Comments on “Social Security Claiming and the Business Cycle”

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The findings and views expressed in this presentation are those of the authors and should not be interpreted as those of the Congressional Budget Office.
Who claims early?

• H&J: Use SIPP data matched to Social Security administrative data
  – Look at cohort, education, marital status, lifetime earnings, health status, age, etc.

• How do the characteristics of early-claimers change over time?
  – Responses to economic downturns
  – But also to changes in rules: FRA, earnings test

• Hazard model of benefit claiming
  – Current model: What determines whether a person claims in the next month?
  – Alternative model: What determines whether a person claims at age 62, vs. 62 up to FRA, vs. FRA and beyond?
What can administrative data tell us?

• 1 percent sample of Social Security administrative data; exact age at initial entitlement to benefits
  – Look at entitlements by age in months with Jae Song
  – Follow birth cohorts over time
  – See response to FRA: 65 and 2 months, . . ., 65 and 10 months
  – Responses to economic downturns clearly evident

• Examine job losers during mass layoffs in 1980s
  – Look at long-term outcomes with Von Wachter, Song
  – Near-retirees who lose jobs claim earlier, but younger workers who lose jobs delay claiming
First, compare results from matched SIPP to results from administrative data

• Not exact match on cohorts
  – H&J: 1935-39, 1940-44
  – M&S: 1936-39, 1940-42

• Difference in sample size for men
  – H&J: 40,000 men across 1920-1944 cohorts
  – M&S: 800,000 to 1 million men in each cohort

• Entitlement by age group similar (62, 63-64, 65+)
  – Difference between 4 and 13 percent
Men: Age at Initial Retired Worker Benefit

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**Admin SIPP**

**Matched Admin SIPP**

**SIPP**

- **65+**
- **63-64**
- **62**
Next, examine entitlements by age in months

- M&S: Administrative data, cohorts 1936-1942
  - FRA moves from 65 (1935-36) to 65 and 2 months (1938), . . ., to 65 and 10 months (1942)

- Action at age 62 occurs largely at 62 and 1 month
  - Of the 49 percent of men in the 1942 cohort who become entitled to retired worker benefits at age 62, four-fifths are entitled between age 62 exactly and 62 and 2 months

- The peak at 65 moves with the FRA
  - 1936 cohort: 19 percent entitled at 65 exactly
  - 1942 cohort: Almost 17 percent entitled at 65 and 10 months
Men: Number initially entitled to retired worker benefits by age in months, cohorts 1936-1942

- born 1936
- born 1937
- born 1938
- born 1939
- born 1940
- born 1941
- born 1942
Women: Number initially entitled to retired worker benefits by age in months, cohorts 1936-1942
Pay attention to earliest claimers

• As shown in Waldron (2004), the majority of early claimers are in poorer health and have higher mortality risk than that of age 65 claimers
  – Only a minority have health and mortality risk as good as that of age 65 claimers

• Even men in the top quarter of the earnings distribution claiming as soon as possible (62 to 62 and 2 months) have greater mortality risk than do most men claiming at ages 62 and 3 months to 62 and 11 months, age 63, and age 64
  – Also had greater mortality risk than all earnings quartiles of age 65 claimants
Cumulative percent entitled to retired worker benefits by age 62.5, 64.5, 65.5, or 67.5; by birth cohort, 1890-1936

- 1898 cohort, 1965
- 1900 cohort, 1966
- 1912 cohort, 1977
- 1914 cohort, 1977
- 1919 cohort, 1982
- 1932 cohort, 1995
- 2000, eliminate earnings test

First offer Old-Age benefits to women ages 62-64 in 1956; to men in 1961.
Change in Claiming Age Due to Job Displacement
Age of First Claim of OASI Benefits (Primary Beneficiary)
Men in Stable Job 1974-1979

Source: 1% Files of Social Security administrative data (see text).
Initial entitlements to DI, ages 25-61, by year and cohort; scaled by population at age 50