

Comments:
Social Security Redistribution

Gustman, Steinmeier, and Tabatabai



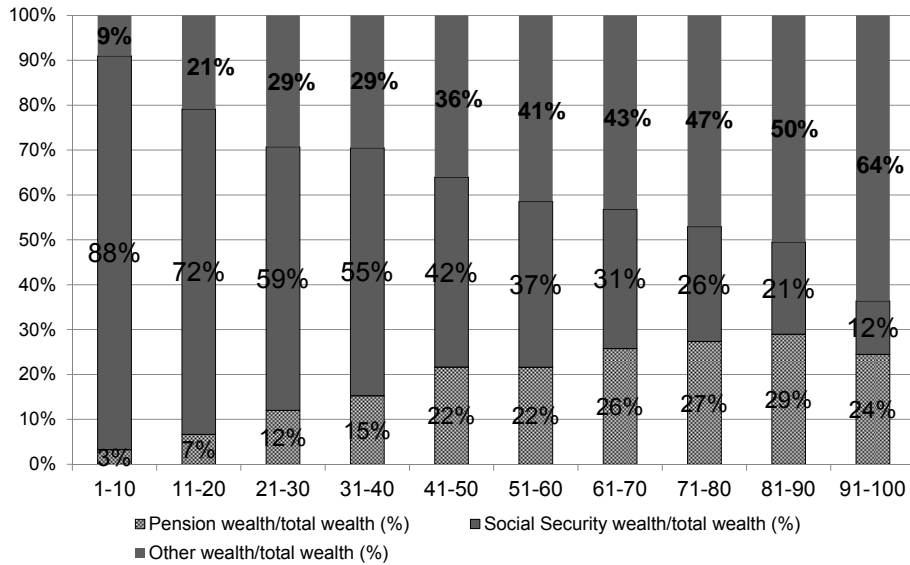
Olivia S. Mitchell
RRC meeting, August 2011



Prior *very influential* study (G&S 2000):

- First HRS cohort (*b* 1931-41) showed:
 - Individual Soc Sec benefits redistributive (lifetime rich to lifetime poor), *BUT...*
 - Little redistribution when take HH into account.
 - Mostly due to heavy subsidies to stay-at-home women in traditional couples.
 - “[G]eneral perception that ...redistribution from the rich to the poor is accomplished by the progressive SocSec benefit formula is greatly exaggerated.”
 - Surprised many!

Social Security and Other Wealth: HRS 2008



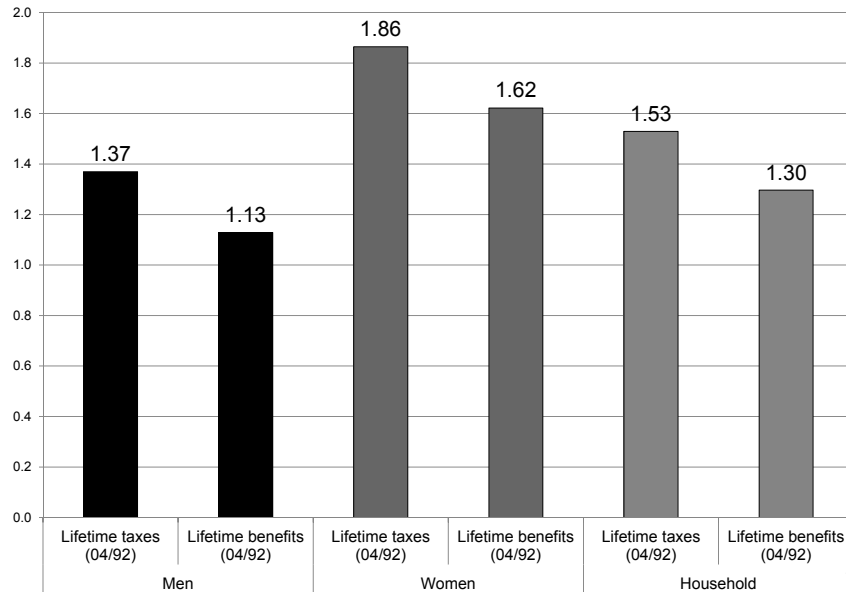
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This study:

- Compares first HRS wave (*b 1936-41*) with more recent cohort (*b 1948-53*)
- Much changed over 12-year period:
 - Real labor earnings ↑.
 - SS taxes & benefits ↑, rules changed (e.g. NRA ↑)
 - More wives worked longer for pay.
 - Other variables: interest rates, life tables, family structure.
- They report changes in summary measures “whatever the cause.”

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Results: New vs Old HRS cohort taxes & benefits ↑, Individual > Household (T4)



Redistribution across AIME deciles (2004\$)

- Focus on benefits relative to taxes
 - ✓ Lowest 10% group
 - '92: paid \$2K, got ~0
 - '04: paid \$7K, got \$10K → *more redist to bottom*
 - ✓ Highest 10% group
 - '92: paid \$257K, got \$196
 - '04: paid \$399K, got \$225K → *more redist from top*
- Also IRR (return on taxes paid) 2nd/9th AIME decile at median
 - ✓ '92: 5.1% / 2.0%
 - ✓ '04: 3.3% / 0.7%



Questions/Suggestions



- AIME levels rose in real terms over time – a rubber yardstick? Suggest constant real poverty line, or fix brackets in real terms, to look at redistribution.
- Sensitivity to computing from age 20 on: discount rate & mortality tables
- How important are imputations? no SocSec links for some workers & divorced/widowed
- Inclusion of DI taxes/benefits → ↑ transfers to the lifetime low-wage?
- Include Medicare/Medicaid: net impact?
- Future: Can model impact of SocSec insolvency and reform options?

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Thank you!

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