



THE IMPACTS OF RACIAL DIFFERENCES IN ECONOMIC CHALLENGES ON HOUSING, WEALTH, AND ECONOMIC SECURITY AMONG OASI BENEFICIARIES

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Racial disparities in housing-related outcomes that correspond to economic security are partly caused by cumulating disparities in job stability during working years. There is no evidence that these outcomes change after households become eligible for OASI benefits.

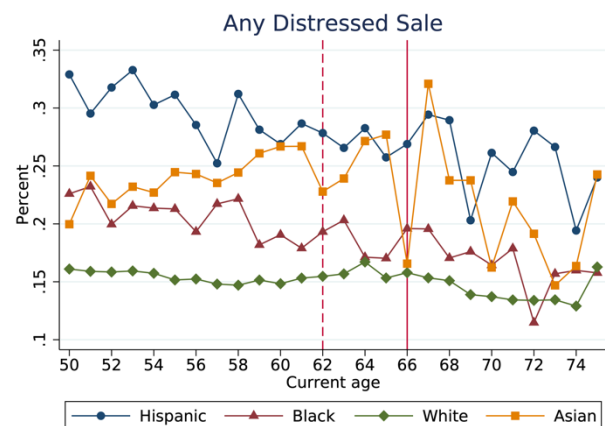
Racial Disparities in Wealth, Homeownership, and Job Stability

A large racial wealth gap has been documented in the US for as long as data has been available (Kuhn et al. 2020, Derenoncourt et al. 2021), and extends to gaps in wealth and economic security at retirement (Munnell et al. 2018, Hou and Sanzenbacher 2021). In analyzing the causes of these gaps, we focus on the role of homeownership due to its importance for retirement security: housing forms 40% of net wealth for retirement-age Americans, 43% of whom have not yet paid off their mortgage.

This study seeks to determine the extent to which OASI benefits promote economic security and racial equity among homeowners. We use a novel administrative data linkage housed at the UC Berkeley Fisher Center for Real Estate and Urban Economics to compare measures of economic well-being before and after homeowners become eligible for OASI benefits, including distressed sales and housing instability. In addition, this study attempts to measure the extent to which racial differences in job losses during working age contribute to racial differences in economic security at retirement through exposure to distressed sales. We leverage confidential taxpayer microdata held by the US Census to simultaneously measure racial differences in the incidence of job loss and distressed sales.

Large Racial/Ethnic Gaps in Housing-Related Economic Stability at Retirement

This study analyzed three measures of economic stability at retirement: home sales, which indicate that a homeowner has moved and partly captures housing instability; distressed sales (i.e., foreclosures and short sales), which entail large losses of housing wealth; and realized housing returns. We find that minority





homeowners exhibit substantially lower levels of economic well-being along these measures.

No Evidence that Housing-Related Stability Changes with OASI Eligibility

Analyzing patterns of economic stability at retirement age, we see no evidence of a break in trends around the ages at which homeowners become eligible for OASI benefits. Since receipt of OASI benefits typically coincides with a decline in overall household income, we interpret these patterns as being produced by a combination of these two opposing factors.

Racial Differences in Job Instability Cumulate to Disparities at Retirement Age

Analysis of employment and earnings records reveals that Black and Hispanic homeowners are more likely to lose their jobs during working years. Following a job loss, these homeowners are more likely than White homeowners to lose their homes in a distressed sale, which erases housing wealth. This implies that labor market disparities have cumulating impacts on housing wealth that exacerbate disparities at retirement age.

Implications

- Large racial/ethnic differences in economic security at retirement exist and are preceded by disparities during working years.
- Policies that seek to reduce racial/ethnic disparities in wealth at retirement could benefit from addressing racial/ethnic disparities in income instability during working years.
- Possibly because receipt of OASI benefits is accompanied by declines in overall household income, eligibility for OASI benefits does not appear to improve housing-related measures of economic stability.

References

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