



# MICHIGAN RETIREMENT AND DISABILITY RESEARCH CENTER UNIVERSITY OF MICHIGAN

Promoting research on retirement, disability, and Social Security policy

MRDRC Newsletter | Fall 2020 | 20(4)

## Director’s corner



*John Laitner*

In the current five-year fiscal cycle, the Retirement and Disability Research Consortium (RDRC), generously

funded by SSA, has combined the agendas for its research centers to include both retirement and disability-related topics. This year's RDRC Annual Meeting program reflects the change. Instead of separate meetings on Old Age Security Insurance and Social Security Disability Insurance, we had a single one, with papers from the four research centers — at the University of Michigan, Boston College, the National Bureau of Economics Research, and

*See Director, continued on Page 2*

## MRDRC researchers share work on cognition, job demands

There were no hallway conversations or National Press Club boxed lunches, but COVID-19 did not stop the 22nd Annual Retirement and Disability Research Consortium Meeting from taking place on Thursday, August 6. Four MRDRC researchers gave virtual presentations of their work during a condensed, one-day schedule and despite a few pandemic-related research challenges.

Jeremy Burke (University of Southern California) and Lauren Hersch Nicholas (Johns Hopkins University) presented projects in Panel 3: “Health Risks for Work and Finances;” while Italo Lopez-Garcia (RAND) and Jeffrey Wenger (RAND) presented in Panel 5: “Labor Markets and Working Conditions.”

## Complex financial instruments and cognition

“Cognitive Ability, Cognitive Aging, and Debt Accumulation” ([UM20-11](#)), Burke’s

*See Meeting, continued on Page 2*

### In this issue

Director’s corner.....	1
Annual RDRC meeting.....	1

*Meeting, continued from Page 1*

project with USC colleagues Marco Angrisani and Arie Kapteyn, looks at how increasingly complex mortgage offerings may impact near-retirement age borrowers and whether cognitive impairments might have an impact on retirement financial health.

“In the middle of the 2000s, there was an explosion of complex mortgages featuring either no amortization or negative amortization. In 2005 or 2006, these accounted for about 30% of all mortgages originated in those years.”

*Director, continued from Page 1*


the University of Wisconsin — covering both important areas. A substantial benefit of this approach comes from potential synergies among projects within each center.

An example from the University of Michigan center (the MRDRC) arises from the study of job demands — both physical and cognitive — on workers. At the August RDRC meeting, Italo Lopez-Garcia, Nicole Maestas, and Kathleen Mullen gave a presentation of their project on “Changing Nature of Work” (UM20-03). The work uses data on job demands from the O\*NET Database Release Archive 1998-2018, combined with an internet survey from 2018. Modern macroeconomic theory emphasizes the role of technological progress in economic growth, and the 20-year interval of the O\*NET archive spans a dynamic period of digitalization and automation. The authors are specifically interested in analyzing retirement — the possible effect of job demand changes on the feasibility of

Burke said. Before then, fixed-rate mortgages dominated the market. Other debt instruments became more complex during the mid-2000s as well.

Using Health and Retirement Study data, the researchers used three age groups (preretirement, 56 to 61; retirement, 62 to 67; post-retirement, 63 to 73) observed in 1998, 2006, and 2014. The authors found greater debt levels at older ages than earlier studies. Burke shared that, in 1998, 37% of 68 to 73 year olds had a mean total debt of a little more than \$20,000. Forty-six percent

workers extending their careers later than previous generations did — see the write-up in this newsletter. However, the same issues are important for disability claiming and awards (see, for example, Houtenville and Ozbaci, “Setting Expectations for Claimant Ability to Work,” [UM19-09](#)). What is more, the research touches on an area where retirement and disability programs inherently overlap: If efforts to maintain the fiscal integrity of the OASI system cause the normal retirement age to increase, for instance, what will happen to SSDI and SSI claims?

The work raises additional important methodological issues that spill over even more broadly. For example, how can we efficiently merge, in practice, different administrative and survey data sources? And, since the O\*NET contains a plethora of job-demand measures, how can they be methodically consolidated into indices for analysis? The latter is an issue that also frequently arises with health measures, for instance, and, in particular, genetic data. 

of that same age group had almost \$40,000 mean total debt in 2006, and 54% had a little less than \$50,000 in 2014. In addition to mortgage debt, these increases were driven by credit card and other unsecured debt.

Contrary to the popular narrative of questionable lenders taking advantage of the gullible and less financially savvy, the researchers found that individuals with higher cognitive ability were the ones holding more debt. Specifically, they found that a one unit increase in the cognitive measure was associated with \$800 more debt between 2006 and 2014.

“That may be somewhat reassuring that debt burdens don’t seem to be increasing among individuals with less financial sophistication,” said Burke, “but we do find evidence that even higher cognitive-ability individuals appear to be struggling” with increasing debt levels.

The researchers used the Understanding America Survey (UAS) to confirm these patterns. Burke noted that the study was descriptive rather than causal, but it did underscore that financial fragility is not confined to those with lower cognitive abilities.

### **Using credit data to pinpoint cognitive decline**

Nicholas discussed her project with Joanne Hsu (Federal Reserve Board), “Financial Consequences of Health and Healthcare Spending Among Older Couples” ([UM20-12](#)). Nicholas and Hsu are using credit data to see if negative credit events precede Medicare codes associated with dementia. Due to COVID-19, the researchers had project delays, so Nicholas presented an overview of their work so far,

which builds on their [MRDRC FY2018 project](#), “Adverse Financial Events Before & After Dementia Diagnosis: Understanding the Timing and Need for Assistance Managing Money Among Households Impacted by Dementia.”

Matching Medicare and Equifax data, the researchers compare three groups: never diagnosed with dementia, prediagnosed, and post-diagnosed. So far, they’ve found a distinct financial profile associated with dementia that can affect financial well-being years before diagnosis. Nicholas shared that, at the median, dementia’s financial impact is three missed payments in a year, leading to \$686 in penalty interest costs. Based on that, they estimate the cumulative, population-level cost to be \$14 million a year.

“We tend to have relatively low screening for dementia because we don’t have a helpful way of treating people,” said Nichols, “but our work suggests that doing more screening so that people can put financial planning into place would have major benefits for this patient group.”

### **Job demands and disability insurance trends**

While Social Security Disability Insurance applications and awards have declined since 2010, national health surveys have not shown a corresponding increase in good health. With their “Changing Nature of Work” project ([UM20-03](#)), Lopez-Garcia, Nicole Maestas (Harvard Medical School and NBER), and Kathleen Mullen (RAND Corporation) investigate one possible explanation: A decrease in the last 15 years of physical job demands has led to a reduction in disability prevalence.

*See Meeting, continued on Page 4*

Using job requirements from the Occupational Information Network (O\*NET) database, the researchers found that low-skill jobs, typically held by those with high school degrees or some college, are still physically demanding, but require more cognitive abilities. Lopez-Garcia used the example of construction workers to illustrate this.

“We expect it to be a very physically demanding occupation and, indeed, that’s the case. However, the increase in physical job demands has been only 8.4% — a very slight increase — whereas the increase in the cognitive tasks has been 120%,” he said. By contrast, high-skill jobs, typically held by those with bachelor’s degrees or higher, have seen a decrease in required physical abilities. The researchers also found that changes in the nature of work have been mostly due to changes within occupations rather than to changes in the national economy’s distribution of occupations.

Using a UAS module asking respondents to self-assess their ability to do their job, the team learned that, on average, workers could do 89% of their job in 2003, but 91% of it in 2018. “This change in the mix of job demands translates into an increase in individuals’ work capacity, or their ability to perform a greater fraction of jobs in the economy in 2018 than they would have been able to perform with the same abilities in 2003,” Lopez-Garcia said.

### **The employer’s side of bridge jobs**

Past research has found that workers are increasingly interested in “bridge” jobs — work between their career job and full retirement

that could delay Social Security claiming and buoy retirement finances. But how willing are employers to provide such jobs? “Firm Willingness to Offer Bridge Employment” ([UM20-15](#)) Wenger’s project with David Powell (RAND) and Jed Kolko ([Indeed.com](#)), attempts to answer that question.

Wenger and team will be surveying hiring managers and human resource representatives through Indeed.com, the world’s largest online job site with 60 million unique visitors each month and job postings from 1.5 million companies. Wenger emphasized the wide-range of industries that post openings on the site. “Our goal is to develop a sampling frame that will be industry and nationally representative, and potentially, even regionally representative,” Wenger said. COVID-19 has delayed the instrument’s release, but Wenger presented the questions and outlined the methodology the researchers will use once the data is available.

To date, Wenger pointed out, there has been little research on the employer’s side of bridge jobs: Whether positions with the desirable qualities — such as flexible hours and vacation time — exist, to whom they might offer those jobs if available, and how much such jobs might cost companies. This project will be a first look at whether employers’ and older workers’ needs align.

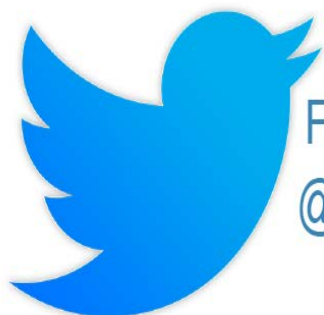
The survey collects respondent, firm, and job attributes, asking about the company’s most recently hired and most commonly hired positions. The survey asks for information about job attributes such as pay, telework, hours, paid time off, and caregiver leave. A respondent is offered a choice between two job offers with

randomized wages and attributes, told that the worker will accept either offer, and asked to choose one job based on what would be better for the company. They are told that no matter which position they choose to offer, job responsibilities and benefits remain the same. The answers will allow the researchers to estimate the employer's willingness to provide desirable job attributes, and what costs a company is willing to bear for which attributes.

The survey also asks to what extent it's currently possible for workers to negotiate for desired job attributes and with whom they would negotiate. "These treatments are randomized by sex and by age, so we'll be able to look at whether or not you offer these types of job amenities differentially for women or men, or for older and younger workers," Wenger said.

The researchers are waiting for an opportunity to do pilot testing, but the survey should be in the field soon.

The Annual RDRC Meeting is held with financial support from the U.S. Social Security Administration. Closed caption videos, slides, summary papers, and the meeting booklet [are available online](#). Next year in person! 📍



Follow us on Twitter  
[@MRDRCumich](#)



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

## Keep in touch

**Website:** [mrdrc.isr.umich.edu](http://mrdrc.isr.umich.edu)

**Twitter:** [@MRDRCumich](https://twitter.com/MRDRCumich)

**LinkedIn:** [linkedin.com/in/mrdrcumich](https://linkedin.com/in/mrdrcumich)

**Blog:** [mrdrc.isr.umich.edu/blog/](http://mrdrc.isr.umich.edu/blog/)

### Michigan Retirement and Disability Research Center

Institute for Social Research

University of Michigan

426 Thompson Street, Room 3026

Ann Arbor, MI 48104-2321

**Director:** John P. Laitner

**Associate Director:** Dmitriy Stolyarov

**External Relations:** Susan Barnes

**Administrative Manager:** Cheri Brooks

**Phone:** (734) 615-0422

**Fax:** (734) 615-2180

### Regents of the University of Michigan

Jordan B. Acker; Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Shauna Ryder Diggs, Grosse Pointe; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Mark S. Schlissel, *ex officio*