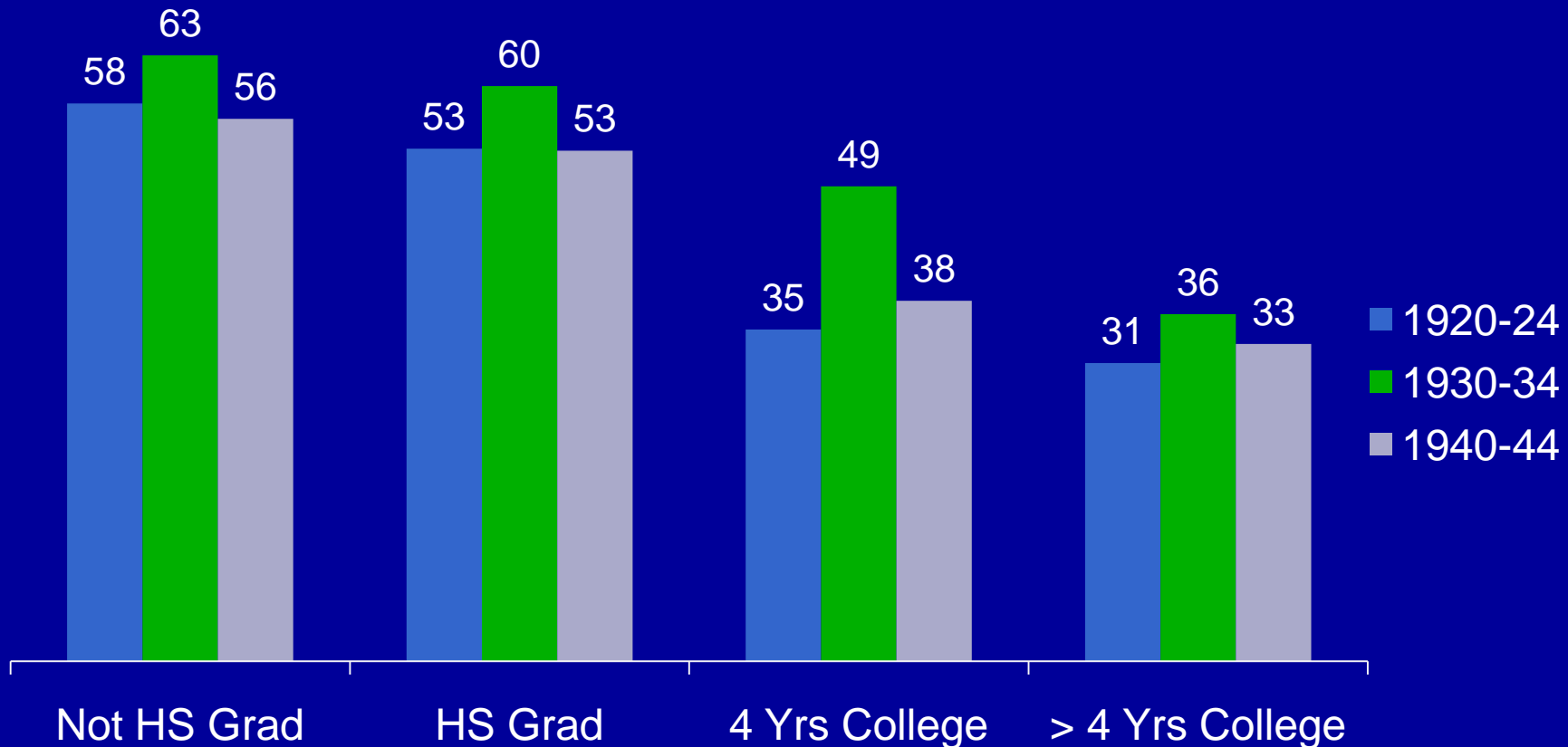
Percentage of Men and Women Claiming Social Security at Age 62

(shaded box indicates recession)



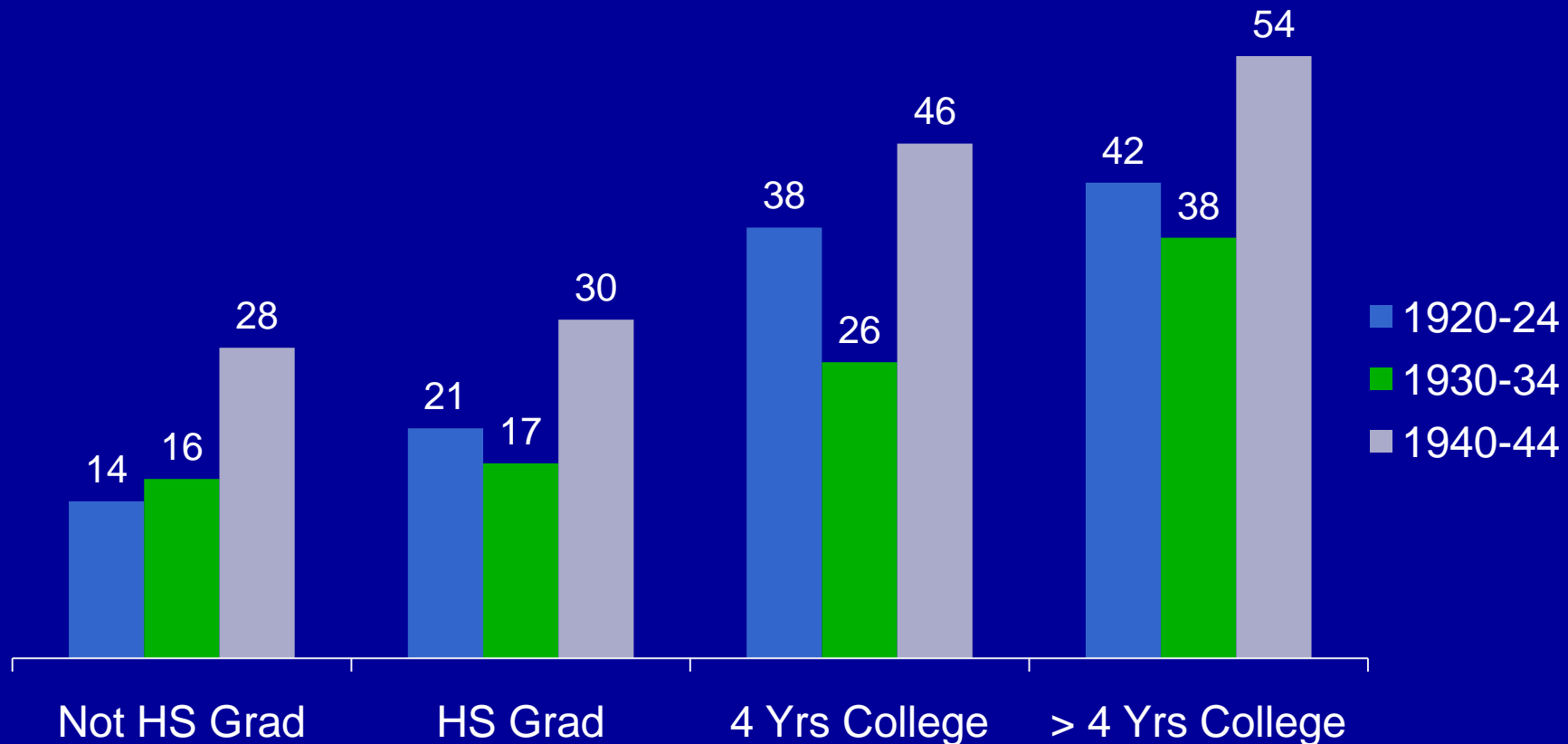
Source: Authors' calculations from SIPP matched files.

Percentage of Men Claiming at Age 62, by Education and Year of Birth



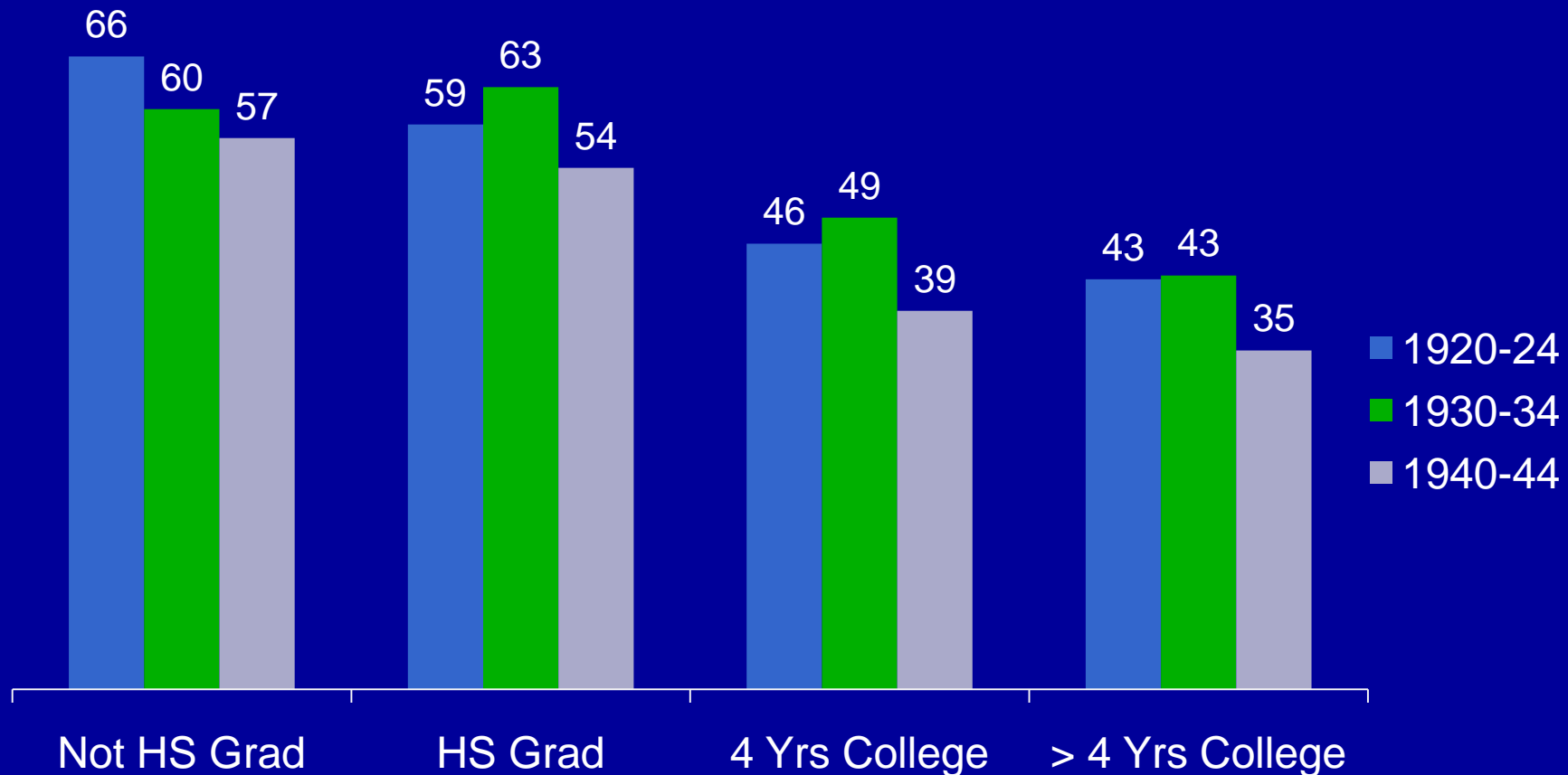
Source: Authors' calculations from SIPP matched files.

Percentage of Men Claiming at Age 65 or Later, by Education and Year of Birth



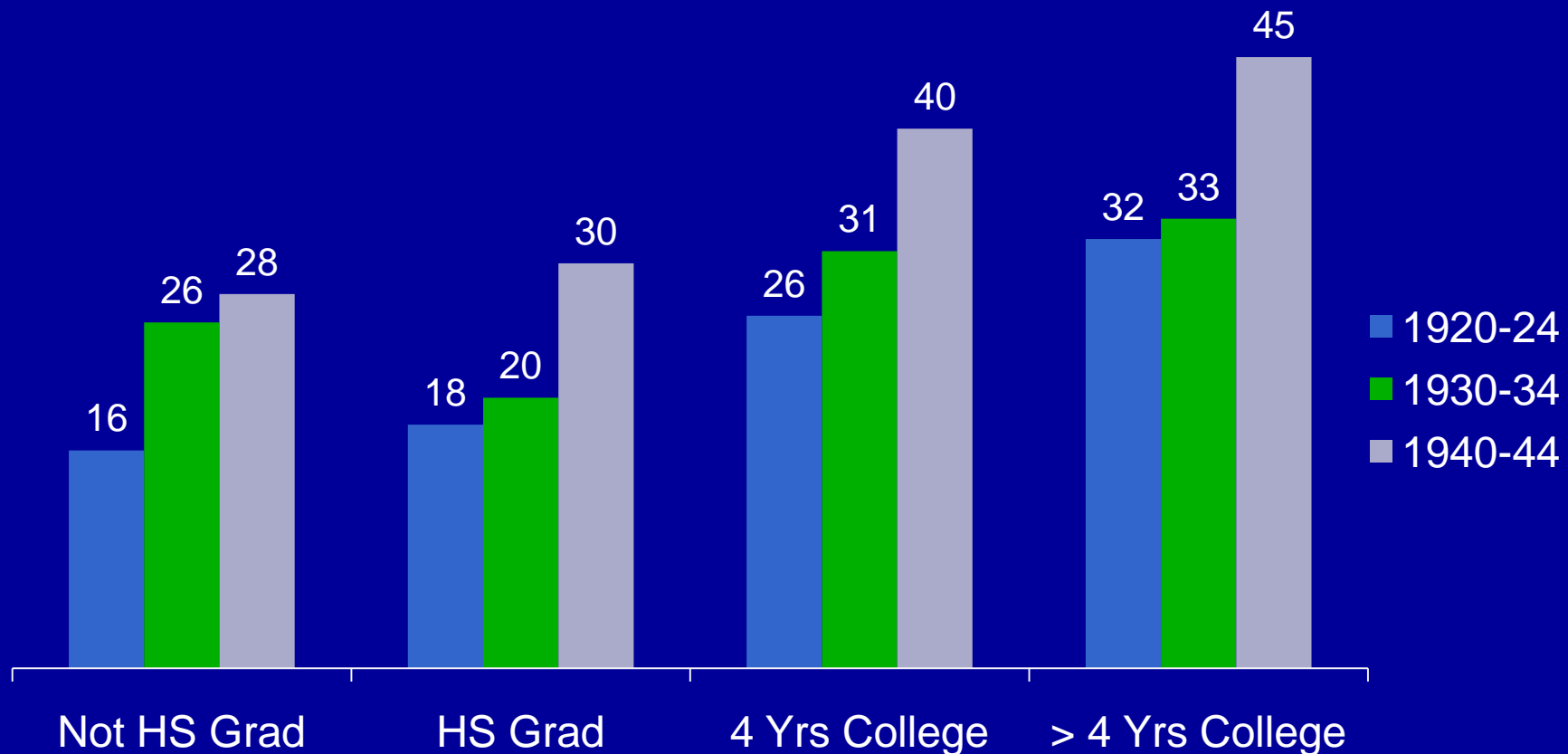
Source: Authors' calculations from SIPP matched files.

Percentage of Women Claiming at Age 62, by Education and Year of Birth



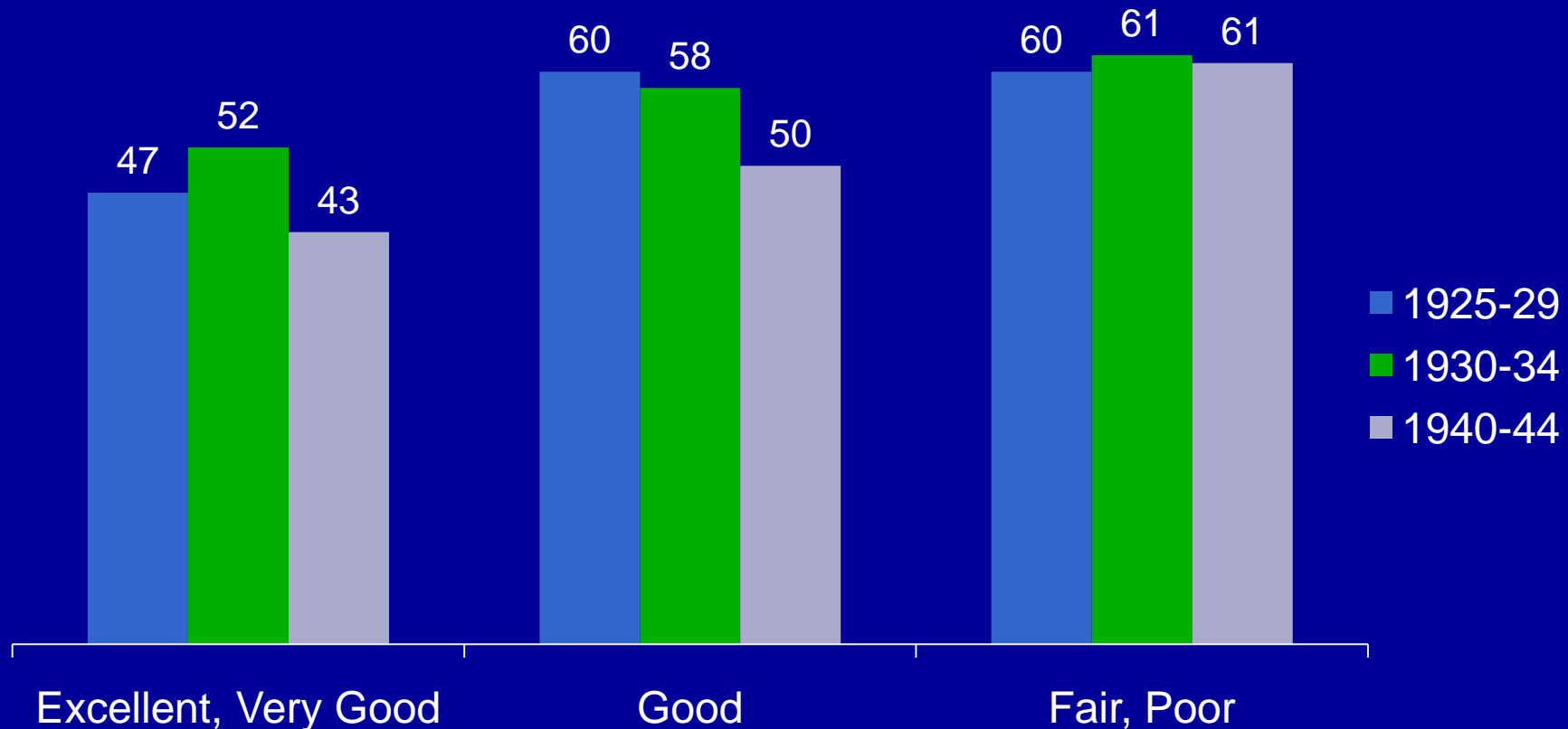
Source: Authors' calculations from SIPP matched files.

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



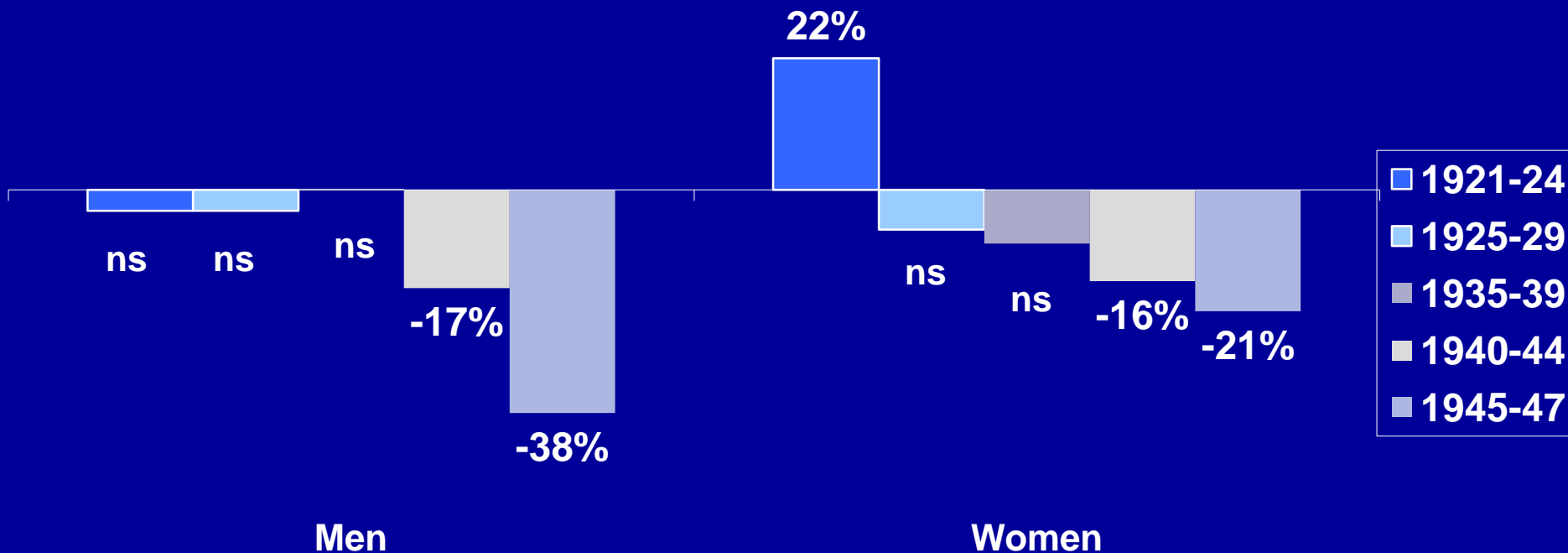
Source: Authors' calculations from SIPP matched files.

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
 - health status
 - lifetime earnings
 - year of birth
 - increase in monthly benefits if delay take-up one month
 - demographics

Men and Women Are Now Claiming Later, Even When Other Factors Are Held Constant

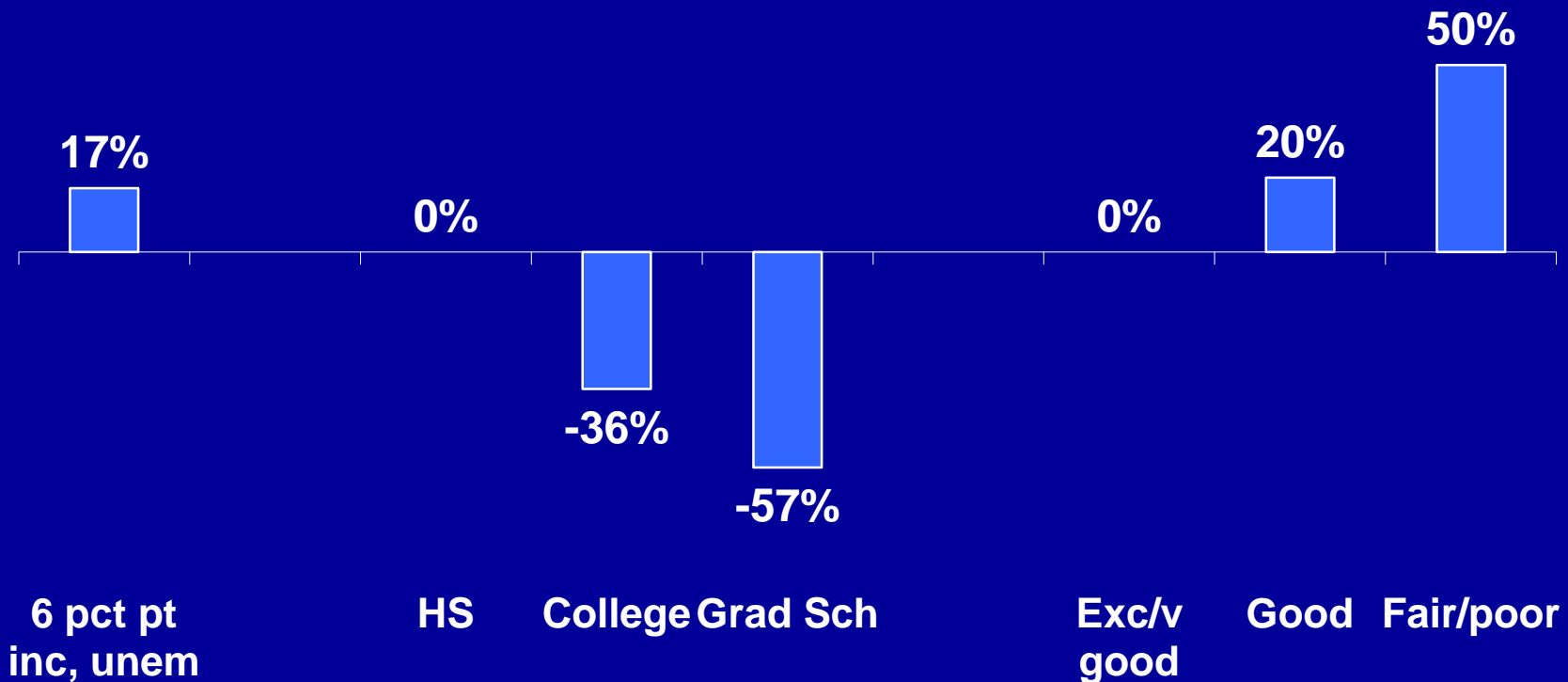
Estimated Likelihood of Claiming Benefits by Birth Cohort, Relative to Those Born 1930-34



Source: Authors' calculations from SIPP matched files.

The Great Recession Increased Claiming for Men, but Had Less Impact than Education or Health

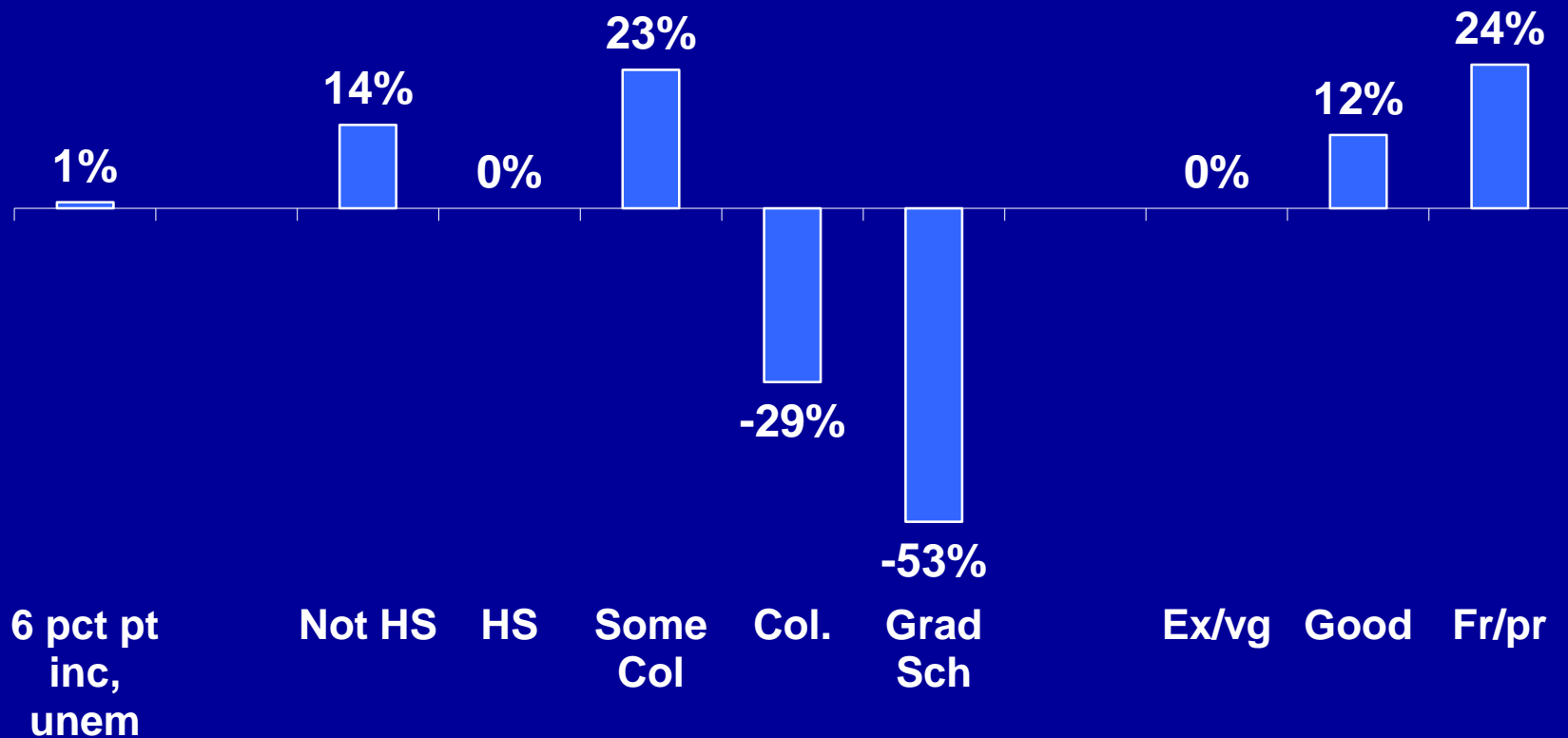
Estimated Impact on Claiming Benefits, Men



Source: Authors' calculations from SIPP matched files.

High Unemployment Does Not Affect Claiming Much Among Women

Estimated Impact on Claiming Benefits, Women



Source: Authors' calculations from SIPP matched files.

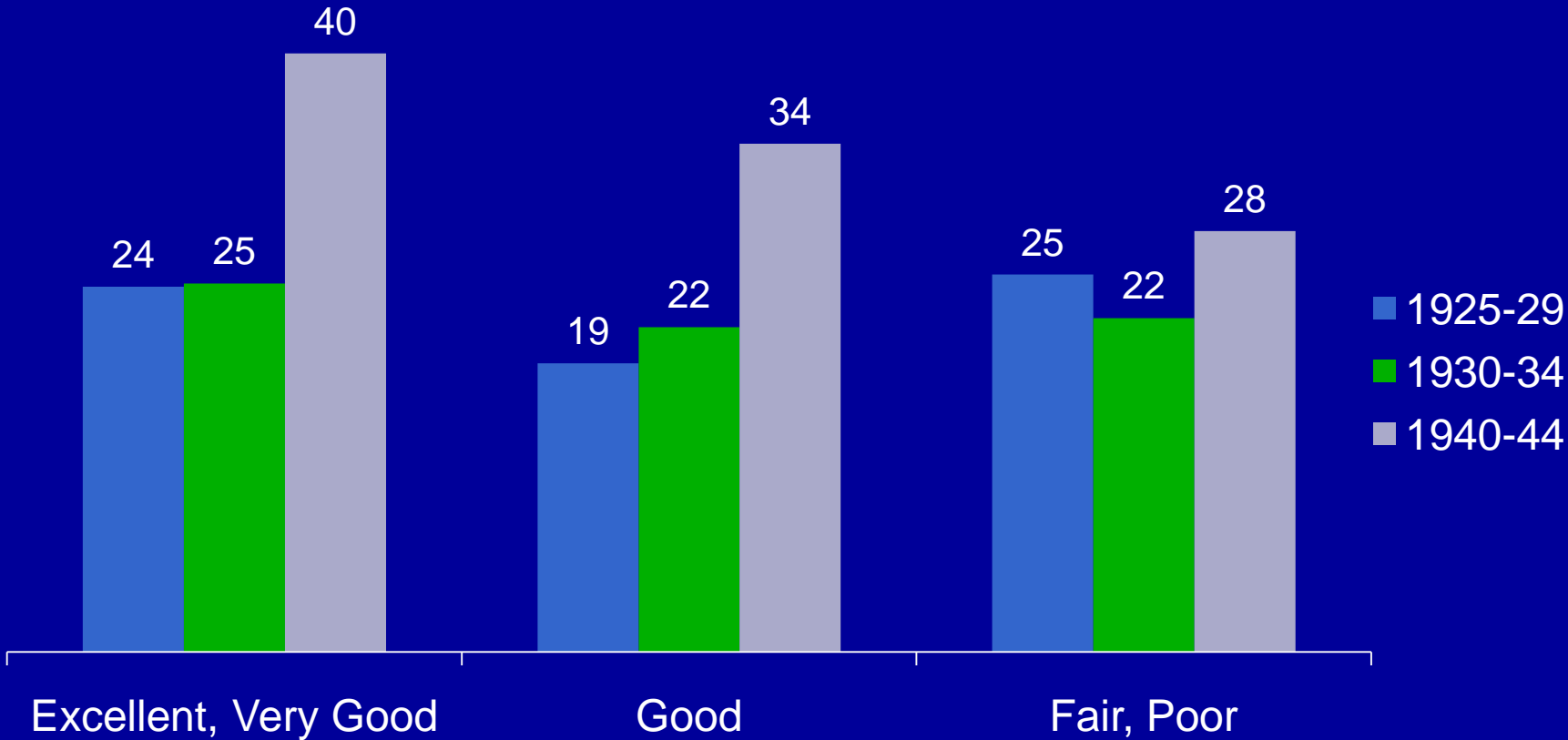
Summary

- 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

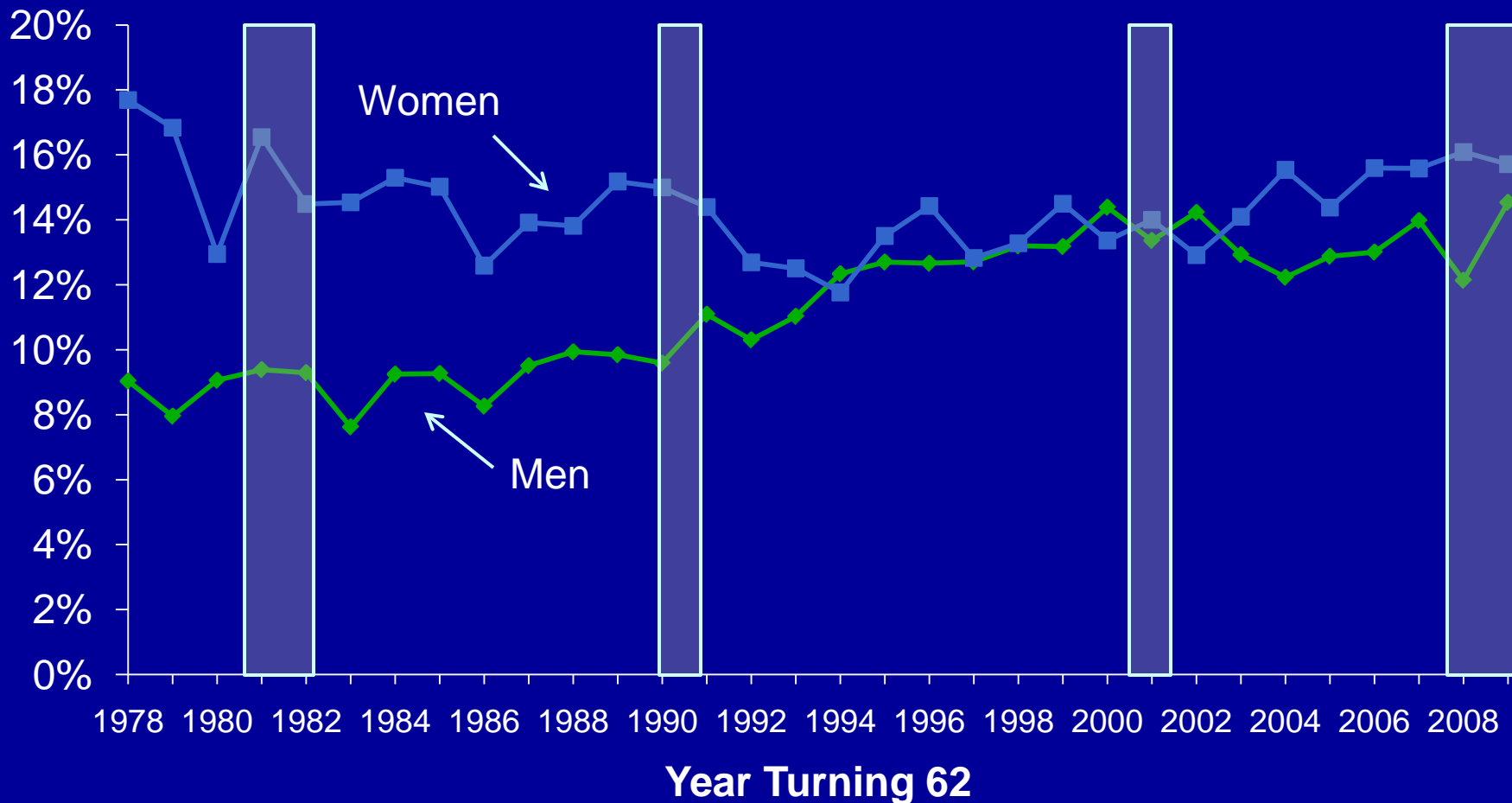


Source: Authors' calculations from SIPP matched files.

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)



Source: Authors' calculations from SIPP matched files.