

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?

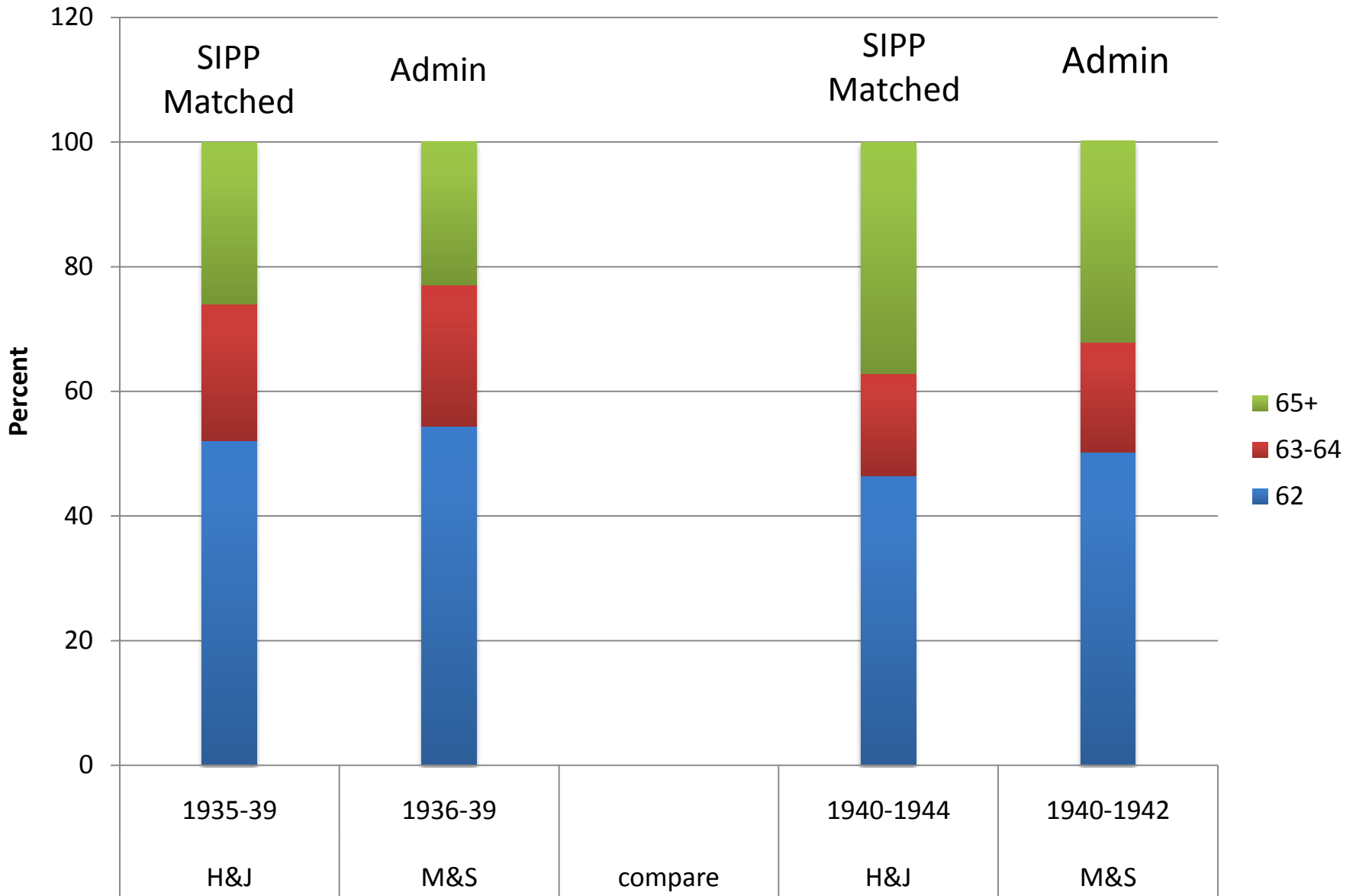
What can administrative data tell us?

- 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

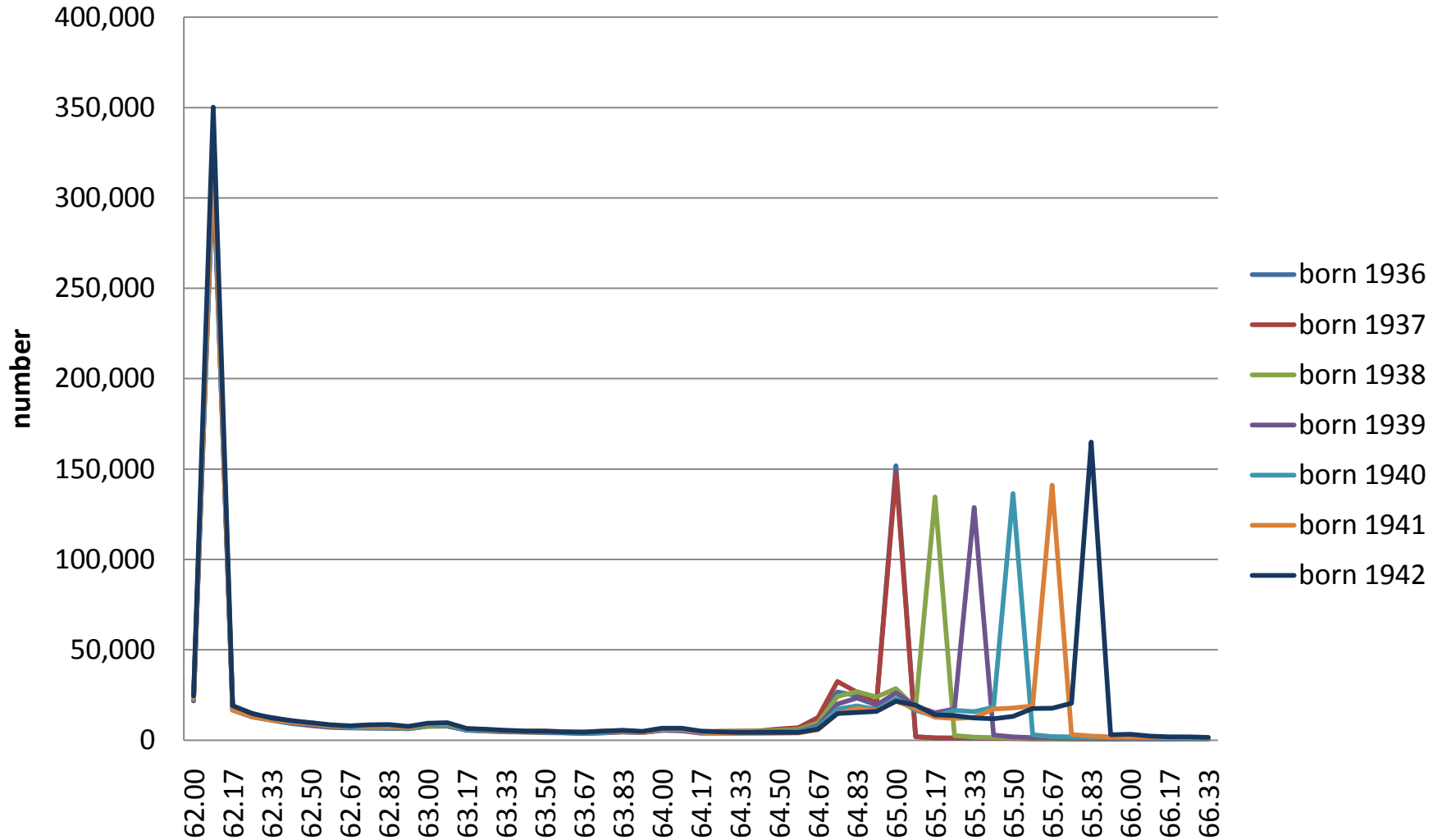
Men: Age at Initial Retired Worker Benefit



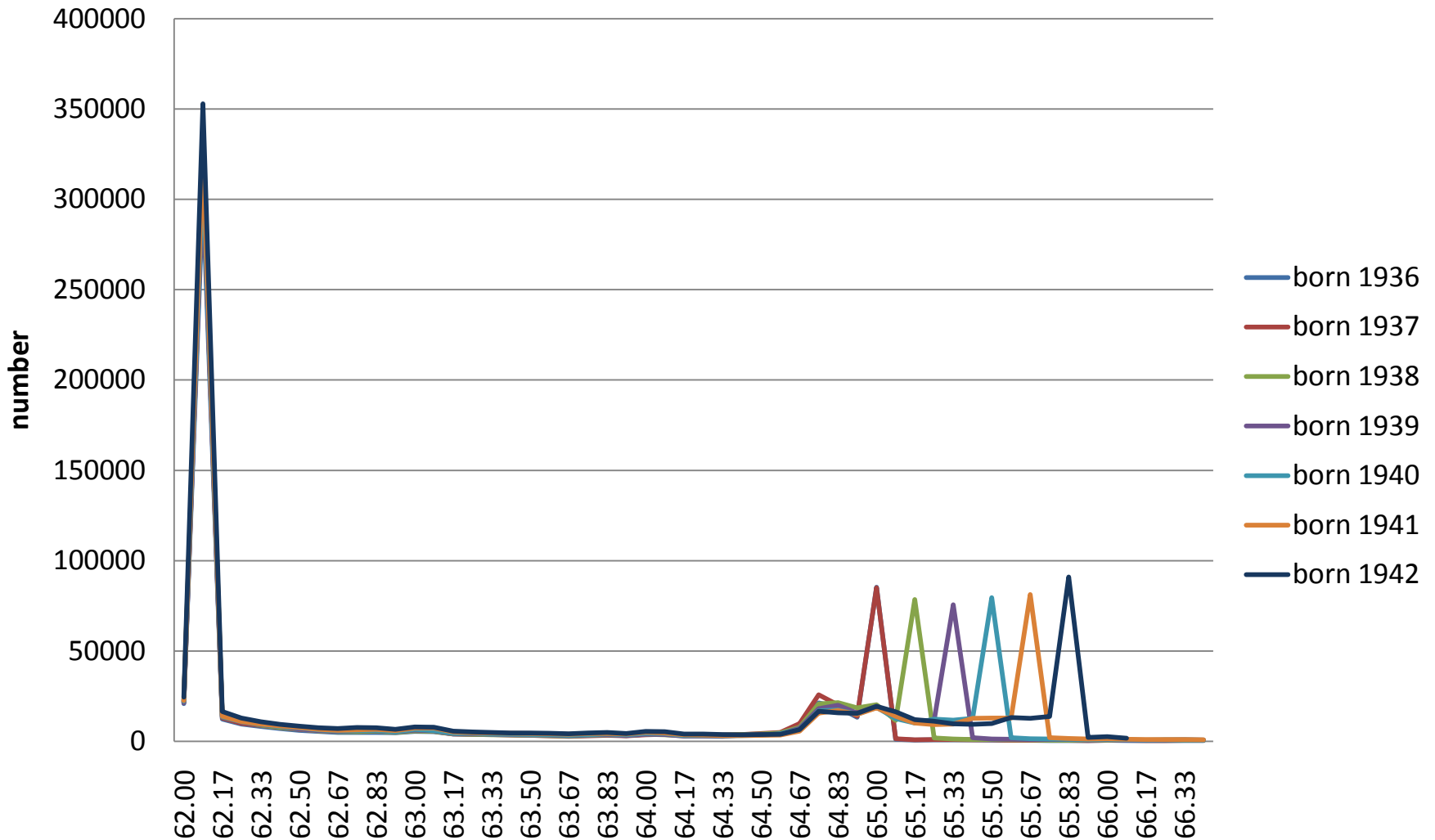
Next, examine entitlements by age in months

- 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



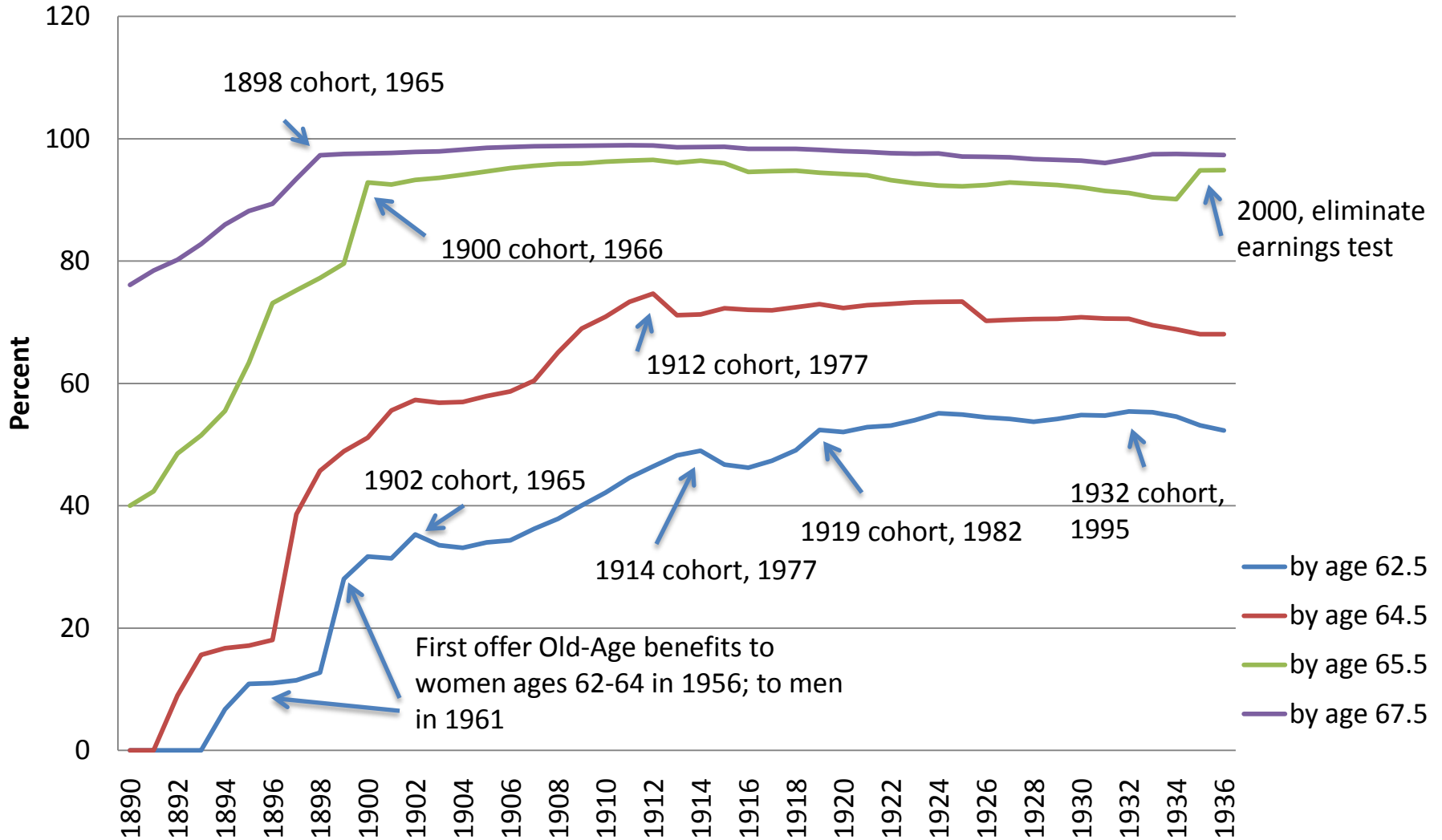
Women: Number initially entitled to retired worker benefits by age in months, cohorts 1936-1942



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

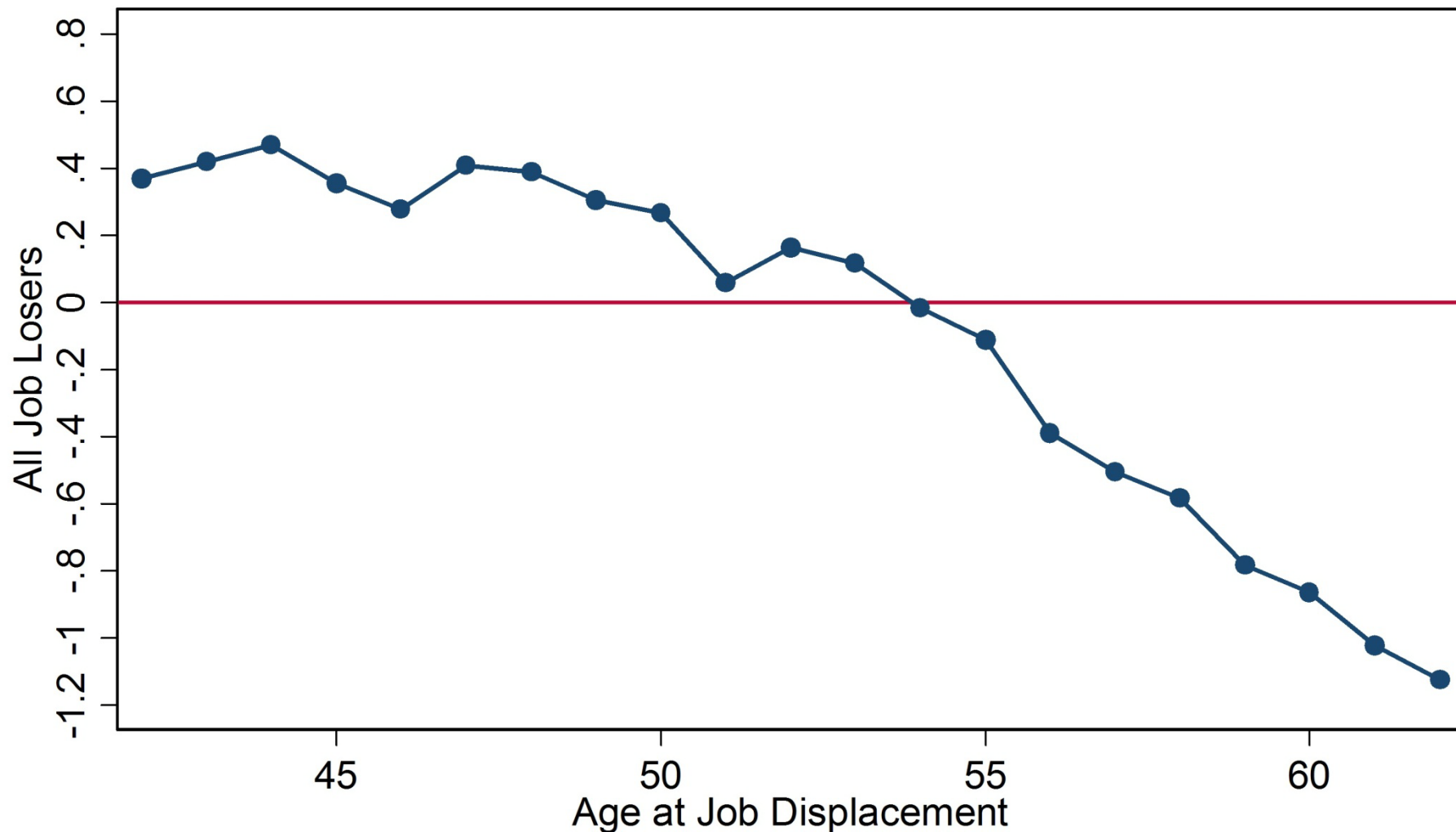
Cumulative percent entitled to retired worker benefits by age 62.5, 64.5, 65.5, or 67.5; by birth cohort, 1890-1936



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

