Retirement Benefits and Incentives for Work:
New Evidence from Eligibility Criteria

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In order to be eligible for Social Security (SS) retirement benefits in old age, individuals must have earned at least 40 credits of work (approximately 10 years). In this project, I will analyze whether this eligibility requirement is salient, and whether it affects individuals' labor force participation.

If individuals are informed about this requirement, value retirements benefits in old age, and are able to work, they should have the incentive to work for at least 10 years to qualify for benefits. This should lead to extra mass density, or bunching, at 40 credits of work history. In the first part of the project I therefore plan to measure bunching behavior around this threshold, which is related to the elasticity of work with respect to future retirement benefits. Moreover, I will empirically analyze whether bunching is proportional to the amount of benefits the individual would be elgible to receive, as different earning level histories imply different benefit levels. Lastly, I will exploit quasi-random variation in the issuance of Social Security Statements to analyze whether bunching behavior is affected by information on retirement benefits.

If instead individuals are not informed about this eligibility requirement, the work history rule will lead to a sharp discontinuity in Social Security eligibility. I will therefore use a regression discontinuity design to analyze how eligibility for retirement benefits affects labor force participion and mortality among the elderly possibly affected by this requirement, a group which has never been studied in prior work.

Focal Areas of Interest: Understanding Long Term Projections and Models

No prior work has analyzed how overall work history eligibility rules affect Social Security receipt and labor force participation among the elderly, which could then affect employment taxes and the health of the Old-Age and Survivors Insurance (OASI) Trust Fund.