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# Notes and Brief Reports

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## Effects of OASDI Benefit Increase, June 1979\*

Social security checks delivered to beneficiaries in the first week of July 1979 reflected the fifth automatic cost-of-living increase in cash benefits under legislation enacted in 1972 and 1973. The 9.9-percent increase, which became effective for June, applied to all persons receiving social security benefits at the end of May.

Automatic increases are initiated whenever the Consumer Price Index (CPI) of the Bureau of Labor Statistics for the first calendar quarter of a year exceeds the CPI for the base quarter by at least 3 percent. That base is either the first calendar quarter of the preceding year or the quarter in which an increase was legislated by Congress. In this case, the base quarter was the first quarter of 1978. The size of the benefit increase is determined by the actual percentage rise of the CPI during the quarters measured.

### Benefit Amounts

Monthly benefit amounts payable at the end of May 1979 both before and after the 9.9-percent increase are shown in table 1. The new rates resulted in a rise of \$800 million per month for the 34.8 million persons receiving benefits at that time.

As a result of the benefit increase, average monthly benefits payable to retired workers were \$323.43 for men (up \$29.20) and \$254.26 for women (up \$22.98). For disabled workers, average amounts rose to \$349.97 for men and to \$257.13 for women—increases of \$31.75 and \$23.30, respectively. Average increases for entitled dependents of these workers ranged from \$8.63 for children of disabled workers to \$13.31 for wives and husbands of retired workers. Among survivors of deceased workers, average benefit increases were highest for nondisabled widows and widowers (\$24.22) and lowest for disabled widows and widowers (\$16.40), and led to average benefits of \$268.04 and \$181.29, respectively.

Social security benefits are based on a worker's primary insurance amount (PIA). The full PIA is payable to a retired worker who becomes entitled to benefits at age 65 and to an entitled disabled worker at any age. Retired workers can receive benefits as early as age 62, but the benefit is actuarially reduced by 5/9 of 1 percent for each month of entitle-

ment before age 65. The full PIA is also payable to a widow or widower who becomes entitled to these benefits at age 65, provided that the deceased spouse did not receive reduced benefits. Other survivors of deceased workers and spouses and children of retired or disabled workers receive set proportions of the PIA, subject to a family maximum amount.

The PIA is based on an individual's earnings averaged over his or her working lifetime. For a worker who reached age 62, became disabled, or died before 1979 the PIA is generally based on the worker's average monthly earnings (AME), which are the actual taxable earnings reported by employers or self-employed individuals. For a worker who reached age 62, became disabled, or died in 1979 or later the PIA is generally based on the worker's average *indexed* monthly earnings (AIME). Earnings from 1951 up to the second year before the year the worker reaches age 62, becomes disabled, or dies are indexed to reflect increases in average wages that have occurred since the earnings were paid.

The AIME method of computing the PIA resulted from the 1977 amendments to the Social Security Act. To protect workers nearing retirement when the new method was implemented, individuals who reach age 62 in 1979-83 are guaranteed retirement benefits no lower than the amount they would have received under the AME method as of December 1978. This guarantee does not apply to survivor or disability computations except for survivors of workers who attained age 62 during this period and who died in or after the month in which age 62 was attained.<sup>1</sup>

Tables 2 and 3 show examples of monthly benefits effective June 1979 for various family groups at selected AME and AIME levels. Benefits shown for the highest AME's are not usually possible because current AME's are based in part on earnings for earlier years when the maximum amounts creditable for social security purposes were lower.<sup>2</sup>

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<sup>1</sup> For a discussion of changes resulting from the 1977 amendments and information about computation methods, see John Snee and Mary Ross, "Social Security Amendments of 1977; Legislative History and Summary of Provisions," *Social Security Bulletin*, March 1978, pages 3-20, and Department of Health, Education, and Welfare, Social Security Administration, *Social Security Handbook*, July 1978, pages 109-145.

<sup>2</sup> Maximum creditable earnings for social security purposes were \$3,000 in 1937-50, \$3,600 in 1951-54, \$4,200 in 1955-58, \$4,800 in 1959-65, \$6,600 in 1966-67, \$7,800 in 1968-71, \$9,000 in 1972, \$10,800 in 1973, \$13,200 in 1974, \$14,100 in 1975, \$15,300 in 1976, \$16,500 in 1977, and \$17,700 in 1978. The 1977 amendments provide that the maximum creditable amounts will increase to \$22,900 in 1979, \$25,900 in 1980, and \$29,700 in 1981. After 1981, the maximum will be automatically adjusted to keep up with average wage levels.

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**Table 1.—Monthly cash benefits in current-payment status at end of May 1979 and under new rates effective June 1979 and average increase, by type of beneficiary and reduction status**

Type of beneficiary and reduction status	Total number	Total benefit amount (in thousands)		Average benefit			
		Old rate	New rate	Amount		Increase	
				Old rate	New rate	Amount	Percent
All beneficiaries	34,812,463	\$8,057,212	\$8,857,916				9.9
Retired workers and dependents	22,156,082	5,381,104	5,915,370				9.9
Retired workers	18,523,421	4,912,977	5,400,722	\$265.23	\$291.56	\$26.33	9.9
Men	9,990,303	2,939,412	3,231,122	294.23	323.43	29.20	9.9
Benefits actuarially reduced	5,399,288	1,454,887	1,599,406	269.46	296.23	26.77	9.9
Benefits not actuarially reduced <sup>1</sup>	4,591,015	1,484,525	1,631,716	323.35	355.42	32.07	9.9
Women	8,533,118	1,973,565	2,169,600	231.28	254.26	22.98	9.9
Benefits actuarially reduced	5,804,391	1,246,016	1,369,884	214.67	236.01	21.34	9.9
Benefits not actuarially reduced <sup>1</sup>	2,728,727	727,549	799,716	266.63	293.07	26.44	9.9
Wives and husbands	2,956,885	395,783	435,133	133.85	147.16	13.31	9.9
Benefits actuarially reduced	2,086,445	268,375	295,087	128.63	141.43	12.80	9.9
Benefits not actuarially reduced <sup>1</sup>	870,440	127,408	140,046	146.37	160.89	14.52	9.9
Children	675,776	72,344	79,515	107.05	117.66	10.61	9.9
Disabled workers and dependents	4,875,121	1,009,046	1,110,028				10.0
Disabled workers	2,884,013	839,090	922,780	290.95	319.96	29.01	10.0
Men	1,951,840	621,120	683,086	318.22	349.97	31.75	10.0
Women	932,173	217,970	239,694	233.83	257.13	23.30	10.0
Wives and husbands	485,576	42,053	46,339	86.60	95.43	8.83	10.2
Children	1,505,532	127,903	140,909	84.96	93.59	8.63	10.2
Survivors of deceased workers	7,658,433	1,656,872	1,821,321				9.9
Widows and widowers, nondisabled	4,122,858	1,005,252	1,105,088	243.82	268.04	24.22	9.9
Benefits actuarially reduced	2,191,092	514,390	565,513	234.76	258.10	23.34	9.9
Benefits not actuarially reduced <sup>1</sup>	1,931,766	490,862	539,575	254.10	279.32	25.22	9.9
Widows and widowers, disabled	129,636	21,376	23,501	164.89	181.29	16.40	9.9
Widowed mothers and fathers	565,886	107,242	117,878	189.51	208.31	18.80	9.9
Children	2,823,412	519,419	570,915	183.97	202.21	18.24	9.9
Parents	16,641	3,583	3,931	215.33	236.68	21.35	9.9
"Special age-72" beneficiaries	122,827	10,191	11,196				9.9
Primary	121,535	10,137	11,137	83.41	91.64	8.23	9.9
Wives	1,292	54	59	41.90	46.00	4.10	9.9

<sup>1</sup> Includes transitionally insured beneficiaries.

**Table 2.—Examples of monthly cash benefits for selected beneficiary families, by average indexed monthly earnings, effective June 1979**

Beneficiary family	Average indexed monthly earnings of insured worker							
	\$135 <sup>1</sup> or less	\$180	\$300	\$550	\$750	\$1,085	\$1,275	\$1,375
Disabled worker:								
Alone	\$134.10	\$178.10	\$220.30	\$308.20	\$378.50	\$496.40	\$527.70	\$544.20
Worker, spouse and 1 child	201.20	267.10	330.40	529.90	702.40	868.60	923.40	952.30
Retired worker claiming benefits at age 62:								
Worker alone	107.30	142.50	176.30	246.60	302.80	397.20	422.20	435.40
Worker with spouse claiming benefits at:								
Age 65 or over	174.40	231.60	286.50	400.70	492.10	645.40	686.10	707.50
Age 62	157.70	209.40	259.00	362.20	444.80	583.40	620.20	639.50
Widow or widower claiming benefits at:								
Age 65 or over <sup>2</sup>	134.10	178.10	220.30	308.20	378.50	496.40	527.70	544.20
Age 60	95.90	127.40	157.60	220.40	270.70	355.00	377.40	389.20
Disabled widow or widower claiming benefits at age 50	67.10	89.20	110.30	154.20	189.40	248.30	264.00	272.20
1 surviving child	<sup>3</sup> 134.10	<sup>3</sup> 134.10	165.30	231.20	283.90	372.30	395.80	408.20
Widow or widower aged 65 and over and 1 child <sup>2</sup>	201.20	267.10	330.40	529.90	662.40	868.60	923.40	952.30
Widowed mother or father and 1 child	201.20	267.10	330.40	462.40	567.80	744.60	791.60	816.40
Widowed mother or father and 2 children	201.20	267.10	330.40	529.90	702.40	868.60	923.40	952.30
Maximum family benefits	201.20	267.10	330.40	529.90	702.40	868.60	923.40	952.30

<sup>1</sup> Represents minimum PIA of \$122 (effective May 1979) increased by 9.9 percent effective June 1979. Special rules govern the addition of cost-of-living increases to these cases; it is thus possible that some beneficiaries may not be eligible for this increase.

<sup>2</sup> Widow's or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of PIA.

<sup>3</sup> Sole survivor.

**Table 3.—Examples of monthly cash benefits for selected beneficiary families, effective June 1979**

Beneficiary family	Average monthly earnings of insured worker													
	\$76 or less	\$100	\$200	\$300	\$400	\$550	\$650	\$750	\$900	\$1,100	\$1,275	\$1,375	\$1,475	\$1,908
Retired worker claiming benefits at age 65, or disabled worker:														
Worker alone	\$133.90	\$172.30	\$244.50	\$305.70	\$369.30	\$456.50	\$523.70	\$560.60	\$608.20	\$668.50	\$716.00	\$740.90	\$764.30	\$859.90
Worker with spouse claiming benefits at—														
Age 65 or over	200.90	258.50	366.80	458.60	554.00	684.80	785.60	840.90	912.30	1,002.80	1,074.00	1,111.40	1,146.50	1,289.90
Age 62	184.20	237.00	336.30	420.40	507.90	627.80	720.20	770.90	836.30	919.30	984.50	1,018.80	1,051.00	1,182.40
Worker, spouse and 1 child	200.90	258.50	366.80	501.30	673.40	826.10	916.30	981.10	1,064.20	1,169.40	1,252.90	1,296.40	1,337.40	1,504.80
Retired worker claiming benefits at age 62:														
Worker alone	107.20	137.90	195.60	244.60	295.50	365.20	419.00	448.50	486.60	534.80	572.80	592.80	611.50	688.00
Worker with spouse claiming benefits at—														
Age 65 or over	174.20	224.10	317.90	397.50	480.20	593.50	680.90	728.80	790.70	869.10	930.80	963.30	993.70	1,118.00
Age 62	157.50	202.60	287.40	359.30	434.10	536.50	615.50	658.80	714.70	785.60	841.30	870.70	898.20	1,010.50
Widow or widower claiming benefits at—														
Age 65 or over <sup>1</sup>	133.90	172.30	244.50	305.70	369.30	456.50	523.70	560.60	608.20	668.50	716.00	740.90	764.30	859.90
Age 60	95.80	123.20	174.90	218.60	264.10	326.40	374.50	400.90	434.90	478.00	512.00	529.80	546.50	614.90
Disabled widow or widower claiming benefits at age														
50	67.10	86.20	122.40	152.90	184.80	228.30	262.00	280.40	304.20	334.30	358.10	370.60	382.20	430.00
1 surviving child	133.90	133.90	183.40	229.30	277.00	342.40	392.80	420.50	456.20	501.40	537.00	555.70	573.30	645.00
Widow or widower aged 65 and over and 1 child <sup>1</sup>	200.90	258.50	366.80	501.30	646.30	798.90	916.30	981.10	1,064.20	1,169.40	1,252.90	1,296.40	1,337.40	1,504.80
Widowed mother or father and 1 child	200.90	258.50	366.80	458.60	554.00	684.80	785.60	841.00	912.40	1,002.80	1,074.00	1,111.40	1,146.60	1,290.00
Widowed mother or father and 2 children	200.90	258.50	366.80	501.30	673.40	826.10	916.30	981.10	1,064.20	1,169.40	1,252.90	1,296.40	1,337.40	1,504.80
Maximum family benefits	200.90	258.50	366.80	501.30	673.40	826.10	916.30	981.10	1,064.20	1,169.40	1,252.90	1,296.40	1,337.40	1,504.80

<sup>1</sup> Widow's or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of PIA.

<sup>2</sup> Sole survivor.

NOTE: The higher monthly earnings shown in column headings on the right are not, in general, possible now, since earnings in some of the earlier years—when the maxi-

imum amount creditable was lower—must be included in the average. The benefit amounts shown in these columns are thus not generally currently payable. (Effective June 1979, the highest average monthly earnings possible for a worker retiring at age 65 is \$727.)

Table 4 shows that the highest PIA for June 1979 for a worker who retired at age 65 in that year was \$553.30, an amount based on an AME of \$727.

### Actuarially Reduced Benefits

The 1977 amendments introduced a change in the method of computing benefit increases for persons with actuarially reduced benefits. Before 1978, the general rate of increase was applied to the PIA but, because the individual was then closer to age 65 than when reduced benefits were elected, the resulting amount was reduced by a smaller percentage than that for the original actuarial reduction. The increase was not reduced at all if the person had already attained age 65. Thus, the percentage increase in benefits for a person with reduced benefits would be higher than the percentage increase in the CPI. Since the number of persons who elect reduced benefits is substantial, the higher percentage increases for these individuals resulted in a higher overall percentage increase. Overall, benefits rose 6.2 percent in June 1977 and 6.7 percent in June 1976, though the

specified increases in these years were 5.9 percent and 6.4 percent, respectively.

Under the new procedure, the increase calculated for the PIA is reduced by the original reduction factor and, consequently, the percentage increase in the benefit amount is the same as the percentage increase in the CPI. Thus, the overall benefit increase in June 1979 was 9.94 percent, about the same as the rise in the CPI. If the earlier method of calculating the increase were used, the total monthly benefits payable the first month the increase was effective would have been higher than the \$8,858 million paid.

### Benefits Under Special Minimum Provision

The special minimum PIA, initiated in January 1973, was designed to help persons with many years of work in covered employment at low earnings. Unlike the regular PIA, the special minimum PIA is not related to a worker's average earnings but to the number of years in covered employment. The special minimum PIA was established at a range of \$85–\$170 in January 1973 and was raised to

**Table 4.**—Minimum and maximum monthly retired-worker benefits payable to individuals who retired at age 65, 1940-79

Year attained age 65 <sup>1</sup>	Minimum benefit		Maximum benefit			
	Payable at time of retirement	Payable effective June 1979	Payable at time of retirement		Payable effective June 1979	
			Men <sup>2</sup>	Women	Men <sup>2</sup>	Women
1940 ..	\$10.00	\$133.90	\$41.20	.....	\$259.00	.....
1941 ..	10.00	133.90	41.60	.....	259.00	.....
1942 ..	10.00	133.90	42.00	.....	262.20	.....
1943 ..	10.00	133.90	42.40	.....	262.20	.....
1944 ..	10.00	133.90	42.80	.....	265.00	.....
1945 ..	10.00	133.90	43.20	.....	265.00	.....
1946 ..	10.00	133.90	43.60	.....	268.20	.....
1947 ..	10.00	133.90	44.00	.....	270.70	.....
1948 ..	10.00	133.90	44.40	.....	270.70	.....
1949 ..	10.00	133.90	44.80	.....	273.40	.....
1950 ..	10.00	133.90	45.20	.....	276.80	.....
1951 ..	20.00	133.90	68.50	.....	276.80	.....
1952 ..	20.00	133.90	68.50	.....	276.80	.....
1953 ..	25.00	133.90	85.00	.....	305.70	.....
1954 ..	25.00	133.90	85.00	.....	305.70	.....
1955 ..	30.00	133.90	98.50	.....	305.70	.....
1956 ..	30.00	133.90	103.50	.....	322.90	.....
1957 ..	30.00	133.90	108.50	.....	337.60	.....
1958 ..	30.00	133.90	108.50	.....	337.60	.....
1959 ..	33.00	133.90	116.00	.....	337.60	.....
1960 ..	33.00	133.90	119.00	.....	346.10	.....
1961 ..	33.00	133.90	120.00	.....	348.80	.....
1962 ..	40.00	133.90	121.00	\$123.00	351.90	\$357.90
1963 ..	40.00	133.90	122.00	125.00	354.90	363.30
1964 ..	40.00	133.90	123.00	127.00	357.90	369.30
1965 ..	44.00	133.90	131.70	135.90	357.90	369.30
1966 ..	44.00	133.90	132.70	135.90	360.50	369.30
1967 ..	44.00	133.90	135.90	140.00	369.30	380.30
1968 ..	55.00	133.90	156.00	161.60	374.90	388.20
1969 ..	55.00	133.90	160.50	167.30	385.90	402.20
1970 ..	64.00	133.90	189.80	196.40	396.60	410.50
1971 ..	70.40	133.90	213.10	220.40	404.80	418.40
1972 ..	70.40	133.90	216.10	224.70	410.50	426.70
1973 ..	84.50	133.90	266.10	276.40	421.10	437.50
1974 ..	84.50	133.90	274.60	284.90	434.50	450.90
1975 ..	93.80	133.90	316.30	333.70	450.90	475.60
1976 ..	101.40	133.90	364.00	378.80	480.20	499.80
1977 ..	107.90	133.90	412.70	422.40	511.70	523.70
1978 ..	114.30	133.90	459.80	459.80	538.20	538.20
1979 ..	121.80	133.90	503.40	503.40	553.30	553.30

<sup>1</sup> Assumes retirement at beginning of year.

<sup>2</sup> Represents benefit for both men and women until 1962.

<sup>3</sup> Effective for February 1968.

\$90-\$180 in March 1974. It remained at that level until January 1979 when, under a provision of the 1977 amendments, it was raised to a maximum of \$230 a month. The amendments also provided that the special minimum PIA be subject to the same automatic cost-of-living increases as regular benefits. Thus, effective June 1979, the highest special minimum PIA is \$252.80 per month.

The special minimum PIA is used only when it is greater than an individual's regular PIA. Since the special minimum PIA remained constant from March 1974 through December 1978, and the regular PIA was increased several times during that period, the special minimum PIA gradually lost its advantage. Special minimum benefits were con-

**Table 5.**—Beneficiaries with special minimum PIA, at end of specified month, 1973-79

Specified month	Number of beneficiaries	Average		
		Special minimum PIA	Regular PIA	Monthly amount
December 1973 .....	204,392	\$162.61	\$154.78	\$139.61
May 1974 .....	217,475	170.37	165.73	148.10
June 1974 .....	117,120	175.42	167.04	148.43
May 1975 .....	125,175	175.52	167.21	146.16
June 1975 .....	27,803	176.91	170.94	147.21
May 1976 .....	29,444	176.88	170.76	146.85
June 1976 .....	4,296	178.20	173.58	147.02
May 1977 .....	4,090	178.17	173.51	152.53
June 1977 .....	309	178.34	172.70	154.76
May 1978 .....	378	178.36	173.48	155.25
June 1978 .....	19	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
December 1978 .....	12	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
March 1979 .....	76,901	223.17	212.98	193.68
April 1979 .....	81,269	223.18	212.99	193.69
May 1979 .....	85,774	223.17	212.92	193.95
June 1979 .....	85,749	245.47	234.02	213.22

<sup>1</sup> Data not available.

verted to regular benefits and the number of beneficiaries with the special minimum PIA dropped sharply with each benefit increase. By December 1978, only 12 people were receiving benefits based on the special minimum PIA (table 5).

As a result of the increase in the special minimum PIA authorized by the 1977 amendments, nearly 86,000 beneficiaries were receiving benefits based on the special minimum PIA at the end of May 1979. As a result of the 1979 increase in June 1979, the average special minimum PIA for these beneficiaries rose from \$223.17 to \$245.47, and their average regular PIA rose from \$212.92 to \$234.02. Thus, the special minimum PIA remained advantageous for all but 25 of these beneficiaries.

## Social Security Abroad

### Recent Changes in French Family Allowance Policy\*

The term "family allowances" covers a variety of cash benefits paid under social security programs to provide families with regular supplementary income to compensate for the cost of raising a child. In many countries, these benefits are limited to children's allowances—cash payments that vary according to the number of children in a family. In France, however, the system of family allowances

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