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# Benefits for Individual Retired Workers and Couples Now Approaching Retirement Age

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The first article in this issue of the **Bulletin** provides information on women and couples who were receiving retired-worker benefits in 1976. This article updates that information, focusing on potential full retired-worker benefits earned by men and women who will be reaching retirement age in the early 1980's. It is estimated that an increasing proportion of married women will become insured for benefits in their own right. Among female workers, the highest benefits are projected for those who never married. Divorced women show the next highest benefits, widowed women are next, and then married women. Comparisons between men and women show little difference between the average benefits for those who never married; benefits for divorced women are projected to be about 80 percent of the benefits of divorced men; retired-worker benefits for married women are 58 percent as high as those for married men.

This article also gives estimates of combined benefits for couples in which both husbands and wives will be insured workers. The highest average benefits are for couples in which the wife would be dually entitled; the lowest benefits are for couples in which the wife would receive only a spouse benefit.

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Social Security benefits are based on the retiree's own past earnings and, in some cases, on marital status and the past earnings of the spouse or former spouse. Data from the Social Security operating program do not provide complete information on the marital status of individual retirees or on the combined benefits of married couples. The data do show when a person receives benefits as the wife or widow (or husband or widower) based on a spouse's earnings. When, however, a retiree receives benefits based solely on his or her own earnings, that person's marital status is not routinely tabulated. And when both members of a retired couple receive benefits solely as retired workers, data on the combined benefits for the couple are not routinely available.

A companion article,<sup>1</sup> in this issue, provides detailed

information on the benefits of married, widowed, divorced, and single retired women and on the combined benefits of retired couples receiving benefits in 1976. This study provides similar information, including trends, about the types and relative level of benefits for couples and unmarried persons who will be reaching retirement age in the early 1980's.

The first part of this article focuses on the potential individual retired-worker benefits earned by married, widowed, divorced, and never-married women and men. Trends are noted in the proportion of women insured for retired-worker benefits based on their own earnings. An increasing proportion of married women are becoming insured. Unmarried women—widowed, divorced, or single—remain more likely than wives to be insured, but their insured status rates are not higher than they were about a decade ago.

Comparisons of the relative level of retired-worker benefits among women show that the highest benefits were earned by those who never married. Divorced women averaged the next highest benefits, followed by widowed and then married women. Men's average bene-

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<sup>1</sup> Barbara A. Lingg, "Social Security Benefits of Female Retired Workers and Two-Worker Couples," **Social Security Bulletin**, February 1982, pages 3-24.

fits showed the opposite pattern. Comparisons between men and women show little difference between the average benefits for those who never married; divorced women average about 80 percent of the benefit level of divorced men, while married women average retired-worker benefits 58 percent as high as married men's benefits.

Data were not available to estimate the benefits unmarried women might receive as widows or divorced wives based on a former husband's earnings. The retired-worker benefit amounts show the results produced by the women's own work records but do not include any supplemental benefits some may receive as spouses of workers.

In the second part of this article, data on the combined benefits of married women and their husbands, including the potential spouse benefits the married women might receive, are presented. The spouse benefit for wives can equal up to 50 percent of the husband's full retired-worker benefit and is paid only to the extent that it exceeds the wife's own retired-worker benefit.<sup>2</sup> The couples in this study are grouped in three categories based on the wife's entitlement: (1) The wife receives benefits solely as a retired worker; (2) she receives benefits solely as a spouse on her husband's earnings; and (3) she is dually entitled—that is, she qualifies for a retired-worker benefit, but her spouse benefit is higher so she receives an amount equal to the spouse benefit. Among the three types, the highest average benefits were for couples in which the wife would be dually entitled. In these couples, the husbands tended to have relatively high benefits. The lowest benefits were for couples in which the wife would receive only a spouse benefit. The average benefit for all couples is 6 percent higher than for couples in which the wife would receive only a spouse benefit. The data show an increase over past studies in the proportion of wives who are dually entitled.

### Source of Data

The 1978 Exact Match File was used to estimate potential retired-worker benefits of men and women aged 55–59 in 1978. The Exact Match File links the March 1978 Current Population Survey with Social Security earnings records. Those aged 55–59 who reported they were already receiving Social Security benefits—disability beneficiaries and widow(er)s or spouses who receive benefits because of entitled children in their care—were excluded from this analysis.

Potential benefits were estimated for sample persons based on their past earnings records and their assumed

<sup>2</sup> Husbands may also receive spouse benefits based on the wife's earnings. Very few men receive spouse benefits, however, because their own retired-worker benefits are usually higher than the spouse benefit.

earnings between 1977 and the year in which they would turn age 62. Those aged 55–59 would reach age 62 in 1982–86. They were assumed to continue to earn at their relative annual rate in 1977, up through the year before they reach age 62. Benefit data presented are full amounts, the Primary Insurance Amounts (PIA's). The PIA is the basic amount before any reduction for early retirement or increment for delayed retirement. No attempt was made to predict which persons would opt for early or delayed retirement benefits. Therefore, the benefits estimated here do not reflect actual amounts that might be received. Instead, potential full benefits earned by age 62 are used to show how the past earnings of these preretirement-age women and men would affect their potential benefits. Full benefits are expressed in 1980 dollars and are shown in annual amounts that take into account the cost-of-living increase effective in June 1980.

### Retired-Worker Benefits and Marital Status

In 1978, when the persons in the study were aged 55–59, the large majority were married, as the following tabulation shows:

Marital status	Men	Women
Total percent . . . . .	100	100
Married . . . . .	84	72
Separated . . . . .	3	3
Widowed . . . . .	2	13
Divorced . . . . .	6	7
Never married . . . . .	6	4

As the persons in this sample age, of course, fewer remain married as more, particularly women, survive their spouses. In 1980, for example, of those aged 65–74, 79 percent of the men and 48 percent of the women were married. Of those aged 75 and older, 68 percent of the men—but only 22 percent of the women—were married and living with their spouses.<sup>3</sup> Although the sample members' marital status may change, they are classified here by their marital status at ages 55–59 to show how differences in earnings among marital status groups would affect their potential benefits as retired workers.

### Insured Status for Retired-Worker Benefits

To be insured for retired-worker benefits by age 62, the persons in the sample needed at least one calendar quarter of covered employment for each year elapsed

<sup>3</sup> "Marital Status and Living Arrangements: March 1980," **Current Population Reports** (Series P-20, No. 365), Bureau of the Census, Department of Commerce, October 1981.

between 1950 and the year they would reach age 62. As noted, those who had covered earnings in 1977—the last year for which Social Security earnings were recorded for this study—were assumed to continue earning at the same relative rate up to the year they would reach age 62.

The women's likelihood of having worked long enough by age 62 to qualify for retired-worker benefits varied by marital status (table 1). Married and separated women were least likely to become insured as workers, although 58 percent were insured. Women widowed by ages 55–59 were somewhat more likely to gain insured status—64 percent are projected to qualify for retired-worker benefits. The divorced and never-married women were the most likely to be insured—80 percent of each group are projected to have worked long enough to qualify for benefits as retired workers.

Men in all marital status groups were very likely to be insured. About 95 percent of married, widowed, and separated men were insured, as were 89 percent of divorced men, and 77 percent of the small group of never-married men.

**Trend for married women.** In 1969 the Retirement History Study (RHS) found that about 52 percent of the wives approaching retirement age were insured for retired-worker benefits;<sup>4</sup> this study found 58 percent in 1978. The trend, therefore, is toward an increasing proportion of married women to be insured for retired-worker benefits.

This trend is also evident in the Lingg study of aged women already receiving benefits in 1976. Of married women on the benefit rolls, the younger ones were more

likely to qualify as retired workers: About half the wives aged 65–69, but only a third of those aged 75 and older, were insured.

**Trend for unmarried women.** The insured status of unmarried women appears to have changed very little over the past few years. The Retirement History Study sample included unmarried women aged 58–63 in 1969. By 1974, the following proportions of those women had established entitlement to benefits as retired workers:<sup>5</sup>

Marital status	Percent
Widows . . . . .	67
Divorced women . . . . .	84
Never-married women . . . . .	80

The proportions are little different from those estimated here for unmarried women aged 55–59 in 1978; that is, 64 percent of widows and about 80 percent of divorced and never-married women are projected to qualify for retired-worker benefits. Although the unmarried women remain more likely than wives to be insured, their insured status rate does not appear to be increasing along with that of wives. These trends reflect the fact that the increase in female labor-force participation rates since 1950 has occurred primarily among married women.

Women widowed before retirement age are more likely to be insured than those widowed later. The Lingg study provides information on the proportion of all aged widows who qualified for retired-worker benefits in 1976; about half of all those receiving benefits at age 65 or older qualified as retired workers. They would include women who became widowed after retirement as well as those widowed earlier. In contrast, this study and the Retirement History Study indicate about two-

<sup>4</sup> Alan Fox, "Earnings Replacement Rates for Retired Couples: Findings From the Retirement History Study," *Social Security Bulletin*, January 1979, pages 27–28. Of the 5,352 couples, in 589 cases the wife was receiving disability benefits, survivor benefits, or benefits unclassified. Of the remainder, 52 percent were insured as retired workers and 48 percent were estimated to qualify only as wives.

<sup>5</sup> Unpublished tabulations from the RHS by Gayle Thompson Rogers, Division of Retirement and Survivors Studies, Office of Research and Statistics, Office of Policy, Social Security Administration.

**Table 1.—Persons aged 55–59 in 1978: Potential annual Primary Insurance Amount (PIA), by marital status**

[Annual amounts in 1980 dollars]

Annualized PIA	Total		Married		Widowed		Divorced		Separated		Never married	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number (in thousands) . . . . .	5,468	5,966	4,568	4,299	120	785	329	444	139	177	313	262
Percent insured . . . . .	93	61	94	58	95	64	89	80	96	59	77	80
Total percent insured . . . . .	100	100	100	100	100	100	100	100	100	100	100	100
PIA range:												
\$1,500–\$1,999 . . . . .	4	24	3	26	7	23	7	15	7	31	10	10
\$2,000–\$2,999 . . . . .	9	31	7	32	8	32	16	25	22	29	26	16
\$3,000–\$3,999 . . . . .	11	23	10	23	18	22	24	24	26	24	16	17
\$4,000–\$4,999 . . . . .	18	15	18	12	18	18	16	26	11	5	12	15
\$5,000–\$5,999 . . . . .	40	7	42	6	34	5	29	9	26	11	24	26
\$6,000–\$6,499 . . . . .	19	1	21	1	15	1	10	1	8	0	12	6
Average amount . . . . .	\$4,890	\$3,050	\$5,010	\$2,920	\$4,610	\$3,060	\$4,240	\$3,440	\$4,030	\$2,840	\$4,020	\$4,070

thirds of the women widowed before they reached retirement age are insured.

### Average Retired-Worker Benefits

Among men and women, the amounts of potential full retired-worker benefits varied by their marital status. Among women, the never-married had the highest average benefit, followed by the divorced, widowed, and married women. The married women's average potential retired-worker benefit was about 70 percent as high as that of the never married. Men's benefits showed the opposite pattern: Husbands had the highest average, followed by widowed, divorced, and never-married men. The average for never-married men was about 80 percent as high as that for husbands. Among both men and women, the lowest average benefits were for those separated from their spouses. The insured status and average potential benefits for women by marital status are summarized in the following tabulation:

Marital status	Percent insured as retired workers	Average annual full retired-worker benefits for women	
		Amount	Percent of average for men
Total women	61	\$3,050	62
Married	58	2,920	58
Separated	59	2,840	71
Widowed	64	3,060	66
Divorced	80	3,440	81
Never married	80	4,070	101

Among marital status groups, the difference between men's and women's average benefits varied greatly. Among the never married, there was practically no difference. Divorced women's benefits averaged 81 percent as much as divorced men's. Retired-worker benefits for married women averaged only 58 percent of the average for married men.

The Social Security benefit formula is weighted to provide higher benefits in relation to past earnings for those with low rather than high past earnings. Consequently, the difference in potential full-benefit amounts between groups is not as great as the difference between earnings levels that underlie the benefits.

### Spouse and Survivor Benefits

A person's retired-worker benefit may be supplemented by a spouse or survivor benefit. A spouse can receive up to 50 percent of the worker's benefit. A widow or widower can receive up to 100 percent of the deceased worker's benefit. A divorced person whose marriage lasted 10 years or longer is eligible for the same types of benefits payable to spouses or widow(er)s. In all cases,

the spouse or survivor benefit is paid only to the extent it exceeds the person's own benefit as a worker. Practically all (99 percent) of those who receive benefits as spouses or survivors are women.

For this analysis, spouse benefits could be estimated only for the married women living with their husbands in 1978. Data were not available to estimate spouse and survivor benefits for the widowed, divorced, or separated women. The retired-worker benefit estimates are based on the women's own work records but do not show the total benefits some may receive.

### Couples' Retirement Benefits

The remainder of this article focuses on couples in which the wife was aged 55-59 in 1978 and the husband was present and insured for retired-worker benefits. The estimates in this section reflect the husband's and wife's combined full benefits, including spouse benefits.

### Wife's Benefit Type

As noted, married couples are classified into three groups according to the wife's benefit as: (1) retired worker only, (2) spouse only, and (3) dually entitled. Those who are dually entitled would be insured for a retired-worker benefit that is less than the spouse benefit; therefore, they receive an amount equal to the spouse benefit.

Of the married women, an estimated 43 percent would receive only spouse benefits. The 57 percent qualifying for retired-worker benefits included 33 percent who would receive only the retired-worker benefit and 24 percent who would be dually entitled.

The rate of potential dual entitlement among these wives is considerably higher than that found for older married women already on the benefit rolls, as the following tabulation shows:

Benefit type for married women	Aged 62 and older in 1976 (actual entitlements)	Aged 55-59 in 1978 (potential entitlements)
Total percent	100	100
Retired worker	46	57
Retired worker only	33	33
Dually entitled	13	24
Spouse benefit only	54	43

At least three explanations may account for the projected higher rate of dual entitlement for the younger wives. First, the benefits estimated in this study do not take account of the reduction applied to benefits claimed before age 65. If benefits are claimed at age 62, the retired-worker benefit is reduced by 20 percent, and the spouse benefit is reduced by 25 percent (to 37.5 percent of the husband's full benefit). The greater reduc-

tion in the spouse benefit could cause some wives, who are here projected to become dually entitled, to lose dual entitlement if they claim reduced benefits. The spouse benefit could be reduced to less than the retired-worker benefit.

Second, the level of husbands' benefits relative to those of their wives may be rising. During the past decade, the maximum annual earnings subject to Social Security taxes, and therefore counted toward Social Security benefits, has increased more rapidly than earnings levels, so proportionately more of a higher earner's total wage is taxed and credited for benefit computation purposes. As a result, the maximum retired-worker benefit for those reaching retirement age in the near future is considerably higher than it was a decade ago. In 1970, the maximum benefit for an age-65 retiree was 13 percent higher than that for a worker who had always earned about the average wage. For a person retiring at age 65 in 1983, the maximum benefit would be about 28 percent higher than the benefit for a person who had always earned the average wage. Because married men, as a group, tend to be relatively high earners, the higher relative level of the maximum attainable retired-worker benefit could result in more dual entitlement among working wives.

Third, one might expect that as more wives meet the minimum insured-status requirements, a larger proportion would qualify for low benefits based on their own earnings and thus become dually entitled. This explanation would be supported by data showing that more female retired workers were becoming entitled to the minimum retired-worker benefit.<sup>6</sup> This has not been the case. The proportion of all female workers awarded the minimum benefit dropped from 26 percent to 16 percent between 1971 and 1977.

### Benefit Amounts for Wives

Among married women, the lowest benefits would be received by those who qualified for benefits only as wives—an average of \$2,520 (table 2). The dually entitled wives averaged somewhat more—\$2,820. Married women who would receive only retired-worker benefits had the highest individual benefits, averaging \$3,580.

### Benefit Amounts for Husbands

It is sometimes hypothesized that husbands whose wives earn retired-worker benefits would have lower average lifetime earnings and therefore lower retired-

<sup>6</sup> The minimum retired-worker benefit is paid to those meeting the insured status requirement but whose lifetime earnings are so low that the benefit based on those earnings would be less than the statutory minimum. Benefit projections for this study are based on the law in effect in December 1980. The minimum benefit for new retirees was then frozen at \$122 for those reaching age 62 after 1979.

**Table 2.**—Married women aged 55–59, and their husbands, in 1978: Potential annual full benefit amount by wife's benefit type for wives, husbands, and couples

[Annual amounts in 1980 dollars]

Amount of potential annual full benefit	Wife's type of benefit				
	Total	Retired worker			Spouse benefit only
		Total	Retired worker only	Dually entitled	
Number (in thousands) . . .	1 3,854	1 2,209	1 1,262	947	1,646
<b>Wives</b>					
Total percent . . .	100	100	100	100	100
\$1–\$1,499 . . . . .	5	0	0	0	11
\$1,500–\$1,999 . . . . .	8	6	6	5	11
\$2,000–\$2,999 . . . . .	44	38	23	59	51
\$3,000–\$3,999 . . . . .	33	38	39	36	27
\$4,000–\$4,999 . . . . .	7	12	21	0	0
\$5,000–\$6,999 . . . . .	4	6	11	0	0
Average amount . . .	\$2,940	\$3,250	\$3,580	\$2,820	\$2,520
<b>Husbands</b>					
Total percent . . .	100	100	100	100	100
\$1,500–\$1,999 . . . . .	4	4	8	0	4
\$2,000–\$2,999 . . . . .	6	6	10	0	7
\$3,000–\$3,999 . . . . .	10	9	12	5	11
\$4,000–\$4,999 . . . . .	17	18	21	13	16
\$5,000–\$5,999 . . . . .	37	38	33	46	36
\$6,000–\$6,999 . . . . .	26	25	16	36	27
Average amount . . .	\$5,050	\$5,070	\$4,630	\$5,630	\$5,040
<b>Couples combined</b>					
Total percent . . .	100	100	100	100	100
\$2,000–\$3,999 . . . . .	5	2	3	0	8
\$4,000–\$5,999 . . . . .	12	11	15	5	13
\$6,000–\$7,999 . . . . .	23	22	22	22	25
\$8,000–\$9,999 . . . . .	52	52	38	71	52
\$10,000 and over . . .	8	13	22	2	2
Average amount . . .	\$7,990	\$8,320	\$8,210	\$8,450	\$7,560

<sup>1</sup> Includes only couples in which the husband had a PIA.

worker benefits than husbands whose wives did not work in covered employment long enough to become insured. This hypothesis is based on the fact that a married woman is more likely to be in the labor force when her husband's earnings are low. A wife's likelihood of being in the labor-force, however, is also influenced by her age, the presence and ages of children, her education, and her potential wage rate. These factors may offset the effect of the husband's earnings level.

The hypothesis that husbands of insured wives would have lower benefits than husbands of noninsured wives is not supported by these data. The average, full benefits for the two groups of husbands were about the same—\$5,060 for men whose wives were insured, and \$5,040 for men whose wives would qualify only for spouse benefits.

Of couples in which both partners qualify for retired-worker benefits, husbands of dually entitled wives had

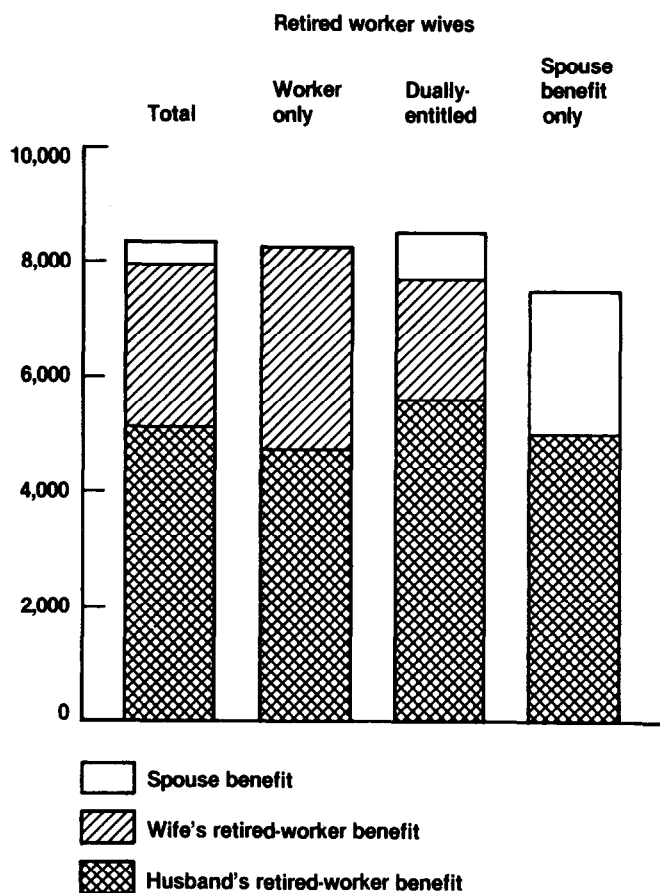
higher average benefits than did husbands whose wives would receive only retired-worker benefits. This situation occurs because, by definition, couples with a dually entitled wife are those in which the husband's retired-worker benefit is relatively high (more than twice the minimum benefit), and the wife's retired-worker benefit is relatively low (less than half the maximum).

### Couples' Combined Benefits

When husbands' and wives' potential full benefits were combined, the average for couples composed of two retired workers was about 10 percent higher than the average for couples in which the wife would receive only a spouse benefit. Of couples made up of two retired workers, the average combined benefit was slightly higher when the wife would be dually entitled than when she would receive only retired-worker benefits. Husbands of dually entitled wives tended to have relatively high benefits. Chart 1 illustrates the relative level and composition of couples' benefits by the wife's benefit type.

When all couples are combined, the projected average

**Chart 1.**—Level and composition of couple's average, combined, potential benefits, by wife's benefit type



couples' benefit is 6 percent higher than that for couples in which the wife would receive a spouse benefit only. Data on the latter type of couples are routinely tabulated from the administrative record system. This study suggests that the average benefit for worker/wife beneficiary couples entering retirement with the wife entitled only to a spouse benefit would understate the average for all couples entering retirement by 6 percent.

The Lingg study<sup>7</sup> of all retired couples on the benefit rolls showed a somewhat greater difference between average benefits for two-worker couples and couples in which the wife received only spouse benefits. The two-worker couples averaged benefits about 18 percent higher than worker/wife beneficiary couples. Including the two-worker couples in the average for all couples would raise the average by 9 percent. One explanation for the smaller difference in this study may be that the couples in this study are more nearly the same age; in all of the couples, the wife was aged 55-59 in 1978. Couples currently on the rolls include a wider age range. The wives were aged 62 and older. Those couples in which the wife received only spouse benefits are disproportionately represented among the oldest couples, and they tend to have lower combined benefits than do younger retired couples.

### Potential Survivor Benefits

As noted, women who are married when they approach retirement age are very likely to become widowed as they grow older. Social Security pays survivor benefits to aged widows and widowers based on the deceased spouse's earnings record. The survivor benefit can be up to 100 percent of the benefit that the deceased worker would receive if still alive. The survivor benefit is paid only to the extent that it exceeds the survivor's own benefit as a worker. If the deceased worker had claimed benefits before age 65, the benefit reduction for early retirement would generally carry over to the survivor's benefit. If the survivor benefit is claimed before age 65, it is also reduced—if claimed at age 62, it would be 82.5 percent of the worker's full benefit. If claimed at age 60, it would be 71.5 percent.

Table 3 illustrates the potential full survivor benefits (before any reduction for early benefit claims) available to whichever spouse outlived the other among the pre-retirement-age couples. In 94 percent of the couples, the husband's full benefit would be larger than the wife's. The husband's benefit, therefore, would usually be the basis for the wife's survivor benefit if she were widowed; it would continue to be the husband's benefit if he outlived his wife.

For most two-worker couples approaching retirement

<sup>7</sup> Barbara A. Lingg, *op. cit.*

**Table 3.**—Potential full survivor benefits for couples in which the wife was aged 55–59 in 1978 and the husband was insured

[Annual amounts in 1980 dollars]

Amount of potential annual full benefit	Total	Wife's PIA higher than husband's	Husband's PIA higher than wife's	Wife not insured
Total number (in thousands)	3,854	239	1,969	1,646
Total percent	100	100	100	100
\$1,500–\$1,999	2	3	1	4
\$2,000–\$2,999	6	16	4	7
\$3,000–\$3,999	10	31	8	10
\$4,000–\$4,999	17	23	18	16
\$5,000–\$5,999	38	24	42	36
\$6,000–\$6,999	26	4	28	27
Average survivor benefit	\$5,110	\$4,090	\$5,300	\$5,040

age now, the potential survivor benefit would be determined by the husband's earnings record. The large ma-

jority of working wives in such couples would become dually entitled if widowed: The 57 percent of wives insured as retired workers include 51 percent who would be dually entitled as widows and 6 percent whose own retired-worker benefit would exceed the potential survivor benefit.

Data on all aged widows on the benefit rolls indicate a much lower rate of dual entitlement. Of all widows receiving benefits at age 65 or older in 1976, the 49 percent insured as workers include 17 percent who were dually entitled and 32 percent who received only a retired-worker benefit because that amount exceeded any potential survivor benefit on the deceased husband's earnings record.

The reasons for this difference between actual and projected dual-entitlement rates for widows is a subject for further study. Information on the deceased husband's earnings and the timing of widowhood might help explain the lower rate of dual entitlement among retired workers who are aged and widowed.