

OASDHI Benefits, Prices, and Wages: Effect of 1967 Benefit Increase

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IN MARCH 1968, approximately 24 million Americans were receiving monthly cash benefits under the old-age, survivors, disability, and health insurance (OASDHI) program. Their monthly benefits were 13 percent or more higher than those paid to beneficiaries through January 1968, with the gains resulting from the across-the-board increase provided by the 1967 amendments to the Social Security Act. This general increase, which went into effect in February, was the sixth since monthly cash payments were first payable in 1940.

Evaluation of these increases is made here to determine to what extent they (1) protect the retired worker against erosion of the purchasing power of his OASDHI benefit and (2) allow him to participate in the higher standard of living enjoyed by workers as a result of continuing improvements in industrial productivity. Previously published data needed for analyzing these questions have been updated here.¹

The major findings of this review are that:

1. OASDHI retirement benefits have been increased to the point where they have regained for the time being the purchasing power of the amount received by all workers at the time they came on the rolls.
2. Liberalizations of the retirement benefits by the 1967 amendments still do not match the strides made by the American worker in achieving higher wage levels and hence a higher standard of living, though they helped to close the gap.
3. Unless statutory benefit increases more than just match upward price movements from the time of one benefit increase to the next, inflation will continue to adversely affect retirees' purchasing power, because the value of their fixed benefits deteriorates as prices rise steadily between the passage of amendments to the law.

MAINTAINING THE VALUE OF BENEFITS

Information is found in table 1 on the monthly benefit amount awarded to workers who retired at

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¹ See Saul Waldman, "OASDI Benefits, Prices, and Wages: 1966 Experience," *Social Security Bulletin*, June 1967, and "OASDHI Benefits, Prices, and Wages: A Comparison," *Social Security Bulletin*, August 1966.

specified times following the enactment of benefit increases. Also shown are the benefit amounts these workers received after each of these amendments became effective, as well as the amount required in each period to maintain the original value of the benefit, in terms of prices and in terms of wage levels.

The price index shown is the Consumer Price Index (CPI) of the Bureau of Labor Statistics. The wage index, also prepared by BLS, is that for spendable weekly wages of production workers in manufacturing (with no dependents). To attain comparability between periods, the data on benefits, prices, and wages are, in general, for December of each year; the 1968 figures are for March to show the effect of the most recent benefit increase.

Benefits for 1950, the first year shown in table 1, include the first and largest jump in benefit levels since the program began—an increase that was 50–100 percent of the amounts beneficiaries had been receiving. This substantial increase was needed to compensate for the strong inflationary trend in the cost of living that marked the period from the beginning of World War II through the end of the 1940's. Having recognized the necessity for keeping OASDHI benefits abreast of changing economic conditions, Congress has legislated five more increases since then. The 1950 and 1954 legislation provided variable increases for beneficiaries at different benefit levels, but in the other years benefits were raised uniformly for most retirees. For those in the middle range of benefits, the increases have been as follows:

Effective date	Percentage increase
1950 (1940 retirees)	83
1952	12½
1954 (1950 retirees)	9
1959	7
1965	7
1968	13

Comparison With Prices

Beneficiaries receiving retirement benefits for March 1968 had the purchasing power of their

TABLE 1.—OASDHI benefits for worker retiring in specified years: Average monthly benefit amount awarded, amount payable after general benefit increases, and amount needed to maintain parity with prices and wages, 1950-68

December	BLS consumer price index (1957-59=100)	Wage index ¹ (1957-59=100)	Average monthly benefit amount for—											
			September-December 1950 retiree			December 1954 retiree			December 1959 retiree			September-December 1965 retiree		
			Actual	Amount ² needed to maintain parity with—		Actual	Amount ² needed to maintain parity with—		Actual	Amount ² needed to maintain parity with—		Actual	Amount ² needed to maintain parity with—	
				Prices	Wages		Prices	Wages		Prices	Wages		Prices	Wages
1950 ³	87.1	76.7	\$49.50	\$49.50	\$49.50									
1951	92.2	78.8	49.50	52.40	50.90									
1952 ³	93.0	83.9	55.70	52.90	54.20									
1953	93.6	84.2	55.70	53.20	54.30									
1954 ³	93.2	88.1	60.70	53.00	56.90	\$66.60	\$66.60	\$66.60						
1955	93.5	93.9	60.70	53.10	60.60	66.60	66.80	71.00						
1956	96.2	98.9	60.70	54.70	63.80	66.60	68.80	74.80						
1957	99.1	97.6	60.70	56.30	63.00	66.60	70.80	73.80						
1958 ³	101.0	102.0	60.70	57.40	65.80	66.60	72.20	77.10						
1959 ³	102.3	107.1	65.00	58.10	69.10	71.00	73.10	81.00	\$84.90	\$84.90	\$84.90			
1960	103.9	103.9	65.00	59.10	67.10	71.00	74.30	78.50	84.90	86.30	82.40			
1961	104.5	112.8	65.00	59.40	72.80	71.00	74.70	85.30	84.90	86.80	89.50			
1962	105.8	115.2	65.00	60.10	74.30	71.00	75.60	87.10	84.90	87.80	91.40			
1963	107.6	119.3	65.00	61.20	77.00	71.00	76.90	90.20	84.90	89.30	94.60			
1964	108.8	127.2	65.00	61.80	82.10	71.00	77.80	96.20	84.90	90.30	100.90			
1965 ³	111.0	133.3	69.60	63.10	86.00	76.00	79.30	100.80	90.90	92.20	105.70	\$99.70	\$99.70	\$99.70
1966	114.7	135.2	69.60	65.20	87.30	76.00	82.00	102.20	90.90	95.20	107.20	99.70	103.10	101.20
1967	118.2	140.3	69.60	67.20	90.50	76.00	84.50	106.10	90.90	98.10	111.30	99.70	106.20	105.00
1968 ^{3,5}	119.5	141.2	78.70	68.00	91.00	85.90	85.40	106.70	102.80	99.20	112.00	112.70	107.40	105.60

¹ Based on BLS data for average spendable weekly wages for production workers (no dependents) in manufacturing industries.

² Calculated by increasing the benefit awarded by the percentage rise in the price or wage index since the date of award.

³ Benefits increased under amendments to the Social Security Act.

⁴ Average monthly benefit amount for workers who qualified under the

insured-status provisions of the 1939 amendments.

⁵ For 1958, November data; for 1968, March data.

⁶ Includes amount before reduction for those whose benefits are subject to actuarial reduction due to early retirement. Excludes disability insurance conversions and transitionally insured workers.

original award completely restored by the increase in the 1967 amendments. The CPI rose nearly 10 percent from January 1965 (the effective date of the benefit increase under the 1965 amendments) to March 1968. The latest benefit increase added 13 percent to the benefits paid most persons under OASDHI (more than 13 percent to those with benefits at or near the minimum amount). The CPI—the measure of price changes used in this review—is not designed to apply specifically to goods and services purchased by older persons but purchases made by those in all age groups. Adjustments made for estimating a price index for older persons' consumer expenditures reveal, however, comparatively minor differences for the purposes of this analysis.²

About 3 out of 10 of the workers now receiving benefits stopped working before 1959. For the oldest of these beneficiaries—1950 retirees, for example—the increases in benefits under the amendments throughout the 1950's and 1960's have more than compensated for rising prices.

² See Saul Waldman, *op. cit.*, June 1967 *Bulletin*, page 11.

But less than 4 percent of present-day retirees began receiving benefits in 1950 or earlier.

In contrast to the 1950 retirees, the 1954 and 1959 retirees have continually experienced a lagging of their benefits behind the cost of living, even after the 1965 benefit increase. Only after the 13-percent increase went into effect in 1968 did the actual benefit for the 1954 retiree catch up, and then barely, to rising prices. It is evident that unless prices stabilize now, the benefits of these retirees will lag again in purchasing power in the near future. For the 1959 and the 1965 retiree this year's increase has produced a benefit somewhat greater than the amount needed to compensate for purchasing power, but the margin is not one that will survive price increases through 1969 at the current rate.

The benefits being received by those who retired most recently, however, are higher than current benefits of older retirees, regardless of periodic benefit increases granted the latter. The average monthly amount for March 1968 was \$112.70 for 1965 retirees, compared with \$78.70 and \$85.90 for those awarded benefits in 1950 and 1954, respectively. The differences in benefit

levels result from the higher earnings upon which benefits of recent pensioners are based, and the higher amounts of wages that can be credited toward benefits under successive amendments to the law.

In addition, for the 1965 retirees shown in table 1, the benefit amounts are higher than they might otherwise be, primarily because they include the benefits of relatively large numbers of individuals awarded benefits but not currently receiving them (conditional and deferred awards). Such awards, which on the average are at a higher level than currently payable awards, are included in the data for all the retirees but have had most effect on the 1965 retiree data because of the significant increase in the number of such awards to persons who filed simply to qualify for hospital benefits.³

Comparison With Wages

The wage index for December of each year, since it has not been adjusted for price changes, shows progressive upward movement through March 1968 (table 1). For the second successive year, however, spendable earnings in 1967 among manufacturing workers with no dependents declined slightly in constant dollars; gross earnings in constant dollars showed a small drop in 1967 from 1966 following an increase from 1965. Real wage levels for workers in all private nonagricultural employment have hardly changed since 1965. Thus, in contrast to the rising wages of most of the years since World War II, which were translated into improved standards of living, wages since 1965 have made little progress in terms of purchasing power.

Despite the virtual standstill in real wage levels in the past few years, the monthly benefit being received in March 1968 by three of the four groups of retirees included in table 1 was considerably below the amount that would have been sufficient to restore the balance with wage levels. Only 1965 retirees are now receiving benefits that exceed the amount needed to maintain parity

³ The higher average monthly benefit produced by including conditional awards is, however, partly compensated for, since current award data omit previously approved conditional awards that later moved into payment status (awardee actually retired).

with wages. But the experience of the 1965 retiree can be traced to the fact that there has been no substantial change in real wage levels since he started receiving OASDHI benefits.

The following figures summarize the disparities between the benefits paid and the amounts that would have been needed to keep up with the increases in wages from the date of the award to December 1965 and to March 1968. Data for beneficiaries who retired in 1950, 1954, 1959, and 1965 are shown as percentage differences between the actual benefit and the amount needed to maintain parity.

[Percent]

Date of award	December 1965	March 1968
1950.....	-19	-14
1954.....	-25	-19
1959.....	-14	-8
1965.....		+7

Although benefits in March 1968 lagged 14 percent behind wages for workers who retired in 1950, this lag was less than the 19-percent gap that prevailed in December 1965. The same lessening of the benefit-wage gap is evident from 1965 to 1968 for 1954 and 1959 retirees. The improvement in benefit levels in relation to wages is of course the result of the combination of the 13-percent increase in benefits in 1968 and the comparatively small rise in the value of workers' wages from 1965 to 1968.

Depreciation of Benefits Between Amendments

In the preceding sections, comparison has been made between benefit, price, and wage levels at specified points in time. Analysis is based on the amount of change noted in these levels from one date to another. It must be borne in mind, however, that though the benefit an individual receives does not change in the years between amendments to the law, both prices and wages can go up—and did throughout the period being reviewed. As a result, the value of the benefit continually declines between statutory increases, regardless of the degree of purchasing power restored at the time benefit rates go up. The significance of this gap is easily seen by examining the actual benefits level and the amount that would have maintained

parity with prices shortly before the 1967 amendments became operative. The actual benefit in December 1967 was \$90.90 for a 1959 retiree, but a \$98.10 benefit was required at that time to keep up with the movement of the CPI.

One rough measurement of the deterioration in value of benefits between statutory increases can be obtained from table 1 by comparing the arithmetic average of actual benefits for a number of years and the benefit levels needed to maintain parity with prices and wages for the corresponding periods. A retiree in December 1959, with an \$84.90 monthly award, averaged \$87.48 a month over the period shown through March 1968. The average benefit amount he needed to keep benefits at a constant value with respect to the upward movement of prices was \$90.15. Thus, on the average, the retirees in 1959 had 3 percent less purchasing power each month throughout the 9 years examined than their original award provided. This was true even though, as measured by the difference between levels in December 1959 and March 1968, benefits had actually risen almost 4 percent more than prices.

The arithmetic mean of the benefit level that would have provided parity with increases in wages in these years was even higher in relation to the average of the benefits actually received. The following figures indicate the excess of increasing prices and wages over benefit amounts for a 1959 retiree.

[Percent]

Relationship	Difference between December 1959 and March 1968 levels	Average of levels, December 1959-March 1968
Prices and benefits.....	-4	+3
Wages and benefits.....	+9	+9

The relationships between benefit levels, prices, and wages examined in table 1 are in terms of retirees who began to receive their benefits shortly after a benefit increase went into effect—December 1965 retirees, for example, who started drawing benefits a few months after enactment of the 1965 amendments. Beneficiaries who did not retire so soon after the effective date of a benefit increase have generally experienced less deterioration in the value of their benefits up to the time the next statutory increase occurred. An extreme

case is that of individuals retiring the month before a benefit increase takes effect—in January 1968, for example. It is therefore evident that in one sense the data in table 1 portray the experience of those who suffered the maximum erosion in purchasing power of their benefits between legislative enactments to restore the value of OASDHI cash payments.

However, those who retire at some intermediate date between benefit increases are also adversely affected by price rises from the time of the latest benefit increase until they come on the rolls. For workers whose wages fully reflect rising prices between statutory benefit increases, the monthly benefit award is adversely affected because, under the weighted benefit formula, higher wages yield proportionately smaller increases in benefits. And since the benefit formula is applied to an average monthly wage based on a worker's earnings after 1950 (with the lowest 5 years' wages eliminated), wage increases are only partially reflected in the average. Moreover, if a worker is earning wages at or above the maximum creditable for benefit purposes, any increase in wages will yield no increment at all to the monthly OASDHI benefit.⁴

Thus, beneficiaries who come on the rolls well after the effective date of a benefit increase have a shorter period to experience a decline in purchasing power of their benefit until the next benefit-rate increase. At the same time their benefit award is likely to reflect a depreciation in value caused by price increases since the last improvement in benefits.

COMPARISON WITH RETIRED COUPLE'S BUDGET

There is general agreement that benefits should be adjusted to prevent loss of purchasing power caused by price inflation. The relationship that should be maintained between benefits and the increasing standard of living of American workers as reflected in high wage levels is less clear cut but is nevertheless a relevant factor in judging

⁴ A study in process by the Social Security Administration will give a more detailed analysis of how the benefit formula has operated in a period of rising wages and prices. The study will emphasize not only the extent to which benefits have been raised for those already on the rolls but also the adjustments made to maintain or improve wage-replacement ratios.

benefit adequacy. Another well-established means for evaluating the level of living of older persons is the budget for an elderly city couple prepared by the Bureau of Labor Statistics. The 1966 retired couple's budget is for an urban family consisting of a husband aged 65 or over and his wife, living independently and in reasonably good health.

This budget presents a measure of what retired couples themselves consider an appropriate level of living. It "reflects the collective judgment of families as to what is necessary and desirable to meet the conventional and social as well as the physical needs of families of the budget type in the present decade."⁵

Retired-couple budgets for a moderate standard of living have been published for the autumns of 1950, 1959, and 1966 for the same 18 cities. The changing costs of these budgets can profitably be compared with the benefits received by OASDHI beneficiaries in these years. In a sense, such a comparison supplies one possible standard for an appropriate relationship between increases in retirees' social security benefits and increases in workers' wages to the extent that wages determine living standards.⁶

The figures shown in the tabulation in the next column indicate that there was a sharp increase between 1950 and 1966 in the BLS budget standard. The corresponding change in benefits payable to a 1950 retiree and his wife is of a considerably lower magnitude. If the 1966 budget is adjusted to recent price levels in order to relate it to the OASDHI benefits payable under the 1967 amendments, the percentage increase (as of March 1968) is roughly estimated at 140 percent above the 1950 budget. The OASDHI monthly amount payable to the 1950 retiree and his wife in March 1968 was \$118.10, a 59-percent increase from 1950.

Changes in costs of the elderly couple's budget

Month and year	Benefit in current-payment status, 1950 retiree and wife		Retired couple's monthly budget ¹	
	Amount	Percentage increase from 1950	Amount	Percentage increase from 1950
December 1950.....	\$74.30		\$149.17	
December 1959.....	97.50	31	255.08	71
December 1966.....	104.40	41	343.83	130

¹ 1950, 1959, and 1966 data adapted from annual data priced in the autumn of each year, for couples living in rented quarters. Data from Bureau of Labor Statistics, *Retired Couple's Budget* . . . p. 12.

reflect both advances in prices to purchase the goods and services in the budget and substantial increases in the quality of living provided. Half the increase from 1950 to 1966 has been attributed by the Bureau of Labor Statistics to higher standards of living. Two of the significant elements that have enhanced the current budget's standards can be noted here: (1) Food: costs for the 1966 budget are those prepared by the Department of Agriculture for a moderate food plan, whereas the 1950 budget had incorporated the "low" food plan (the plan often used for estimating food costs for public assistance programs) and (2) transportation: the proportion of families with automobiles was raised from 22 percent in 1959 to 60 percent in 1966 for a typical city.

EXPERIENCE OF ALL BENEFICIARIES

Table 2 gives the average monthly benefit amount of all beneficiaries in certain categories receiving OASDHI benefits in the periods shown. Instead of portraying changes experienced by groups of individuals who retired at specified dates, table 2 presents a picture of benefits being paid to all beneficiaries in the specified period—all those still on the rolls as well as those to whom benefits were awarded during the year. The second approach provides a means of examining the aggregate relationship between benefits and prices over time for the whole program—that is, it permits one to ask how the benefits being paid to retirees at any one time reflect overall improvement in the program, with increases in prices taken into account. The benefit data are shown as actual amounts being paid and as adjusted figures to indicate their purchasing power in constant (March 1968) dollar terms.

⁵ Bureau of Labor Statistics, *Retired Couple's Budget for a Moderate Living Standard, Autumn 1966* (Bulletin No. 1570-4), June 1966, page vi. For an analysis of the budget, see also Mollie Orshansky, "Living in Retirement: A Moderate Standard for an Elderly City Couple," *Social Security Bulletin*, October 1968.

⁶ The Bureau of Labor Statistics plans to issue a budget for a lower standard of living for a retired couple that will represent a minimum of adequacy and that may also have relevance in examining standards of adequacy for OASDHI benefits.

TABLE 2.—Average monthly benefit amount in current-payment status for selected types of beneficiaries, in actual and constant (1968) dollars,¹ December 1940–68

December	BLS consumer price index (1957–59=100)	Average monthly benefit amount in current-payment status											
		Retired worker ²						Aged widow		Widowed mother with 2 children		Disabled worker with wife and 1 or more children	
		Total		Without reduction for early retirement		With reduction for early retirement		Actual	In constant (1968) dollars	Actual	In constant (1968) dollars	Actual	In constant (1968) dollars
		Actual	In constant (1968) dollars	Actual	In constant (1968) dollars	Actual	In constant (1968) dollars						
1940	49.1	\$22.60	\$55.00					\$20.28	\$49.36	\$47.10	\$114.60		
1941	53.9	22.70	50.33					20.22	44.83	46.60	103.30		
1942	58.8	23.02	46.78					20.15	40.95	46.60	94.50		
1943	60.7	23.42	46.11					20.15	39.67	46.90	92.30		
1944	62.0	23.73	45.74					20.17	38.88	47.30	91.20		
1945	63.4	24.19	45.59					20.19	38.06	47.70	89.90		
1946	74.9	24.55	39.17					20.22	32.26	48.20	76.90		
1947	81.7	24.90	36.42					20.40	29.84	48.80	71.40		
1948	83.9	25.35	36.11					20.60	29.34	49.80	70.90		
1949	82.3	26.00	37.75					20.82	30.23	50.40	73.20		
1950 ³	87.1	43.86	60.18					36.54	50.13	93.90	128.80		
1951	92.2	42.14	54.62					36.04	46.71	93.80	121.60		
1952 ³	93.0	49.25	63.28					40.66	52.25	106.00	136.20		
1953	93.6	51.10	65.24					40.87	52.18	111.00	141.70		
1954 ³	93.2	59.14	75.83					46.27	59.33	130.60	167.30		
1955	93.5	61.90	79.11					48.69	62.23	135.40	173.10		
1956	96.2	63.09	78.37	\$63.43	\$78.79	\$48.17	\$59.84	50.14	62.28	141.00	175.20		
1957	99.1	64.58	77.87	65.61	79.12	49.08	59.18	51.09	61.61	146.30	176.40		
1958 ⁴	101.0	66.35	78.50	67.79	80.21	50.27	59.48	51.90	61.41	151.70	179.50	\$107.80	\$198.50
1959 ³	102.3	72.78	85.02	74.78	87.35	55.16	64.43	56.70	66.23	170.70	199.40	185.60	216.80
1960	103.9	74.04	85.16	76.47	87.95	55.78	64.16	57.68	66.34	188.00	216.20	189.10	217.50
1961	104.5	75.65	86.51	78.81	90.12	59.42	67.95	64.91	74.23	189.30	216.50	191.10	218.50
1962	105.8	76.19	86.06	80.10	90.47	61.88	69.89	65.88	74.41	190.70	215.40	191.50	216.30
1963	107.6	76.88	85.38	81.49	90.50	63.31	70.31	66.84	74.23	192.50	213.80	192.80	214.10
1964	108.8	77.57	85.20	82.92	91.07	64.32	70.65	67.85	74.52	193.40	212.40	193.80	212.90
1965 ³	111.0	83.92	90.35	90.12	97.02	70.56	75.96	73.75	79.40	219.80	236.60	211.20	227.40
1966	114.7	84.35	87.88	91.06	94.87	71.64	74.64	74.10	77.20	221.90	231.20	212.90	221.80
1967	118.2	85.37	86.31	93.46	94.49	72.73	73.53	74.99	75.81	(5)	(5)	(5)	(5)
1968 ^{3,4}	119.5	98.20	98.20	107.09	107.09	84.79	84.79	85.84	85.84	(5)	(5)	(5)	(5)

¹ Calculated by dividing the benefit amount by the consumer price index (March 1968 = 100).

² Excludes persons receiving special age-72 benefits, but includes transitionally insured workers.

³ Benefits increased under amendments to the Social Security Act.

⁴ 1958, November data; 1968, March data.

⁵ Not available.

For retired workers, aged widows, and widows with children, the average monthly benefit being paid in March 1968 was more than four times the corresponding amount in December 1940. The figures showing benefits in constant dollar terms reveal that rising consumer price levels have negated a major part of the value of these higher benefit levels. For retired workers and aged widows, more than half the increase has been eaten away by inflation. The continuing increases for almost every year throughout this period also reflect a number of other important factors: (1) several liberalizations of the benefit formula, including higher minimum and maximum benefit amounts and higher earnings base maximums; (2) among the more recent beneficiaries, higher wages on which benefits are computed (reflecting continuing upward wage levels in the economy); and (3) a gradual decline through death in the number of older retirees with the lower benefit amounts.

The annual wage base on which benefits are computed has gone up from \$3,000 in 1940 to \$7,800 in 1968. During the same period the minimum benefit for a retired worker has been raised from \$10 a month to \$55 and the potential maximum from \$60 to \$218. The growth of wages since 1940 has been dramatic: gross wages in manufacturing had more than quadrupled by the end of 1967. But the effect of this growth in wages on OASDHI benefits has been limited by the ceiling on earnings creditable to an employee's account for computing his benefits.

Benefits would have increased still faster except that some of the Social Security Act amendments have brought into benefit status at comparatively low levels persons not previously eligible for benefits. The newly eligible included persons who attained insured status under the 1961 amendments with 1 quarter of covered earnings out of every 4 calendar quarters since 1950 (the original requirement was 1 out of 2). Another group not

previously insured were certain workers aged 72 or over who were granted special transitional benefits under the 1965 amendments.

Still another significant factor in bringing on the rolls persons with relatively low benefits is the permanent reduction of the benefit amount for those who choose early retirement (before age 65 for men and women workers and the wives and dependent husbands of retired workers and before age 62 for widows without entitled children). The effects of the early retirement provisions can readily be seen from the columns in table 2 showing the benefit amount for retirees with and without reduction for early retirement. More than 3 out of 10 retired workers with benefits in current-payment status at the end of March 1968 are receiving actuarially reduced benefits. Further, it is estimated that more than half those retiring in the past few years have actuarially reduced benefits. Therefore, the effect of these lower amounts on the average benefit in current-payment status will be even more marked in future years as more retirees with reduced benefits continue to be added to the rolls.

For all retired workers—those with and without reduction of benefits—as well as for widows receiving survivor benefits, the average monthly amount increased from December 1967 to March 1968 somewhat more than the 13 percent provided by the latest benefit increase. The increase for individuals at or near the minimum benefit, for whom the law provided an increase up to 25 percent, was chiefly responsible for the greater-than-13 percent increase in these averages. Continually rising consumer price levels, however, began to lessen the value of increased benefits immediately after the new law was enacted. From December 1967 to March 1968 the increase of the average benefit currently payable in constant dollars was already diminished by one or two percentage points, compared with the increase in current dollars.

PROGRAM OBJECTIVES

Although the recent increases in benefits have helped considerably to keep the benefits of retirees from falling behind the purchasing power they provided when originally awarded, it is clear that the program since 1940 has encountered difficulty in achieving the objective of maintaining the value of OASDHI benefits. Because benefits are increased on an ad hoc basis, social security beneficiaries sometimes undergo long periods of depreciating benefits between statutory increases. One suggestion has been to adopt more regular and frequent adjustments in benefit levels such as those provided Federal civil-service retirees since April 1964 through automatic increases geared to changes in the cost of living.

An even more thorny public issue is the relationship that should be maintained between post-retirement benefits and changing standards of living among workers. The program's experience to date shows that most retirees currently drawing benefits have not shared to any extent in the greater economic well-being enjoyed by those in the labor force. One might recommend that as a matter of social equity OASDHI beneficiaries should participate in the continually higher levels of living attained by workers. It can be argued that retirees helped create the foundation for the increases in productivity occurring in their old age by the work they did while they were still in the labor force. And with the modest amounts awarded under OASDHI, particularly at the lower benefit levels, it would appear desirable to have monthly benefits reflect at least in part the upward movement of wages received by the American worker.

As pointed out in 1935 in the President's recommendation to Congress for enactment of a social security program, one of the advantages of the recommended system of contributory old-age annuities was that annuities "can be ample for a comfortable existence bearing some relation to customary wage standards, while gratuitous pensions can provide only a decent subsistence."⁷

Yet, if postretirement benefits are to be adjusted to bear some direct relationship to change

Benefit increase	Percentage increase from December 1967 to March 1968			
	Retired worker			Aged widow
	Total	Without reduction	With reduction	
In constant (March 1968) dollars.....	14	13	15	13
In current dollars.....	15	15	17	14

⁷ Message of the President Recommending Legislation on Economic Security, January 17, 1935, U.S. *Hearings before the Committee on Ways and Means on H.R. 4120*, 74th Congress, 1st Session, 1935.

in wage levels, a number of questions must be answered. What portion of wage increases should be matched by benefit increases, or in other terms, how much should benefits be raised for a given increase in wage levels? Should all beneficiaries be given proportionately equal increases? What is the danger of some retirees enjoying a higher standard of living than they had when they worked? How would such benefit liberalizations affect the financing of the program? Should

changes in benefits to reflect wage increases be made on a periodic basis, on an automatic basis according to specified movements in wage levels, or on an ad hoc basis? How would such changes affect the flexibility of the program in meeting other needs? Choices based on considerations such as these will determine the capability of the OASDHI program to incorporate into its benefit structure some measure of our society's increasing standards of living.

Social Security Abroad

IMPROVEMENTS IN BELGIAN SOCIAL SECURITY*

Belgium has taken a series of legislative actions during 1967 and 1968 to streamline administration, simplify procedures, and improve financing in several areas of the social security system. The actions involve the merger of four pension programs into one, the issuance of a uniform code of provisions for the self-employed, and the liberalization of eligibility requirements for certain disadvantaged groups, including handicapped persons, working widows, and students.

Unification of Pension Programs

On October 24, 1967, the four largest pension programs for wage and salary workers in the private sector were merged by royal decree (No. 50) into a single pension system—a move calculated to unify and rationalize the administration of pensions. The decree (1) merged into one the reserve funds of the blue-collar workers, miners, and seamen; (2) provided for the progressive equalization of the contribution rates paid by the four categories of wage and salary workers (white-collar, blue-collar, miner, and seaman);

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(3) provided for a uniform ceiling on the amount of wages and salaries subject to the contributions tax and credited to the worker for the purpose of computing his pension benefit; (4) created a new administrative body, the National Pensions Office for Wage and Salary Workers; and (5) abolished the future establishment of individual "capitalization" accounts for white-collar workers.

In order to appreciate the significance of the changes in the Belgian pension system, it is necessary to look at the differences that existed among the pension programs and at certain economic and demographic influences that affected them.

Under the old law, old-age and survivors insurance was provided by separate programs covering each of the five categories of the gainfully employed in the private sector—white-collar workers, blue-collar workers, miners, seamen, and the self-employed. Each program possessed a distinct administrative and financial structure.

The greatest differences existed between white-collar workers and the other three wage-earner categories. White collar workers paid a smaller contribution rate, and only those earnings under a given ceiling were subject to the contributions tax. The seamen also had a ceiling on the amount of their earnings subject to the tax, but they paid a higher contribution rate than the white-collar workers. The mine workers contributed on total earnings, as did the blue-collar workers, but at a lower rate. Unlike any of the other groups, the white-collar workers paid (up to January 1, 1968) 3.0 percent of their 4.25 percent contribution into a "capitalization" fund. The purpose of this fund was to establish on behalf of the individual worker an old-age annuity policy with a private