



MICHIGAN RETIREMENT AND DISABILITY RESEARCH CENTER UNIVERSITY OF MICHIGAN

Promoting research on retirement, disability, and Social Security policy

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Director's corner



John Laitner

This newsletter reviews nine recent MRRC working papers. As in the past, the center is eager to explore new data resources and their potential for strengthening our analysis and modeling.

In one example, “Intergenerational Altruism and Transfers of Time and Money: A Life-cycle Perspective,” Eric French and coauthors, employ a large panel data set from the United Kingdom, the National Child Development Study (NCDS), supplemented by inheritance data from a cross-section of the English Longitudinal Study of Ageing. The NCDS follows children from birth through age 55. The authors use the panel to separate the effects on child lifetime earnings of parental time, education, and monetary transfers—with the intent of developing a data-driven, structural model of the evolution of the national distribution of earnings.

Two papers of Matthew Shapiro and coauthors use administrative, private-sector data on financial accounts, combined with author-designed supplementary surveys, to analyze the role of health in household decisions of when to retire. This is normally a subject fraught with problems establishing causality. One paper employs *ex ante* questions on how a shift from high to low health would likely influence a respondent's odds of working in the

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MRRC adds disability and becomes MRDRC

At the end of September, Michigan Retirement Research Center (MRRC) was awarded its fifth five-year cooperative agreement from the Social Security Administration. MRRC Director and Principle Investigator John Laitner notes that the MRRC agreed to include disability research in its agenda, and has changed its name to Michigan Retirement and Disability Research Center (MRDRC) to reflect this.

“In recent years, SSA has funded separate centers for retirement and disability research,” said Laitner. “For 2019 to 2023, they have combined the roles. The MRRC, now the MRDRC, is happy to expand its research to cover both of these important topics.”

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Center shares 2018 working papers' key findings

Fifteen papers were added to the MRRC, now the MRDRC, working paper collection in 2018. Below are the key findings from a selection of those papers arranged in order of the Social Security Administration's research priorities. Full papers and related research briefs are available on the MRDRC website.

Social Security and retirement

The Decline in the U.S. Labor Force Participation Rate by Francisco Perez-Arce, Maria Prados, and Tarra Kohli [WP 2018-385](#)

- ◆ The literature assessing the cyclical component of the labor force participation rate (LFPR) in light of 2007's Great Recession concluded that most of the recent decline in the LFPR cannot be explained by a cyclical component.
- ◆ The consensus in the literature is that

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future. The second, uses other components of the same data to study retirement decisions from an *ex post* perspective. Both suggest that health is a key determinant in many, though not in either instance, the majority, of cases.

Katherine Carman and Angela Hung's "Social Security Household Benefits: Measuring Program Knowledge" draws on focus groups conducted by the authors and a subsequent survey module that the authors fielded on the Understanding America Study Internet survey. The authors investigate respondent knowledge of spousal Social Security benefits. The Social Security system has many facets, and Carman and Hung find that many respondents know less about spousal benefits than they think they do.

The MRDRC is delighted to be joining the Retirement and Disability Research Consortium for a five-year term. In an era of rapidly growing access to data, we look forward to an interesting future. 

demographic trends, such as population aging, are important in explaining the persistent decline in LFPR, which has taken place since 2000, but they do not account for the full decline. At least half of the decline in LFPR can be accounted for by demographic trends alone.

- ◆ A large body of literature has found that social and welfare programs affect LFPR. But these effects are different by subpopulation: The research reviewed concludes that changes in Social Security benefit claiming rules increased the LFPR of older workers, changes in the rules of the Social Security Disability Insurance program reduced labor supply of program applicants, and changes in welfare programs increased the labor supply of low-income, single mothers while they reduced the labor supply of young, low-skilled men.
- ◆ The research has not reached full consensus on the impact of several other factors, either because there is no

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The center awards yearlong research grants to researchers across the nation, the United Kingdom, Asia, and Europe.

MRDRC's staff remains unchanged from the MRRC: Laitner continues as director, Dmitriy Stolyarov is associate director; Cheri Brooks is center administrator, and Susan Barnes is dissemination/external communications manager.

The new url for MRDRC is mrdrc.isr.umich.edu and the center email address is mrdrcumich@umich.edu. 

consensus on the effect, or because the aggregate impact has not been studied. Examples of these factors are technological progress, the opioids crisis, and international trade.

- ◆ More research is needed to understand the LFP behavior of two large groups: prime-aged women and young men. There is no consensus in this literature, but several factors have been analyzed including improved, leisure-enhancing technologies; increased school enrollment; and low wages for the less-skilled.

Social Security Household Benefits: Measuring Program Knowledge by Katherine Carman and Angela Hung [WP 2018-384](#)

- ◆ Overall, we find that while many are aware of spousal and survivor benefits, knowledge about eligibility and benefit amounts is relatively low.
- ◆ Respondents are overconfident about how many questions about benefits they answer correctly.
- ◆ Individuals who have higher financial literacy, primary earners, and those with greater self-assessed knowledge of Social Security, in general, have greater objective knowledge of spousal and survivor benefits.
- ◆ Looking at couples where both spouses responded to our survey, we do not find evidence of specialization, defined as one spouse having significantly more knowledge than the other.

Using Consequence Messaging to Improve Understanding of Social Security by Anya Samek, Arie Kapteyn, and Andre Gray [WP 2018-383](#)

- ◆ The consequence-messaging vignettes statistically, significantly improved subjects' understanding in the form of more correct

responses to survey questions.

- ◆ The treatment effects are similar for written versus video vignettes.
- ◆ Receiving information about annuities and Social Security by regular mail is the most often preferred mode of communication, followed by reading an article online.
- ◆ The vignettes did not have a statistically significant effect on how respondents rated the importance of concerns related to retirement.

SeaTE: Subjective *ex ante* Treatment Effect of Health on Retirement by Pamela Giustinelli and Matthew D. Shapiro [WP 2018-382](#)

- ◆ On average, older workers in the sample report that the chances of being in high health in two years is 83.4 percent and in four years is 76.5 percent.
- ◆ The average chance of continued working in two years is 65.9 percent and in four years is 52.7 percent.
- ◆ Older workers' health and retirement expectations interact. Being in high health rather than low health increases the chance of working in two years by 28.5 percentage points and in four years by 25.7 percentage points.

A Meta-Analysis of the Decline in the Labor Force Participation Rate by Ananth Seshadri [WP 2018-381](#)

- ◆ While roughly half of the decline in labor force participation since 2000 can be attributed to demographic shifts, participation within groups has continuously declined as well.
- ◆ Young workers in particular have been both less likely to enter the labor force and more likely to leave.
- ◆ Across the age spectrum, disability seems to be an increasingly common factor limiting

work.

- ◆ Between and across demographic groups, we find evidence of covariation between wages and labor force participation consistent with lagging wage growth discouraging workers from seeking employment.
- ◆ The association between wages and continued employment has been growing, suggesting increasing incentives to remain employed, but decreasing incentives to return to employment for those out of a job.
- ◆ Overall, much of the decline in labor force participation may be related to the wage incentives associated with participation and entry in particular.

Shocks and Transitions from Career Jobs to Bridge Jobs and Retirement: A New Approach

by John Ameriks, Joseph Briggs, Andrew Caplin, Minjoon Lee, Matthew D. Shapiro, and Christopher Tonetti [WP 2018-380](#)

- ◆ A direct transition from a career job to full retirement is still the most common pattern, but many older Americans reveal interest in working beyond the career job.
- ◆ Within this sample of older Americans with positive financial assets, 38 percent had a postcareer bridge job and another 7 percent looked for post-career employment.
- ◆ Low health or bad business conditions were not the main reason for leaving the career job.
- ◆ For the minority of those who did leave career jobs owing to low health or bad economic conditions, had they counterfactually had better health or economic conditions, they likely would have decided to work longer.
- ◆ Those who work longer on their career job or have a post-career bridge job tend to

work fewer hours, have a flexible schedule, and receive lower hourly wages.

Intergenerational Altruism and Transfers of Time and Money: A Life-cycle Perspective

by Uta Bolt, Eric French, Jamie Hentall Maccuish, and Cormac O'Dea [WP 2018-379](#)

- ◆ Preliminary analysis of the unique cohort data suggests that around 40 percent of differences in average lifetime income by paternal education are explained by ability at age 7, around 40 percent by subsequent divergence in ability and different educational outcomes, and around 20 percent by inter-vivos transfers and bequests received so far. These findings are supported by results from a simple version of the model that has been calibrated to match wealth and labour supply moments.
- ◆ Using consumption equivalent variation to measure the welfare gains from higher-educated parents, we again find that differences in investments before and after the age of 7 are of roughly equal importance in determining lifetime utility differences between children of high- versus low-educated parents, with investments in ability and education looking much more important than differences in the level of inter-vivos transfers and bequests.
- ◆ Looking in more detail at investments in ability, we find that higher levels of time investments increase ability, and that the ability production function looks to exhibit dynamic complementarity, at least at younger ages.
- ◆ We present estimates of many of the investments that households make in their children, including time and money investments. We show that increased

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investment of time and goods of parents leads to higher ability children (as measured by test scores), and this higher ability leads to higher wages and incomes later in life.

- ◆ We show that higher income parents invest more in their children, and that these investments can explain much of the difference in lifetime incomes of children across the parental education distribution.

Wealth and retirement income

Quicksand or Bedrock for Behavioral Economics? Assessing Foundational Empirical Questions by Victor Stango, Joanne Yoong, Jonathan Zinman [WP 2018-378](#)

- ◆ “Behavioral factors” — psychology-based deviations from classical economic preferences, beliefs, and problem-solving approaches — are quite prevalent in a representative sample of U.S. individuals
- ◆ A “B-count” measuring how many B-factors an individual displays is strongly predictive of self-assessed financial well-being, as well as “hard” measures of retirement preparedness, such as wealth and stock market participation
- ◆ The findings can help financial service providers and policymakers design products and communicate information in ways that improve decision-making associated with savings and retirement planning.

Program interactions

A Review of U.S. Federal and State Means-Tested Programs by Robert Moffitt [WP 2018-376](#)

- ◆ The Supplemental Nutrition Assistance Program (SNAP) has a much broader definition of the family unit than

Supplemental Security Income (SSI), as well as having higher income limits for eligibility and much more liberal resource tests, especially for vehicles.

- ◆ The Medicaid program is composed of four different programs and, for the program covering nonelderly, nondisabled parents and children, income limits for eligibility for children are much higher than those in SSI. Limits for parents are also higher for states that enacted ACA Medicaid expansion plans, and most households in these groups do not face resources tests.
- ◆ The Temporary Assistance for Needy Families (TANF) program has income eligibility levels considerably below those of the SSI program, but resource limits on financial assets and vehicles, although more stringent than those in SSI in a handful of states, are generally more liberal than those in SSI. Some states have eliminated asset tests entirely.
- ◆ Subsidized housing programs require that income be less than limits which differ from area to area, but are generally above the poverty line income for each family size. The programs do not have asset tests but use a broad definition of income from assets when assessing income eligibility.
- ◆ Child care subsidy programs pay a fraction of child care expenses for families with income below state-specific levels that are generally above the poverty income. Asset limits are a state option, but are rarely used.
- ◆ Job training and employment programs do not use low-income eligibility criteria for all of their target groups but, for those that do use income criteria, maximum income for eligibility is around the poverty line. Asset limits are not used. 

MRDRC offers funding for data workshops in Ann Arbor

Two funding awards, one for the Health and Retirement Survey (HRS) Summer Workshop and one for the Panel Study of Income Dynamics (PSID) Data User Workshop, are available. The funding covers airfare, lodging, per diem, and tuition expenses for the week-long programs. All are invited to apply for the funding; members of under-represented communities are encouraged to apply.

Applicant requirements

The workshops are designed for faculty, research professionals, postdoctoral fellows, and graduate students. MRDRC funding is directed at early career researchers, generally graduate to junior-faculty level. Individuals must have demonstrated interest in retirement and disability topics that relate to the Social Security Administration's research agenda. Topics include:

- ◆ the impact of Social Security program rules on individuals' work and retirement decisions;
- ◆ macroeconomic and financial effects of changes in Social Security policy on national saving, investment, and economic growth;
- ◆ implication of trends in Social Security, private pensions, and private saving for future retirement income security;
- ◆ interactions of Social Security with other public and private programs;
- ◆ international research on pension and Social Security issues;
- ◆ distributional effects of proposed Social Security reforms;
- ◆ impact of demographic and social change on Social Security.

Applicants must apply and be accepted to one of the two workshops in order to be considered for the funds.

Workshop details

The workshops have different deadlines and application procedures, but both are scheduled for June 10-14, 2019. Each workshop offers lectures on survey content, design, and special modules, among other topics. Attendees also work hands-on with data under the guidance of experienced survey staff.

The Health and Retirement Study (HRS) Summer Workshop is intended to give participants an introduction to the HRS that will enable them to use the data for research. The HRS is a large-scale longitudinal study of the labor force participation and health transitions that individuals undergo toward the end of their work lives and in the years that follow. The survey collects information about income, work, assets, pension plans, health insurance, disability, physical health and functioning, cognitive functioning, and health care expenditures.

There is no deadline to apply, but enrollment is limited to 30 students.

The Panel Study of Income Dynamics (PSID), begun in 1968, is the world's longest-running multigenerational household panel study. It is used widely in behavioral, social, and health sciences to investigate scientific and policy questions about life-course trajectories in health and well-being, intergenerational social and economic mobility, income and wealth inequality, family investments in children, neighborhood effects on opportunity and achievement, and many other topics.

Application deadline is April 12, 2019. Enrollment is limited to 25 students.

Visit the Michigan Retirement and Disability Research website for more information and to apply: bit.ly/MRDRCsummerFunding

Funding is offered through a cooperative agreement with the Social Security Administration. 

Researcher news

This quarter, MRDRC learned of the following conference presentations by our researchers:

- ◆ Sean Fahle/Kathleen McGarry presented [UM16-07](#), “Examining the Relationship between Caregiving and Work” at the November 2018 Gerontological Society of America (GSA) meeting in Boston, Massachusetts.
- ◆ Marguerite DeLiema/Martha Deevy/ Annamaria Lusardi/Olivia S. Mitchell presented insights from [UM17-16](#), “Exploring the Risks and Consequences of Elder Fraud Victimization: Evidence from the Health and Retirement Study,” for their presentation, “Using a New HRS Module to Examine the Risk Factors and Consequences of Fraud,” at the November 2018 GSA meeting.
- ◆ Olivia S. Mitchell presented UM17-16, “Exploring the Risks and Consequences of Elder Fraud Victimization: Evidence from the Health and Retirement Study,” at the January 2019 American Economics Association (AEA) meeting in Atlanta, Georgia.
- ◆ Also at the January 2019 AEA, Eric French gave a presentation on “Couples’ and Singles’ Savings After Retirement” ([UM14-05](#), WP 2015-322) at a Korean-American Economic Association academic session, a mentoring opportunity for young economists. The discussants for this session were all early-career academics. 



The Michigan Retirement and Disability Research Center is supported by a cooperative agreement with the Social Security Administration.

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