

Work and Retirement for Older Black and Hispanic Adults

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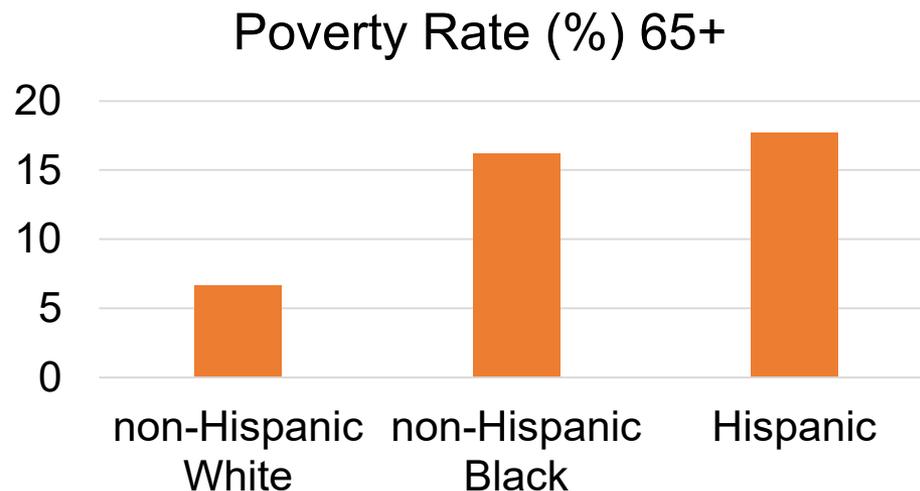
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Motivation

- Older Hispanics and non-Hispanic Blacks are one of the fastest-growing population groups in the United States
 - In 2014, Hispanic and non-Hispanic Black represented 17% of the population 65+ and by 2060, they will represent 40%
- Hispanic and non-Hispanic Black have higher poverty rates among older adults 65+



Motivation

- Increasing income inequality since the 1970s has had particularly adverse effects on older Blacks and Hispanics
- There are large differences by race in the proportions of workers covered by private pensions
 - 64.6% of non-Hispanic White workers, 55.7% of Black workers, and 38.4% of Hispanic workers
- Social Security has a redistributive effect, because benefits are more equally than pre-retirement income
- In this study, we analyze determinants of retirement for Hispanic and non-Hispanic Black older adults

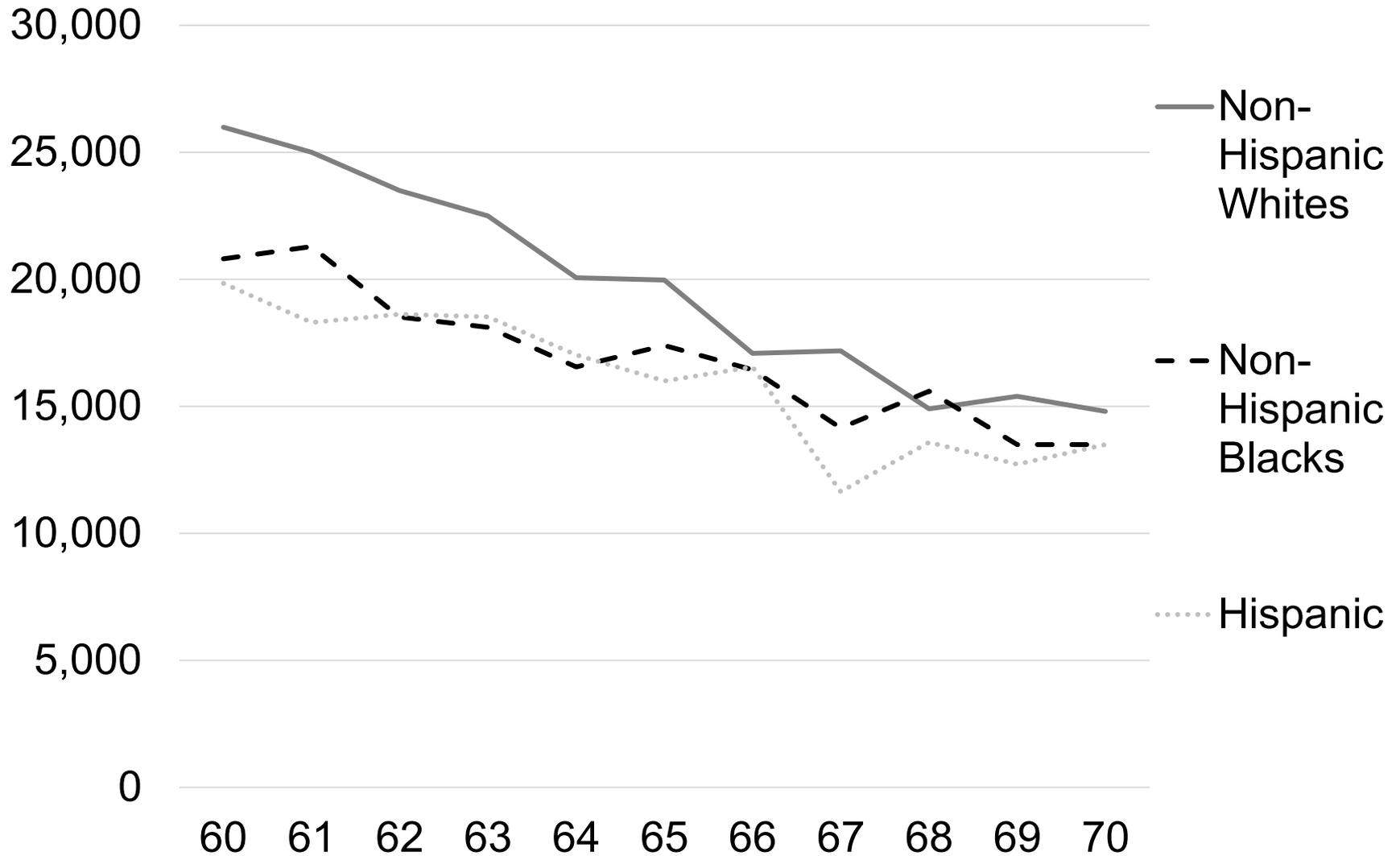
Data: HRS 1992-2018

- Linked to individual-level Social Security data on lifetime earnings and benefits
- Linked to Working Trajectories file from 1992 to 2018 to take into account wage gaps in employment histories
- We impute earnings when labor status is working in the Working Trajectories file and earnings is zero in the Social Security data using covariates: age, sex, race, cohort, and education
- We apply different survival probabilities by gender and race to estimate the expected net present value of a worker's social security benefits
- Our sample includes 50-80 years old

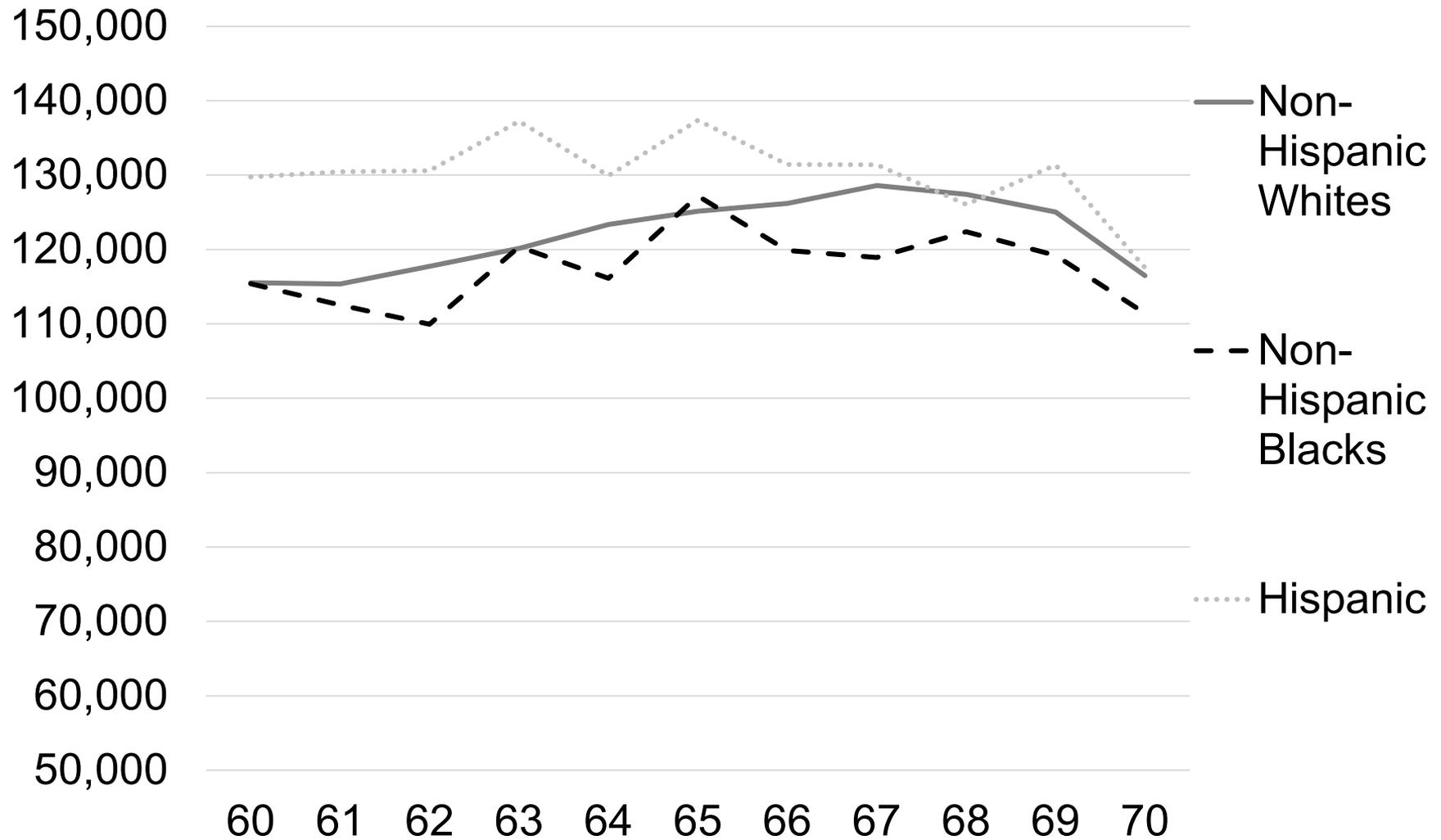
Summary Statistics

	Non-Hispanic whites	Non-Hispanic blacks	Hispanic
	% or Mean	% or Mean	% or Mean
Covariates			
Age	60.04	59.75	58.99
Male	50.03	38.93	52.34
Yeas of education	13.63	12.66	10.33
Couple (1=yes, 0=no)	74.96	52.09	71.15
No. of household members	2.30	2.59	3.17
Real monthly salary income (USD)	1,489.93	1,558.59	1,469.13
Real net wealth (USD - HRS; USD PPP - MHAS)	448,995.00	126,615.00	153,677.00
Chronic conditions (1=yes, 1=no)	53.02	65.23	52.97
CES-D score (0-8)	0.91	1.30	1.59
Medicare eligibility (1=65+, 0=no)	23.94	19.19	13.34
Employer health insurance (1=yes, 0=no)	26.93	23.97	25.71
Real annual out-of-pocket exp (USD)	2,024.25	1,713.57	1,820.42
Contributed private pensions			
Defined benefit plans (1=yes, 0=no)	30.01	33.23	22.89
Defined contribution plans (1=yes, 0=no)	34.25	30.62	26.16
Both (1=yes, 0=no)	2.34	2.87	2.29
None (1=yes, 0=no)	33.39	33.27	48.65
No. observations	48,110.00	9,709.00	5,928.00

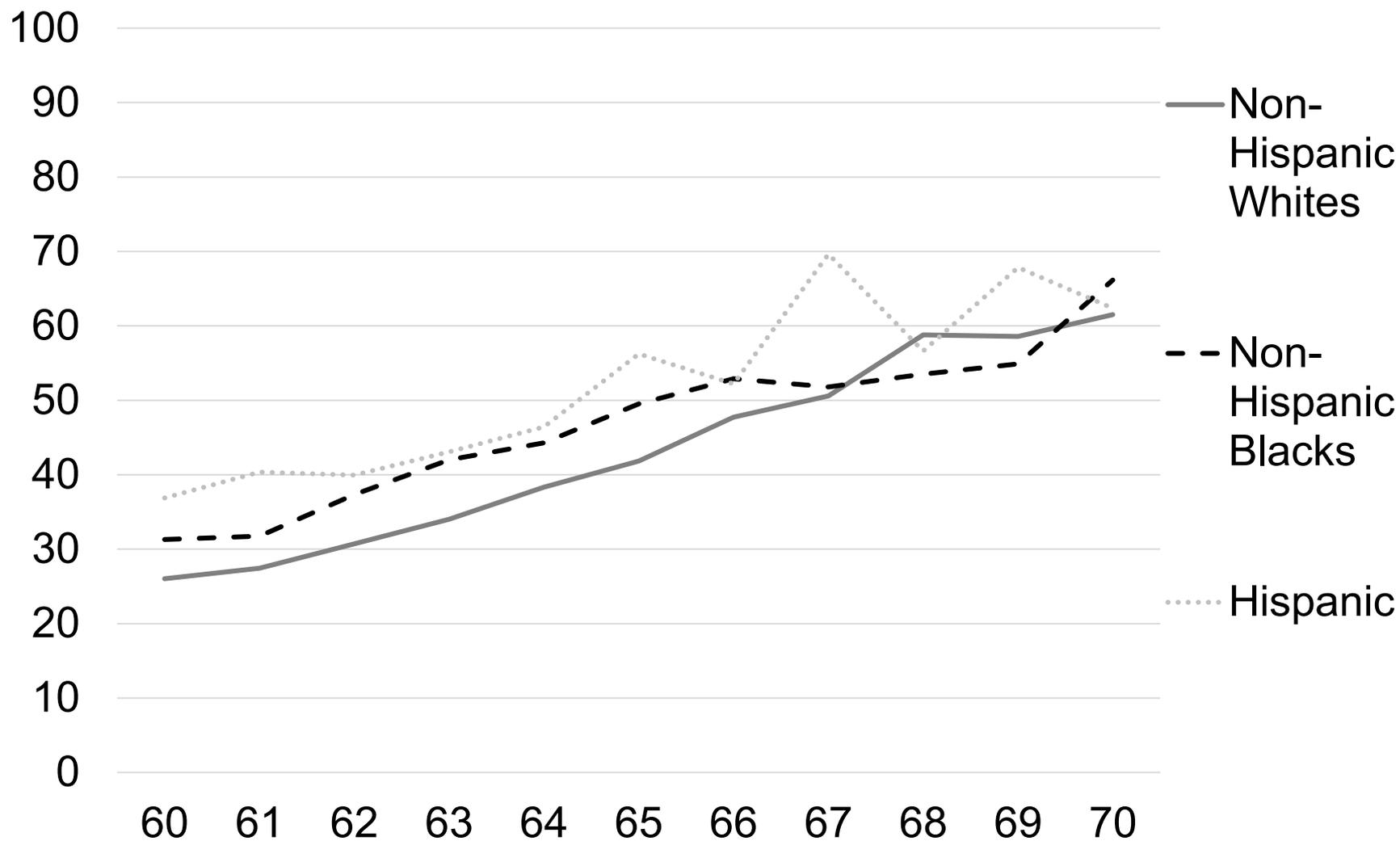
Earnings for the 50th percentile



Social Security Wealth for the 50th percentile



Replacement rate for the 50th percentile



Findings so far

- Median earnings are higher for non-Hispanic White than for non-Hispanic Black, and Hispanic
- Social Security wealth is more similarly distributed among race/ethnic groups due to SSA's progressive formula and higher survival probabilities for Hispanics
- Replacement rates are for the most part higher for non-Hispanic Black and Hispanic than for non-Hispanic White
- A larger proportion of Hispanics than non-Hispanic Blacks and Whites have not contributed to private pensions

Findings so far

- We find that non-Hispanic Black, Hispanics, and non-Hispanic Whites respond similarly to social security, private pension incentives, and other institutional (e.g., health insurance) drivers of retirement
- Non-Hispanic Blacks are not responsive to some sociodemographic characteristics (male, couple, and number of household members) in comparison to non-Hispanic Whites
- Hispanics are less responsive to most sociodemographic (male, education, and couple) than are non-Hispanic Whites

Policy Implications

- Social security benefits comprise on average a larger proportion of retirement income for Non-Hispanic Black and Hispanic than for non-Hispanic White
- We expect future changes in the U.S. Social Security system will strongly affect labor force participation and retirement decisions of non-Hispanic Black, Hispanic, and in general lower-income population