



# Security Matters

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## Occupation and Work at Older Ages: Varied Responses to Policy

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### Summary

A number of factors – increased life expectancy, better health in old age, and less physically demanding work – have all contributed to postponed retirement. However, these factors do not appear uniformly in populations, and especially between “white-collar jobs” and “blue-collar jobs.”

The Social Security Administration has changed the ages for both early retirement ages (ERA) and full retirement ages (FRA) to address projected deficits for their Old-Age, Survivors, Insurance (OASI) program in the coming decades. Further increases in both the ERA and FRA age requirements may have differing effects on labor supply, utility, and social security disability insurance applications (SSDI) between white-collar jobs and blue-collar jobs.

This study seeks to analyze the potential impacts of these policy changes from a life-cycle perspective of the interactions between labor supply, health, occupations, and Social Security programs, and the timing of retirement, disability rates, and Social Security claiming behavior.

### Key Findings

- Claiming ERA at the earliest age possible is more common for blue-collar workers; whereas, for white-collar workers, waiting until FRA is significantly more common.
- Increasing the ERA results in people working longer, especially for blue-collar workers, and would contribute to greater SSDI application.
- Generally, increasing the ERA induces a greater response in blue-collar workers, while increasing the FRA has a relatively greater response in white-collar workers.
- Increasing the FRA increases the labor supply for white-collar workers, but not blue-collar workers. However, it does increase savings for blue-collar workers due to income earned while working longer.
- Increasing the FRA results in a decreasing percent who claim OASI benefits at the ERA, more so for white collar workers than blue-collar workers. It also increases the rate of SSDI application in both groups.
- Blue-collar workers are far more likely to say that their health limits their work than white-collar workers. The same differences in health limitations are found within SSDI application and receipt. Blue-collar workers apply for SSDI at significantly higher rates than white-collar workers.

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Increasing the ERA is especially costly to blue-collar workers. This may be due to less productivity with age and holding fewer assets than their white-collar counterparts. Raising the FRA will affect white-collar workers more, but overall has less of an effect on groups as compared to raising the ERA.

Understanding of how policy affects the older population as it increases will become more important as the Social Security Administration determines the optimal policies to keep Social Security programs solvent. Furthermore, these findings are relevant as certain groups (e.g. blue collar workers) are more affected by policy change.

## Practitioner Ideas

One aspect of longer-term financial goals is retirement planning. For many limited income households, retirement planning is centered around access to Social Security benefits. American workers may not be familiar with the benefits and policies surrounding government programs, including Old-Age, Survivors, Insurance and Social Security Disability Insurance. Individuals may have heard terms like Early Retirement Age or Full Retirement Age, though may be unclear about what these policies mean or may have heard conflicting information around claiming and benefits.

The Social Security Administration provides fact sheets that you can print out and share with clients or refer clients directly to their website at [www.ssa.gov](http://www.ssa.gov).

- Review the types of Social Security benefits and who qualifies for these benefits with your clients. Check out the Frequently Asked Questions to begin the conversation. Clients may not know they could qualify for retirement benefits under a previous spouse's work history, for example.
- For clients who qualify for Social Security benefits, they could consider creating an online account in order to monitor and estimate future benefits. It's possible that clients who have a credit report security freeze in place may need to temporarily lift that freeze to create an account.
- Use the online estimators to calculate potential retirement benefits or survivors or disability benefits. Retirement estimators can help illustrate the impact of claiming benefits at the ERA as opposed to waiting to claim benefits.

Later in their working years, individuals are often faced with a decision to retire earlier than planned due to health concerns or other challenges. This is especially true for workers with physically demanding jobs. Reviewing the range of benefits and the financial implications of employment decisions can help individuals with realistic financial planning for their later years.

## Key Resources

**Social Security Administration.** Information on retirement, disability, medicare, and creating an online account. <https://www.ssa.gov/>

**USA.gov.** Basics on retirement planning and pension benefits, such as how Social Security works. <https://www.usa.gov/retirement>

**Consumer Financial Protection Bureau.** Information on balancing debt, retirement income, and assets when planning for retirement. <https://www.consumerfinance.gov/consumer-tools/retirement/>

