

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,

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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.

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.

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

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.

* Prepared in the Division of Statistics.