



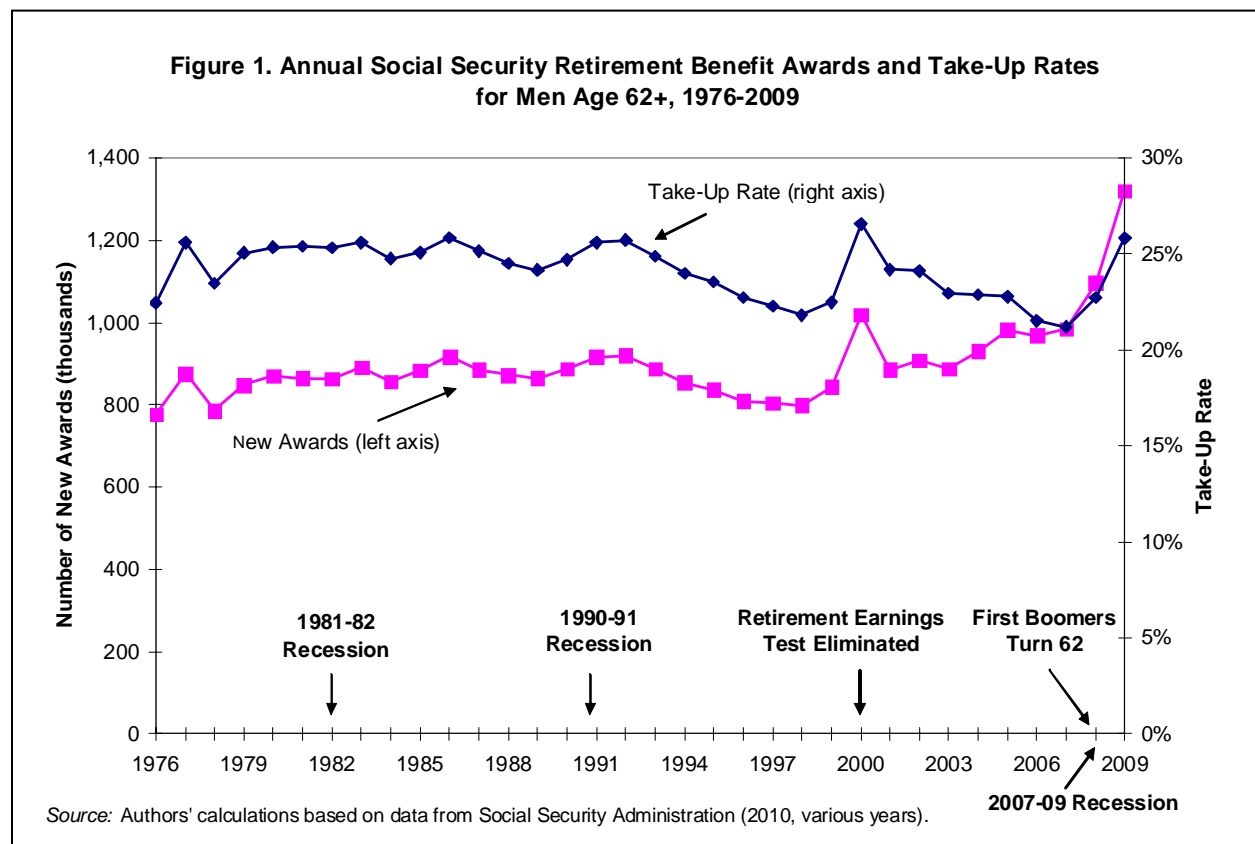
Social Security Retirement Benefit Awards Hit All-Time High in 2009

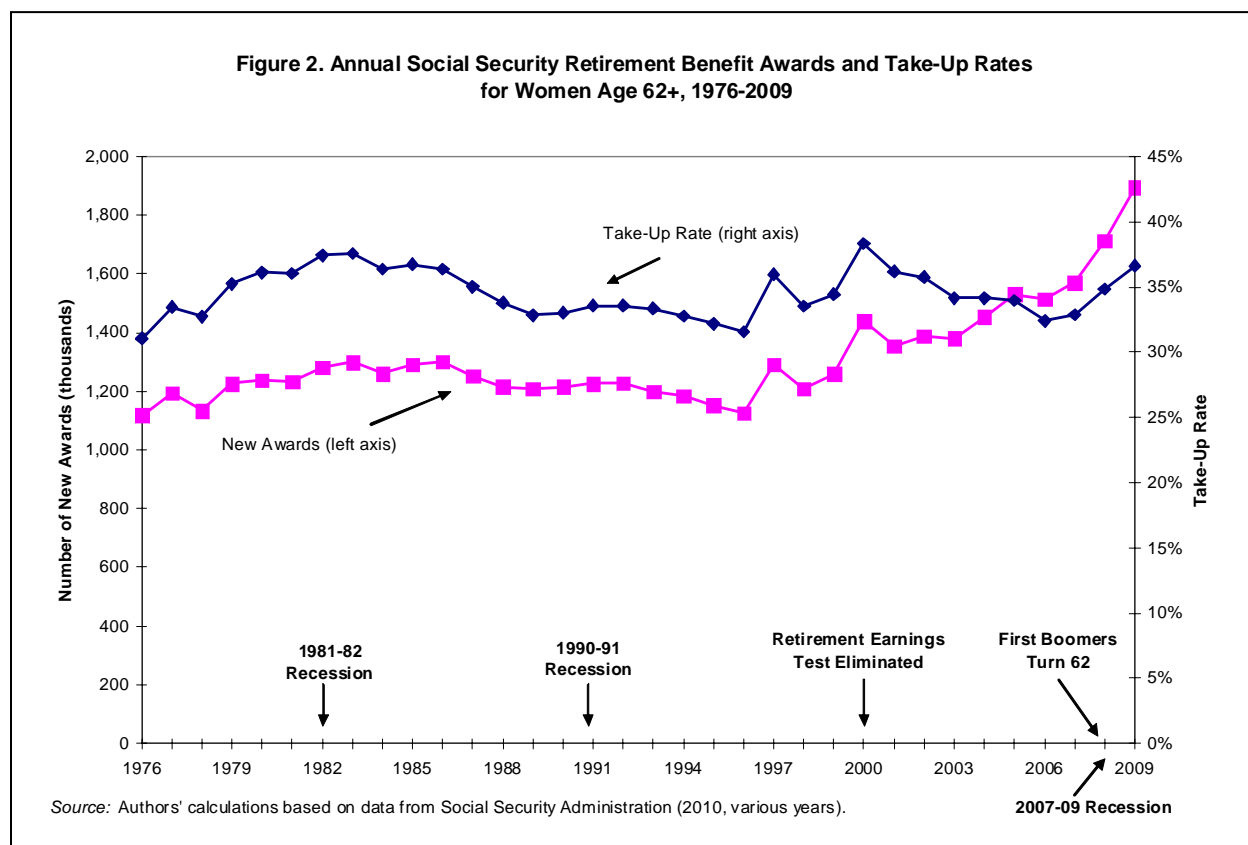
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Record numbers of older men and women began collecting Social Security benefits in 2009. New awards surged last year partly because the age-62 population grew rapidly. More importantly, older Americans were much more likely to claim Social Security in 2009 than in recent previous years, probably because many seniors were unable to find work. Social Security benefits provide an important safety net for unemployed older adults, but early claimants receive permanently reduced benefits, threatening their future economic well-being.

- In 2009, 1.3 million men age 62 and older began collecting Social Security retirement benefits, 20 percent more than in 2008 and the most new awards received by men since Social Security began paying benefits in 1940 (figure 1).¹ About 97 percent of new awards went to retired workers, who receive benefits based on their own earnings histories. The rest went to husbands of retired workers and widowers, who receive benefits based on their wives' or deceased wives' earnings.
- More older women than ever before also received new Social Security retirement benefit awards. In 2009, 1.9 million women age 62 and older began collecting Social Security retirement benefits (figure 2). About 61 percent went to retired workers, 18 percent went to wives of retired workers, and 21 percent went to widows. Our estimates somewhat overstate the number of new female





beneficiaries each year. Some women receiving retired worker benefits convert to larger widow benefits when their husbands die, and these conversions are counted as new awards in our data. (This issue is less problematic for men because few collect widower benefits.) The trend in new awards, however, is unlikely to be biased.

- The surge in Social Security retirement awards resulted partly from growth in the age-62 population. The number of Americans turning 62 increased 9 percent between 2008 and 2009 as the baby boomer cohort (born 1946 to 1964) aged.
- More importantly, older Americans were more likely to claim Social Security in 2009 than in recent previous years. The retirement benefit take-up rate—defined as the number of new retirement awards in a given year divided by the number of adults age 62 and older who had not yet begun collecting benefits at the start of the year—reached 25.8 percent for men in 2009, up from 22.7 percent in 2008 and 21.2 percent in 2007. For women, the take-up rate reached 36.6 percent in 2009, up from 34.8 percent in 2008 and 32.9 percent in 2007.
- Retirement benefit take-up rates for men age 62 and older generally declined between 1992 and 2007 as they worked more. Between 1992 and 1998, rates fell from 25.7 to 21.8 percent. Between 2000 and 2007, they fell from 26.6 to 21.2 percent, the lowest point in the 1977–2009 period. Older men's labor force participation rates increased rapidly after 1992. Between 1993 and 2009, for example, the share of men age 62 to 64 working or looking for work increased from 46.1 to 55.1 percent (Johnson and Kaminski 2010). Increased work incentives, improved health, and concerns about the affordability of retirement boosted participation rates for older Americans.

- The benefit take-up rate peaked in 2000 when Congress eliminated the retirement earnings test for adults older than Social Security's Full Retirement Age (FRA). Before the repeal, Social Security reduced monthly benefits for employed beneficiaries older than the FRA (now 66) by \$1 for every \$3 they earned beyond a certain amount. The elimination of the earnings test beyond the FRA encouraged many eligible workers to begin collecting benefits in 2000.
- Increased Social Security claiming in 2008 and especially 2009 likely reflects the weak labor market. The unemployment rate for older Americans reached record highs in 2009 (Johnson and Mommaerts 2010). Retirement benefits provide crucial income support for out-of-work adults age 62 and older. Surprisingly, the retirement benefit take-up rate did not increase much in the 1981–82 and 1990–91 recessions.
- Claiming Social Security benefits early sometimes jeopardizes future economic security, because early claimants receive permanently reduced benefits. For example, Social Security reduces monthly payments by 25 percent when beneficiaries begin collecting at age 62 instead of 66.
- Adults with health problems are also more likely to apply for Social Security disability benefits when jobs are scarce. New Social Security disability benefit awards increased 9 percent from 2007 to 2008 and 10 percent from 2008 to 2009.

Note

1. Estimates are based on public Social Security data. Annual retirement benefit awards are calculated as the sum of awards to retired workers, spouses of retired workers, and older widows and widowers, as reported in Social Security Administration (2010), minus awards to spouses, widows, and widowers younger than 62 and conversions from disability to retirement benefits, as reported in Social Security Administration (various years). However, 2009 data on disability conversions and new retirement awards to adults younger than 62 are not yet available and must be imputed. We assume that disability conversions make up the same share of total retirement benefit awards in 2009 as in 2008. We also assume that the share of all spousal awards and widow(er) awards that go to adults younger than 62 did not change between 2008 and 2009.

The take-up rate is the number of annual retirement benefit awards in the year divided by the number of adults age 62 and older who had not yet collected Social Security benefits at the beginning of the year.

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