



MRDRC Newsletter | Spring 2023 | 23(2)

Director’s corner



John Laitner

The MRDRC held its annual Researcher Workshop in-person this year, Thursday March 2 and Friday March 3, 2023. Due to COVID-19, we had migrated online the previous two years. In-person meetings are more expensive in terms of travel arrangements and participants’ time, but the benefits seem very great. Short talks, each followed by an open discussion of equal length, are a hallmark of this workshop, and the discussions tend to be much more vigorous when the meeting is in person. Moreover, there are many chances

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Workshop projects show progress on center’s long-term goals

In September 2016, MRDRC organized a “Financial Security Research Symposium” at the U.S. Treasury. The meeting gathered government, academic, and nonprofit organizations to share current research and identify research gaps. In the intervening years, the symposium’s recurring themes — data development, financial diversity and disparities, financial education, long-term care (LTC) and health (particularly dementias), and nontraditional employment’s growing impact on financial well-being — have informed the center’s research goals and continued to inspire MRDRC’s investigators. Many of the projects presented at this year’s Researcher Workshop, held March 2 and 3 at University of Michigan, continued that work.

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for conversations during breaks and meals. All our sessions are plenary; we have a mixture of seniority levels; and, the short presentations allow room on the program for many presenters.

Our program was divided into seven sessions, and we had 23 presentations. Five of the presenters were new to the workshop, an important recruiting mechanism for the MRDRC. During the lunchtime, we had two additional talks from members of our research team: Amanda Sonnega talked about new features of the Health and Retirement Study (HRS) data set, and David Knapp spoke about HRS sister surveys abroad and the Gateway to Global Aging, an access platform to them.

We also had an afternoon talk by Vicki Freedman, a research professor at Michigan's Institute for Social Research. She discussed two National Institute on Aging-sponsored data sets, the National Health and Aging Trends Study (NHATS) and the National Study of Caregiving (NSOC). Freedman is a joint principal investigator on both. The NHATS is an annual panel of Medicare beneficiaries 65 and older. It collects data on respondents' physical and mental health, as well as their economic status. The NSOC surveys unpaid caregivers as part of the NHATS sample. These surveys are an interesting data resource on retirement-aged Americans and their needs and well-being, and Freedman's presentation was informative and provided a chance for researchers to ask questions. 📍

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Financial diversity and disparities

The Treasury symposium pointed out that while extensive work had been done to understand “Mr. and Ms. Average,” there was a dearth of research looking at how minority communities fared. The past five years have seen more attention paid to these communities, and many workshop presenters shared projects focusing on racial disparities and how existing structures might affect it.

- ◆ Cormac O’Dea (Yale) and colleagues are using Form 5500 matched to American Community Survey data to look at how defined contribution plans impact the racial wealth gap in their FY23 project, “Who Benefits from

Retirement Saving Incentives in the U.S.? Evidence on Racial Gaps in Retirement Wealth Accumulation” (UM23-01).

- ◆ Helen Levy (Michigan) is examining “Black/White Gaps in Employer-Sponsored Retiree Health Insurance,” and finding gender differences.
- ◆ George Zuo and David Powell (RAND) are exploring cost as an explanation for “The Impact of Affordable and Accessible Broadband on SSDI and SSI Receipt” (UM23-18).

Health

The 2016 symposium participants could not foresee the pandemic, but they were keyed in to

existing disparities in health outcomes, particularly dementias. Workshop projects addressed disparities surrounding COVID-19 and dementia.

- ◆ Jeremy Burke presented his work with Marco Angrisani and Arie Kapteyn (all USC) on “The Enduring Impacts of COVID-19 on Americans’ Economic and Retirement Security.” **This FY23 project** includes an investigation of racial disparities.
- ◆ In “The Role of Physical and Mental Occupational Requirements on Disability and Retirement” (**UM22-04**), Italo Lopez Garcia (USC) with Kathleen Mullen (University of Oregon) and Jeffrey Wenger (RAND) continue their exploration of which job demands (physical, cognitive, and social) drive retirement and DI applications and for whom.
- ◆ Péter Hudomiet presented his NIA-funded work with Michael Hurd and Susann Rohwedder (all RAND), “Trends and Inequalities in Dementia Incidence and Mortality,” which found that although dementia prevalence substantially declined from 2000 to 2016, minorities still saw higher dementia rates.

Data development

One common call at the 2016 Treasury meeting was greater access to administrative data. Over the intervening years, such linkages have become more common and MRDRC researchers have made good use of them. This year, a number of workshop projects featured administrative data linkages.

- ◆ With “Insurance Purchases of Older Americans” (**UM21-09**) Karolos Arapakis (Center for Retirement Research at Boston College), Eric French (University of Cambridge, Institute for Fiscal Studies), John Bailey Jones (Federal Reserve Bank of Richmond), and Jeremy McCauley (University

of Bristol) link data from the public Health and Retirement Survey to administrative Medicare and Medicaid records for the same people.

- ◆ Chichun Fang, Charlie Brown, and John Bound (all Michigan) are using SSA’s Form 831 data to validate the Health and Retirement Survey’s (HRS) self-reported SSI and SSDI applications, focusing on the empirical implications of disparities between the two.
- ◆ Joelle Abramowitz also compares HRS and administrative data in “Comparing Survey and Administrative Measures of Self-employment and Self-employment Earnings: New Implications from the Health and Retirement Study.” (Self-employment was also a hot topic at the Treasury symposium.)

Not all of the work presented has been funded by MRDRC, but developing new research directions takes time, and the center is gratified to see goals set seven years ago firmly centered in its researchers’ current agendas.

Funded through MRDRC’s cooperative agreement with SSA’s Retirement and Disability Research Consortium, one of the Researcher Workshop’s purposes is to recruit early career investigators. At the workshop, they present their aging and disability projects and garner feedback on them from the center’s experienced stalwarts. MRDRC was pleased to welcome newcomers Zuo, Arapakis, Franca Glenzer (Université de Montréal), Megan Henly (University of New Hampshire), and Gizem Koşar (Federal Reserve of New York) this year. ☐

Save the date

The annual RDRC meeting will be held virtually, Thursday, August 3, and Friday, August 4. Stay tuned for details!

News from MRDRC researchers


Journal publications

In March, The Journal of Banking and Finance published Marco Angrisani, Jeremy Burke, and Arie Kapteyn's article, "**Cognitive Ability, Cognitive Aging, and Debt Accumulation.**" The work is based on the trio's **FY20 project of the same name.**

Media

Reporter Chris Farrell cited Joelle Abramowitz's FY21 project, "**What We Talk about When We Talk about Self-employment: Examining Self-employment and the Transition to Retirement among Older Adults in the United States,**" in a **December MarketWatch article.** "Among the attractions of self-employment are greater flexibility and autonomy compared to traditional employment. Since you're the boss you have a measure of control over your hours and the type of jobs you'll take on. Self-employment builds on skills and lessons learned over the years, and that experience heightens the odds of success. The work typically creates something that is meaningful to you and, perhaps most importantly, gives you a way to stay

connected to other people," Farrell wrote. "Taken altogether, perhaps it isn't surprising that self-employed older adults report better well-being on average than their peers who are still regular employees, according to research by University of Michigan economist Joelle Abramowitz."

"Research from the University of Michigan's Retirement and Disability Research center found that retirement spending declines over time across all socioeconomic levels. While you can expect to spend more on healthcare in your later years, you won't be spending anywhere near as much as you did in your early retirement years of cruises, travel, dining and entertainment," wrote Rae Hartley Beck in a **February Yahoo! Life article.** Beck cites Michael Hurd, Susann Rohwedder, and Péter Hudomiet's FY21 working paper, "**Explanations for the Decline in Spending at Older Ages.**" 

Researchers are encouraged to share academic publications, media coverage, and conference presentations of their MRRC/MRDRC-funded work. Please send announcements to mrdrumich@umich.edu.

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 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

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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.
- ▶ 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

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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 the redesign has improved knowledge of the program and informed planned and actual claiming decisions.

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

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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 interest 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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