

Notes and Brief Reports

Measuring Early Retirement: New Benefit Awards Series*

Quarterly statistics on monthly cash benefit awards under the old-age, survivors, disability, and health insurance (OASDHI) program are published in the March, June, September, and December issues of the BULLETIN. Data on the number of benefit awards, giving the number and proportion reduced for early retirement in comparison with awards not reduced, have been shown in table Q-6. An expanded series of data on benefit awards, permitting more significant comparisons between awards reduced for early retirement and those not reduced, is presented in the accompanying table.¹ The material in this table and data on the average amount of benefits awarded will be incorporated in a revised version of table Q-6 beginning with the quarterly data in the December BULLETIN.

The purpose of the new series is to reflect more realistically the extent of early retirement. Up to this time, the data on retirement benefit awards have shown reduced benefits as a proportion of the total. With the substantial rise in the total number of retirement benefit awards as a result of the health insurance program and the growing number of conversions and transitional (age 72) benefits, the relationship to total awards is no longer meaningful. The new series will relate the number of early retirements to only those benefit awards that are currently payable and presumably awarded for actual retirement—awards that are here termed “regular” currently payable. The adjusted figures therefore exclude (1) *conversions*—awards made when a disabled worker’s benefit is converted to a retirement benefit at age 65; (2) *transitional awards*—those made to persons aged 72 and over, entitled under the transitional insured-status provisions of the 1965 amendments, who were generally not

in the labor force when they became entitled; and (3) *conditional and deferred awards*—those not involving actual retirement at the time of the award.

The exclusion of conditional and deferred awards corrects for the distortion in the awards figures resulting from the establishment of health insurance for the aged by the 1965 amendments. Insured persons aged 65 and over who were not already beneficiaries had to establish their entitlement to cash benefits in order to be eligible for hospital benefits. As a consequence, the number of persons filing applications before actual retirement showed a marked increase in 1965 and 1966.

The importance of the adjustments in the awards data is illustrated by the fact that the unadjusted figures for 1966 show that only 41 percent of all awards were reduced for early retirement, but in the adjusted series the proportion with reduced benefits becomes 71 percent. The table shows that the percentage of men retirees choosing early retirement had been fairly stable at about 60 percent from 1962 to 1965 but rose to 70 percent in 1966. (The figures for 1967 should be interpreted with caution until more quarterly data can be accumulated; thus far, the 1967 figures indicate a further jump to more than 80 percent in the proportion choosing early retirement.) The number of men applying for early retirement, on the other hand, dropped from 420,000 in 1962 (the first full year in which men could draw benefits at ages 62-64) to 320,000 in 1965 and then edged up to 350,000 in 1966. Over the same period, the number receiving full-benefit awards declined more sharply and persistently. In part, this decline could be attributed to the fact that some men who might have retired with full benefits in 1965 or 1966 chose instead to retire with reduced benefits in 1962 or 1963.

In addition, the number of men with “regular” currently payable awards has declined to its lowest level since 1960 despite increases in the population reaching retirement age. There has been some slowdown in the long-term downtrend in labor-force participation rates for men aged 65-69, probably as a result of the favorable employment situation in recent years.

Among women there has also been a trend toward early retirement, but the timing has been somewhat different. After rising irregularly from 54 percent in 1957 to 74 percent in 1964,

* Prepared in the Division of Program and Long-Range Studies.

¹ For a detailed explanation of the data, see Harry Shulman, “Reduced Benefit Awards to Retired Workers: Measuring Extent of Early Retirement,” *Social Security Bulletin*, October 1966, pages 27-29.

OASDHI cash benefits: Number of retirement benefits awarded, with and without reduction for early retirement, by sex, 1956-67

[Partly estimated, subject to revision; quarterly data exclude beneficiaries living abroad and thus differ somewhat from annual data, which include all beneficiaries]

Period	All awards				Not reduced for early retirement			Reduced for early retirement			
	Total	Currently payable		Condi- tional and deferred ³	Total	Currently payable		Total		Regular currently payable ¹	
		Regular ¹	Conver- sions and transi- tionally insured ²			Total	Regular ¹	Number	Percent of all awards	Number	Percent of regular currently payable
Total											
1956	934,000	889,900		44,100	817,900	775,000	775,000	116,100	12.4	114,900	12.9
1957	1,425,000	1,351,400	5,800	67,800	1,142,700	1,077,700	1,071,900	282,300	19.8	279,500	20.7
1958 ⁴	1,041,700	945,400	23,000	73,300	846,200	775,000	752,000	195,400	18.8	193,400	20.5
1959 ⁵	1,089,700	999,300	35,700	114,700	870,700	758,200	722,500	219,000	20.1	216,800	23.1
1960	981,700	841,200	42,100	98,400	772,500	676,200	634,100	209,000	21.3	207,100	24.6
1961	1,361,500	1,166,000	51,400	144,100	818,800	680,000	628,600	542,800	39.9	537,400	46.1
1962	1,347,300	1,119,600	51,300	176,400	647,300	477,900	426,600	700,000	52.0	693,000	61.9
1963	1,145,600	964,100	50,700	130,800	526,100	401,400	350,700	619,500	54.1	613,400	63.6
1964	1,041,800	876,900	45,300	119,600	449,000	335,800	290,500	592,800	56.9	586,400	66.9
1965	1,183,200	875,400	99,200	208,600	598,300	395,500	296,300	584,900	49.4	579,100	66.2
1966	1,647,600	890,300	118,100	639,200	976,200	377,400	259,300	671,400	40.7	631,000	70.9
Men											
1956	564,400	529,900		34,500	564,400	529,900	529,900				
1957	896,200	837,700	5,500	53,000	896,200	843,200	837,700				
1958 ⁴	673,700	594,400	21,900	57,400	673,700	616,300	594,400				
1959 ⁵	701,800	578,500	33,500	89,800	701,800	612,000	578,500				
1960	630,300	515,400	37,900	77,000	630,300	553,300	515,400				
1961 (Jan.-July)	377,100	301,500	30,400	45,200	377,100	331,900	301,500				
1961 (Aug.-Dec.)	564,900	482,000	15,200	67,700	281,400	217,800	202,600	283,500	50.2	279,400	58.0
1962	903,700	721,500	44,100	138,100	476,900	342,900	298,800	426,800	47.2	422,700	58.6
1963	735,700	591,700	41,600	102,400	380,300	280,600	239,000	355,400	48.3	352,700	59.6
1964	652,200	523,700	35,700	92,800	323,600	235,900	200,200	328,600	50.4	323,500	61.8
1965 (Jan.-Aug.)	431,100	346,600	27,500	57,000	214,600	159,800	132,300	216,500	50.2	214,300	61.8
1965 (Sept.-Dec.)	312,400	170,600	34,900	106,900	206,900	101,000	66,100	105,600	33.8	104,500	61.3
1966	1,059,700	491,100	66,900	501,700	687,000	212,800	145,900	372,600	35.1	345,200	70.3
1966											
January-March	296,200	146,800	19,000	130,300	198,300	74,900	55,900	97,900	33.1	91,000	62.0
April-June	420,600	160,300	22,000	238,400	303,800	73,500	51,500	116,900	27.8	108,700	67.9
July-September	184,600	97,100	13,700	73,900	101,600	35,000	21,300	53,000	45.0	75,800	78.1
October-December	155,100	84,400	12,100	58,600	81,600	28,400	16,300	73,400	47.3	68,100	80.7
1967											
January-March	172,100	109,900	13,600	48,500	76,700	34,800	21,200	95,400	55.4	88,700	80.7
Women											
1956	369,600	360,000		9,600	253,500	245,100	245,100	116,100	31.4	114,900	31.9
1957	528,800	513,800	200	14,800	246,500	234,500	234,300	282,300	53.4	279,500	54.4
1958 ⁴	368,000	351,000	1,100	15,900	172,500	158,700	157,600	195,400	53.1	193,400	55.1
1959 ⁵	387,900	360,800	2,200	24,900	168,900	146,200	144,000	219,000	56.4	216,800	60.1
1960	351,400	325,800	4,200	21,400	142,200	122,900	118,700	209,200	59.5	207,100	63.6
1961	419,500	382,500	5,800	31,200	160,300	130,300	124,500	259,300	61.8	258,000	67.5
1962	443,500	398,000	7,200	38,300	170,300	134,900	127,700	273,200	61.6	270,300	67.9
1963	409,900	372,400	9,100	28,400	145,800	120,800	111,700	264,100	64.4	260,700	70.1
1964	389,700	353,200	9,700	26,800	125,400	100,000	90,300	264,200	67.8	262,900	74.4
1965 (Jan.-Aug.)	254,000	228,100	9,000	16,900	83,600	68,400	59,400	170,400	67.1	168,700	74.0
1965 (Sept.-Dec.)	185,600	129,900	27,800	27,900	93,200	66,200	38,400	92,400	49.8	91,500	70.4
1966	587,900	399,100	51,300	137,500	289,200	164,600	113,300	298,800	50.8	285,800	71.6
1966											
January-March	153,500	110,600	16,200	26,600	78,900	55,800	39,600	74,600	48.6	71,200	64.4
April-June	219,400	126,100	20,700	72,700	129,200	60,700	40,000	90,200	41.1	86,000	68.3
July-September	116,500	86,400	8,600	21,500	46,700	28,300	19,700	69,800	59.9	66,700	77.2
October-December	97,000	74,700	5,800	16,500	33,700	19,600	13,800	63,300	65.3	60,900	81.5
1967											
January-March	103,300	82,900	5,800	14,600	29,800	19,000	13,200	73,400	71.1	69,700	84.1

¹ Excludes disability conversions and transitionally insured, as well as conditional and deferred awards.

² Conversions are awards of retired-worker benefits to disabled-worker beneficiaries on attainment of age 65; transitionally insured awards are those made to persons age 72 and over with 3-5 quarters of coverage.

³ Conditional or deferred awards are those suspended immediately follow-

ing determination, chiefly because of earnings of the retired worker. Since September 1965, most conditional and deferred awards have been made primarily for the purpose of assuring eligibility for hospital insurance benefits.

⁴ January-November.

⁵ Includes December 1958.

the proportion electing to take benefits reduced for early retirement leveled off for the next 2 years.

There is much interest and concern over the trend toward early retirement and the factors that might be responsible for the trend. To gain further insight into the phenomenon of early retirement, the Social Security Administration has under way several studies. These studies will include analyses of reasons why workers retire, their earnings and employment characteristics, labor-force and industrial pension developments, and the effects of social security program changes.

latter part of the year. Data were not compiled for the first quarters of 1960 or 1965.

Foreign subsidiary wage report data: January-March, selected years, 1955-66

Year	Number of domestic corporations	Worker items reported	Taxable wages (thousands)	Average wage per worker item reported
1955.....	81	1,838	\$4,021	\$2,187
1956.....	219	3,173	7,471	2,354
1957.....	276	4,340	10,549	2,431
1958.....	328	5,885	15,468	2,628
1959.....	377	7,243	19,350	2,672
1961.....	447	8,268	22,795	2,757
1962.....	498	8,772	24,956	2,845
1963.....	524	9,376	27,818	2,967
1964.....	537	9,121	27,443	3,009
1966.....	546	10,207	33,860	3,317

Since 1955 there has been a steady increase in the number of corporations reporting and in the number of workers and amount of taxable wages reported. Although only nine more corporations reported in 1966 than in 1964, the number of reported worker items rose more than 1,000, exceeding the 10,000 level for the first time. Aggregate taxable wages increased more than 23 percent, reflecting in part the higher taxable wage base effective beginning 1966. Average taxable wages paid to United States citizens whose employment is covered under this provision amounted to \$3,317 during the first quarter of 1966, compared to about \$1,240 paid to all wage and salary workers in employments covered by old-age, survivors, disability, and health insurance.

OASDHI Covered Employment of Foreign Beneficiaries*

The 1954 amendments to the Social Security Act provided that American corporations could voluntarily obtain social security coverage for United States citizens employed in their foreign subsidiaries. Domestic corporations obtain such coverage for their employees by entering into an agreement with the District Director of Internal Revenue to pay contributions on the wages of these employees on the same basis as if their services were performed in the United States. This provision became effective January 1, 1955.

The accompanying table represents all of the first-quarter foreign subsidiary reports of the signatory corporations that could be identified. First-quarter data are shown because they are most representative of overall coverage. Many employees earn the taxable limit (\$4,200 through 1958, \$4,800 through 1965, \$6,600 beginning in 1966) before the end of the second quarter and are not represented at all in wage reports for the

* Prepared in the Division of Statistics.