

Old-Age Benefit Awards, 1954

During 1954, old-age insurance benefits were awarded to almost 750,000 persons, only 22,000 less than the record number awarded in 1953. The large number of awards reflects the growth in the number of persons aged 65 and over who are insured under old-age and survivors insurance. The growth resulted partly from the increase in the population at these ages but, more importantly, from the fact that in recent years larger proportions of the persons attaining age 65 had fully insured status because of the liberalization of the insured-status provisions and the extension of coverage under the 1950 amendments to the Social Security Act.

About 70 percent of the old-age benefits awarded in 1954 under the provisions of the 1952 amendments were based on earnings after 1950 and the 1952 benefit formula (table 27, page 42). The benefits for the other 30 percent of the beneficiaries were determined by applying the 1939 formula to earnings after 1936 and increasing the result by use of the conversion table set forth in the 1952 amendments.

The 1954 amendments include a "dropout" provision affecting the computation of the average monthly wage. A worker who has 6 quarters of coverage after June 1953 or who becomes eligible (that is, attains age 65 and is fully insured) for old-age benefits for the first time after August 1954 may have up to 4 years of lowest or no earnings ignored in the computation of his average monthly wage. If a worker has at least 20 quarters of coverage, the 5 years in which his earnings were lowest may be dropped. A worker who is eligible for a dropout may have his old-age benefit computed by (1) applying the 1954 benefit formula to the average monthly wage based on earnings after 1950, with the dropout; (2) applying the 1939 benefit formula to the average monthly wage based on earnings after 1936, with the dropout, and increasing the result by use of the conversion table provided by the 1954 amendments; or (3) applying the

1952 benefit formula to the average monthly wage based on earnings after 1950, without the dropout, and increasing the result by use of the 1954 conversion table. Methods 1 and 3 can be used only when the worker has at least 6 quarters of coverage after 1950. When more than one method is applicable, the one yielding the highest benefit is used. If the worker is not eligible for the dropout, his old-age benefit is computed by the second method, without the dropout, or by the third one.

Almost 71 percent of the 312,000 old-age benefits awarded in 1954 under the 1954 amendments were based on earnings after 1950 and about 29 percent on earnings after 1936. Almost one-fourth of the beneficiaries were eligible for the dropout (table 26, page 41); the benefits of about 49,000 of these beneficiaries were based on earnings after 1950 and of 26,000 on earnings after 1936. Beneficiaries who were eligible for a dropout computation but who received a higher benefit through use of the 1952 formula plus the 1954 conversion table are included in the 49,000 cases if their benefits were based on earnings after 1950. The proportion of beneficiaries eligible for the dropout was held down by the fact that many of the awards in 1954 under the 1954 amendments were made to persons who had filed an application for benefits in August or earlier and thus had no opportunity to qualify for a dropout computation. All of them who acquire 6 quarters of coverage after June 1953 may, of course, have their benefits recomputed with the dropout. The number of awards to persons eligible for the dropout will increase substantially in the future, as more workers acquire 6 quarters of coverage after June 1953 or become eligible for old-age benefits for the first time after August 1954.

For all persons awarded old-age benefits in 1954, the average ages at the time of award were 68.0 for men and 67.6 for women; in 1953 the average ages were 68.6 and 68.2. Slightly more than one-third of all awards in 1954 were made to persons aged 65, compared with 31 percent in 1953. Awards to persons aged 75 and over were 12 percent of the total in 1953

but dropped to 8 percent in 1954, probably because fewer awards were made to aged persons who had qualified for benefits with the minimum 6 quarters of coverage because of the extension of coverage provided by the 1950 amendments. Many persons aged 75 and over who were in employment newly covered under the 1950 amendments became insured and were awarded benefits by the end of 1953.

The average old-age benefit awarded under the 1954 amendments was \$66.36, an increase of \$9.38 from the average amount awarded in 1954 under the 1952 amendments (table 27). The increase was due chiefly to the higher benefit rates resulting from the use of the 1954 conversion table or the 1954 benefit formula and from the use of the dropout in computing the average monthly wage. For old-age benefits based on earnings after 1950, the average amount awarded under the 1954 amendments to beneficiaries eligible for the dropout was \$81.30 (table 26); for all old-age benefits based on earnings after 1950, the average was \$74.84. The corresponding averages for old-age benefits based on earnings after 1936 were \$53.49 and \$45.91, respectively. As in the past, the average benefit amount was lower for women than for men; the difference amounted to \$22.97 for benefits based on earnings after 1950 and to \$9.54 for those based on earnings after 1936.

For old-age benefits based on earnings after 1950 awarded under the 1954 amendments to beneficiaries eligible for the dropout, the maximum benefit of \$98.50 was payable in 35 percent of the cases (table 23, page 40). For all old-age benefits based on earnings after 1950 awarded under the 1954 amendments, the maximum monthly amount of \$98.50 was payable in 24 percent of the cases, while the minimum amount of \$30.00 was payable in only 6 percent (table 25, page 41). In contrast, a monthly benefit of \$88.50—the maximum monthly amount for benefits based on earnings after 1936—was payable in less than 1 percent of such awards, with the minimum payable in almost 37 percent.