

EMPLOYMENT AT OLDER AGES AND SOCIAL SECURITY BENEFIT CLAIMING

by Patrick J. Purcell*

A retired worker's Social Security benefit depends in part on the age at which he or she claims benefits. Working longer and claiming benefits later increase the monthly benefit. Information about trends in employment at older ages and the age at which individuals claim Social Security benefits can help policymakers assess the effectiveness of current policies in influencing the timing of retirement and benefit claims. Both the labor force participation rate among older Americans and the age at which they claim Social Security retirement benefits have risen in recent years. For example, from 2000 through 2015, the labor force participation rate among individuals aged 65–69 rose from 30 percent to 37 percent for men and from 19 percent to 28 percent for women. Since 2000, the proportion of fully insured men and women who claim retirement benefits at the earliest eligibility age of 62 has declined substantially.

Introduction: The Aging U.S. Population

In 2016, the oldest members of the “baby boom” generation—the 75 million living Americans who were born in the period 1946–1964—are 70 years old, and the youngest baby boomers reach age 52. Over the next 20 years, the proportion of Americans who are aged 65 or older will increase substantially. Growth in the number of older Americans will result in higher expenditures for Social Security, Medicare, and Medicaid, and will affect the amounts and sources of income for tens of millions of individuals and families.

The Census Bureau projects that the U.S. population will grow from 321 million in 2015 to 370 million in 2035, an increase of 15.3 percent. Most of the increase will occur among people aged 65 or older, whose numbers will grow from 48 million in 2015 to 79 million in 2035—an increase of 31 million, or 64.6 percent. Over that period, the number of people aged 64 or younger is projected to grow from 274 million to 291 million, an increase of only 17 million, or 6.2 percent. As a result, the proportion of the population that is aged 65 or older is projected to rise from 15.0 percent in 2015 to 21.4 percent in 2035 (Census Bureau 2014).

The growth in the proportion of the population that is aged 65 or older over the next 20 years will reflect recent demographic trends, especially the rise and subsequent fall in birth rates in the second half of the 20th century. Changes in birth rates and death rates typically occur over long periods, and they can take decades to affect the age profile of a nation's population. By contrast, trends in retirement age—and in the age at which individuals claim Social Security benefits—can change substantially in a short time. Choices about retirement and Social Security benefit claiming can affect individuals' retirement income many years into the future. By delaying retirement, for example, workers can continue to accumulate savings instead of beginning to

Selected Abbreviations

BLS	Bureau of Labor Statistics
DI	Disability Insurance
DRC	delayed retirement credit
FRA	full retirement age
LFPR	labor force participation rate
OCACT	Office of the Chief Actuary

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Selected Abbreviations—Continued

P.L.	Public Law
RET	retirement earnings test
SSA	Social Security Administration

draw those savings down to pay their living expenses. Additionally, workers who delay claiming their Social Security benefits until after the earliest age of eligibility receive larger monthly benefits for life.

This article presents data on trends in the labor force participation rate (LFPR) of older Americans, in the age at which people claim Social Security retired-worker benefits, and in the proportion of men and women aged 62 or older who receive disabled-worker or retired-worker benefits. The data are summarized in six charts. The first chart shows LFPRs based on data collected in the Current Population Survey (CPS), a monthly survey of households conducted by the Census Bureau. The CPS collects data on employment, unemployment, persons not in the labor force, hours of work, and earnings, along with other demographic and labor force characteristics (Census Bureau, n.d.). It is the primary source of data for estimates of the national unemployment rate published monthly by the Bureau of Labor Statistics (BLS). The remaining five charts illustrate trends in Social Security benefit claiming behavior and in beneficiaries as a percentage of the insured population. Those charts are based on administrative records and estimates prepared by the Office of the Chief Actuary (OCACT) of the Social Security Administration (SSA) for *The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (or simply the *Trustees Report*).

The article also includes appendices that provide information on Social Security rules and definitions that are relevant to the decision of when to claim retired-worker benefits. The appendices also address rules changes enacted in 1983 and 2000 that affect workers in earlier and later birth cohorts differently.

Trends in Labor Force Participation at Age 55 or Older

The civilian labor force comprises noninstitutionalized individuals aged 16 or older who are working (full-time or part-time) or are unemployed and looking for work (BLS, n.d.). People aged 16 or older who are neither working nor looking for work are considered to be not in the labor force; those individuals are mainly

full-time students, homemakers, persons with disabilities, and retirees.¹ The LFPR is the percentage of civilian noninstitutionalized individuals aged 16 or older who are working or are unemployed and looking for work.

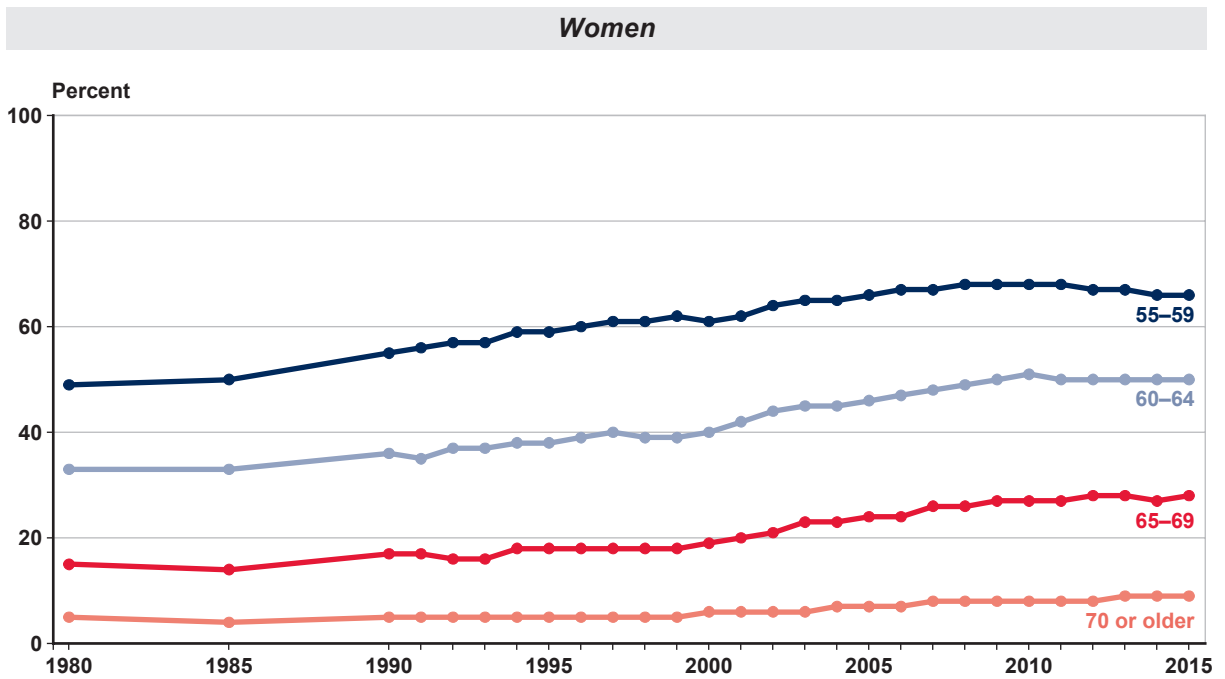
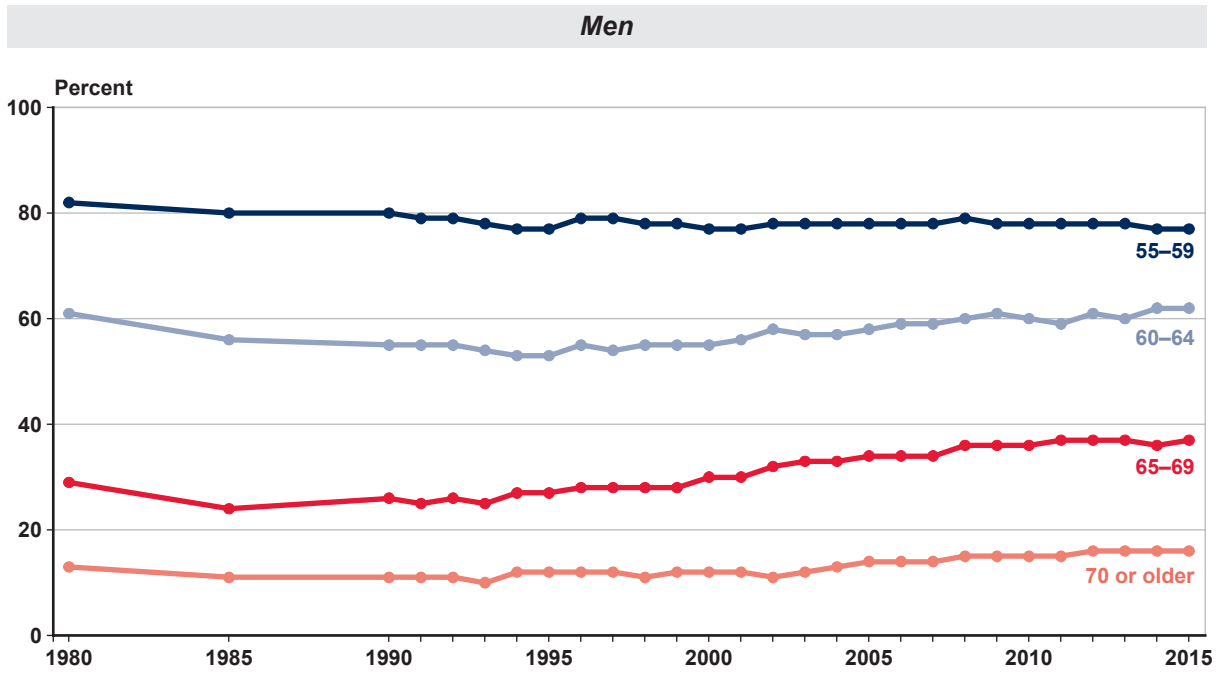
The LFPR is highest at ages 25–54 for both men and women, and it is higher at all ages for men than for women. Over the last 60 years, however, the LFPR among ages 25–54 has fallen for men, while it has risen for women.² The LFPR declines as workers age. At ages 55 or older, workers may begin to leave the labor force because of age-related disability or because they choose to retire. However, over the last 30 years, the LFPRs of both men and women aged 55 or older have risen. A number of factors may have contributed to the rising LFPR among older Americans. A partial list includes the long-term shift in employment toward industries and occupations that require relatively less physical stamina, the trend away from defined-benefit pensions to defined-contribution retirement savings plans, the decline in the availability of employer-sponsored retiree health insurance, and the 1983 and 2000 Social Security rules changes (discussed later).

The increase in the LFPR at ages 55 or older has occurred while the number of single-person households has risen, as more people are either divorced or never married when they reach traditional retirement ages. Higher employment rates at older ages could be either a cause or an effect of the increase in single-person households. On one hand, working at older ages may enable greater numbers of older Americans to live alone. On the other hand, the absence of a spouse—and possibly a second source of income—may make it necessary for people who live alone to work longer.

Chart 1 illustrates the LFPRs for 1980, 1985, and 1990–2015 among older men and women in four age groups: 55–59, 60–64, 65–69, and 70 or older. Men aged 55–59 are the only group represented in the chart for whom the LFPR did not rise after 1985. The LFPR among men aged 55–59 fell from 82 percent in 1980 to 77 percent in 1994. Thereafter, it remained relatively stable, fluctuating within a narrow range of 77–79 percent through 2015. The LFPR among men aged 60–64 also fell in the period 1980–1994, from 61 percent to 53 percent. Thereafter, it began to rise slowly but steadily, reaching 55 percent in 2000 and 62 percent in 2015.

Although the LFPR among men and women aged 65 or older has been increasing for the last 20 years, it remains much lower than the rate among men and women aged 55–64. For example, 77 percent

Chart 1.
LFPR for men and women aged 55 or older by age group, selected years 1980–2015



SOURCE: BLS *Employment and Earnings* (January issues).

of men aged 55–59 were in the labor force in 2015, compared with 62 percent of men aged 60–64, 37 percent of those aged 65–69, and 16 percent of those aged 70 or older. In other words, in 2015, the LFPR of men aged 65–69 was less than half that of men aged 55–59.

From 1980 through 1985, the LFPR among men aged 65–69 fell from 29 percent to 24 percent, before rising to 30 percent in 2000 and 37 percent in 2011. From 2008 through 2015, the LFPR among men aged 65–69 averaged 37 percent. Among the four age groups illustrated in Chart 1, 65–69 shows the largest proportional increase in labor force participation from 2000 through 2015. For that group, the LFPR rose from 30 percent in 2000 to 37 percent in 2015, an increase of 23 percent. Among men aged 70 or older, the LFPR averaged 11 percent from 1980 through 1999 and then increased to 16 percent by 2012, where it remained through 2015.

Historically, the LFPR among women aged 55 or older has been lower than the LFPR among men of that age. Although the gap narrowed substantially after 1980, the LFPR among women aged 55 or older remained lower than that of men 55 or older in 2015. For the 55–59 age group, 66 percent of women were in the labor force in 2015, 11 percentage points lower than the rate among men. For ages 60–64, the LFPR among women was 50 percent in 2015, compared with 62 percent among men. Likewise, the women’s LFPRs of 28 percent for ages 65–69 and 9 percent for ages 70 or older were lower than the corresponding rates of 37 percent and 16 percent among men in the respective age groups.

After steadily rising from 49 percent in 1980 to 61 percent in 2000 and 68 percent in 2008, the LFPR among women aged 55–59 leveled off and then declined slightly to 66 percent in 2015. Among women aged 60–64, the LFPR rose from 33 percent in 1980 to 40 percent in 2000 and 50 percent in 2009. At that point, it leveled off and remained at 50 percent in 2015. Among women aged 65–69, the LFPR rose from 15 percent in 1980 to 19 percent in 2000 and 27 percent in 2010. From 2011 through 2015, it remained relatively stable, averaging 27 percent. Among all three of those age groups, the increase in LFPR appears to have stopped at least temporarily in the period 2010–2014. Among women aged 70 or older, the LFPR was relatively flat from 1980 through 1999, averaging 5 percent per year; then, from 2000 through 2015, it rose modestly, from 6 percent to 9 percent.

Growth in the Population That Is Fully Insured for Retired-Worker Benefits

Because of the increase in the LFPR among women of all ages that began in the 1950s, both the number and the proportion of women who are fully insured for Social Security retirement benefits have increased.³ Chart 2 shows that from 1984 through 2014, the number of women aged 62–66 who were fully insured for retirement benefits rose from 3.7 million to 7.9 million and the proportion of women in that age group who were fully insured increased from 66 percent to 86 percent. Among women aged 40–49, almost 90 percent were fully insured for retired-worker benefits in 2014 (not shown). That fact suggests that the percentage of women aged 62–66 who are fully insured for retirement benefits is likely to rise by 2 or 3 percentage points over the next 20 years.

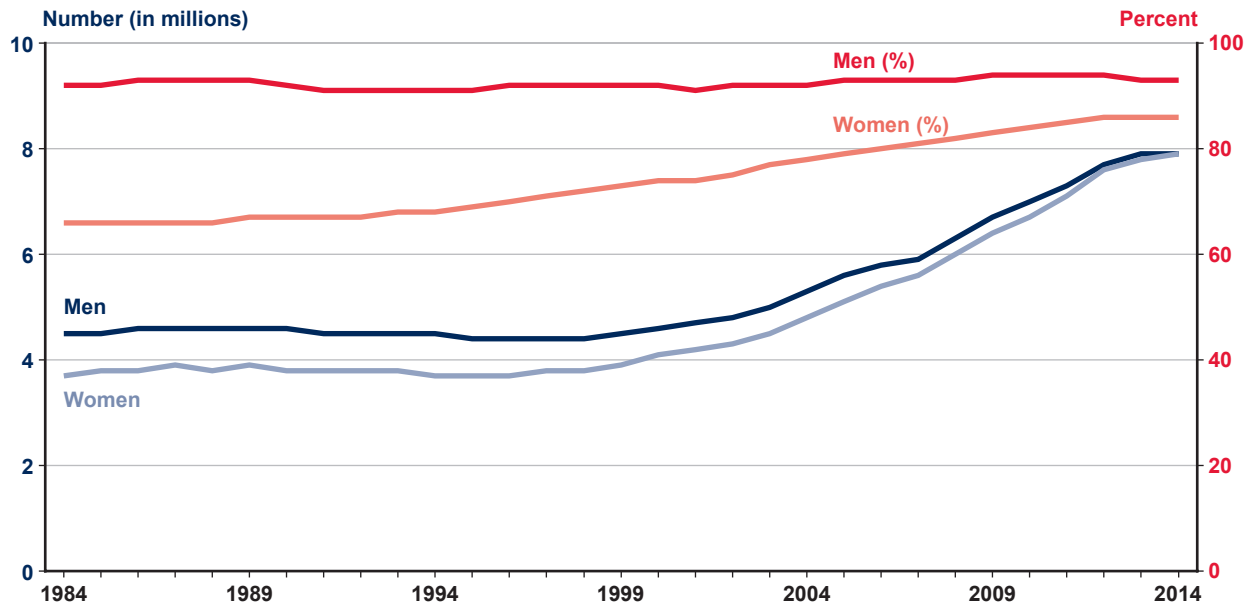
From 1984 through 2014, the number of fully insured men aged 62–66 rose substantially, from 4.5 million to 7.9 million. However, because the LFPR among men younger than 55 has been slowly but steadily declining for much of the last half-century, the percentage of men aged 62–66 who are fully insured did not increase as it did among women in that age group. From 1984 through 2014, the proportion of men aged 62–66 who were fully insured for retirement benefits averaged 92 percent and ranged from 91 percent in the early 1990s to 94 percent from 2009 through 2012.

Social Security Retired-Worker Benefit Claims by Age

Perhaps the most important consideration for Social Security–insured workers who are deciding whether to retire or to continue working is the potential amount of their benefit. Workers who have earned credit for at least 40 quarters of employment in jobs covered by Social Security can claim a retired-worker benefit at age 62, the earliest eligibility age. However, a worker who claims benefits before attaining full retirement age (FRA) receives permanently reduced benefits. FRAs differ depending on year of birth (Table 1). For people who attained age 62 before 2000 (born in 1937 or earlier), the FRA is 65. For individuals who turn 62 in 2016 (born in 1954), the FRA is 66. For individuals born in each successive year during the period 1955–1960, the FRA is 2 months older than that for members of the preceding birth-year cohort, such that the FRA for individuals who attain age 62 in 2022 or later (born in 1960 or later) is 67. Delayed retirement credits (DRCs) permanently increase the monthly Social

Chart 2.

Number and percentage of men and women aged 62–66 who are fully insured for Social Security retired-worker benefits, 1984–2014



SOURCES: SSA OCACT and Office of Retirement Policy.

NOTES: “Percentage” represents the fully insured share of the population aged 62–66 residing in the United States (adjusted for Census undercount) and outlying areas; federal civilian employees and persons in the U.S. armed forces abroad and their dependents; noncitizens living abroad who are insured for Social Security benefits; and all other U.S. citizens abroad.

Age is as of year-end.

Security benefit for workers who claim after reaching FRA. DRCs accumulate with each month that claiming is deferred until the worker reaches age 70.

In the *Annual Statistical Supplement to the Social Security Bulletin* (or simply the *Annual Statistical Supplement*), SSA publishes data on the number of claims for retired-worker benefits filed by men and women aged 62 or older. From these statistics, one can calculate the percentage of all claims in a given year that were filed by individuals of a given age. The numerator of this fraction is the number of men (or women) of a particular age who claimed retired-worker benefits in the year and the denominator is the total number of claims for retired-worker benefits by all fully insured men (or women) aged 62 or older in that year.⁴ Another way to look at the distribution of claims by age is to calculate the percentage of Social Security–insured individuals of a given age who claimed benefits in a given year. The numerator for that calculation is the number of men (or women) of a particular age who claimed retired-worker benefits in the given year and the denominator is the total number of fully insured men (or women) *of that age* in that

year. In other words, the first method calculates the probability that a man or woman who claimed benefits in a given year was, for example, 62 years old, and the second method calculates the probability that a fully insured man or woman aged 62 in a given year claimed benefits in that year.

The two methods will yield similar results if the number of people in each age group is roughly similar from year to year. However, if the number of people of a particular age changes substantially over time, results will differ between the two methods (Munnell and Chen 2015). For example, if the population of 62-year-old Social Security–insured men fell from one year to the next but the percentage of 62-year-old men who claimed retired-worker benefits did not change, the first method would show a year-to-year decline in *claims filed by 62-year-old men as a percentage of all claims filed by men*. The second method, on the other hand, would show no change in the *percentage of 62-year-old men who claimed benefits*.

Congress can affect the percentage of eligible individuals of a given age who claim benefits by changing the laws that govern the benefit levels available at

Table 1.
Social Security FRA, by year of birth

Year of birth	FRA	Year in which individual attains—	
		Age 62	FRA
1937 or earlier	65	1999 or earlier	2002 or earlier
1938	65 and 2 months	2000	2003 or 2004
1939	65 and 4 months	2001	2004 or 2005
1940	65 and 6 months	2002	2005 or 2006
1941	65 and 8 months	2003	2006 or 2007
1942	65 and 10 months	2004	2007 or 2008
1943	66	2005	2009
1944	66	2006	2010
1945	66	2007	2011
1946	66	2008	2012
1947	66	2009	2013
1948	66	2010	2014
1949	66	2011	2015
1950	66	2012	2016
1951	66	2013	2017
1952	66	2014	2018
1953	66	2015	2019
1954	66	2016	2020
1955	66 and 2 months	2017	2021 or 2022
1956	66 and 4 months	2018	2022 or 2023
1957	66 and 6 months	2019	2023 or 2024
1958	66 and 8 months	2020	2024 or 2025
1959	66 and 10 months	2021	2025 or 2026
1960 or later	67	2022 or later	2027 or later

SOURCE: SSA.

the earliest eligibility age and at FRA (or later). For example, by replacing the formerly universal FRA of 65 with phased increases in FRAs affecting people born after 1937, Congress increased the financial incentive to delay claiming until after age 62. By contrast, one age group’s share of all claims filed in a given year depends on past demographic trends—such as the relative sizes of adjacent birth cohorts—as well as on the financial incentives that influence individual choices. Consequently, the share of fully insured individuals of a given age who file benefit claims in a given year presents a clearer picture of claiming trends than does the share of insured individuals of all ages who file at that given age in that year.

Charts 3–5 show, for each of the six 5-year intervals constituting the period 1985–2014, the number of fully insured men and women eligible to claim retired-worker benefits, the number who claimed benefits, and the percentage of eligible individuals who claimed (the “claiming rate”) at ages 62, 65, and 66. Those ages represent, respectively, the earliest eligibility age for

retired-worker benefits, the FRA for individuals born before 1938, and the FRA for those born during the period 1943–1954. (The FRAs for individuals born during 1938–1942 vary in 2-month increments; see Table 1.) Because the charts reflect end-of-year ages, they depict the claiming experience of discrete annual birth cohorts.⁵

The data in Charts 3–5 are the annual averages for each 5-year interval. Using annual averages reduces the effects of random year-to-year variations in claims. The ratio of claims to eligible persons (the claiming rate) represents the proportion of those “at risk” of claiming retired-worker benefits at each age who did claim benefits at that age. To be at risk of claiming a retired-worker benefit, an individual must (1) have reached age 62; (2) be fully insured for retired-worker benefits; and (3) not already be receiving retired-worker, spouse, widow(er), or disabled-worker benefits.⁶ Among individuals in a given birth cohort, the number at risk of becoming new retired-worker beneficiaries is largest in the year when they attain age 62. At age 62,

individuals who are fully insured and who are not receiving disabled-worker benefits can choose to claim retired-worker benefits. When members of the same birth cohort attain age 63, those who remain at risk of becoming retired-worker beneficiaries consist of all who (1) are fully insured; (2) are not receiving disabled-worker, spouse, or widow(er) benefits; and (3) did not claim retired-worker benefits at age 62. The remainder of this article refers to individuals who meet the applicable three conditions, and are therefore at risk of claiming retired-worker benefits, as *eligible* individuals.

Charts 3–5 show that the pattern of claims by age changed after 2000. Two revisions to the Social Security Act contributed to that change. First, the Social Security Amendments of 1983 (Public Law [P.L.] 98-21) raised the FRA incrementally from 65 to 66 for individuals born during the period 1938–1943, thereby affecting people who would be reaching age 62 over a 6-year period beginning in 2000. As the FRA increased across birth cohorts, the potential reductions to benefits payable for those who claimed before reaching FRA increased. For example, the benefit payable at age 62 decreased from 80 percent of the amount payable at FRA for a person born in 1937 to 75 percent for a person born in 1943. This reduction created a financial incentive for workers in later birth cohorts to delay claiming until after age 62. Second, the Senior Citizens’ Freedom to Work Act of 2000 (P.L. 106-182) repealed the retirement earnings test (RET) for a beneficiary who has reached FRA.⁷ As a result, since January 1, 2000, the benefits of workers who have attained FRA have not been reduced by any portion of their continued earnings, regardless of the amount they earn. Thus, as of that date, workers who had attained FRA but had deferred claiming retired-worker benefits because the benefit amount would have been reduced by the RET now had incentive to apply for benefits immediately.

Chart 3 shows the number of 62-year-old men and women eligible to claim retired-worker benefits, the number who claimed retired-worker benefits, and the percentage of eligible individuals who claimed retired-worker benefits over six intervals from 1985 through 2014. As noted earlier, the data represent annual averages. The outstanding characteristics of Chart 3 are two post-2000 trends: the increase in the number of persons eligible for retired-worker benefits and the decline in the claiming rate among eligible individuals. The increase in the number of 62-year-olds who were eligible for retired-worker benefits resulted mainly from the gradual increase in the size of birth

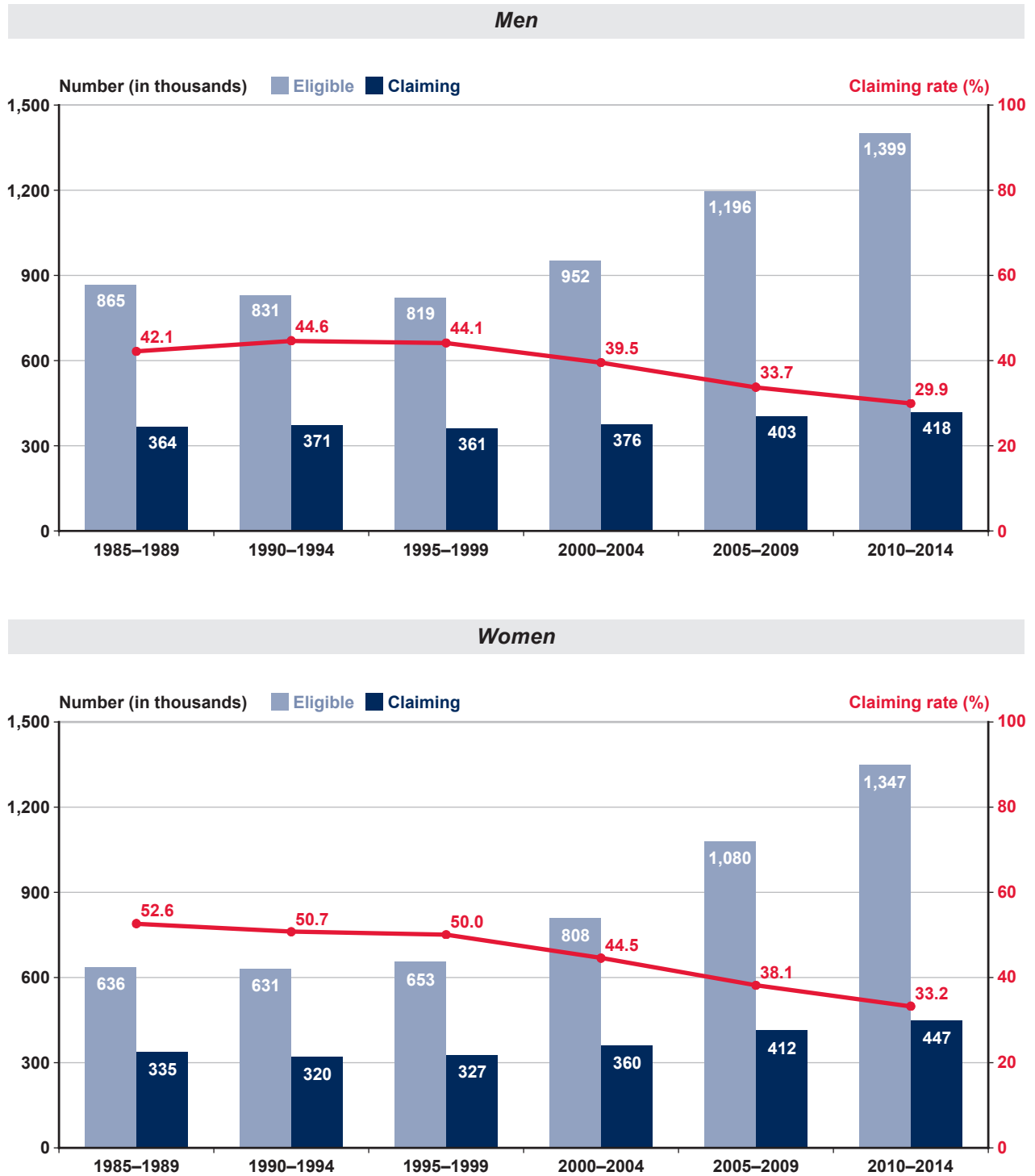
cohorts starting with the late 1930s and continuing with the baby boom beginning in 1946. The decline in the claiming rate among 62-year-olds coincided with the older FRAs for workers who were born after 1937 and thus attained age 62 after 1999.

During 1985–1989, an annual average of 865,000 men were eligible to claim retired-worker benefits at age 62 and an average of 364,000 eligible 62-year-old men (42.1 percent) claimed benefits. In the next two 5-year intervals (1990–1994 and 1995–1999), the number of eligible 62-year-old men declined slightly and the proportion of eligible 62-year-old men who applied for benefits rose to about 44 percent. After 2000, the number of eligible 62-year-old men rose sharply, averaging 952,000 per year during the 2000–2004 interval, 1,196,000 per year during 2005–2009, and 1,399,000 per year during 2010–2014. The number of claims filed by men at age 62 increased by much less (in both absolute and relative terms) than did the number of men who were eligible, so the proportion of eligible 62-year-old men who claimed benefits trended steadily downward. From 1995–1999 to 2000–2004, the proportion of eligible 62-year-old men who claimed benefits fell by nearly 5 percentage points, from 44.1 percent to 39.5 percent. Over the next two 5-year intervals, the proportion of eligible 62-year-old men who claimed benefits continued to fall, to 33.7 percent in 2005–2009 and 29.9 percent in 2010–2014.

The trend in claiming rates across all six intervals among eligible 62-year-old women was similar to that for men, but the decline was even steeper. During 1985–1989, an annual average of 636,000 women were eligible to claim retired-worker benefits at age 62 and an average of 335,000 eligible 62-year-old women (52.6 percent) did so. In the next two 5-year intervals, the number of eligible 62-year-old women changed relatively little, and the claiming rate among those women fell slightly, to about 50 percent. After 2000, the number of eligible 62-year-old women rose in even greater proportions than did the number of eligible 62-year-old men, from an average of 808,000 per year during 2000–2004 to an annual average of 1,347,000 during 2010–2014. As with men, the number of women who filed claims at age 62 increased by much less, in both absolute and relative terms, than the number who were eligible, which caused the claiming rate to decline. From 1995–1999 through 2000–2004, the proportion of eligible 62-year-old women who claimed benefits fell by 5.5 percentage points, from 50.0 percent to 44.5 percent. Over the next two 5-year intervals, the proportion of eligible 62-year-old women

Chart 3.

Annual average number of men and women aged 62 eligible for and claiming retired-worker benefits, various periods 1985–2014



SOURCES: SSA OCACT and Office of Retirement Policy.

NOTES: Data are for men and women aged 62 at year-end.

“Eligible” population is the number fully insured at the beginning of the given year minus the number who are already receiving retired-worker, widow(er), or spouse benefits.

“Claiming” population is the number of new awards in force, including those withheld or otherwise suspended.

Claiming rates are calculated using unrounded numbers.

who claimed benefits continued to fall, to 38.1 percent in 2005–2009 and 33.2 percent in 2010–2014.

As the number of members of a birth cohort who have claimed retired-worker benefits accumulates with each additional year, the number of those who remain eligible to file a new retired-worker claim falls. In Chart 4, the number of men and women who are still eligible to claim retired-worker benefits at age 65 excludes those who claimed benefits at ages 62–64, and the number of men and women who are eligible to claim at age 66 (Chart 5) excludes all who claimed at ages 62–65. Chart 4 shows that in 2010–2014, an average of 606,000 men remained eligible to claim retired-worker benefits during the year they attained age 65. An average of 117,000 men claimed retired-worker benefits in the year they attained age 65. Therefore, over the 5 years from 2010 through 2014, 19.3 percent of eligible 65-year-old men claimed retired-worker benefits each year, on average.

The outstanding characteristics of Chart 4 are the increase in the average annual number of 65-year-olds who were eligible for retired-worker benefits after 2000 and the concurrent decline in the percentage of eligible individuals who claimed benefits at age 65. From 1985–1989 through 1995–1999, both the number of men who were still eligible to claim retired-worker benefits at age 65 and the number who claimed benefits in the year they turned 65 steadily declined. Across those intervals, the average annual number of eligible 65-year-old men fell from 289,000 to 253,000 and the average annual number of new claims fell from 213,000 to 176,000. Nevertheless, the percentage of eligible 65-year-old men who claimed benefits declined only slightly, from 73.8 percent to 69.5 percent.

After 2000, the average annual number of men who remained eligible to claim retired-worker benefits at age 65 rose sharply, more than doubling from 300,000 in the 2000–2004 interval to 606,000 in the 2010–2014 interval. In the same span, the average number of men who claimed retired-worker benefits in the year that they attained age 65 steadily declined, from 243,000 in the 2000–2004 interval to 117,000 in the 2010–2014 interval. Because the number of eligible 65-year-old men was rising while the number of men who claimed at age 65 was falling, the claiming rate fell sharply after 2000. The proportion declined from an annual average of 81.0 percent in 2000–2004 to 32.1 percent in 2005–2009 and just 19.3 percent in 2010–2014.

Preceding that 15-year decline, the proportion of eligible 65-year-old men who claimed benefits

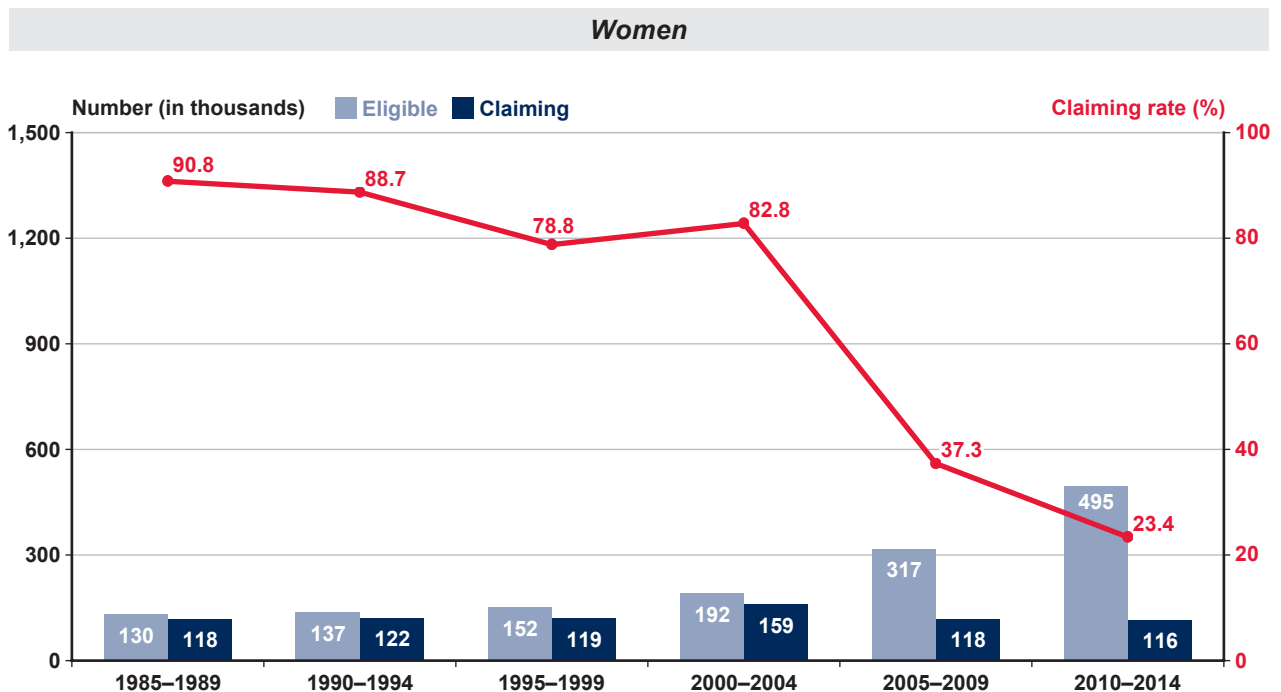
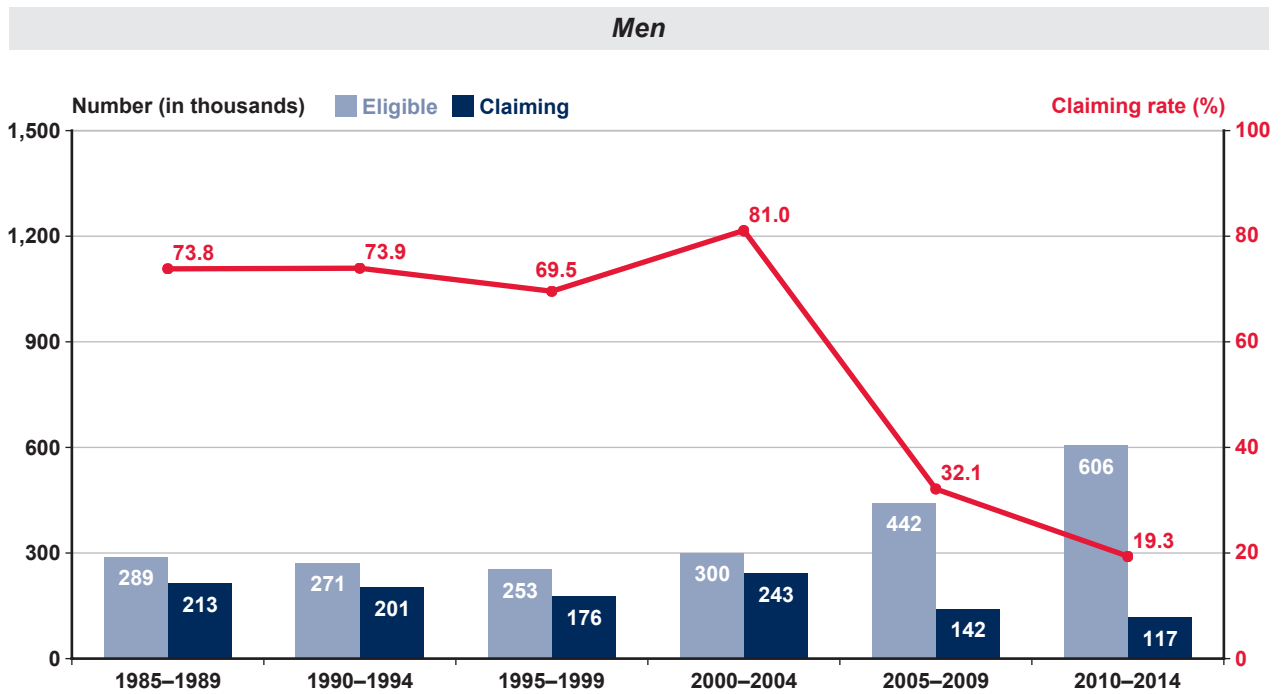
had risen briefly, from 69.5 percent in 1995–1999 to 81.0 percent in 2000–2004. This increase is attributable in part to the repeal of the RET in 2000 for beneficiaries who had reached FRA. The decline to 32.1 percent in the next 5-year interval and to 19.3 percent in the 2010–2014 interval was most likely due to the increase in the FRA from 65 to 66 for workers who were born after 1937 and thus attained age 62 after 1999.

Among 65-year-old women, the trend in claiming rates across intervals differed only slightly from the trend among men of the same age. Although the number of eligible 65-year-old men declined from 1985–1989 to 1995–1999, it rose slightly among women, from an annual average of 130,000 in the former interval to 152,000 in the latter. The average annual number of eligible 65-year-old women who claimed benefits remained virtually unchanged at about 120,000 in the three earliest intervals. As a result, the proportion of eligible 65-year-old women who claimed retired-worker benefits in the year they attained age 65 fell from an annual average of 90.8 percent in 1985–1989 to 88.7 percent in 1990–1994 and 78.8 percent in 1995–1999.

After 2000, the number of 65-year-old women eligible to claim retired-worker benefits rose in greater proportions than the number of eligible 65-year-old men, more than doubling from an average of 192,000 per year in 2000–2004 to 495,000 in 2010–2014. Over the same span, the annual average number of claims filed by women at age 65 fell from 159,000 to 116,000. Consequently, the proportion of eligible 65-year-old women who claimed retired-worker benefits fell from an annual average of 82.8 percent in 2000–2004 to 37.3 percent in 2005–2009 and 23.4 percent in 2010–2014. The increase in the number of eligible 65-year-old women after 2000 and the decline in the proportion of eligible women who claimed benefits at age 65 coincided with the increase in the FRA from 65 to 66 for birth cohorts that reached age 62 in 2000 and later years.

Most men who are fully insured for retirement benefits have already claimed those benefits by the time they reach age 66. For example, in 1985, an estimated 959,000 fully insured men in the 1923 birth cohort reached age 62 (not shown). From 1985 through 1988—when they were between the ages of 62 and 65—764,000 of those men claimed retired-worker benefits. When the 1923 birth cohort attained age 66 in 1989, only 143,000 of those who were still living and were fully insured had not claimed their benefits.

Chart 4.
Annual average number of men and women aged 65 eligible for and claiming retired-worker benefits, various periods 1985–2014



SOURCES: SSA OCACT and Office of Retirement Policy.

NOTES: Data are for men and women aged 65 at year-end.

“Eligible” population is the number fully insured at the beginning of the given year minus the number who are already receiving retired-worker benefits (including those converted from disabled-worker benefits at FRA), widow(er) benefits, or spouse benefits.

“Claiming” population is the number of new awards in force, including those withheld or otherwise suspended.

Claiming rates are calculated using unrounded numbers.

From 1985 through 1989, an annual average of 147,000 66-year-old men were eligible to claim retired-worker benefits (Chart 5). On average, 38,000 66-year-old men—26.0 percent of those who were eligible—claimed benefits in the year they attained age 66. In the following interval, 1990–1994, annual averages of 125,000 66-year-old men were eligible to claim retired-worker benefits and 41,000 (33.0 percent) did so. The annual average number of eligible 66-year-old men was also 125,000 in 1995–1999, but the number who claimed retired-worker benefits at age 66 fell to 36,000, causing the claiming rate to fall to 28.7 percent.

In the 2000–2004 interval, the number of 66-year-old men who were eligible to claim retired-worker benefits fell to an annual average of 59,000. One reason for the decline was that the repeal in 2000 of the RET for beneficiaries at FRA or older resulted in a spike in claims by men who were still working at age 65. On average, 40,000 eligible 66-year-old men (68.1 percent) claimed benefits each year during this interval. In 2005–2009, the average annual number of 66-year-old men who were eligible to claim retired-worker benefits rose to 257,000—an increase of nearly 200,000 from the previous interval—and the average annual number of claims by 66-year-old men rose to 203,000. Thus, from 2005 through 2009, an annual average of 79.1 percent of eligible 66-year-old men claimed retired-worker benefits. The number of 66-year-old men eligible to claim retired-worker benefits rose again to an annual average of 457,000 in 2010–2014, and the average annual number of claims filed by men who were 66 years old rose to 309,000. Thus, from 2010 through 2014, 67.8 percent of eligible 66-year-old men claimed retired-worker benefits on average.

The trend in claims for retired-worker benefits filed by women at age 66 was similar to the trend among men of the same age. From 1985 through 1989, annual averages of 51,000 women were eligible to claim retired-worker benefits at age 66 and 19,000 (36.7 percent) did so. The numbers of 66-year-old women who were eligible for and who claimed benefits both remained fairly stable in the two following intervals. As with men, the average annual number of eligible 66-year-old women fell in the 2000–2004 interval. From 2005 through 2009, the average annual number of 66-year-old women who were eligible to claim retired-worker benefits rose to 157,000, an increase of 120,000 from the previous interval, and the average annual number of claims filed by 66-year-old women rose to 134,000. Thus, from 2005 through 2009, an

annual average of 85.8 percent of eligible 66-year-old women claimed retired-worker benefits. The number of 66-year-old women eligible to claim retired-worker benefits rose further in 2010–2014, to an annual average of 337,000, and the average annual number of claims filed by women rose to 218,000. Thus, from 2010 through 2014, 64.6 percent of eligible 66-year-old women claimed retired-worker benefits.

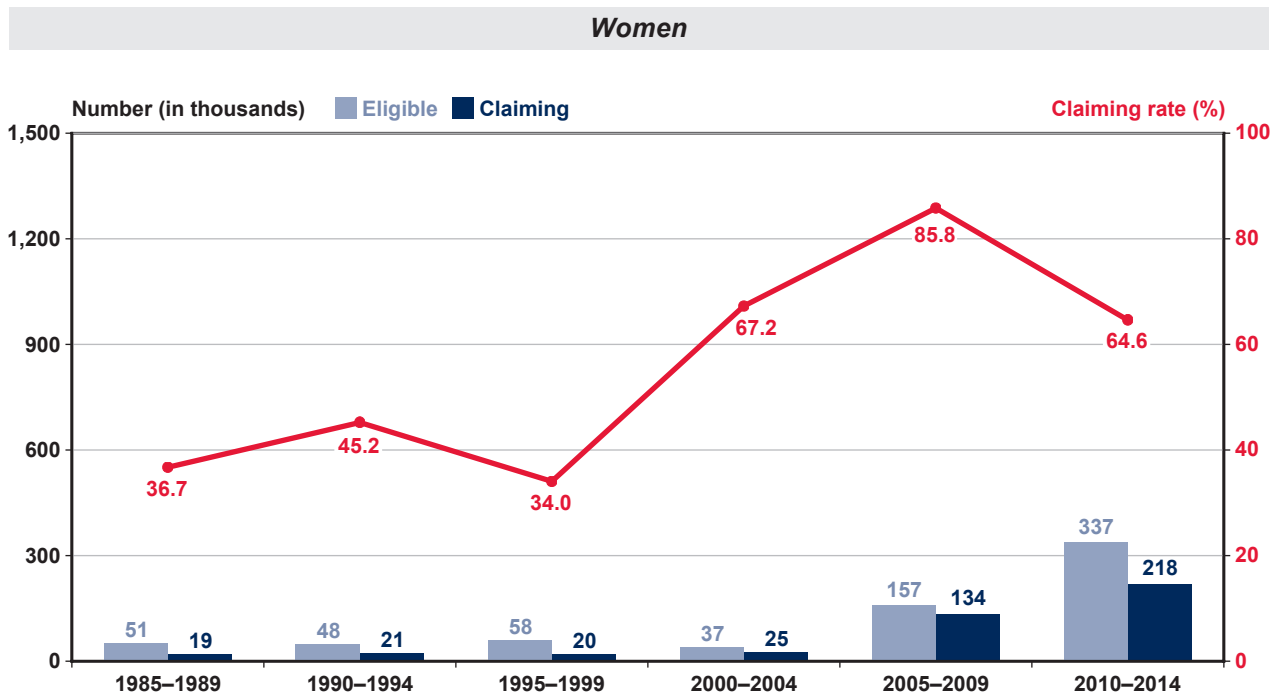
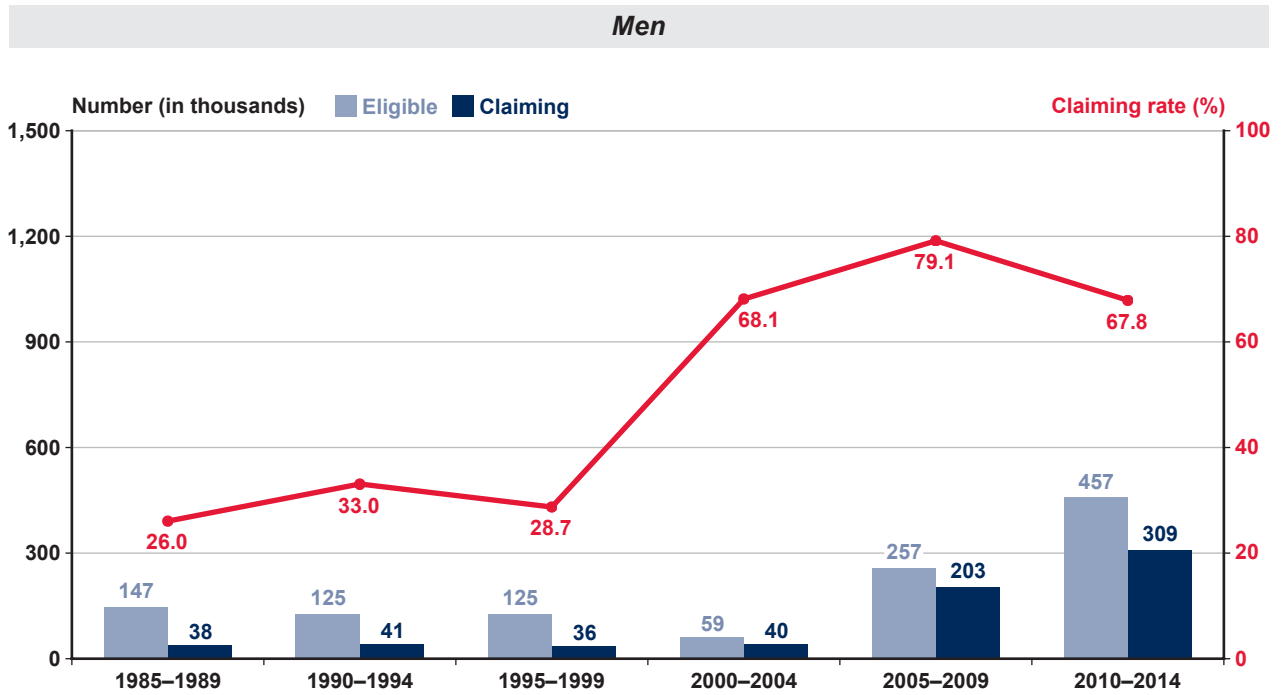
The data on which Charts 3–5 are based categorize individuals by their age at the end of the year. This is equivalent to grouping individuals by year of birth. For example, everyone whose 62nd birthday occurs during 2016 was born in 1954, and everyone who was born in 1954 will be 62 years old on December 31, 2016. People who were born in 1943 comprise the first birth cohort with the FRA of 66, the age they attained in 2009. The annual claims data from which the 5-year annual averages in Charts 3–5 are calculated show that the proportion of 66-year-old individuals who claimed retired-worker benefits began to rise in 2004, 5 years before the 1943 birth cohort reached age 66. This is due to the phased increase of the FRA from 65 to 66 in 2-month increments affecting successive birth cohorts from 1938 through 1943, which meant that the claimant’s month of birth affected the year in which he or she attained FRA (see Table 1). Among people who were born in 1938, for example, individuals with birthdays in November and December did not attain their FRA of 65 years and 2 months until 2004—the year in which they also attained age 66. Consequently, the percentage of individuals who were not already beneficiaries and who claimed retired-worker benefits at age 66 began rising several years before the members of the 1943 birth cohort attained their FRA of 66.

Disabled-Worker and Retired-Worker Beneficiaries as Percentages of the Population

Chart 6 illustrates trends over the period 1985–2014 in retired-worker beneficiaries as percentages of the fully insured populations aged 62–64, 65, and 66. Because a decline in claiming retired-worker benefits before reaching FRA might have been offset in part by increasing claiming rates for Social Security Disability Insurance (DI) benefits, Chart 6 also shows DI disabled-worker beneficiaries as percentages of the insured populations aged 62–64 and 65.⁸ The numerator of the percentages in Chart 6 is the number of men and women, respectively, in each age group who received retired-worker benefits or DI benefits in a particular year. The denominator is the number of

Chart 5.

Annual average number of men and women aged 66 eligible for and claiming retired-worker benefits, various periods 1985–2014



SOURCES: SSA OCACT and Office of Retirement Policy.

NOTES: Data are for men and women aged 66 at year-end.

“Eligible” population is the number fully insured at the beginning of the given year minus the number who are already receiving retired-worker benefits (including those converted from disabled-worker benefits at FRA), widow(er) benefits, or spouse benefits.

“Claiming” population is the number of new awards in force, including those withheld or otherwise suspended.

Claiming rates are calculated using unrounded numbers.

beneficiaries plus the number of fully insured men and women in each age group who were not beneficiaries.⁹ As in Charts 3–5, the pre-2000 trends illustrated in Chart 6 differ from those for the years after 2000.

From 1985 through 1994, the proportion of fully insured men aged 62–64 who received retired-worker benefits rose from 45 percent to 50 percent (Chart 6), after which it began to decline. By 2000, 46 percent of men aged 62–64 were receiving retired-worker benefits. After 2000, that proportion fell more sharply, to 30 percent by 2014. Had the Great Recession not briefly interrupted the decline in 2009–2011, the proportion of men aged 62–64 who received retired-worker benefits might have fallen even further by 2014. From 1985 through 2006, the proportion of men aged 62–64 who received DI benefits fluctuated only within a narrow range of 12 percent to 14 percent. By 2014, that proportion had risen to 16 percent.

The increase in the proportion of men aged 62–64 who received DI benefits and the decline in the proportion who received retired-worker benefits after 2000 coincided with the increase in the FRA from 65 to 66 for workers reaching age 65 in 2003 and later years. The increase in the proportion of men aged 62–64 who received DI benefits was smaller than the decline in the proportion who received retired-worker benefits. In 1999, 14 percent of men aged 62–64 received DI benefits and 46 percent received retired-worker benefits. By 2014, the proportion of men aged 62–64 who received DI benefits had risen by 2 percentage points, to 16 percent. Over the same period, the proportion of men aged 62–64 who received retired-worker benefits fell by 16 percentage points, to 30 percent.

Because DI benefits automatically convert to retired-worker benefits when the beneficiary reaches FRA, no one received DI benefits at age 65 before 2003. As the FRA was raised incrementally to 66 for persons born after 1937, some DI beneficiaries continued to receive disabled-worker benefits at age 65. As a result, between 2002 and 2009, the proportion of 65-year-old men who received DI benefits increased from 0 percent to 15 percent. The rate of increase then slowed. By 2014, 16 percent of fully insured 65-year-old men received DI benefits.

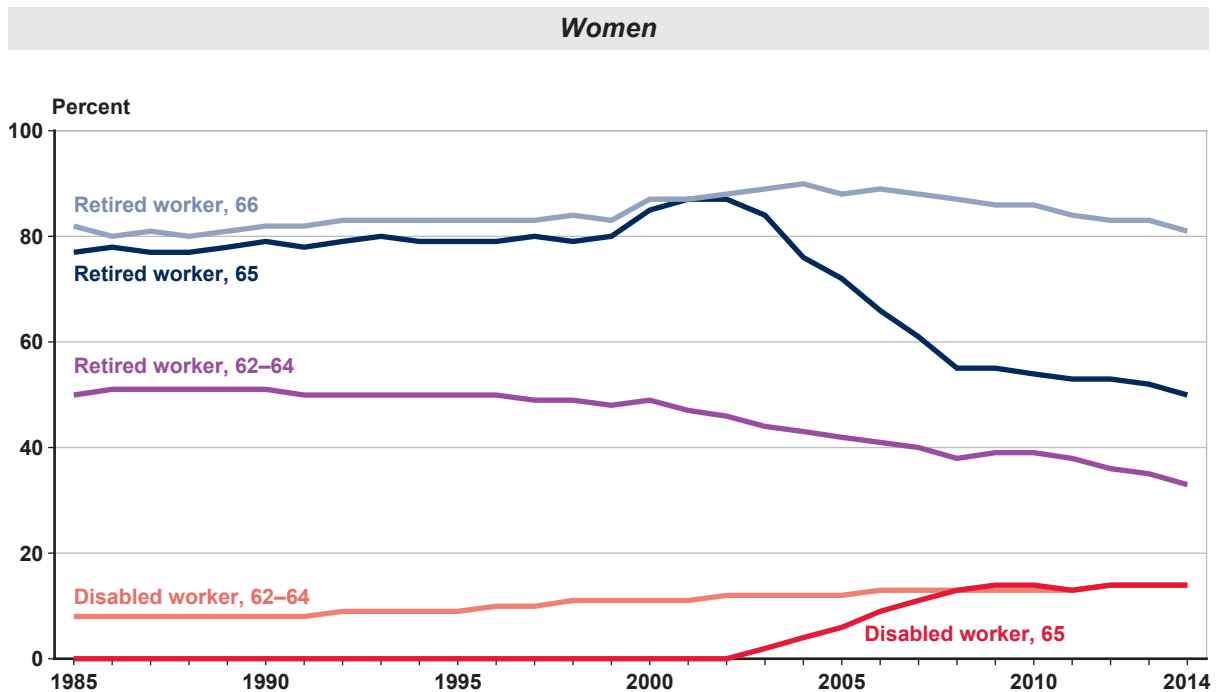
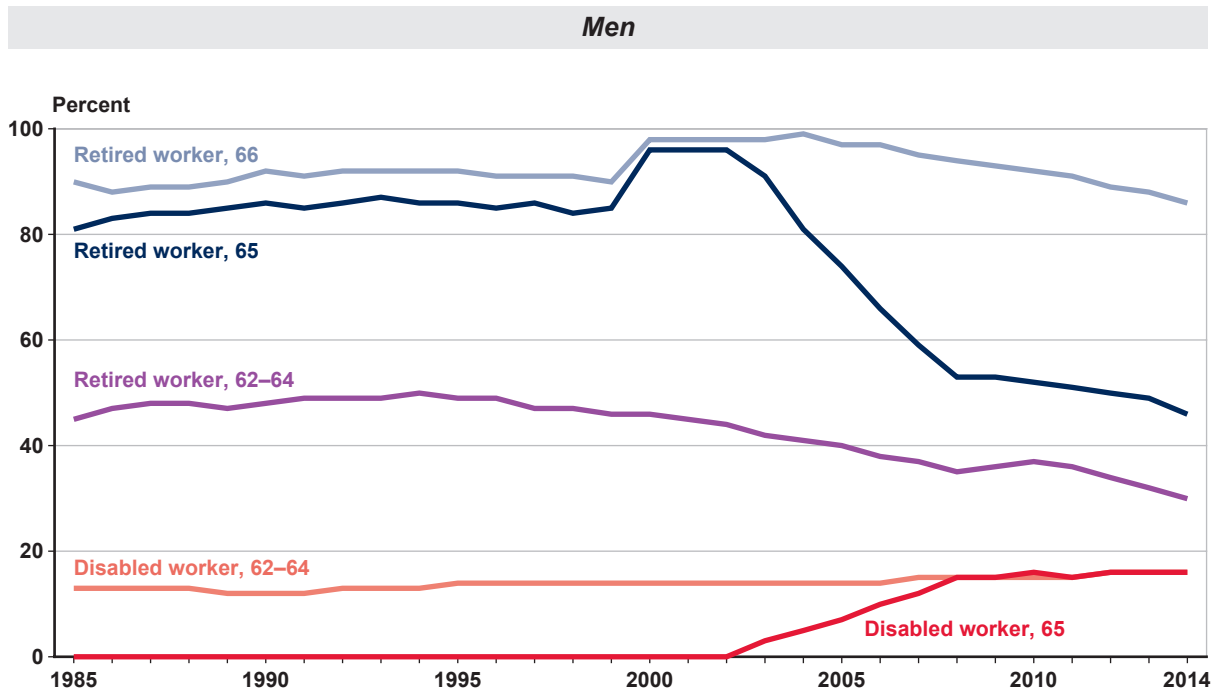
From 1985 through 1999, the proportion of 65-year-old men who received retired-worker benefits increased from 81 percent to 85 percent. The proportion rose sharply to 96 percent in 2000, partly in response to the repeal of the RET in that year for beneficiaries

who had reached FRA. After 2002, the proportion of 65-year-old men receiving retired-worker benefits began to fall as the older FRAs for people born after 1937 affected greater shares of each successive birth cohort with each passing year. By 2014, the proportion of 65-year-old men who received retired-worker benefits had fallen to 46 percent. The increase in the proportion of 65-year-old men who received DI benefits did not fully offset the decline in the proportion who received retired-worker benefits after 2000. From 2002 through 2014, the proportion of 65-year-old men receiving DI benefits rose from 0 percent to 16 percent. Over the same period, the proportion of 65-year-old men who received retired-worker benefits fell by 50 percentage points, from 96 percent to 46 percent.

Year to year, an average of 91 percent of 66-year-old men received retired-worker benefits from 1985 through 1999. In 2000, the proportion jumped to 98 percent, partly in response to the repeal of the RET for beneficiaries who had reached FRA. From 2001 through 2004, the proportion of 66-year-old men who received retired-worker benefits remained stable. It began to decline thereafter, reaching 86 percent by 2014. Chart 5 showed that the annual average number of men still eligible to claim retired-worker benefits at age 66 rose by nearly 200,000 between the 2000–2004 and 2005–2009 intervals and by another 200,000 between the 2005–2009 and 2010–2014 intervals. Although majorities of those men claimed their benefits at age 66, enough of them delayed their claims until age 67 or later to cause the proportion of 66-year-old men who were receiving retired-worker benefits to decline.

Among women aged 62–66 (Chart 6), trends in the proportions who received DI benefits or retired-worker benefits were similar to the trends among men. The percentages of insured women who were receiving retired-worker benefits generally fell after 2000, and the declines exceeded the increases in the percentages who received DI benefits. From 1985 through 1999, a year-to-year average of 50 percent of fully insured women aged 62–64 received retired-worker benefits—in that period, the proportion never rose above 51 percent or fell below 48 percent. From 2000 through 2014, the proportion of women aged 62–64 who received retired-worker benefits fell from 49 percent to 33 percent. That decline occurred even as the proportion of women aged 62–64 who were fully insured for retirement benefits was rising.

Chart 6.
Disabled-worker and retired-worker beneficiaries at selected ages as percentages of the insured population at those ages: By sex, 1985–2014



SOURCES: SSA OCACT and Office of Retirement Policy.

NOTE: Age is as of year-end.

From 1985 through 1999, the proportion of fully insured women aged 62–64 who received DI benefits rose from 8 percent to 11 percent. From 2000 through 2014, that proportion rose by 3 additional percentage points, to 14 percent. The increase from 1985 through 2014 in the percentage of women aged 62–64 receiving DI benefits (8 percent to 14 percent) was proportionally greater than the increase from 13 percent to 16 percent among men, reflecting the growth in that period of the proportion of women insured for disability benefits (Pattison and Waldron 2013).

Another trend shared with men was that the increase in the proportion of women aged 62–64 who received DI benefits was smaller than the decrease in the proportion who received retired-worker benefits. In 1999, 11 percent of women aged 62–64 received DI benefits and 48 percent received retired-worker benefits. By 2014, the proportion who received DI benefits had risen by 3 percentage points (to 14 percent) and the proportion who were receiving retired-worker benefits fell by 15 percentage points (to 33 percent). As noted earlier, DI benefits are converted to retired-worker benefits when the beneficiary reaches FRA. Before 2002, all DI beneficiaries were reclassified as retired-worker beneficiaries at age 65. Because of the older FRAs affecting individuals who attained their FRA beginning in 2003, the proportion of 65-year-old women who received DI benefits increased from 0 percent in 2002 to 14 percent by 2014.

From 1985 through 1999, the proportion of 65-year-old women who received retired-worker benefits increased from 77 percent to 80 percent. The proportion rose to 85 percent in 2000, partly in response to the repeal in that year of the RET for beneficiaries who had reached FRA. After 2002, the proportion of 65-year-old women receiving retired-worker benefits began to fall as the FRA increased incrementally from 65 to 66 for people born after 1937. By 2014, the proportion of 65-year-old women who received retired-worker benefits had fallen to 50 percent. The increase of 14 percentage points in the proportion of 65-year-old women who received DI benefits from 2002 through 2014 did not offset the decline in the proportion who received retired-worker benefits (37 percentage points) over that same period.

Year to year, an average of 82 percent of fully insured 66-year-old women received retired-worker benefits from 1985 through 1999. From 1999 through 2004, the proportion rose from 83 percent to 90 percent, after which it began a gradual but sustained decline to 81 percent by 2014. The decline in the

proportion of 66-year-old women who receive retired-worker benefits was similar in magnitude to the parallel decline among 66-year-old men. These declines may reflect both the trend toward later claiming of retirement benefits and the increase in labor force participation among Americans aged 65 or older.

Conclusion

This article highlights several important trends in labor force participation among older Americans and in the age at which people claim retirement benefits, including the following:

- Older Americans are working longer. From 1985 through 2015, the LFPR among individuals aged 65–69 rose from 24 percent to 37 percent for men and from 14 percent to 28 percent for women.
- Over the last 30 years, the proportion of individuals aged 62–66 who were fully insured for Social Security retirement benefits remained stable at about 92 percent for men. For women, however, the proportion rose sharply, from 66 percent to 86 percent.
- After 2000, the proportion of fully insured men and women who claimed retirement benefits at age 62 declined substantially. Among both men and women aged 62–64, the decline in the percentage who were receiving retired-worker benefits was greater than the increase in the percentage who were receiving DI benefits.

Appendix A: Early Eligibility Age and FRA

The Social Security Act of 1935 set the age of eligibility for retired-worker benefits at 65. Social Security–insured workers have been able to claim retired-worker benefits as early as age 62 since 1956 (for women) and 1961 (for men), but the benefit amount is permanently reduced for individuals who claim before reaching the FRA. Individuals who claim benefits before attaining FRA receive benefits over a longer period, on average, than do those who claim at FRA or later. The benefit reduction for those who claim before reaching FRA is designed to make the present value of lifetime benefits equal for the average beneficiary, regardless of the age at which he or she claims. The Social Security Amendments of 1983 (P.L. 98-21) set the FRA for people born after 1937 at incrementally increasing steps from 65 to 67 (see Table 1).

For individuals born before 1938, the FRA is 65. The 1983 amendments set the FRA for individuals born in 1938 at 65 and 2 months. For members of each

successive birth cohort from 1939 to 1943, the FRA increases by 2 months. The FRA for people born from 1943 through 1954 is 66. Further incremental FRA increases affect individuals born during 1955–1960, and the FRA is 67 for people born in 1960 or later. Relative to a benefit claimed at FRA, the amount of a retired-worker benefit claimed at age 62 is reduced by 20 percent for individuals whose FRA is 65, by 25 percent for those whose FRA is 66, and by 30 percent for those whose FRA is 67. Thus, workers in later birth cohorts have increasing financial incentive to delay their claims until after age 62.

Appendix B: The RET and DRCs

The Social Security RET reduces the benefits of retired-worker beneficiaries who are younger than FRA and have earnings that exceed certain thresholds. (Benefits withheld under the RET are eventually restored by means of an upward adjustment in the benefit amount beginning when the beneficiary attains FRA.) Until 2000, the earnings test applied to all beneficiaries younger than 70. The Senior Citizens' Freedom to Work Act (P.L. 106-182) eliminated the RET for people who had reached FRA, effective January 1, 2000. Workers who had attained their FRA as of that date but had deferred claiming Social Security benefits (because their earnings would have resulted in a benefit reduction) now had incentive to apply for benefits immediately. Thus, the repeal of the RET for workers who had reached FRA was followed by a temporary increase in benefit claims among persons aged 65–69 who were working and had deferred claiming retired-worker benefits.

Workers who delay claiming benefits until after they reach FRA earn DRCs that permanently increase their monthly Social Security retired-worker benefit amount. DRCs thereby provide a financial incentive for workers to remain employed and defer claiming. In 1977, Congress set the DRC at 3 percent per year. This meant that benefits were permanently increased by 3 percent for each full year that a worker delayed claiming beyond age 65. However, 3 percent was less than actuarially fair as a permanent benefit increase, and thus did not provide a strong financial incentive to delay claiming beyond the FRA. The 1983 Social Security Amendments mandated a gradual increase in DRCs beginning in 1990. For persons born in 1943 or later, the DRC is 8 percent per year, which is actuarially fair for the average worker. The LFPR among both men and women aged 65–69 has risen in recent years,

and the proportion of men aged 65–69 who receive Social Security retired-worker benefits has fallen. These trends may result in part from the additional incentive to defer claiming benefits that was created by the increase in DRCs.

Notes

¹ Some people who report that they are neither employed nor looking for work may be employed in the “underground” or “shadow” economy.

² A number of recent studies have examined the demographic, social, and economic factors that have contributed to the increase in the LFPR among women aged 25–54 and the decline in the LFPR among men in that age group over the last several decades. See, for example, Juhn and Potter (2006), Aaronson and others (2014), Council of Economic Advisors (2014), and Social Security Advisory Board (2015).

³ A worker must accumulate 40 quarters of Social Security–covered employment to be fully insured for retired-worker benefits. (Earnings exceeding a given threshold qualify the worker for one quarter of coverage; up to four quarters can be earned in a given year. The earnings threshold is adjusted annually.) Retired-worker beneficiaries include those entitled solely to a retired-worker benefit and those who are dually entitled to a retired-worker benefit and a spouse's or widow(er)'s benefit.

⁴ For example, in 2014, retired-worker benefits were awarded to 1,432,653 men aged 62 or older. Of this number, 242,560 were conversions from disabled-worker benefits to retired-worker benefits at FRA. Of the 1,190,093 net new retired-worker benefit awards, 494,339 (41.5 percent) were awarded to men who were 62 years old at that time (SSA 2016, Table 6.A4).

⁵ Data on claims by age in the *Annual Statistical Supplement* are based on age in the month of the claim. Charts 3–5 in this article follow the convention used by OCACT in preparing the annual *Trustees Reports* by using data based on age at the end of the calendar year.

⁶ Disability Insurance benefits are automatically converted to retired-worker benefits when the beneficiary reaches his or her FRA. This does not change the amount of the benefit. It affects only the classification of benefit type.

⁷ Until 2000, the earnings test applied to all beneficiaries younger than 70. In 2016, benefits for individuals younger than FRA are reduced by \$1 for each \$2 earned above \$15,720. The withheld benefits are restored in the form of an increased benefit after the individual reaches FRA.

⁸ Although DI benefits may be paid to dependents or survivors, this analysis is restricted to benefits paid to the disabled workers themselves.

⁹ To be eligible for DI benefits, an individual must have earned one quarter of coverage for each calendar year after age 21 and have earned at least 20 quarters of coverage during the last 10 years. Fewer quarters of coverage are required for workers younger than 31.

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