The Impact of COVID on Social Security Claiming

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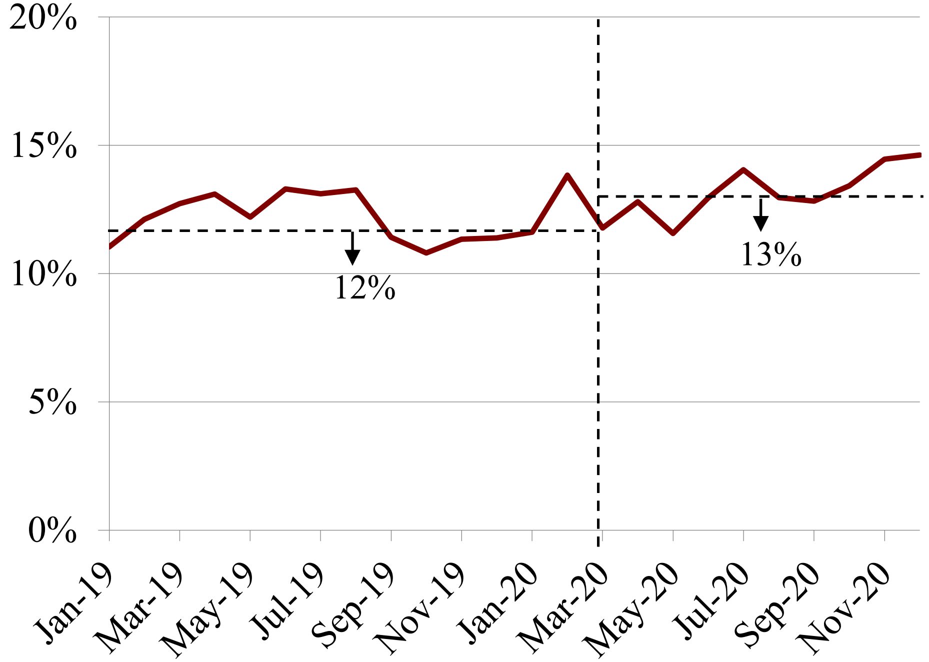
Initially, many feared a spike in early claiming from COVID, but early research found only very small increases.

Share of Individuals Ages 55+ Transitioning to Retirement Over the Course of a Year, 2019-2020



Source: Quinby, Rutledge, and Wettstein 2021.

One would expect different outcomes from two very different recessions for several reasons.

- Cause
- Asset Prices
- Duration
- Relief Measures
- Demographics

But people continued to claim, so the focuses of this paper are:

1. How do the characteristics of COVID-induced early claimers differ from those induced to retire during the Great Recession?

2. How did the COVID Recession affect the lifetime Social Security benefits of claimers relative to the Great Recession?

Data

- Comparing the impact of the Great Recession and COVID-19 on early claiming first requires defining "early claiming." In this analysis, early claiming is defined as claiming before FRA.

- The claiming age for most respondents comes from administrative-linked data. For respondents who could not be linked, we use their self-reported claiming age.

- The sample is comprised of respondents who are between ages 62 and their respective FRA during the 2004-2010 and 2016-2020 waves.

Methodology

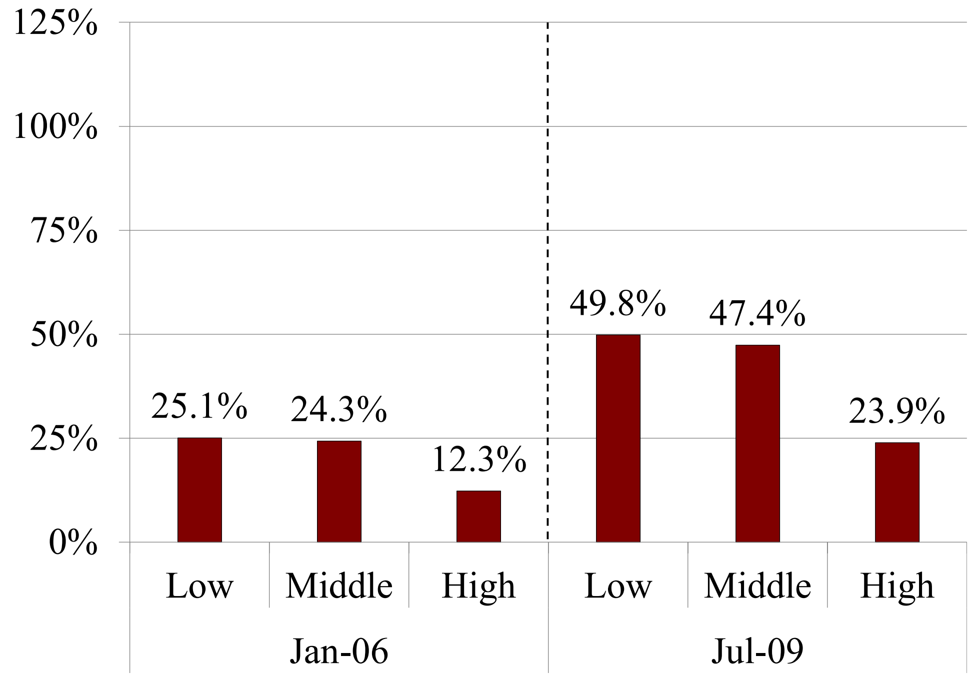
The analysis proceeds in two steps:

1. Using a discrete-time hazard model, reveals the extent to which the two recessions differentially affected particular groups – defined by race/ethnicity, educational attainment, gender, age, and wealth.

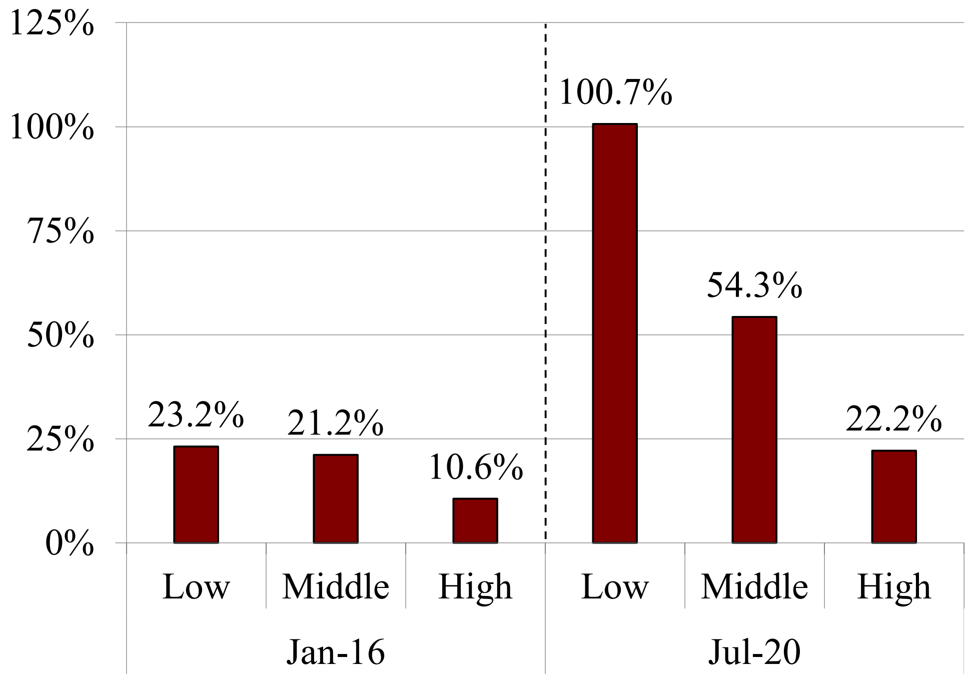
2. The results from the hazard model are then used to estimates how changing patterns affected monthly Social Security benefits and how these effects differed during the two recessions.

A unique aspect of COVID-19, is the enormous expansion in UI benefits, especially among low-wage workers.

Calculation of Pseudo Unemployment Insurance Replacement Rate Before and During the Great Recession



Calculation of Pseudo Unemployment Insurance Replacement Rate Before and During the COVID Recession



Note: Earnings and UI benefits are in 2020 dollars.
Source: Authors' calculations based on CPS ASEC (2006 , 2009, 2016, and 2020), DOLETA Database, and Farber et al. (2015).

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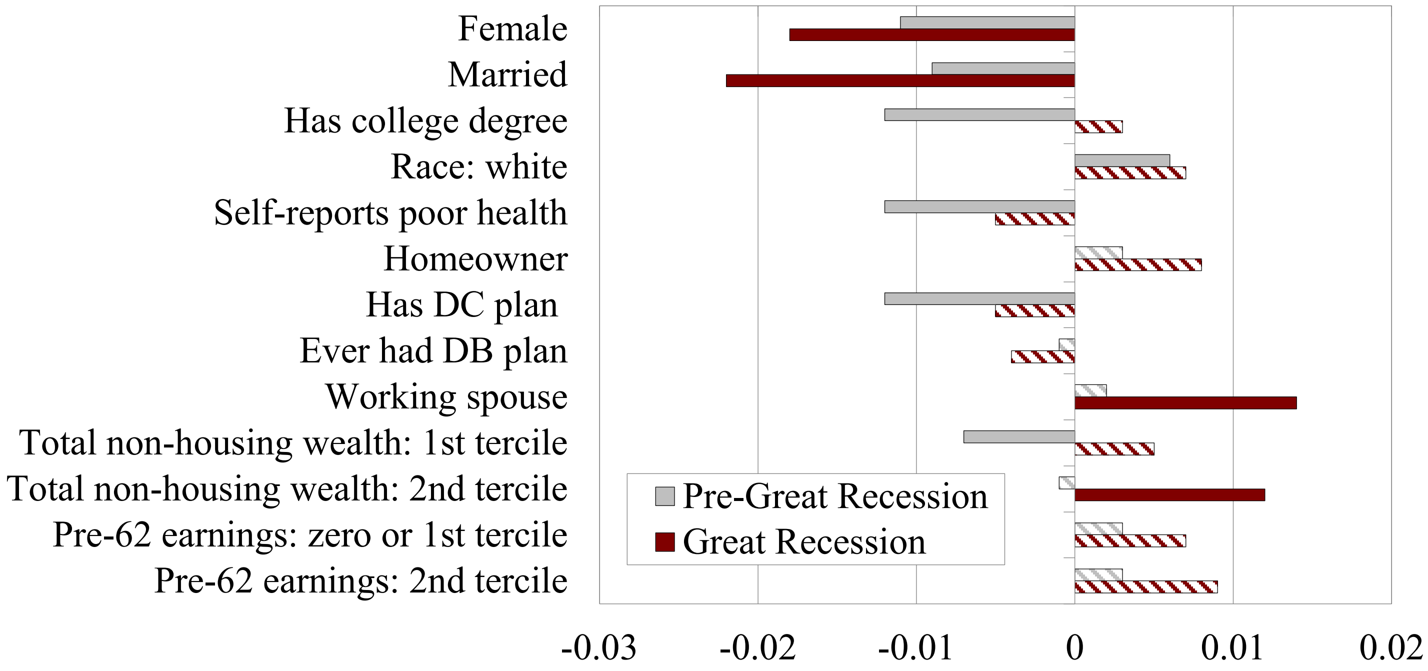
Who were induced early claimers during the Great Recession?

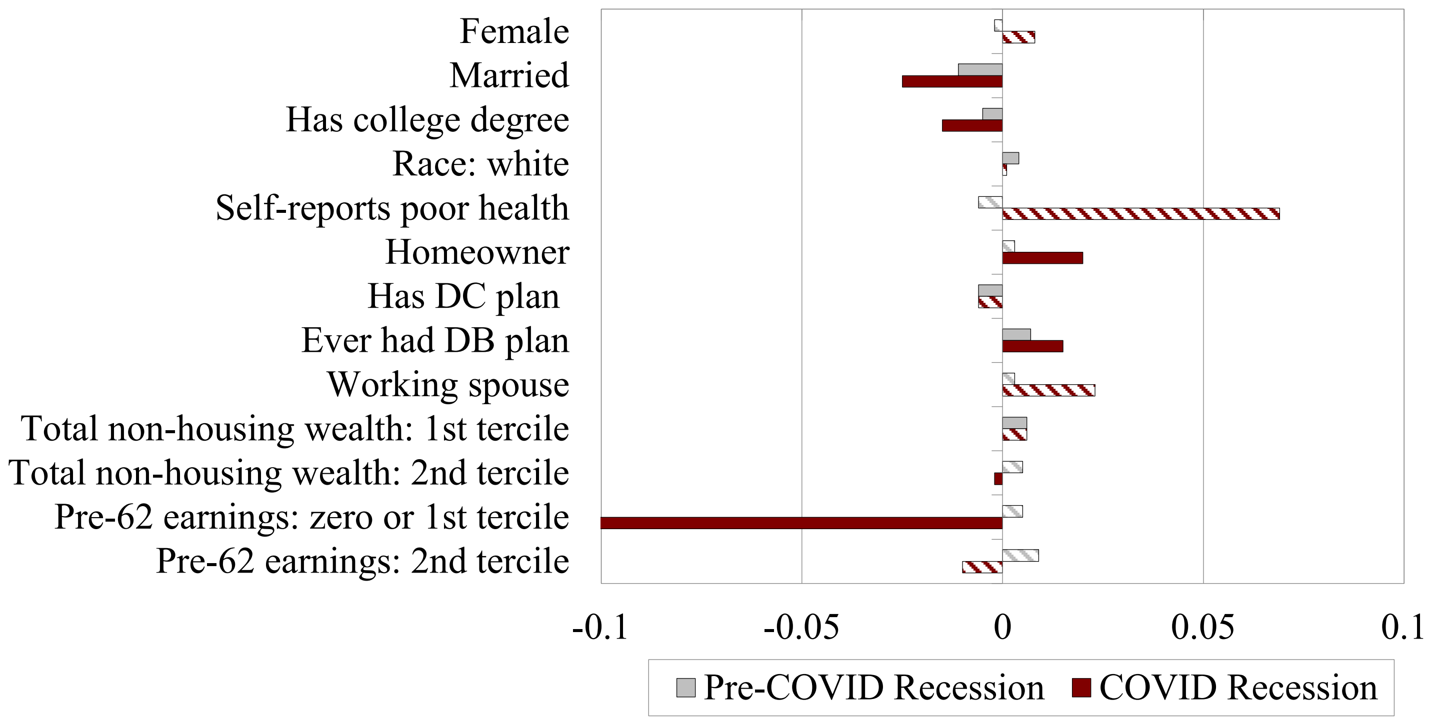
Average Marginal Effects on Claiming Hazard Between 62 and the FRA Before and After the Great Recession



Note: Stripped results are not statistically significant.
Source: Authors' illustration.

How do induced early claimers during the COVID differ?

Average Marginal Effects on Claiming Hazard Between 62 and the FRA Before and After the COVID Recession



Note: Stripped results are not statistically significant.
Source: Authors' illustration.

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Great Recession increased early claiming by 2.4 percentage points and decreased benefits by -0.6 percentage points.

Simulated Increase in Average Early Claiming Probabilities and
Decrease in Average Monthly Social Security Benefits During the Great Recession, by Earnings Tercile

	Increase in claiming before FRA	Decrease in benefits
Overall	2.4%	-0.6%
Lowest	1.8	-0.4
Middle	3.4	-0.8
Highest	3.1	-0.6

Source: Authors' calculations.

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COVID Recession increased early claiming by 0.2 percentage points and had no effect on benefits.

Simulated Increase in Average Early Claiming Probabilities
and Decrease in Average Monthly Social Security Benefits During the COVID Recession, by Earnings Tercile

	Increase in claiming before FRA	Decrease in benefits
Overall	0.2%	0.0%
Lowest	0.0	0.0
Middle	0.0	0.0
Highest	0.8	-0.1

Source: Authors' calculations.

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Conclusion

- The health and lockdown impacts of COVID increased the likelihood of early claiming.
- But exceptional gains in asset markets and unprecedented expansion and generosity of UI pushed against the health effects.
- In the end, the competing effects largely canceled each other out and resulted in virtually no change in early claiming as a result of the COVID Recession.
- However, it did result in an increase in relative likelihoods of early claiming among those in poor health, women, and interestingly, those with assets.
- On the other hand, generous UI benefits prevented induced early claiming for low earners.