2011 MRRC Annual Research Workshop

On May 15-16, 2011, about 50 researchers gathered at the Institute for Social Research in Ann Arbor to attend the Seventh Annual Michigan Retirement Center (MRRC) Research Workshop. MRRC Director John Laitner kicked off the conference on Friday with opening remarks and enthusiastically welcomed everyone. The day-and-a-half long meeting presented a packed agenda with 30 research presentations and two lunchtime talks.

Speakers addressed the impact of the financial crisis and recession on the elderly, the health and well-being of older Americans, consumption and saving behavior across the life course, Social Security and disability benefits; Social Security reform; insights from psychology and behavioral models; pension reform in Chile; and updates on key data resources. (See photos from the workshop on pages 4-5.)

The first session, chaired by John Laitner, dealt with the current recession and housing market. Susann Rohwedder led off with a talk on The Effects of the Financial Crisis on

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Conscientious People Earn More and Save More for Retirement

Americans who are more conscientious have higher lifetime earnings and save more for retirement, according to researchers at the University of Michigan Retirement Research Center. Individuals who are at the 85th percentile of conscientiousness earn about $1,500 more per year than the average American, which amounts to about $96,000 more in lifetime earnings and $158,000 more in lifetime savings.

“Conscientious people are reliable, meet deadlines, and pay their bills on time,” says Angela Lee Duckworth, a University of Pennsylvania psychologist and co-author of a paper on the subject with University of Michigan economist David Weir. “They are very hard working and self-disciplined. These are the people who go running, stick to their diets, and tend not to procrastinate.”

The working paper by Duckworth and Weir, titled, “Personality, Lifetime Earnings, and Retirement Wealth,” is based on almost 10,000 adults aged 50 and older who participated in the U-M Health and Retirement Study (HRS) in 2006 and 2008. “This is a good example of the kind of discovery that can only come from a truly interdisciplinary project,” says Weir, principal investigator of the HRS. “No other study combines high-quality data on wealth, personality characteristics, and cognitive ability with lifetime earnings records from Social Security.”

Duckworth and Weir found that, collectively, personality traits have as much impact on earnings as cognitive ability. Respondents rated themselves using a scale of 1 to 4 on 26 adjectives from the Big Five taxonomy of personality traits: conscientiousness, emotional stability, agreeableness, extraversion, and openness to experience. Adults who are more emotionally stable earn more per year than the average American, but they don’t necessarily save more. And, somewhat surprisingly, individuals who are agreeable or open to experience earn less and save less over their lifetimes. Extraverts earn about the same as introverts but save more money.

“One of the exciting things about working on personality, as opposed to other aspects of the individual like IQ, is that there is some hope that conscientiousness can be changed, can be deliberately cultivated, particularly in children, but arguably across the entire life course,” says Duckworth.

What makes some people more conscientious than others? According to Duckworth, “One possibility is that conscientious people are conscientious because they believe that they can actually have an effect on their life outcomes. Or maybe they just have habits that differentiate them from less conscientious individuals. We don’t have answers yet, but we’re starting to formulate the questions.”

The research was supported by a grant from the U.S. Social Security Administration.

View a video about the study: http://www.mrrc.isr.umich.edu/video.cfm?pid=759.

Read the working paper: http://www.mrrc.isr.umich.edu?id=277.
Social Security’s Live Webinars:
Viewer Questions Fielded On-the-Spot

On March 10, 2001, MRRC organized a viewing of the Social Security Administration webinar, *Social Security 101: What’s in it for me?* for staff at the University of Michigan’s Institute for Social Research. The lively, upbeat tone of the webinar was directed at students and younger workers, but also addressed questions concerning older workers.

Brian Simpson, SSA Public Affairs Specialist, explained how Social Security works, what the FICA tax is, how to qualify for benefits, and the importance of saving and investing to adequately prepare for retirement. In the second half of the webinar, Mr. Simpson responded to on-the-spot audience questions submitted through an online feed or Twitter. Mayela Gillette from the Office of Open Government assisted by reading the questions posed by participants.

Since January 2009, the Social Security Administration has hosted interactive webinars on a variety of topics to inform the public about Social Security and disability benefits. The sidebar titled *Social Security Webinars* lists the current topics.

For National Mental Health Awareness Month, Social Security is presenting a webinar tailored to SSI and SSDI beneficiaries with a mental illness. *Ticket to Work for Beneficiaries with a Mental Illness -- Support on Your Journey to Employment* will be held on Wednesday, May 25, 2011 at 3:00 pm EST. The goal of the webinar is to provide information to help beneficiaries with a mental illness make informed decisions about going to work. Register early online at www.socialsecurity.gov/webinars/ or by calling 866-968-7842 or 866-833-2967 (TDD).

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**Social Security Webinars**

- **Representative Payees: Roles and Responsibilities of Payees Who Serve Multiple Beneficiaries**
- **Social Security 101: What’s in it for me?**
- **How Some Public Employee or Teacher Pensions May Affect Social Security Benefits**
- **Applying Online for Disability Benefits**
- **Internet Representative Payee Accounting**
- **Social Security for Wounded Warriors**
- **Ticket to Work Webinars (series)**

Ticket to Work is a voluntary program for people with disabilities administered by Social Security. The Ticket program offers disability beneficiaries ages 18 through 64 expanded opportunities to obtain the services and support they need to work and achieve their employment goals. This webinar series is for beneficiaries with disabilities, employment support providers and potential employers.

View webinars: [www.socialsecurity.gov/webinars](http://www.socialsecurity.gov/webinars) (Accessed 5/12/2011)
Research Workshop, continued

Actual and Anticipated Consumption, coauthored by Michael Hurd. John Gist discussed findings from the paper *Boom and Bust: Housing Refinancing, Equity Withdrawal, and Impacts on Retirement Wealth*. Raimond Maurer presented a paper titled *The Impact of the Financial Crisis on Asset Allocation, Annuity Demand, Work Effort, and Retirement Behavior over the Lifecycle*, cowritten by Olivia Mitchell. Frank Stafford concluded the session with *Pensions as a Rainy Day Fund?*

Richard Burkhauser chaired the next session, which was on Social Security operations and reform. Alan Gustman presented *The Effects of Changes in Women’s Labor Market Attachment on Redistribution under the Social Security Benefit Formula*, coauthored by Thomas L. Steinmeier and Nahid Tabatabai. Selçuk Eren discussed findings from *Effects of Legal and Unauthorized Immigration on the U.S. Social Security System*, a joint project with Hugo A. Benitez-Silva and Eva Carceles-Poveda. David Neumark discussed findings from *Policy Interactions between Increases in the Normal Retirement Age and Age Discrimination Laws*.

Frank Stafford moderated the third session, which was titled *What Can We Learn from Chile?* Olivia Mitchell presented results from *First-Round Impacts of the Chilean Social Security Reform*, coauthored by Jere Behrman, Maria Cecilia Calderon, Javiera Vasquez and David Bravo. Estelle James discussed *Impact of the Chilean Pension Reform on the Labor Supply of Men and Women*, a joint project with Alejandra Cox Edwards.

Friday’s lunchtime talk featured Debra Whitman, staff director for the Senate Special Committee on Aging, who spoke about *Retirement Security Issues and the Current Political and Budget Landscape*. Whitman, who has a PhD in economics, has up-to-date Washington, DC, experience and was able to list a number of detailed topics of immediate policy interest.

Friday’s first afternoon session, moderated by Olivia Mitchell, addressed *Insights from Psychology and Behavioral Models*. Angela Duckworth discussed findings from *Personality Predictors of Behavior During the Financial Crisis*, coauthored by David Weir. Daniel Benjamin presented *A Model of Non-Belief in the Law of Large Numbers*. Philippa Clarke reported on *Aging in a Cultural Context: Cross National Differences in Disability and the Moderating Role of Personal Control among Older Adults in the US and England*.

Alan Gustman chaired the Friday afternoon panel of speakers who provided updates on key datasets: Frank Stafford talked about the Panel Study of Income Dynamics (PSID); David Weir and Lauren Nicholas spoke about the Health and Retirement Study (HRS); and Bob Willis reported on the Survey of Health, Ageing and Retirement in Europe (SHARE).

The fifth session, *Life-Cycle Model: Consumption and Saving*, was moderated by Alan Gustman. Michael Hurd spoke about *Differential Mortality and Spending*, coauthored by Susann Rohwedder. John Laitner presented his 2010 working paper *HRS Data on Intergenerational...*

Saturday’s lunch panel consisted of David Stapleton (chair), Richard Burkhauser, and Nicole Maestas who addressed the topic *Slowing the Flow from the Labor Force to Social Security Disability Insurance: Will Fiscal Distress Accelerate Early Intervention Reform?*

2010 Key Findings on Disability

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).

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 the same period of time, 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 Social Security Early Retirement Benefit as Safety Net
by John Bound and Timothy A. Waidmann
WP 2010-240

- We use Health and Retirement Study data to analyze the health and economic status of those who apply for early retirement benefits and find that 1 in 5 of early retirees match the characteristics of Disability Insurance recipients.
- This subgroup of early retirees might be likely to apply for DI benefits if the early retirement benefit were not available.
- Compared to men, a much higher percentage of women whose health characteristics match DI recipients choose to retire later. A large number of these women are unmarried.
- Early Social Security benefits likely provide a safety net for those in poor health, who are either not in poor enough health to be eligible for disability benefits or who, for whatever reason, did not apply for them.

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

- We 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.
- The labor force participation rate of the marginal entrant would be on average 21 percentage points greater in the absence of SSDI benefit receipt. The likelihood of engaging in substantial gainful activity as defined by the SSDI program would be on average 13 percentage points higher, and he or she would earn $1,600 to $2,600 more per year on average.
- The disincentive effect of SSDI on labor force participation varies, ranging from 10 percentage points for those with more severe impairments to 60 percentage points for entrants with less severe impairments.

Visit www.mrrc.isr.umich.edu to view the MRRC Working Papers.
Did You Know? Administration on Aging Offers Statistics and Resources

Statistics on Older Americans

The older population—persons 65 years or older—numbered 39.6 million in 2009. They represented 12.9% of the U.S. population, about one in every eight Americans. By 2030, there will be about 72.1 million older persons, more than twice their number in 2000. People 65+ represented 12.4% of the population in the year 2000 but are expected to grow to be 19% of the population by 2030.

Reports and Data:
- Profile of Older Americans
- AGing Integrated Database (AGID)
- Census Data & Population Estimates
- Projected Future Growth of Older Population
- Minority Aging
- Key Indicators of Well-Being

Source: http://www.aoa.gov/AoARoot/Aging_Statistics/index.aspx
(Accessed 5/12/2011)

Resources for Elders and Families

The Administration on Aging provides the following off-site resources to connect older persons, caregivers and professionals to important federal, national, and local programs.

- Find Local Programs. The AoA-sponsored Eldercare Locator Website links to state and local agencies on aging and community-based organizations that serve older adults and their caregivers.
- Check for Benefits. The Benefits CheckUp Website helps consumers find benefits programs that help them pay for prescription drugs, health care, rent, utilities, and other needs. The BenefitsCheckUp Website includes information from more than 1,650 public and private benefits programs from all 50 states and the District of Columbia.
- Explore National Resources. A part of the Eldercare Locator Website, here you will find useful topic-specific resources for older adults, caregivers and aging professionals.
- Long-Term Care Planning. Long-term care includes a variety of services and supports to meet health or personal care needs over an extended period of time. The National Clearinghouse for Long-Term Care Information Website provides information and resources to help you and your family plan for future long-term care.

http://www.aoa.gov/AoARoot/Elders_Families/index.aspx
(Accessed 5/12/2011)

Protecting the Household Incomes of Older Workers with Significant Health-Related Work Limitations in an Era of Fiscal Responsibility
by Jody Schimmel and David Stapleton
WP 2010-244

We consider three work-support options to encourage and help workers keep working if they can, perhaps with reduced hours or at lower paying jobs.

- An expanded earned income tax credit (EITC), comparable to the credit currently available to parents with three children
- An employment support allowance (ESA) — a payment to eligible workers provided that they do not apply for SSDI benefits
- A health insurance subsidy comparable to that specified in the Affordable Care Act (ACA) for those who purchase insurance through a health insurance exchange — an option that will presumably become available to all persons without employer coverage as health care reform is implemented

Work-support options, on average, would cost less per capita than SSDI benefits, especially if the ACA health insurance subsidy is already in place. The cost of these options is lower once the cost of Medicare for SSDI beneficiaries is factored in.

These options would reduce poverty among the families of qualified workers — by 80 percent under the most costly option.

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 OA 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 FRA is evident for beneficiaries with recent work activity in the six largest impairment categories, and particularly those with musculoskeletal or mental disorders.
Frank Stafford and Elena Gouskova’s findings were cited in *Subprimes Were Not the Culprit in Most Mortgage Meltdowns*, in [MortgageMag.com](http://www.mortgagemag.com) on October 21, 2011.


Angela Lee Duckworth and David Weir were cited in *Conscientious People Save More for Retirement* in the April 12, 2011, edition of *US News and World Report*.