
2012

Barriers to Later Retirement: Increases in the Full Retirement Age, Age Discrimination, and the Physical Challenges of Work *by David Neumark and Joanne Song* WP 2012-265

- ▶ For older workers caught by increases in the Full Retirement Age, stronger state age discrimination protections increase employment and increase the likelihood of new employment.
- ▶ Physical challenges faced by older workers are a barrier to extending work lives, although some workers are able to reduce physical demands of jobs by moving to new jobs, or through changes at the current employer.
- ▶ Stronger age discrimination protections do not appear to make it easier for workers with physical challenges at work to move to new jobs, or — in particular — to jobs that are less physically demanding.

Behavioral Effects of Social Security Policies on Benefit Claiming, Retirement and Saving *by Alan L. Gustman and Thomas L. Steinmeier* WP 2012-263

- ▶ We use a retirement model that includes Social Security benefit claiming as an outcome to determine the effects of proposed changes to Social Security.
- ▶ Increasing the early entitlement age to 64 increases full-time employment at ages 62 and 63 by approximately 12 percentage points. The spike in retirement from full-time work, which presently occurs at age 62, would be shifted to age 64 by this change.
- ▶ Increasing the normal retirement age to 67 for those who had an age 65 normal retirement age increases full-time work by substantially less than the increases caused by raising the early entitlement age.
- ▶ Eliminating the payroll tax after the normal retirement age reduces full-time work by between 0.5 and 1 percent between age 60 and age 64 and increases full-time work by between 1 and 2 percent at age 65 and thereafter.

Induced Entry into the Social Security Disability Program: Using Past SGA Changes as a Natural Experiment *by Nicole Maestas, Kathleen Mullen and Gema Zamarro* WP 2012-262

- ▶ We find that increases in the real threshold for Substantial Gainful Activity (SGA), relative to local (state-level) average wages, are associated with significant increases in SSDI application rates.
- ▶ Our preferred estimates imply that the 1999 increase in the nominal SGA threshold from \$500 to \$700 led to a 4.7 percent increase in SSDI applications, or 0.2 new applications per year per 1,000 individuals.
- ▶ Our theoretical framework suggests that this estimate is likely to be a good approximation of potential induced entry from a \$1 for \$2 benefit offset if the marginal SSDI applicant has low potential wages.

Spousal Labor Supply Responses to Government Programs: Evidence from the Disability Insurance Program *by Susan Chen* WP 2012-261

- ▶ Husbands' Disability Insurance (DI) receipt has a small crowd-out effect on their wives' labor supply.
- ▶ Husbands' DI receipt crowds out wives' labor force participation by about 8 percent and earnings by \$2,200 for up to 5 years after the disability determination.
- ▶ For a sample of wives whose husbands are homogeneous in terms of the severity of their health condition, the estimates of the crowd-out effects are larger, at 11 percent and \$2,600 for labor force participation and earnings. These estimates are an upper bound on the potential labor supply response of the wives of beneficiaries had their husbands not received benefits.

Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants by David Autor, Nicole Maestas, Kathleen Mullen and Alexander Strand WP 2011-258

- ▶ We find that longer processing times of disability applications reduce the employment and earnings of SSDI applicants in the years after their initial decision.
- ▶ We estimate that the SSDI determination process directly reduces the post-application employment of denied applicants by about 7 percent and allowed applicants by about 33 percent.
- ▶ The mean determination time for allowed applicants significantly exceeds that of denied applicants (14.1 versus 9.7 months) because half of beneficiaries are allowed only after a lengthy appeal.

Health Insurance, Health Care and Labor Supply by Older Adults by Lauren Nicholas WP 2011-256

- ▶ This study finds that joint replacement surgery reduces the probability of applying for Social Security Disability Insurance (SSDI) by up to 7 percentage points and is associated with working an additional 1.3 years before receiving any form of Social Security benefits.
- ▶ Elective angioplasty is associated with a 12 percentage point decline in the probability of applying for SSDI and an additional 3.5 year delay before claiming Social Security benefits.
- ▶ The study finds no relationship between receipt of either joint replacement or angioplasty and the decision to apply for SSDI.
- ▶ Increasing access to medical care amongst chronically ill workers may help to reduce new SSDI applications.
- ▶ Temporary benefit programs to provide income support to workers taking medical leave to receive surgery, for example, could help to reduce transitions to SSDI.
- ▶ Reduction of elective procedure utilization in Medicare could adversely impact the health and economic outcomes of those who have chronic illnesses such as heart disease and arthritis. Cost-effectiveness analysis should factor in savings from elective procedures that prevent or delay health impairment or disability.

The Importance of State Anti-Discrimination Laws on Employer Accommodation and the Movement of their Employees onto Social Security Disability Insurance by Richard V. Burkhauser, Lauren Nicholas and Maximilian D. Schmeiser WP 2011-251

- ▶ Using Health and Retirement Study data with linked
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Social Security Administration records, we find that 28 percent of individuals who experienced a work limitation while employed received an accommodation.

- ▶ The probability of receiving an accommodation increased in the post-1992 period following the implementation of the Americans with Disabilities Act.
- ▶ Our estimates confirm that accommodation effectively reduces the probability of application for SSDI following the onset of a work limitation.
- ▶ Providing an employee with an accommodation after the onset of a work limitation would reduce applications to the SSDI program by 27 percent within a year and 30 percent within five years of onset.
- ▶ These findings suggest that the provision of workplace accommodations would be an effective strategy for reducing applications for SSDI benefits, and potentially the number of people receiving SSDI.

Do Stronger Age Discrimination Laws Make Social Security Reforms More Effective? by David Neumark and Joanne Song WP 2011-249

- ▶ In states with stronger protections against age discrimination in the labor market, older individuals were more responsive to increases in the Social Security Full Retirement Age (FRA).
- ▶ Where state laws applied to small firms not covered by the ADEA, employment increased more at ages that were initially beyond but subsequently lower than the FRA — i.e., for those older individuals “caught” by increases in the FRA.
- ▶ Where the state laws provided stronger remedies (harsher penalties), the response to the increase in the FRA was stronger for both employment and claiming Social Security benefits.
- ▶ We also find some evidence that these impacts of state age discrimination laws were stronger when, under state law, attorneys’ fees are recoverable.

The Labor Supply Effects of Disability Insurance: Evidence from Automatic Conversion Using Administrative Data by Nicole Maestas and Jae Song WP 2010-247

- ▶ Surprisingly, labor supply increases when the strict DI work rules are abruptly relaxed as DI beneficiaries age out of the DI program at their Full Retirement Age (FRA) and are automatically converted to the Old Age program.
- ▶ The increase in labor supply is pronounced for DI beneficiaries with recent work activity, and is evident in

terms of both labor force participation and earnings.

- ▶ An increase in labor supply at the FRA is evident for beneficiaries with recent work activity in the six largest impairment categories, and particularly those with musculoskeletal or mental disorders.

Framing Social Security Reform: Behavioral Responses to Changes in the Full Retirement Age

by Luc Behaghel and David Blau WP 2010-243

- ▶ We use the 1983 Social Security reform that increased the Full Retirement Age (FRA) from 65 to 66 as a quasi-experiment to provide evidence on framing effects in benefit claiming and retirement behavior. The increase in the FRA is effectively a benefit cut, but it was “framed” as an increase in the age at which the normal retirement benefit is received.
- ▶ Although one cannot fully rule out alternative behavioral explanations such as social norms or reliance on SSA “advice,” the latter explanations seem at odds with the fact that workers with higher cognitive ability respond more to the FRA change.
- ▶ We develop a simple labor supply model with reference dependence that can explain the results. The model implies that framing a reform as a change in the reference point magnifies the impact, whereas framing it as a benefit cut dampens the response. The model has potentially important implications for framing of future Social Security reforms.

Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt

by Nicole Maestas, Kathleen Mullen and Alexander Strand WP 2010-241

- ▶ Determining the impact of SSDI on the employment and earnings of beneficiaries has been difficult since unobserved severity is likely positively correlated with SSDI receipt.
- ▶ We take advantage of a unique workload management database to match SSDI applicants to disability examiners, and use systematic variation in allowance rates by disability examiner that is uncorrelated with individual applicants’ severity in order to estimate the labor supply effects of SSDI.
- ▶ Among the estimated 23 percent of applicants on the margin of program entry, employment would be on average 28 percent greater in the absence of SSDI benefit receipt. The applicant’s likelihood of engaging in substantial gainful activity as defined by the SSDI program would be on average 19 percent higher, and he or she would earn on average \$3,781 more per year in the absence of SSDI benefits.
- ▶ The disincentive effect of SSDI on employment varies

across individuals with impairments of different degrees of unobservable severity, ranging from no effect for those with more severe impairments to 50 percentage points for those with less severe impairments.

Reconciling Findings on the Employment Effect of Disability Insurance

by John Bound and Timothy

A. Waidmann WP 2010-239

- ▶ Over the last 25 years the Social Security Disability Insurance Program (DI) has grown dramatically. During this period employment rates for men with work limitations showed substantial declines in both absolute and relative terms.
- ▶ While these trends coincide, we find that the decrease in employment among those with work limitations during the early 1990s can only be partly explained by the growth of DI.
- ▶ For the period after the mid-1990s, we find little role for the DI program in explaining the continuing employment decline for men with work limitations.

The Joint Labor Supply Decision of Married Couples and the Social Security Pension System

by Shinichi Nishiyama WP 2010-229

- ▶ An overlapping-generations model consisting of heterogeneous married couples predicts that removing spousal and survivors benefits from the current OASI program would increase female market work hours by 4.3–4.9 percent and total output by 1.1–1.5 percent.
- ▶ If the increased tax revenue due to higher economic activity after the policy change was redistributed in a lump-sum manner, a phased-in cohort-by-cohort removal of spousal and survivors benefits would make all current and future age cohorts on average better off.

2009

How Common is “Parking” Among Social Security Disability Insurance (SSDI) Beneficiaries? Evidence from the 1999 Change in the Level of Substantial Gainful Activity (SGA)

by Jody Schimmel, David Stapleton and Jae Song WP 2009-220

- ▶ We estimate that 0.2 to 0.4 percent of disability beneficiaries “parked” their earnings below the \$700 “substantial gainful activity” cap during 2002–2006.
- ▶ Those who park keep earnings low in order to retain disability benefits.
- ▶ The fraction of beneficiaries who park earnings is large

relative to the number of individuals whose benefits are suspended because of work in a typical month (0.5 percent) or terminated in a typical year (0.5 percent).

Retirement in a Life Cycle Model of Labor Supply with Home Production by *Richard Rogerson and Johanna Wallenius* WP 2009-205

- ▶ A theory of retirement is needed to assess budgetary implications of Social Security reforms.
- ▶ Models of retirement imply large labor supply responses to changes in the design of Social Security, but are not consistent with data on labor supply and wages.
- ▶ Home production time increases by only a small amount at retirement.
- ▶ We show that changes in home production time at retirement are an important element in assessing theories of retirement.

2008

Forecasting Labor Force Participation and Economic Resources of the Early Baby Boomers by *Pierre-Carl Michaud and Susann Rohwedder* WP 2008-175

- ▶ We find that Early Baby Boomers (those born 1948 to 1953) will work longer and claim Social Security later than the original HRS cohort (those born 1931 to 1941).
- ▶ Between ages 55 and 63, the fraction of women working full-time is predicted to be almost 10 percent higher on average; from age 64 to 66 it is about 5 percent higher than that of the HRS cohort.
- ▶ The differences for men appear mostly in their sixties and seventies; they amount to increases in full-time work of about 5 percentage points on average.

2007

Housing Wealth and Retirement Timing by *Martin Farnham and Purvi Sevak* WP 2007-172

- ▶ Men whose housing value increases significantly retire somewhat sooner.
- ▶ The evidence of housing wealth effects on expected age of retirement is stronger than the evidence of housing wealth effects on actual retirement transitions.
- ▶ A 10 percent increase in housing wealth is associated with a reduction in expected retirement age of between 3.5 and 5 months.

Trends in the Labor Force Participation of Married Women by *Christopher House, John P. Laitner and Dmitriy Stolyarov* WP 2007-171

- ▶ This study uses HRS data to quantify determinants, and costs, of the labor-force participation of married women.
- ▶ Households offset married women's labor-force participation with annual increases of consumption expenditure of about 8 percent.
- ▶ In comparison, fully retired couples decrease consumption about 20 percent relative to ages when the male alone worked.

The Effects of Health Insurance and Self-Insurance on Retirement Behavior by *Eric French and John Bailey Jones* WP 2007-170

- ▶ Access to health insurance has a significant effect on retirement behavior.
- ▶ Shifting the Medicare eligibility age to 67 would cause a retirement delay that would be as large as the delay from shifting the retirement age from 65 to 67.

Burnout and the Retirement Decision by *Nicole Maestas and Xiaoyan Li* WP 2007-166

- ▶ As burnout rises, retirement becomes more probable, and as burnout recedes following retirement, labor force re-entry becomes more probable.
- ▶ Burnout combined with health problems makes complete retirement more probable, whereas burnout without health problems makes return to work after retirement more probable.

Life-Cycle Models: Lifetime Earnings and the Timing of Retirement by *John P. Laitner and Daniel Silverman* WP 2007-165

- ▶ This paper uses HRS panel data to test how earnings affect male retirement ages.
- ▶ Higher earnings do lead to somewhat earlier retirement.
- ▶ The implication is that the downward trend in male retirement ages will ultimately return.

The Effect of Retirement Incentives on Retirement Behavior: Evidence from the Self-Employed in the United States and England by *Julie Zissimopoulos, Nicole Maestas and Lynn Karoly* WP 2007-155

- ▶ The higher labor force exit rate of wage and salary workers compared to self-employed workers is due to defined benefit pension incentives created by the public and private pension systems.
- ▶ Higher rates of labor force exit at ages 55 and older in

England compared to the US are partly due to health insurance availability.

Projecting Behavioral Responses to the Next Generation of Retirement Policies *by Alan L. Gustman and Thomas L. Steinmeier* WP 2007-153

- ▶ From age 62 to 65, the earnings test reduces full-time work by married men by about four percentage points.
- ▶ Abolishing the requirements on many jobs that an individual work full-time or not at all — a minimum hours constraint — would induce more than twice as many people to enter partial retirement as would leave full-time work.
- ▶ If all benefits from personal accounts could be taken as a lump sum, the fraction not retired at age 62 would fall by about 5 percentage points compared to a system where there is mandatory annuitization of benefits.

2006

Taxes, Wages, and the Labor Supply of Older Americans *by Lucie Schmidt and Purvi Sevak*
WP 2006-139

- ▶ A reduction in the marginal tax rate that would increase the payoff to working by 10 percent would increase labor force participation by 7.9 percent among men and 4.9 percent among women.
- ▶ Among working retirees, a reduction in the marginal tax rate that would increase the payoff to working by 10 percent would result in an increase in hours worked of 5.3 percent for men and 3.6 percent for women.

Discouraged Workers? Job Search Outcomes of Older Workers *by Nicole Maestas and Xiaoyan Li*
WP 2006-133

- ▶ Employment transition rates are relatively low for older job searchers: only half of older searchers successfully attain jobs.
- ▶ About 13 percent of older job searchers become a discouraged worker in the sense of being willing to work at the prevailing wage, but unable to find a job.

Probabilistic Thinking and Early Social Security Claiming *by Adeline Delavande, Michael Perry and Robert J. Willis* WP 2006-129

- ▶ Among people who are still working at age 62, those who expect to live longer are likely to delay claiming of Social Security benefits to a degree that is both statistically and economically significant.

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