



Research Brief

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Occupations and Work at Older Ages: Varied Responses to Policy

This study estimates how people would respond to an increase in Social Security Old Age Security Insurance (OASI) benefit claiming ages in terms of changes in savings, work, and benefit claiming. In particular, this study examines people who have worked in more physically intense “blue-collar” jobs, compared to people who have worked in less physically demanding “white-collar” jobs, would respond.

Using the Health and Retirement Study (HRS), this study is based on a sample of men born between 1924 and 1947 to understand potential differences by occupation in savings, work, Social Security OASI claiming ages for retirement benefits, and Social Security Disability Insurance (SSDI) benefit application rates.

This study used a dynamic choice model to capture the differential trends where people make yearly decisions about whether to work, how much to consume and save, and whether to claim OASI or SSDI benefits. Besides occupation, current and future expected health, assets, and other factors are simulated to predict what people would do if the Early Retirement Age (ERA) and Full Retirement Age (FRA) were increased to older ages. Findings are summarized in the table below, showing differences along all of these measures.

	Current Policy		Raise ERA		Raise FRA	
	Blue Collar	White Collar	Blue Collar	White Collar	Blue Collar	White Collar
Years Working at Ages 60-69 Years	4.1	5.1	5.2	5.5	4.2	5.8
Claim Early Retirement (62) Rate %	50%	38%	65%	58%	44%	31%
SSDI Application Rate %	21%	11%	27%	13%	26%	15%
Savings Ages 55-59 (\$000)	\$15.5	\$30.7	\$17.9	\$33.2	\$16.1	\$32.9

Table 1

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Differences Across Occupations

In terms of savings, the median level of non-housing assets at pre-retirement ages of 55 to 59 is double for white-collar workers compared to blue-collar workers. In terms of working years, the total number of years worked for those in white-collar jobs is about one year greater than people in blue-collar jobs between the ages of 60 to 69, which translates into earlier retirement from work for blue-collar workers. The earlier retirement from work tends to correspond to a greater share of those in blue-collar jobs claiming OASI benefits at the ERA of 62, close to 50 percent claim at the ERA compared to 38 percent of white-collar workers. Those in white-collar jobs were more likely to claim OASI benefits at the FRA. Blue-collar workers in the sample were also nearly twice as likely to have applied for SSDI than white-collar workers (21% versus 11%, respectively).

Responses to Changing Claiming Ages

An increase in the ERA from 62 to 64, or an increase in the FRA to 68 (while keeping the ERA at 62) would both impact people's behavior. Blue-collar workers would be much more affected by an increase in the ERA, including increased savings by 15 percent and increasing working years by 28 percent. Blue-collar workers would see an increase in both saving and working more if ERA was raised.

An increase in the FRA, would not affect the predicted behavior of blue-collar workers as much. However, it would affect white-collar workers. Raising the FRA is predicted to increase working years by about 13 percent. For both blue- and white-collar workers, increasing the FRA would reduce the share claiming OASI benefits at the fixed ERA of 62, as benefits when claiming early would be further reduced relative to the new higher FRA.

Implications

- ◇ This study shows differences in a variety of behaviors between blue- and white-collar workers based on different proposed claiming policies. These increased claiming ages have larger effects on years worked than on savings for those in both blue- and white-collar occupations.
- ◇ While increasing the ERA induces more of a response for blue-collar workers, the effects of increasing the FRA would be relatively greater for white-collar workers. Additionally, there are interactions between changes in OASI claiming ages and SSDI applications, particularly for blue-collar workers.
- ◇ These results emphasize the importance of considering the distribution of occupations for projecting responses to changes in Social Security policy in OASDI, work, and savings behavior.