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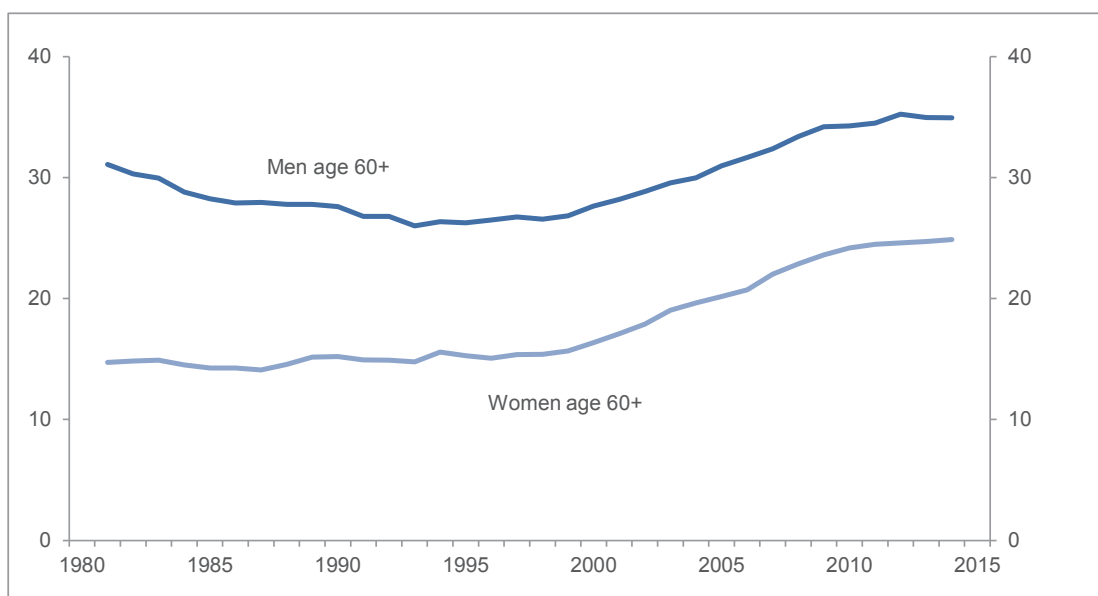
Chapter 2 Executive Summary: More work past age 60 and later claims for Social Security benefits

This document summarizes the main findings from Chapter 2 of “Later retirement, inequality in old age, and the growing gap in longevity between rich and poor” by Barry Bosworth, Gary Burtless, and Kan Zhang. To read Chapter 2 in full, [download the PDF of the full paper](#).

SINCE THE LATE 1980s Americans have been working more at ages past 60, have delayed their exits from the workforce, and have waited longer to claim Social Security retirement benefits. These trends toward more work in old age fly in the face of trends toward lower employment and reduced labor force participation among men and women under 55. Though the Great Recession and its aftermath slowed the increase in old-age employment rates, labor force participation and employment rates after age 60 have nonetheless climbed since 2007.

Labor Force Participation among Americans Age 60 and Older, 1980-2014

Percent of population

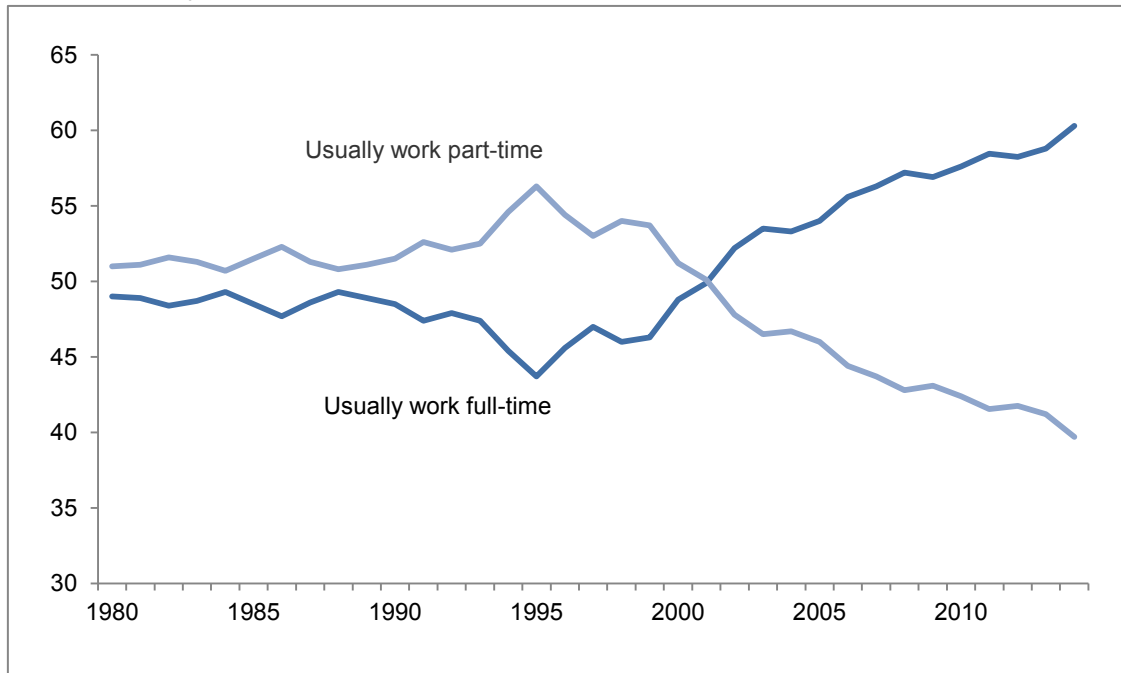


Source: Bureau of Labor Statistics and Current Population Survey, average of monthly data.

Not only are older Americans extending their work careers, those who remain employed are increasingly likely to work in full-time rather than part-time jobs (see the chart below). Before 2000, less than half of workers past 65 held full-time jobs. In recent years about 6 out of every 10 work on a full-time schedule.

Full-time and Part-time Employment among Americans Age 65 and Older, 1980-2014

Percent of employed



Source: Bureau of Labor Statistics and authors' tabulations of Current Population Survey.



The increase in work among the aged has affected the composition of income received by the elderly. For Americans over age 65 the share of earnings in total income reported on the Census Bureau's Current Population Survey increased from 18 percent in 1990 to 33 percent in 2012. Bosworth, Burtless, and Zhang highlight three factors that have pushed up employment rates at older ages:

- Changes in the Social Security benefit formula have encouraged later retirement. First, they have reduced the penalty on earnings after workers begin collecting a pension. Second, rule changes have increased from 65

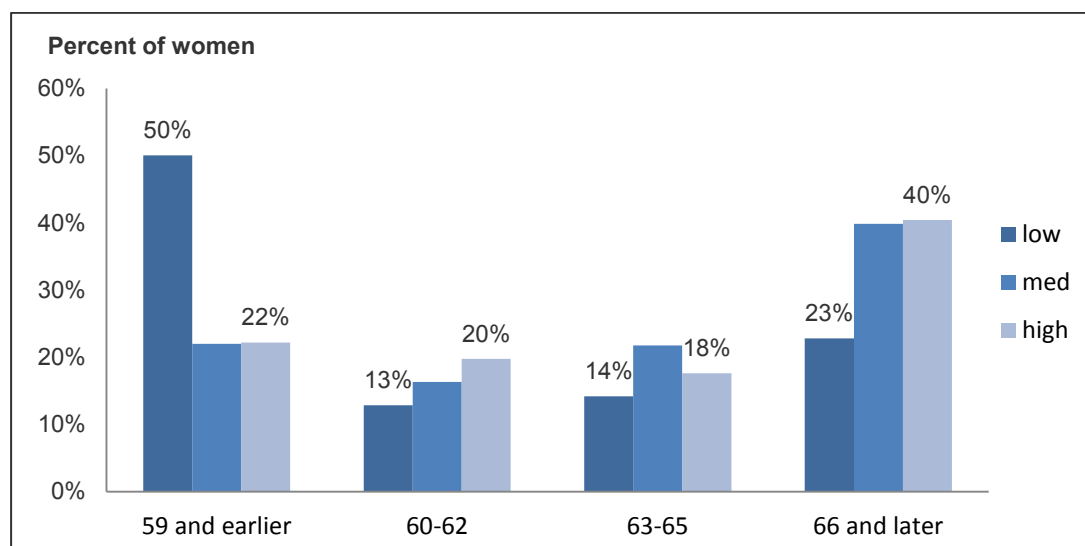
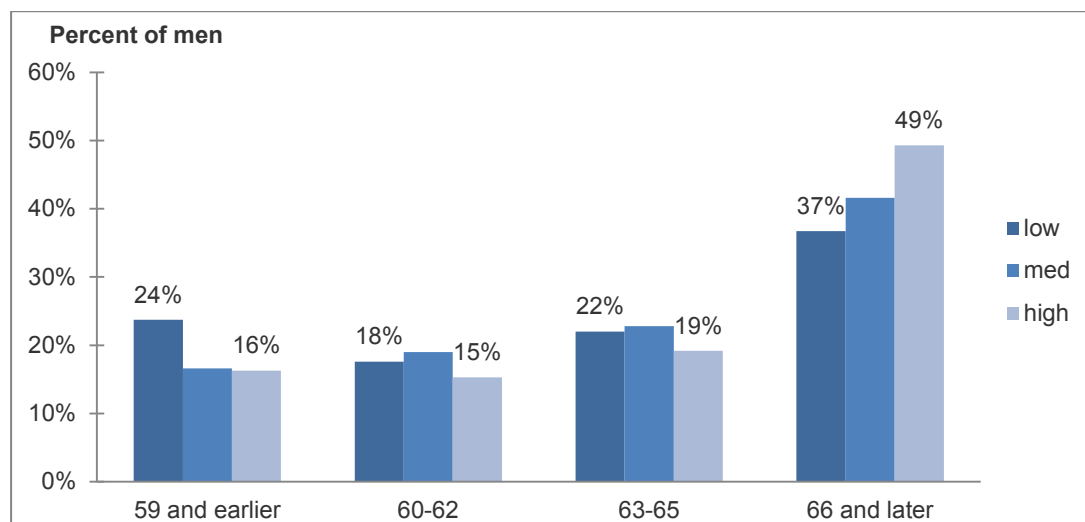
to 66 the age at which workers can claim a full pension.

- The shift toward defined-contribution (DC) and away from traditional defined-benefit (DB) workplace pensions has reduced the incentive to leave a job at an early or standard retirement age. Many DB plans offer strong incentives for workers to leave a job as soon as they reach a target age.
- The population between 60 and 74, which received its education after World War II, has considerably more schooling than earlier generations of the elderly. Workers with more education have better employment options in old age than workers with less schooling. They tend to work until later in life than less educated workers.

Rising employment rates in old age and changing Social Security benefit rules have affected the timing of Social Security benefit claims. Previous scholars have identified changes in benefit claiming that have tended to increase the average age at which nondisabled workers first claim a Social Security pension. In their new study the three Brookings researchers used Social Security claims and lifetime earnings records to determine the link between workers' claiming patterns and their average earnings in the middle of their careers. Their sample consists of about 83,000 men and women interviewed in the Survey of Income and Program Participation (SIPP) who have earnings reported to the Social Security Administration in the middle of their careers. They estimate a worker's mid-career earnings as the worker's average annual earnings in years when the worker had positive Social-Security-covered earnings between ages 41 and 50.

The researchers find noticeable differences between job-leaving patterns of workers in the top third and the bottom third of the mid-career earnings distribution. The chart on page 4 shows the distribution of workers' last ages with earnings depending on their positions in the mid-career earnings distribution. The tabulations are restricted to workers born between 1943 and 1945. For all of these workers, Social Security's full retirement age was 66. Workers with earnings in the bottom third of mid-career earnings tend to stop working at the youngest ages (59 and earlier) whereas workers in the top third of mid-career earners tend to stop working latest (66 and later). Excess retirement at the youngest ages is especially common for low-earnings women; excess retirement at the oldest ages is much more common among high-earnings men.

Last Age with Earnings, 1943-45 Birth Cohorts, by Thirds of Career Earnings



Source: Tabulated by the authors from Social Security earnings records.

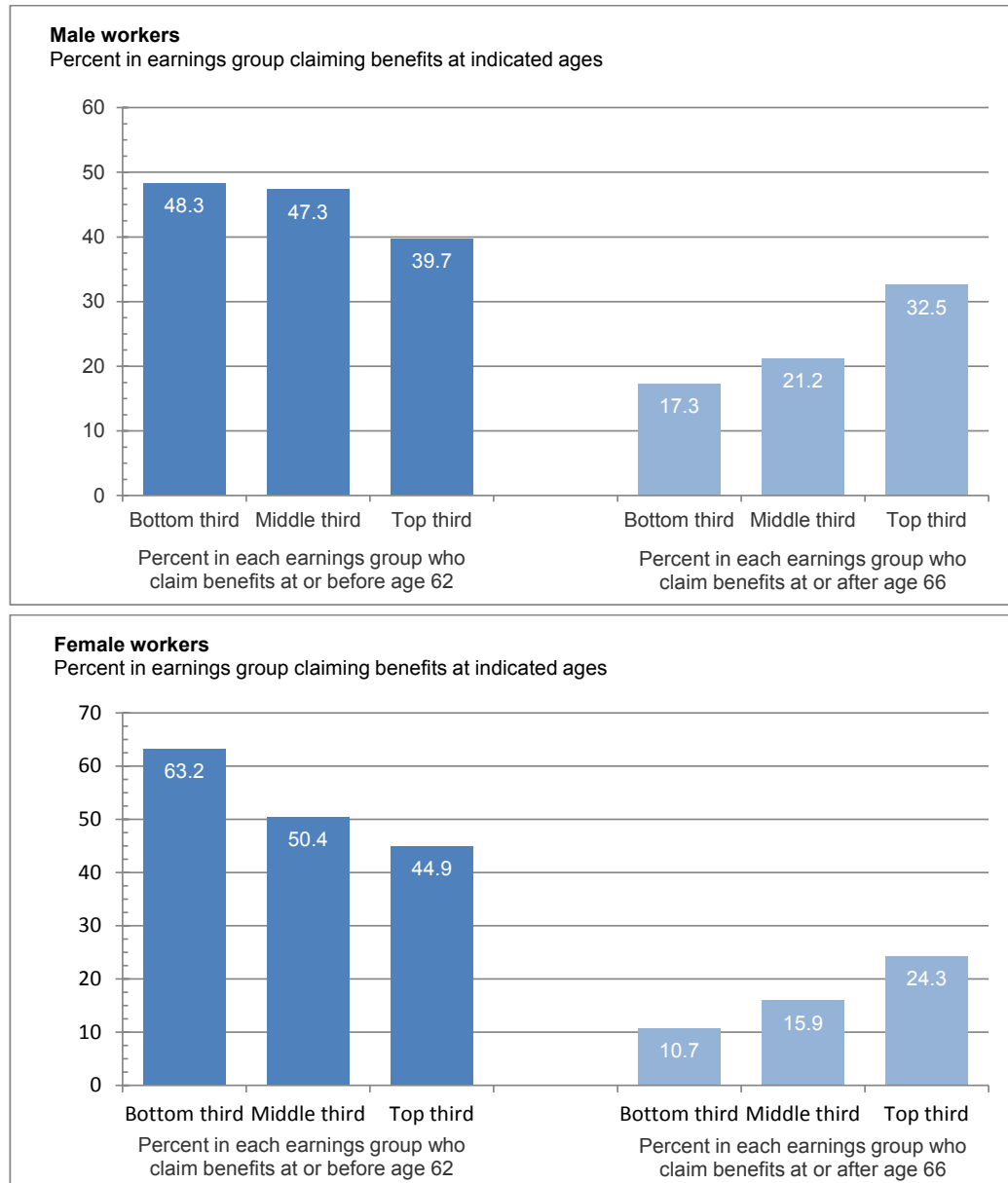
Note: “Low,” “medium,” and “high” midcareer earnings are calculated as the average of workers’ non-zero earnings between ages 41 and 50. A worker’s last age with earnings is defined as the last age at which he or she has real earnings above \$5,150 in 2005 dollars, approximately equal to one-half the real earnings of a minimum-wage worker who earns the minimum wage.

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The Brookings researchers also tabulated the first-time claiming ages of nondisabled men and women in their sample. The results of these tabulations are displayed in the chart on page 5. Figures on the left of the chart show the percent of people in the three mid-career earnings groups who claim an early pension, that is, claim at age 62 or earlier. The figures on the right show the percent of people who delay claiming benefits

to the full retirement age (66) or an even later age. Workers in the top third of the earnings distribution are less likely to claim a pension at the youngest ages, and they are more likely to delay claiming to the full retirement age or later. The differences have important implications for monthly benefits. Compared with a pension that is claimed at the earliest claiming age, 62, a worker who delays claiming a pension until age 70 can obtain a monthly benefit that is 76 percent higher.

Age Distribution of Social Security Benefit Claiming by Position in Earnings Distribution, 1943-45 Birth Cohorts



Source: Authors' calculations using the Social Security Administration's earnings and benefit records linked to the Survey of Income and Program Participation (SIPP). The tabulations are restricted to nondisabled workers.