I. Social Security Disability Insurance

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 approximately 7 percent and allowed applicants by approximately 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

- Comparing the health and economic outcomes of those who receive elective surgery after the onset of chronic conditions with those who do not, this study finds that angioplasty and joint replacement surgery reduce the probability of applying for Social Security Disability Insurance by up to 22 percentage points.
- Elective angioplasty and joint replacement surgery also delay the age at which a respondent first claims Social Security benefits by 1.3–3.5 years.
- Periods of uninsurance after condition onset are associated with lower probability of receiving surgery for patients with heart disease, but not arthritis.
- 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 permanent 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-effective 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 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 (ADA).
- 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 following the onset of a work limitation would reduce applications to the SSDI program by 27 percent within one year of onset and 30 percent within five years of onset.
- These findings suggest that the provision of workplace accommodations would be an effective strategy for reducing application for SSDI benefits, and potentially the number of people receiving SSDI.
II. Social Security Old Age Survivor Insurance

First-Round Impacts of the 2008 Chilean Pension System Reform by Jere Behrman, Maria Cecilia Calderon, Olivia S. Mitchell, Javiera Vasquez and David Bravo WP 2011-245

- We evaluate the impacts of the 2008 Chilean Pension reform by comparing household survey data from before (2006) and after (2009) the system changed.
- While the poor in 2009 seemed less well-informed about the reform compared to non-poor respondents, those who lived in a poor household with a member age 65 and over were more likely to have heard of the new “basic pension.”
- Targeted poor households with elderly members received about 2.4 percent more household annual income, with little evidence of crowding-out of private transfers.
- Recipient household welfare probably increased due to slightly higher expenditures on basic consumption needs, including healthcare and leisure. They also reported better self-rated health.

The Effects of Changes in Women’s Labor Market Attachment on Redistribution Under the Social Security Benefit Formula by Alan L. Gustman, Thomas L. Steinmeier and Nahid Tabatabai WP 2011-248

- Despite the highly progressive Social Security benefit formula and the rapid growth of women’s earnings over the preceding decade, as of 2004 there is less redistribution of benefits from high to low earning households than from high to low earning individuals.
- Among the reasons for this finding:
  - Women in high income households continue to earn less than their husbands, thereby enjoying redistribution from the benefit formula as low earners.
  - Spouse and survivor benefits accrue disproportionately to households with one high earner.
- With the closing of the gap in earnings between men and women, in 2004 there was greater redistribution of Social Security benefits from high- to low-earning households than there was in 1992.

III. Current Economic Crisis

Personality and Response to the Financial Crisis by Angela Lee Duckworth and David Weir WP 2011-260

- The study found no notable associations between personality and response to the financial crisis; however, the sample size was insufficient to reach definitive conclusions.
- More conscientious adults save more of their income.
- Adults who are impulsive in the domain of finance save less of their income.


- Over the period spanning the “Great Recession,” 2006–2010, the total wealth of the near-retirement population fell by about 2.8 percentage points.
- Members of older cohorts had increased their wealth by about 5 percentage points at comparable ages, so in total, the wealth of the near-retirement population was about 8 percentage points lower than it would have been had they experienced the same wealth increase as members of older cohorts.
- Retirement is similar to that observed for members of older cohorts at comparable ages.
- The major wealth losses were in housing, but Social Security and pensions modulated the negative shocks.
- Retirement wealth of poorer households was least affected by the recession.

Effects of Legal and Unauthorized Immigration on the U.S. Social Security System by Hugo A. Benítez-Silva, Eva Carceles-Poveda and Selcuk Eren WP 2011-250

- We analyze the differential effects on the economy of legal and unauthorized immigration on the social insurance system in the United States.
- We present a General Equilibrium model of the key decisions of immigrants to calculate the contribution to economic growth of legal and undocumented immigrants (through savings and labor productivity) versus the costs they subject the system to through the usage of social insurance programs.
- We find significant positive effects of legalization on capital stock, output, consumption levels, labor productivity, and the overall welfare of individuals. While the overall effects are small, given the size of our economy, the level effects are considerable.
IV. Life-Cycle Model

The Influence of Public Policy on Health, Wealth and Mortality by John Karl Scholz and Ananth Seshadri WP 2011-252

- We develop a dynamic model of household behavior that blends a model of health capital and production to better understand the links between health, wealth, and aging.
- The model we develop matches quite closely the joint distribution of medical expenditures and wealth over time observed in data. When Medicare is eliminated in our simulation, poor households experience a drop in income by more than their richer counterparts, which leads to a cutback in medical spending, resulting in higher mortality at both age 60 and at age 75.
- While most models assume that households will respond to an absence of social insurance in old age by engaging in precautionary saving, our model shows that poor households largely run down their health capital in response to an absent or withdrawn safety net.
- Short-run changes in survival probabilities, even to very large policies affecting the elderly, appear to be small because health capital is largely determined by the time an individual reaches retirement. Long-run changes can be substantial, however. With fewer lifetime resources households will both consume less and die earlier.

Macroeconomic Conditions and Updating of Expectations by Older Americans by Purvi Sevak and Lucie Schmidt WP 2011-259

- We find that individuals’ expectations about future macroeconomic outcomes fluctuate from year to year.
- Individuals report higher expectations about a major depression when their state’s unemployment rate is higher and when the S&P 500 declines.
- Declines in the S&P 500 are associated with higher expectations that the S&P 500 will rise over the next year.
- College graduates’ expectations about the future macroeconomy are more responsive to the current economic climate than are expectations of less educated individuals.
- Individuals in poor and declining physical and mental health have significantly less optimistic expectations about the macroeconomic future.

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Individuals from more vulnerable socioeconomic groups have lower expected probabilities of leaving bequests and higher expected probabilities of having medical expenses use up their savings. They are also significantly less likely to expect to be working past age 62 or 65, which could have important implications for their economic well-being.

We find that individuals' expectations about their future labor supply, bequests, and medical expenses also fluctuate from year to year.

The subjective probability of working at age 65 is significantly higher when the state unemployment rate is higher, and the subjective probability of working at ages 62 and 65 is significantly lower when local house prices rise.

The unemployment rate effect on working longer is larger for less-educated individuals, while the house price effect is larger for more-educated individuals. This is consistent with the fact that college graduates are less likely to be affected by business cycle fluctuations, and more likely to be homeowners.

V. Retirement Behavior

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 found some evidence that these impacts of state age discrimination laws were stronger when, under state law, attorneys' fees are recoverable.

About the MRRC

The MRRC promotes high quality research on retirement and Social Security policy; communicates findings to the policy community and the public; enhances access to relevant research data; and helps to train new scholars. MRRC serves the public and policy community as an authoritative source of information on a range of issues related to retirement income security.