

HOW WILL COVID-19 EXCESS MORTALITY AFFECT SOCIAL SECURITY BENEFIT PAYOUTS?

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HOW WILL COVID-19 EXCESS MORTALITY AFFECT SOCIAL SECURITY BENEFIT PAYOUTS?

- Social Security's function as social insurance is especially important during recessions
 - During COVID: ↑ benefit payouts to those who had to retire earlier than expected
 - ↑ benefit payouts to survivors of COVID victims who died unexpectedly early
 - Obviously harms Trust Fund solvency, as do ↓ payroll taxes during recession
- But COVID was different from conventional recessions in numerous ways
 - Including through its signal characteristic, excess deaths
 - ⇐ from COVID
 - ⇐ from crisis of care in medical system
 - While this has been disastrous in many ways, it should actually improve Trust Fund solvency

HOW WILL COVID-19 EXCESS MORTALITY AFFECT SOCIAL SECURITY BENEFIT PAYOUTS?

- Impact on Trust Fund needs to account for critical features

- What would mortality have been otherwise?

We know that COVID deaths were higher for those who were frail

Baseline assumption: COVID mortality proportional to all-causes mortality

⇐ this assumption makes our job easier

- What would benefits be of those who died, or counterfactually if they hadn't?

And what is impact of COVID deaths on survivor benefits?

Assumptions about earnings trajectory, claim age, couple benefits

Methods

1. Simple spreadsheet model for 2020

Assume COVID mortality proportional to all-causes mortality, by age group

Project resulting life-years lost

2. Use merge of several survey/admin data sets to determine, through late 2021

Pandemic deaths

Mortality if pandemic hadn't happened

For both scenarios

Earnings history, entitlement to retired-worker benefits

Marital status, entitlement to spouse & survivor benefits

⇒ Aggregate, distributional impact of foregone benefit payouts

Preliminary Results

I. Simple spreadsheet model for 2020

Assume COVID mortality proportional all-causes mortality, by age group

Project resulting life-years lost

⇒ Life-years lost are small

Preliminary Results

I. Simple spreadsheet model for 2020

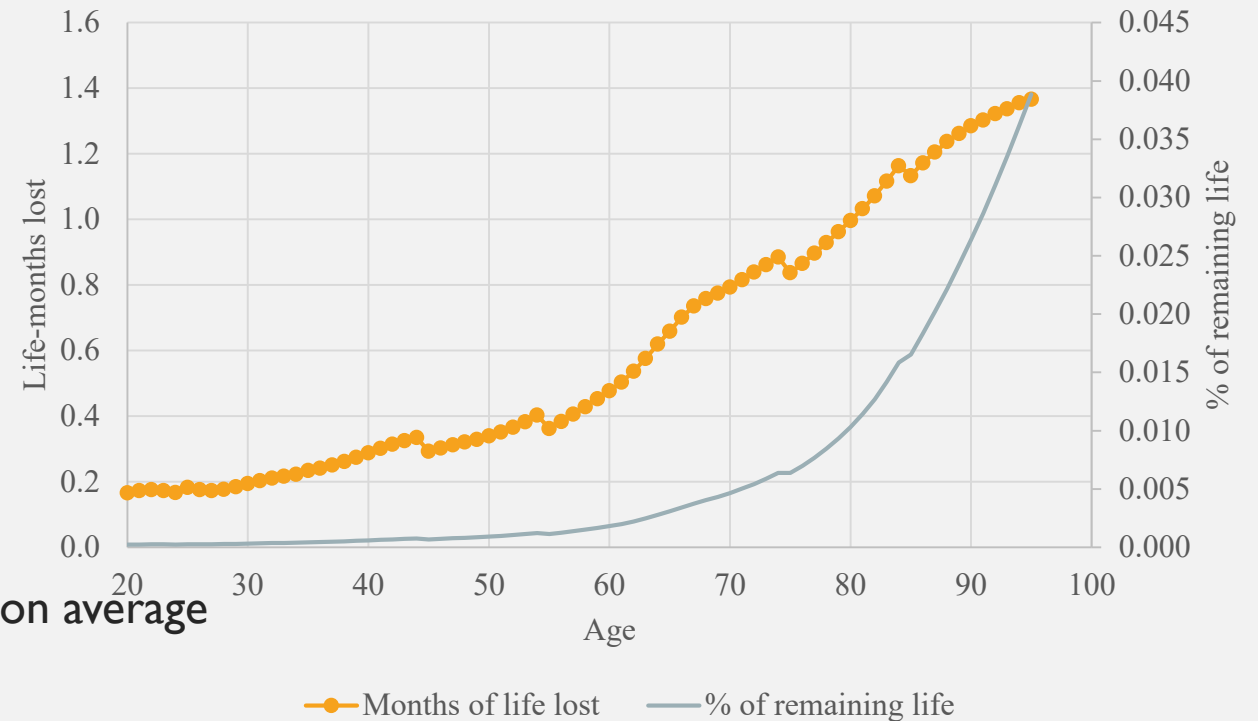
Life-years lost are small

< one month in aggregate

Context: about one month is gained

in life expectancy at birth each year, on average

FIGURE 1
Average months of life lost, by age
(under the assumption that excess COVID mortality is proportional to all-causes mortality)



Methods

2. Use merge of several survey/admin data sets to determine, through late 2021 (underway)

Pandemic deaths (CPS-ASEC merged with National Death Index)

With possible adjustment for absence of institutionalized population in CPS-ASEC

Mortality if pandemic hadn't happened (HRS, CPS-ASEC merged with National Death Index)

For both scenarios (CPS-ASEC merged with administrative records)

Earnings history, entitlement to retired-worker benefits

Marital status, entitlement to spouse & survivor benefits

⇒ Aggregate, distributional impact of foregone benefit payouts

Methods

2. Use merge of several survey/admin data sets to determine, through late 2021 (underway)

Pandemic deaths (CPS-ASEC merged with National Death Index)

preliminary estimates, 2015 CPS-ASEC individuals

how does mortality during pandemic relate to socioeconomic status?

We estimate differential mortality during pandemic for:

higher for people under aged 50, marginal effect 0.0124 (0.006)

lower for women, marginal effect -0.0732 (0.0231)

lower for people in highest quartile of lifetime earnings, marginal effect -0.100 (0.0347)

no differential effect: education, marital status, black or hispanic

Implications

- While impact on Trust Fund is comparatively small, impact by SES will be more consequential
 - We will consider foregone benefits for different sub-groups
- This fits in our broader research agenda
 - Impact of differentials in mortality, claim-age behavior by socioeconomic status
 - ⇒ *less redistribution through Social Security than we might expect*
- Similar patterns as a result of COVID