The 19th Annual Meeting of the Retirement Research Consortium met August 3 and 4, at The National Press Club. The meeting was well attended and featured 21 RRC project presentations, each with a discussant. The discussants often have Washington experience and provide interesting perspectives on the research papers.

The session topics included health and retirement, family ties and transfers during retirement, portfolio knowledge and outcomes, Social Security claiming and rules changes, and how working conditions and job characteristics affect careers. The lunchtime speakers were economist Peter Diamond, a Nobel Memorial Prize laureate from MIT, and Keith Hall, director of the Congressional Budget Office.

Mark Warshawsky, the new Social Security Administration deputy commissioner for Retirement and Policy, gave the welcoming

The annual Retirement Research Consortium meeting showcases the current crop of research projects from the RRC’s three research centers — Michigan Retirement Research Center, NBER Retirement Research Center, and Center for Retirement Research at Boston College. Video, slides, and papers for all the talks are available on the CRR website.

This year, two major themes emerged from MRRC researcher presentations: extending work lives and the family dynamics of wealth (see accompanying story, Page 4). Four of the MRRC presentations touched in some way on increasing older adults’ labor — a development that would improve the Old-Age and Survivors Insurance (OASI) Trust Fund balance. Health, wages, working conditions, and work-life balance featured in these discussions.

Health

Pamela Giustinelli (Bocconi University, Italy) presented her joint work with Matthew D. Shapiro (University of Michigan), “Using Subjective...
This year’s RRC meeting began with an all-female panel, “Health & Retirement Decisions.” From left, Alicia Munnell, Pamela Giustinelli, Debra S. Dwyer, Amal Harrati, Courtney C. Coile, Jody S. Hyde, and Lauren H. Nicholas.

Longer work, continued from Page 1

Conditional Expectations to Estimate the Effect of Health on Retirement.”

“In this project we quantify the causal effect of health on work, and we provide a novel strategy to simulate the effect of hypothetical changes to the health distribution of older workers on the population’s labor supply forecast at specified horizons,” Giustinelli explained.

The researchers drew their data from the Vanguard Research Initiative (VRI), which surveys people older than 55 who hold between $10,000 and $5 million in assets with Vanguard. Giustinelli and Shapiro focused on respondents who were working and in good health at the time of the survey. The group was asked about the likelihood of their continuing to work in two and four years under high- and low-health scenarios. Respondents also were asked the likelihood of entering high and low health status in two and four years.

Giustinelli presented findings for the four-year horizon:

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Giustinelli presented findings for the four-year horizon:

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remarks. Warshawsky joins the SSA with a distinguished background from both government and private sector positions.

His remarks touched upon a number of topics for current and future research, including resource adequacy in retirement, labor force participation rates, the Social Security statement and its role in household planning, annuitization of retirement resources, and the role of the SSDI system. This is a wide-ranging agenda of interests, and the MRRC looks forward to working on these and related subjects going forward. ☞
76 percent of respondents anticipated they would remain in high health, while 24 percent would enter low health;

53 percent predicted they would remain at work, 47 percent would not be working;

59 percent would stay at work if they were to remain in good health;

the probability of working in four years would decrease to 33 percent if people moved from high to low health.

The authors then used these estimates to examine how hypothetical medical advances that improved older workers’ health might change their labor supply. They found that only 12 percent of workers would move to low health and 56 percent would be working.

While the sample is limited in scope, the authors are using this novel method to construct a structural model of labor supply behavior under various health scenarios. In addition, the soon-to-be-available 2017 VRI wave will allow the researchers to look at actual two-year results. Additionally, Giustinelli and Shapiro added their questions to an experimental module of the Health and Retirement Study (HRS) in 2016, and will apply the methods used here to that data when it is available.

Wages

The research literature sees a 25-percent decrease in wages between ages 55 and 65 — right before retirement. This decrease adds gloss to the decision to stop working at full-retirement age. In “Understanding Earnings, Labor Supply, and Retirement Decisions,” Ananth Seshadri (University of Wisconsin-Madison) and Xiaodong Fan (Monash University) built a complex, human capital life-cycle model and used Survey of Income and Program Participation (SIPP) data to examine why the wage decline occurs and how workers behavior might change if various Social Security reforms were adopted.

“In structural models that I’ve written before, there are times where I have no idea what’s going on — this is not one of them,” Seshadri said. Here, “human capital rises, it reaches a plateau, then after the age of 60, it drops… You end up retiring only when your human capital is low enough.”

The researchers tried several policy levers, including removing the Social Security earnings test, decreasing the Social Security benefit by 20 percent, and raising the full-retirement age by two years.

Sheshadri presented a sample of findings for high school graduates. Reducing Social Security benefits by 20 percent resulted in higher labor supply in later life and a 5-percent increase in wages between 65 and 80. This is significantly different from previous literature, which simply re-estimated retirement behavior under the new policy using the same age-wage profile as in the baseline model. Here, the model captures how workers adjust their human capital investment and labor supply over the life-cycle. Delaying FRA by two years.

Pamela Giustinelli’s project with Matthew Shapiro examines how hypothetical medical advances might affect labor supply.
No retiree is an island: RRC session examines how family dynamics affect wealth, retirement

Two MRRC researchers took part in the Thursday afternoon session, “Family Ties & Retirement Security,” which looked past the individual/couple perspective to get a wider view of family influences.


“The name of this paper should be ‘What is the Cost of Being the First National Bank of Mom’ — my mom told me to put that joke in,” Edwards said to audience laughter.

Edwards and Wenger looked at data for mothers and their children from the Panel Study of Income Dynamics (PSID). In the PSID, 60 percent of the unemployment observed occurs before age 30. The median age a mother can expect to be when her adult child becomes unemployed is 55. Therefore, an adult child’s unemployment frequently comes right when Mom needs to focus on retirement.

The researchers divided the mothers into those younger than 62 years old (preretirement), those 62-70 (retirement window), and 70 years and older (retired). Children were required to have been working (not just having graduated from school, for example), and they had to maintain their own household. The researchers did not look at co-residence.

Generally, the research literature finds informal financial assistance provided to adult children in some form. Edwards and Wenger confirmed that there were financial transfers to children. “What’s relevant for retirement security,” said Edwards, “is to what extent do parents adjust their behavior when a child is unemployed… At any given time we expect mothers to send about $270 a year to their kid. The year of unemployment it increases by $64.”

Other findings when a child is unemployed:

- Preretirement mothers increased their employment by three and a half days to a mean of about 32 weeks per year.
- There was a very slight uptake in Social Security claiming for partnered women who hadn’t yet claimed by age 65.
- Food consumption dropped from an average of $11,000 a year by about $224 — with a larger drop for retired moms.
- Preretirement working mothers decreased their retirement savings from .7 percent of income to about .45 percent for that year.
- Retirement-window mothers increased savings by an average of 3.4 percent.

Edwards pointed out that a child’s job loss causes parents to update their assessment of their child. “It’s kind of an awkward way to put it, but if you were to think of your kid as a dividend who’s going to pay off money in future... you might think not only are they not going to give [you] as much, they might require more assistance.”

This provides evidence that parents, as Edwards put it, “are building a safety net for a younger generation.”

Parental investments at a different stage of a child’s life are the focus of the Eric French (University College London), Andrew Hood, and Cormac O’Dea (both Institute for Fiscal
Studies) project, “Transfers, Bequests, and Human Capital Investment in Children over the Lifecycle.” Understanding the degree to which older generations feel altruistic toward younger ones provides insights into viable Social Security reforms.

“There are lots of reforms [under consideration] whereby those near retirement might take a little bit of a cut to their benefits. If they don’t care about their children or future generations, they’d be unwilling to accept those sorts of benefit cuts,” French said. “However, if individuals are very altruistic toward their children, that increases the scope of reforms that might benefit the young that the old would agree to as well.”

Quantifying altruism is hard, however, since it is sometimes difficult to tell altruism (saving to ensure a bequest) from self-insurance (saving for future medical expenses). To better pin down altruism’s prevalence and effects, French and his co-authors built a long-term, over-lapping generations model that looks at transfers of time and money at multiple stages of the life cycle. The researchers used data from Britain’s National Child Development Study (NCDS), which inspired Michael Apted’s “Up Series.” Every seven years, the NCDS collects children’s test scores and asks detailed questions on time investments during childhood (reading to/playing with child), educational investments (choosing residence based on school quality, interest in child’s classes), and as children age, their employment outcomes and parental cash investments of transfers and bequests. The authors then examined the effects of such investments on intergenerational correlations in education, income, and wealth.

The researchers found:

- Parental education is correlated with child’s educational attainment: 66 percent of children with a college-educated father attend college; 20 percent of children with low-education fathers attend college.
- Children with college-educated fathers inherit around $40,000 more than those with low-educated fathers.
- Average lifetime earnings for male children who have fathers with only compulsory education is approximately $951,000 compared to $...

Kathryn Edwards summed up a problem in two slides: Age of child’s unemployment is charted on the left; mother’s age at child’s unemployment is on the right.
$1,156,000 for those with fathers with some post-compulsory school and $1,327,000 for those with fathers with some college.

“Is this investment versus something else — luck, genes, social connections, perhaps?” asked French. “As it turns out these time investments are highly predictive of future success.

“A one standard deviation increase in time spent with the children at age 7 happens to increase normalized ability by .13 standard deviations at age 11 — important effects,” said French.

The model, French explained, can be used to “simulate household behavior and welfare under counterfactual policies. This, he suggested, would lead help to build more equitable policy reform.

Videos of and slides for Edward’s and French’s presentations are available on the Center for Retirement Research at Boston College’s website.

Family, continued from Page 5

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years and removing the Social Security earnings test had much smaller effects.

Full results are coming in the working paper due in September.

Working conditions

Do the qualitative job characteristics (flexibility, meaningful work, pay, etc.) that appeal to older workers have quantitative effects on labor force participation? In “The Value of Working Conditions in the United States,” RAND researchers Kathleen Mullen, David Powell, and Jeffrey Wenger, along with Till von Wachter (University of California-Los Angeles) and Nicole Maestas (Harvard University) attempt to answer that question using data gathered through a stated-preferences module in the RAND American Life Panel survey. Through their choices, respondents put a dollar value on 10 job characteristics: full-time status, schedule flexibility, telecommuting opportunities, physical demands, work pace, independence, paid time off, working with others, job training opportunities, and societal impact.

The researchers found that job characteristics play an important role in compensation differences. Mullen presented some of the results:

臑 The observed 20 percent wage gap between men and

Kathleen Mullen discussed “The Value of Working Conditions in the United States.”
women shrinks to 9 percent when job characteristics are included.

- Without job characteristics included, whites make 9 percent more than blacks. With job characteristics, whites make 22 percent more.
- The college educated earn 49 percent more than those without college, this increases to 70 percent when job characteristics are included.
- Workers 50 and older make 5 percent more than those 35 to 49 years old. With job characteristics, this increases to 12 percent.
- Workers value the 10 working conditions collectively at 64 percent of their actual wages.

“Our results suggest that understanding preferences over working conditions is going to be key… to understanding how older workers make decisions about work and retirement,” said Mullen.

**Work-life balance**

Work that interferes with private-life priorities also can encourage retirement. In their project, “Work-Life Balance and Labor Force Attachment at Older Ages,” researchers Marco Angrisani (University of Southern California), Maria Casanova (California State University-Fullerton), and Erik Meijer (University of Southern California) examine how work-life balance (WLB), work-to-life interference (WLI), and life-to-work interference (LWI) influence retirement decisions.

“In order to design and implement policies that can effectively keep people working longer,” said Angrisani, “we need to study and understand the complicated dynamics of labor supply decisions at older ages.”

Angrisani detailed how they used a sample of workers ages 50 to 79 from HRS data to estimate the effect of WLB on older workers’ employment decisions and to quantify the extent to which WLB affects labor responses to spousal health shocks. Because of gender differences in work preferences, Angrisani and team modeled women and men separately.

In the data, the researchers observed that a worker’s response to a spouse’s health shock varied with the level of perceived WLB. They found:

- employment transitions are significantly associated with WLB—mainly driven by WLI;
- there are differences in the response to WLB by gender and employment status;
- relative to the sample average, WLI increases retirement probability by 27 percent for male part-time workers; 16 percent for female full-time workers; and 26 percent for female part-time workers.

Angrisani pointed out that they couldn’t rule out that other factors might be driving the findings, but that they were suggestive of a positive, causal relationship between WLB and a prolonged tenure in the labor force. In future research, the authors plan to use state-level policy changes affecting work flexibility to further explore this relationship.
News from MRRC researchers

Conference presentations


At the June *Western Economic Association meeting* in San Diego, CA, Jennie Wenger presented preliminary results from her UM17-09 project with Italo Gutierrez, *Veteran Reintegration: Identifying the Long-Term Effects of Recessions on Earnings, Wealth, and Retirement Decisions.* The researchers’ working paper will be out this fall.

Journal publications


Stephanie Moulton, Cäzilia Loibl, and Donald Haurin’s article, *“Reverse Mortgage Motivations and Outcomes: Insights from Survey Data,”* was published in *Cityscape,* volume 19, number 1. It acknowledges MRRC funding for UM16-12, *“How Home Equity Extraction and Reverse Mortgages Affect the Credit Outcomes of Senior Households,”* WP 2016-351. *Cityscape* is published three times a year by the Office of Policy Development and Research, U.S. Department of Housing and Urban Development.

Emma Aguila and Alma Vega’s MRRC working paper, *“Social Security Contributions and Return Migration among Older Male Mexican Immigrants”* (WP 2015-324), found an academic publishing home in the *Gerontologist,* volume 57, issue 3.

An article coauthored by Erik Meijer and Lynn Karoly, *“Representativeness of the low-income population in the Health*

In the media

Mix a multiyear study with an abundance of interesting findings, a coordinated public relations campaign, and the normally quiet news month of August, and you get a project with a lot of press. As of this writing, the Nicole Maestas, Kathleen J. Mullen, David Powell, Till von Wachter, Jeffrey B. Wenger study, “Working Conditions in the United States: Results of the 2015 American Working Conditions Survey,” has received mentions in 22 news outlets. The study was funded by the Sloan Foundation and MRRC project UM16-08, “2015 American Working Conditions Survey: Focus on Older Versus Younger Workers,” WP 2016-362. Press highlights include an AP wire story that appeared in multiple venues, a CNN article, a short radio feature for Marketplace, and a U.S. News and World Report story. Stories also have appeared in the Irish Independent and the Irish Medical Times.

Patrick Button and David Neumark were interviewed for a U.S. News and World Report article, “10 resume mistakes that make you look old.” The researchers, along with Ian Burn and Nanneh Chehras, had a 2016 MRRC project, UM16-04, “Do State Laws Protecting Older Workers from Discrimination Laws Reduce Age Discrimination in Hiring? Experimental (and Nonexperimental) Evidence” (recently updated as WP 2017-360). Reporter Emily Brandon writes: “‘If you list your high school graduation year, they can get within a couple of years of your age,’ says David Neumark, an economics professor at the University of California, Irvine, and co-author of the report. ‘It’s not clear you should hide your age, but it’s not crazy, either.’”

A MarketWatch story on the Department of Housing and Urban Development’s changes to the reverse mortgage program, which is insured by Federal Housing Administration, interviewed Donald Haurin and Stephanie Moulton via email. The article quotes the researchers: “Many reverse-mortgage borrowers ‘who end up in default on their property taxes and insurance were actually in default prior to getting the reverse mortgage.’” Haurin and Moulton had a 2016 MRRC project, “How Home Equity Extraction and Reverse Mortgages Affect the Credit Outcomes of Senior Households” WP 2016-351, UM16-12.

Researchers are encouraged to share academic publications, media interviews, and conference presentations of their MRRC-funded work. Please send announcements to mrrcumich@umich.edu.
Further reading on RRC topics

While the working papers for most of the projects presented at the RRC meeting will not be available until later this year, other papers on related subjects are available at MRRC’s website. Some suggestions:

**Health**

*The Interaction between Consumption and Health in Retirement* (WP 2016-344) by John Karl Scholz and Ananth Seshadri

**Wages**

*Taxes, Wages, and the Labor Supply of Older Americans* (WP 2006-139) by Lucie Schmidt and Purvi Sevak

**Working conditions**

*Nonmonetary Job Characteristics and Employment Transitions at Older Ages* (WP 2015-326) by Marco Angrisani, Arie Kapteyn, and Erik Meijer

*Occupations and Work Characteristics: Effects on Retirement Expectations and Timing* (WP 2015-331) by Brooke Helppie McFall, Amanda Sonnega, Robert J. Willis, and Péter Hudomiet

**Work-life balance**

*Caregiving and Work: The Relationship between Labor Market Attachment and Parental Caregiving* (WP 2017-356) by Sean Fahle and Kathleen McGarry

**Family dynamics**

*Liquidity Constraints, the Extended Family, and Consumption* (WP 2015-320) by HwaJung Choi, Kathleen McGarry, and Robert F. Schoeni

*How Family Status and Social Security Claiming Options Shape Optimal Life Cycle Portfolios* (WP 2013-293) by Andreas Hubener, Raimond H. Maurer, and Olivia S. Mitchell

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