



Key findings from 2022 papers

MRDRC released 13 working papers in 2022 on topics such as COVID-19's ongoing impact, disparities in workplace accommodations, and whether the redesigned Social Security Statement affected retirement plans.

Economic security of SSA beneficiaries

Explanations for the Decline in Spending at Older Ages

Susann Rohwedder, Michael Hurd, Péter Hudomiet;
WP 2022-440, [UM21-10](#)

- ▶ Real spending declines at older ages according to longitudinal measurements in the Health and Retirement Study.
- ▶ An explanation may be that, because of health limitations, the enjoyment from some types of spending declines with age. This may lead to voluntarily reduced spending on those items rather than because budgets forced people to reduce spending.
- ▶ Based on a special module included in the Consumption and Activities Mail Survey 2019 (a substudy of the HRS) we found that
 - people in their 80s or older have a higher level of economic satisfaction than people in their 60s and they have less sense of being economically constrained;

- when thinking back over the past six years, fewer older persons expressed a deterioration in economic circumstances than younger persons; and
 - enjoyment from spending on seven queried types decreases monotonically with age, such as spending on trips and vacations, eating out, or having a car.
- ▶ We interpret the results to be that the observed decline in spending is not primarily the result of economic constraints, but about 20% of those in their 80s or 90s are not satisfied with their economic circumstances, pointing to heterogeneity.

The Ongoing Impacts of COVID-19 on Americans' Economic Security

Marco Angrisani, Jeremy Burke, Arie Kapteyn; WP 2022-443, [UM22-17](#)

- ▶ We find that, on average, financial stability improved through the first year of the pandemic on most measures.
- ▶ We observe year-over-year increases in subjective

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measures, such as financial satisfaction and lower financial stress, as well as persistently elevated objective measures, such as short-term savings behavior and balances.

- ▶ Though we observe improvements on average on most measures of financial security, there are two notable exceptions — financial fragility rose, and retirement balances declined, in 2021 relative to prepandemic levels. The Federal Reserve Board (2019) defines financial fragility as an inability to cover a \$400 shock solely with cash or a cash equivalent.
- ▶ Increased financial fragility was concentrated among individuals who did not receive the third Economic Impact Payment or had higher incomes.
- ▶ Given that the stimulus program ended in 2021, financially fragile households may face increased financial insecurity in the near future.
- ▶ Additionally, declining retirement balances suggest that the improvements in short-term financial stability may not translate into improved retirement outcomes in the future.

The Alignment of Household Preferences and Financial Decisions Leading up to Retirement

Leandro Carvalho, Arna Olafsson, Daniel Silverman;
WP 2022-446, [UM19-10](#)

- ▶ The initial results suggest that, for purposes of explaining important household financial outcomes, differences in average measures of preferences and abilities within households are more important than within-household differences in preferences and abilities.
- ▶ We find no evidence of an important relationship between the measure of decision-making ability (DMA) and expenditures.
- ▶ There is some evidence that within-household conflicts in risk preferences are associated with higher levels of household expenditure.

- ▶ The average levels of time preference or decision-making ability are, however, more strongly associated with between-household differences in spending and liquidity.

Gendered Impacts of COVID-19 on Economic and Retirement Security

María Prados, Jeremy Burke; WP 2022-447, [UM22-08](#)

- ▶ Women were more likely than men to exit the labor force early in the pandemic.
- ▶ Gender differences in employment were driven by white women, married women with young children, and women in high-income households.
- ▶ Rather than increasing, we find that gender differences in short-term financial stability decreased during the pandemic's first year, in part due to heterogeneous impacts of the stimulus.
- ▶ There are no differential impacts by gender on changes to the forecasted levels of Social Security retirement benefits.
- ▶ Overall, our evidence is consistent with gender differences in employment being driven by relatively financially stable women voluntarily exiting the workforce.

Disparities by race and ethnicity

Investigating Racial and Ethnic Disparities in the Provision of Workplace Accommodations in the U.S.

Debra Brucker, Megan Henly, Andrew J. Houtenville;
WP 2022-442, [UM22-15](#)

- ▶ Using data from the 2002 to 2018 Health and Retirement Study, receipt of workplace accommodations does not vary by race for Americans with work limitations, when controlling for age, gender, education, organization size, and the physical nature of an occupation.
- ▶ An estimated 36% of persons with a work limitation

who were white, 34% of persons with a work limitation who were Black, 33% of persons with a work limitation who were of other races, and 36% of persons who were Hispanic received workplace accommodations, controlling for other factors.

- ▶ Persons working in organizations that employed 100 or more people had significantly higher odds of receiving workplace accommodations than persons working in smaller organizations.

Understanding Racial Disparities in Financial Preparedness for Retirement

Junjie Guo, Ananth Seshadri; WP 2022-445, [UM22-18](#)

- ▶ The Black-white gap in the labor force participation rate at age 62 is mostly due to the racial differences in health and the fixed cost of working, a parsimonious measure that includes the transportation cost, the psychological cost, and any other costs associated with working.
- ▶ The Black-white wealth gap at age 62 is mostly due to the racial wage gap.
- ▶ The lower interest rate (return to assets) faced by Blacks also contributes to the racial wealth gap.
- ▶ Reducing the racial discrimination faced by Blacks in both the labor and the financial markets could go a long way in addressing the racial disparities in financial preparedness for retirement.

Racial and Ethnic Disparities in Knowledge about Social Security Programs

David Knapp, Francisco Perez-Arce; WP 2022-449, [UM22-14](#)

- ▶ There are significant racial/ethnic disparities in knowledge about Social Security programs: Black and Hispanic respondents typically score 8% to 14% lower on knowledge tests of Social Security program eligibility and benefits compared to white respondents.
- ▶ Differences in Social Security knowledge across racial and ethnic groups are not explained by group differences

in income, wealth, employment history, or educational levels.

- ▶ Black and Hispanic respondents are more likely than white respondents to express confidence that they understand Social Security, which might indicate it is more common that people in these groups “do not know that they don’t know” about how Social Security works. This result might stem from differences in information sources or experiences with SSA programs.
- ▶ Sources of information about Social Security vary by race and ethnic groups: Black respondents are 25% more likely than white respondents to have no source of information on Social Security and Hispanic respondents are 15% more likely than white respondents to have no source of information.
- ▶ More sources of information about Social Security are associated with higher scores in knowledge tests: Approximately two additional sources of information are comparable to most racial/ethnic differences.
- ▶ Satisfaction with past claiming decisions is lower among nonwhite respondents and among those with lower Social Security knowledge.
- ▶ Whether disparities in knowledge translate into differences in actual decisions remains unclear due to data limitations: Understanding the causal mechanism requires an experiment.

Other points of possible interest:

- ▶ There exist similar or worse racial/ethnic discrepancies in financial literacy: Less Social Security knowledge may reflect broader informational challenges related to personal finance and retirement.
- ▶ Black and Hispanic respondents are significantly less likely than white respondents to report friends and family as a source of information.
- ▶ Black and Hispanic respondents report 22% and 21% fewer sources of information, respectively.

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- ▶ Black and Hispanic respondents report seeking information about Social Security from Social Security 11% and 15% less than white respondents.

Work and Retirement of Older Black and Hispanic Adults

Emma Aguila, Zeewan Lee; WP 2022-452, [UM22-16](#)

- ▶ Non-Hispanic Blacks continue to have relatively low levels of Social Security wealth.
- ▶ Hispanics have seen their Social Security wealth increase as a result of a more redistributive formula for benefits and continued decreases in their mortality rates.
- ▶ Social Security, private pension, and other institutional influences affect Hispanics, non-Hispanic Blacks, and non-Hispanic whites similarly in their work and retirement decisions.
- ▶ Physical and mental health problems affect non-Hispanic Blacks in their work and retirement decisions, but sociodemographic variables do not.
- ▶ Hispanics are less likely than non-Hispanic whites to respond to most sociodemographic and mental health influences on work and retirement decisions.
- ▶ The overall results suggest that Hispanics and non-Hispanic Blacks may not be making optimal retirement decisions given their socioeconomic and health conditions. Raising financial literacy levels could help improve their work and retirement decision-making.

The Dynamic Effects of Health on the Employment of Older Workers: Impacts by Gender, Country, and Race

Richard Blundell, Jack Britton, Monica Costa Dias, Eric French, Weijian Zou; WP 2022-451, [UM22-13](#)

We investigate the effect of health on the employment of those ages 50 to 70, by race, gender, and country.

- ▶ Employment rates of nonwhites are significantly lower in the U.S. In England, racial differences in employment are

modest. However, in the U.S. employment rates of white men (women) are over 10 (5) percentage points higher than for nonwhites in their 50s.

- ▶ In both the U.S. and England, nonwhites are on average in worse health. These racial differences in health are larger in the U.S. than in England. Furthermore, these racial differences in health are larger for women than men in both countries. These differences in health exist among both objective measures (such as diabetes, heart attacks) as well as when using more subjective measures of overall well-being.
- ▶ These racial differences in health largely explain differences in employment across races. In fact, once we condition on health and education, nonwhites have higher employment rates than whites, with health explaining more than education.
- ▶ The impact of health shocks on employment is larger for nonwhites than for whites and is larger in the U.S. than England. For example, declining health can explain 13% (19%) of the employment decline for white (nonwhite) women in the U.S. Part, although not all, of these differences are explained by the occupational demands of the jobs held by nonwhites.

Risks and resources in older age

How Redistributive Are Public Health Care Schemes? Evidence from Medicare and Medicaid in Old Age

Karolos Arapakis, Eric French, John Bailey Jones, Jeremy McCauley; WP 2022-441, [UM20-10](#)

For the cohort of households whose head turned 65 between 1999 and 2004:

- ▶ The largest net beneficiaries of Medicare and Medicaid are those in the middle of the income distribution, as these people live long yet pay modest taxes. For example, those in the middle 20% of the income

distribution contributed \$82,000 on average, and received \$337,000 in benefits over their lives.

- ▶ Those at the top of the income distribution contributed \$248,000 on average to Medicare and Medicaid, and received \$401,000 in benefits over their lives.
- ▶ Those at the bottom of the income distribution contributed \$33,000 on average, and received \$229,000 in benefits over their lives.
- ▶ All income groups on average received more benefits than what they paid in. Averaging over all members of this cohort, contributions to Medicare and Medicaid were \$107,000 and benefits received were \$327,000.

Modern work requirements

The Role of Physical, Cognitive, and Interpersonal Occupational Requirements and Working Conditions on Disability and Retirement

Italo Lopez Garcia, Kathleen J. Mullen, Jeffrey Wenger; WP 2022-448, [UM22-04](#)

- ▶ We find a positive and robust association between occupational physical job demands and potentially hazardous working conditions with the probability of being retired or having a disability at any age, as well as with the probability of transitioning into retirement or disability from working.
 - These effects are largely concentrated in men and workers without a college degree.
- ▶ We find that occupational mental job demands related to having more autonomy and flexibility, and less supervision and working with the public, are associated with a decrease in the probability of being retired and transitioning into retirement. Mental job requirements do not predict disability outcomes.
 - These effects are largely concentrated among college-educated workers.

Improving program communication

The Redesigned Social Security Statement's Short-Term Impacts on Near Retirees

Philip Armour, Katherine Carman, Mandlenkosi Dube; WP 2022-444, [UM22-Q3](#)

- ▶ We conducted a survey to understand the early impacts of the redesigned Social Security Statement.
- ▶ Ninety-one percent of respondents ages 60 to 70 who have not yet started receiving Social Security report having received a Statement.
- ▶ Over 90% of respondents who received a Statement report reading them somewhat or very carefully, and only a handful (less than 10 respondents) report not reading the Statement at all. Those who received the redesigned Statement were more likely to report reading it carefully than those who received the old Statement.
- ▶ Recipients of the redesigned Statement were more knowledgeable about Social Security and key claiming dates than recipients of the old Statement.
- ▶ The redesigned Statement had a substantial impact on the claiming and retirement plans of those with little prior knowledge of Social Security, and only a marginal impact on those with very high knowledge of the Social Security system.
- ▶ In a head-to-head comparison of key aspects of the Statements, respondents preferred the redesigned Statement and found it to be clearer than the old Statement.
- ▶ Taken together, these results suggest that it has improved knowledge of the program and informed planned and actual claiming decisions.

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The Impacts of the Social Security Statement Redesign on People's Knowledge and Behavioral Intentions: A Survey Experiment

Francisco Perez-Arce, Lila Rabinovich; WP 2022-450, [UM22-Q2](#)

- ▶ The Social Security Statement was recently redesigned to better inform the public. One particularly noteworthy change is that the redesigned Statement provides retirement benefit estimates for all ages from 62 (the early eligibility age) to 70 (when delayed retirement credits stop accruing), while the previous version included benefit estimates only for full retirement age (FRA), age 62, and age 70. Furthermore, the Statement now presents this information via a simple graph alongside a short explanatory textbox. Other changes include how information is presented. The redesign makes some crucial pieces of information more notable and clearer.
- ▶ Through a couple of randomized experiments, we found that the redesign of the Statement has several impacts. Participants randomly assigned to the redesigned statement scored higher on knowledge scores and provided significantly different responses when asked when they planned to claim their retirement benefits. We also found some positive effects on respondents' evaluation of the clarity and interest of the information, as

well as on their self-reported interesting in learning more.

- ▶ The redesigned Statement increased the number of correct answers in a test designed to measure Social Security knowledge. There were significant effects on the specific questions testing respondents' knowledge on how benefits are calculated, how retirement benefits are affected by claiming age, whether benefits are adjusted for inflation, and the relationship between claiming and retirement (that is, on whether people must claim at the moment they retire from work), and a vignette-based question to measure understanding of the relationship between claiming age and monthly benefits.
- ▶ An important change of the redesigned Statement is the way it shows expected benefits and how they would change depending on claiming age. While the old statement showed benefits at three focal ages (full retirement, 62 and 70, in that order) in a table, the redesigned Statement shows graphically how they would change per each year of delayed claiming. We find that this results in a more even distribution of intended claiming ages with lower spikes at the full retirement age and age 70. On average, however, those in the redesigned Statement group chose an earlier claiming age. ❖

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