

Benefit Suspensions and "Dry Spells" When Old-Age and Survivors Insurance Beneficiaries Go to Work

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WHEN A BENEFICIARY of old-age and survivors insurance earns as much as \$15 in a month in covered employment, his insurance benefit and any supplementary benefits based on his wage record must be suspended for that month. Since the purpose of benefits is to compensate for wage loss, there is no social justification for the benefits when such loss does not exist. Beneficiaries have often failed to understand or to comply with the provisions of the Social Security Act which require them to report when their earnings in a covered job exceed \$14.99 in a month.

When beneficiaries do not report promptly, the deduction for employment cannot be made current with the employment itself. As a result, when later they stop work, they may have a month or more without income from either benefits or wages. Many cases of hardship during such "dry spells" have been brought to the Board's attention through the field offices and by letters from beneficiaries. This situation and study of administration of the work clause have brought up questions concerning the extent and regularity of covered employment among beneficiaries and the extent to which they report such employment promptly.

Wage and claims data regularly compiled by the Bureau of Old-Age and Survivors Insurance do not provide adequate answers to these questions. Special surveys of beneficiaries¹ give some information on the work history and economic status of the beneficiary groups as a whole, but it was necessary to know more about beneficiaries who worked, and especially those whose benefit deductions did not coincide with the time of their employment. To obtain the information necessary for an analysis of the general effect of the work clause and penalty provision, a study was made of the claims records of a sample group of persons receiving primary or

widow's current benefits who were known to have had deductions from their benefits. For this group, facts were compiled on the number and pattern of benefit suspensions and deferments for each member of the beneficiary family since the date of entitlement.

The random sample selected for the study consisted of about 20 percent of all claims listed as in suspended or deferred-payment status as of selected dates during the summer of 1942.² At that time, from 10 to 12 percent of the primary and widow's current benefits in force were in suspended or deferred-payment status. A total of 5,791 claims records of primary beneficiaries and 1,130 claims records of widows receiving current benefits were examined to ascertain any deductions made from the time monthly benefits first became payable—January 1940—through September 1943. It should be remembered that this study relates only to beneficiaries who worked after their entitlement, not to the whole group of persons entitled to benefits, the majority of whom are not affected by the work clause. The study, moreover, yields information only on the employment of beneficiaries in jobs

² The sample was selected from the account number listings of benefits in suspended and deferred-payment status as of the date of establishment of each area office. These dates were as follows: for New York, June 26, 1942; for Philadelphia, June 30, 1942; for Chicago, July 22, 1942; for New Orleans, Aug. 1, 1942; and San Francisco, Aug. 12, 1942.

covered by the old-age and survivors insurance system; earnings for other types of work do not entail suspension of benefits. Furthermore, the conclusions drawn from the data may not hold good for beneficiaries in years when there is less demand for older workers.

Employment After Entitlement

It is often assumed that beneficiaries with the smallest benefits, who probably have no other financial resources, have the most difficulty managing without wages and, consequently, that they are more likely to go back to work after their entitlement than those who have higher benefits and probably more ample income from other sources. For primary beneficiaries the study somewhat substantiates this assumption. Thus, of the primary beneficiaries who went back to work, 73 percent were entitled to monthly benefits of less than \$25, as compared with 66 percent of all primary beneficiaries to whom benefits were awarded in 1941. On the other hand, of the widows who went back to work 58 percent were entitled to widow's current benefits of less than \$20, as compared with 55 percent of all women with 1941 awards of widow's current benefits (table 1).

A second assumption frequently made is that beneficiaries do not go back to work immediately after their entitlement but wait until financial pressure forces them to look for jobs. The findings of the study do not entirely support this premise. For example, nearly one-third of the retired workers who had some later employment and about one-sixth of the widows who took jobs went to work during the first month of their entitle-

Table 1.—Distribution of persons entitled to primary and widow's current benefits awarded in 1941¹ and in sample study, by amount of benefit

Amount of benefit	Primary benefits				Widow's current benefits			
	Awarded in 1941 ¹		Sample study		Awarded in 1941 ¹		Sample study	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	73,728	100.0	5,791	100.0	24,553	100.0	1,130	100.0
Less than \$15.....	15,340	20.8	1,287	22.2	4,340	17.7	188	16.6
15-19.....	8,056	11.7	803	13.9	9,110	37.1	462	40.9
20-24.....	24,247	33.0	2,121	36.6	6,678	27.2	329	29.1
25-29.....	14,599	19.8	1,012	17.5	2,627	10.7	97	8.6
30-34.....	6,005	8.1	369	6.2	1,792	7.3	54	4.8
35-39.....	2,419	3.3	115	2.0
40 or more.....	2,456	3.3	94	1.6

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¹ For a discussion of the findings from the surveys, see the *Bulletin*, July 1943, pp. 3-20, and September 1943, pp. 3-17.

² Old-age and survivors insurance claims data.

Table 2.—Distribution of persons entitled to primary and widow's current benefits, by number of months elapsing between month of entitlement and first month of employment

Number of months elapsing between month of entitlement and first month of employment	Primary benefits		Widow's current benefits	
	Number	Percent	Number	Percent
Total.....	5,701	100.0	1,130	100.0
None.....	1,701	30.4	185	16.4
1-6.....	2,759	47.6	510	45.1
7-12.....	683	11.8	227	20.0
13 and over.....	588	10.2	208	18.5

ment³ (table 2). Only 10 percent of the retired workers and 18 percent of the widows who took covered jobs at some time failed to do so during the first year of their entitlement. Thus it appears that a large majority of the beneficiaries who take covered jobs do so before they have been in beneficiary status a year.

Several factors probably contributed to the difference between the rapidity with which retired workers and widows went to work after entitlement. To receive a widow's current benefit, a woman must have one or more children of the deceased worker in her care. Especially for a period just after her husband's death, she may find it desirable or necessary to stay at home rather than seek a job. Moreover, some of the women may never have worked outside their homes, or they may have had little opportunity to be employed until the war increased the demand for workers. The retired worker, on the other hand, is already familiar with the working world and may even find retirement distasteful, so that he is more likely to undertake employment if he can find a job. It is the primary beneficiary, however, who may give up more in benefit income, since his employment requires the suspension of any benefits payable to his wife and

³ The instructions for the study specified that benefits listed in frozen-payment status as of the date in 1942 when the respective area offices were open should be omitted. However, it is probable that many benefits in suspended-payment status had been "freeze" cases at the time of the entitlement of the beneficiary. Since only primary beneficiaries can freeze their benefit amounts, the fact that about 30 percent of them had employment in the first month of their entitlement is no doubt the result of the inclusion in the sample of cases which were in frozen-payment status at the time of entitlement.

Table 3.—Distribution of persons entitled to primary and widow's current benefits with benefits in force December 31, 1942,¹ and in sample study, by age

Age in 1942 (years)	Primary benefits				Widow's current benefits			
	In force, Dec. 31, 1942		Sample study		In force, Dec. 31, 1942		Sample study	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	313,484	100.0	5,701	100.0	71,674	100.0	1,130	100.0
Under 35.....	.....	.....	.....	.....	20,480	28.6	519	46.0
35-64.....	.....	.....	.....	.....	51,094	71.4	611	54.1
65-69.....	100,406	60.7	4,112	71.0	.....	.....	.....	.....
70-74.....	85,259	27.2	1,362	23.5	.....	.....	.....	.....
75 and over.....	37,819	12.1	317	5.5	.....	.....	.....	.....

¹ Social Security Yearbook, 1942, pp. 134-135.

children as well as his own benefit.

It is interesting to note some of the personal characteristics of the working beneficiaries. The age of the primary beneficiaries who went back to work is a little less, on the average, than that of all primary beneficiaries. As of the end of 1942, only about 30 percent of the working beneficiaries were aged 70 or over, as compared with nearly 40 percent of all primary beneficiaries (table 3). Likewise, only 54 percent of the widows who took covered jobs were aged 35 or over as against 71 percent of the total group of widows entitled to current benefits.

No relationship appears between the race of the primary beneficiary and return to covered employment. In the group studied, nonwhite primary beneficiaries were in about the same proportion as they are among all beneficiaries. For widows, however,

there was some difference. About 2 percent of the widows who worked were nonwhite, as compared with about 7 percent of all widows with benefits in force at the end of 1942. No doubt a partial explanation of this difference is that many of the Negro women who work after the death of their husbands do so in the noncovered domestic services in which their earnings do not require deductions from their benefits.

Regularity of Employment

It is sometimes assumed that retired workers have only irregular employment and work for short periods, and that they move in and out of employment frequently. This assumption may be tested to some extent by analyzing the total number of months for which the benefits of each beneficiary were suspended.

Table 4.—Distribution of persons entitled to primary and widow's current benefits, by number of months entitled and number of months suspended¹

Number of months entitled	Total		Number of months suspended							
			1-12		13-24		25-36		37 and over	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Primary benefits										
Total.....	5,701	100.0	970	16.8	2,633	45.4	1,727	29.8	461	8.0
Under 25.....	1,364	100.0	403	36.1	871	63.0	.....	.....	.....	.....
25-30.....	971	100.0	192	19.8	553	57.1	226	23.1	.....	.....
31-36.....	1,241	100.0	145	11.7	564	45.5	532	42.8	.....	.....
37-42.....	1,135	100.0	76	6.7	353	31.1	520	46.0	177	15.6
43-45.....	1,080	100.0	64	5.9	292	27.1	440	40.7	284	26.3
Widow's current benefits										
Total.....	1,130	100.0	171	15.1	577	51.1	315	27.9	67	5.9
Under 25.....	256	100.0	95	37.1	161	62.0	.....	.....	.....	.....
25-30.....	271	100.0	31	11.3	190	69.4	53	19.3	.....	.....
31-36.....	267	100.0	24	9.0	113	42.3	130	48.7	.....	.....
37-42.....	232	100.0	15	6.5	70	30.1	108	46.6	32	13.8
43-45.....	101	100.0	0	0.0	34	33.6	26	25.7	35	34.7

¹Cumulative number of months suspended for all reasons.

Table 5.—Distribution of persons entitled to primary and widow's current benefits, by number of months in most recent suspension period¹

Number of months in most recent suspension period	Primary benefits		Widow's current benefits	
	Number	Percent	Number	Percent
Total.....	5,701	100.0	1,130	100.0
1-6.....	1,414	24.4	163	14.4
7-12.....	717	12.4	106	9.4
13-18.....	1,160	20.1	250	22.1
19-24.....	1,027	17.7	200	17.7
25-30.....	768	13.2	168	14.9
31-36.....	423	7.4	90	8.0
37 and over.....	276	4.7	54	4.8

¹ A suspension period is 1 or more consecutive months without benefits.

The number of months in which a beneficiary can have had deductions from his benefits is, of course, limited by the number of months during which he has been entitled to benefits. Within the limits of the study, it was possible for a beneficiary to have been entitled for as many as 45 months of benefits, from January 1940 through September 1943. Primary beneficiaries, on the whole, were entitled for more months out of this period than widows. For example, 38 percent of the primary beneficiaries were entitled in at least 37 out of the 45 months, as compared with only some 30 percent of the widows. This difference partly explains the fact that a somewhat larger proportion of primary beneficiaries (38 percent) than of widows (34 percent) had benefit deductions totaling at least 25 months (table 4). It is clear that beneficiaries who did go to work got regular jobs and continued in employment rather steadily. The period studied, however, was one of increasing labor shortage and great economic activity. It is probable that somewhat different results might be obtained at another time.

Further indication of the regularity of work during the period under study is found in the fact that 54 percent of the widows and 43 percent of the primary beneficiaries had 19 months or more in their most recent suspension period (table 5). A suspension period has been defined for the purpose of this study as a period of consecutive months without benefits. The average number of such suspension periods during the entire time was one and a half for the widows and two for the primary beneficiaries who took covered jobs (table 6). The average duration of suspension periods was 14

months for the widows and 11 months for primary beneficiaries. Probably illness and incapacity of some of the aged primary beneficiaries were partly responsible for the difference between the regularity of their employment and that of the widows.

Dry Spells Without Income From Work or Benefits

Unless the beneficiary's report of his employment is received relatively early in the month, it may be impossible to complete the administrative actions necessary to withhold his benefit check for that month. If the check cannot be stopped and the beneficiary fails to return it, his benefit for the following month must be withheld. Also, if a beneficiary fails to report his employment before accepting his check for the second month following the one in which he is employed, the act requires that an additional benefit deduction must be made as a penalty. In both of these situations, deductions are made from benefits for some month after the one in which the wages requiring the deduction were earned.

About one-third of the primary beneficiaries and widows entitled to current benefits studied had at least a month for which their employment and the deduction from their benefit did not coincide (table 7). At one time they had both their benefit and wages, and at another, no income from either of these sources. This latter situation, namely, months for which beneficiaries are without both benefit and wage income, has been a matter of great concern to the Board. Some beneficiaries have reported that they had to seek public or private assistance during such dry spells. Others have found it necessary to remain at work or hunt new work, although by so doing they only postponed the time

Table 6.—Distribution of persons entitled to primary and widow's current benefits, by number of suspension periods¹

Number of suspension periods	Primary benefits		Widow's current benefits	
	Number	Percent	Number	Percent
Total.....	5,701	100.0	1,130	100.0
1.....	2,271	39.8	762	67.4
2.....	1,982	34.8	263	23.3
3.....	904	15.9	73	6.5
Over 3.....	634	11.1	32	2.8

¹ A suspension period is 1 or more consecutive months without benefits.

Table 7.—Distribution of persons entitled to primary and widow's current benefits, by number of months with both benefits and wages

Number of months with benefits and wages	Primary benefits		Widow's current benefits	
	Number	Percent	Number	Percent
Total.....	5,701	100.0	1,130	100.0
None.....	3,703	65.4	763	68.0
1.....	1,081	18.7	245	21.7
2.....	343	5.9	73	6.5
3 and over.....	574	10.0	69	6.2

when they would not receive either their benefit or wages in covered employment. The study indicates that 37 percent of the primary beneficiaries and 15 percent of the widows who took covered jobs had experienced a dry spell of at least a month (tables 8 and 9). Less than 3 percent of the widows had 3 or more months without income from either benefits or wages, but 14 percent of the primary beneficiaries had such extended periods.

Employment is not the only cause of dry spells. Some primary beneficiaries had such spells because the amount of the lump-sum payments they had received at age 65 under the 1935 act had to be deducted from the monthly benefits to which they later became entitled under the amended provisions. Nearly 20 percent of the primary beneficiaries had a benefit deduction for at least a month because of an earlier lump-sum payment. Of the total months of dry spell experienced by all primary beneficiaries, 41 percent resulted from deductions for lump-sum payments (table 9). This problem is decreasing, since few beneficiaries entitled currently have received a payment under the 1935 act. A widow's current benefit is suspended for months in which the widow does not have a child in her care. Unless she works during those months, she has neither wages nor benefits.

How do beneficiaries manage during these dry spells? It is not possible to answer this question from the data in the claims record. In a current field survey of resources of beneficiaries,⁴ some answers were obtained during interviews with a few primary beneficiaries whose benefit suspensions had been studied and who had experienced long dry spells. One 70-year-old beneficiary reported that,

⁴ This study, conducted in the spring of 1944, is similar to those conducted in 1940 and 1941 (see footnote 1).

Table 8.—Percentage distribution of persons entitled to primary and widow's current benefits, by number of months without benefits or wages, and number of months with deductions for specified reason

Number of months	Primary benefits			Widow's current benefits		
	Without benefits or wages	With penalty deductions	With deductions for other reasons †	Without benefits or wages	With penalty deductions	With deductions for other reasons †
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
None.....	63.2	93.7	81.2	84.9	98.1	99.0
1.....	13.7	3.1	0.5	10.0	1.1	.4
2.....	9.0	1.3	0.0	2.3	.4	.1
3.....	5.6	.7	4.4	1.3	.4	.1
4 and over.....	8.5	1.2	1.9	1.5	(*)	.4

† Reasons other than employment or penalty.

* Less than 0.1 percent.

during a 5-month dry spell, he had to move from a private old men's home to a small shed at the rear of his brother's home until he could again pay his rent with his insurance benefit. Another was living with an unmarried son, aged 40, who was able to support him, although at a low standard of living, during his 6 months without either benefit or wage income. A considerably more fortunate beneficiary, aged 72, had a monthly retirement payment of \$167 from his former employer during more than 2 years of benefit suspension. Because the dry spell was so long and he and his wife were living expensively in a large house, however, it was necessary for them to borrow \$800 on life insurance, curtail their standard of living, let taxes on a vacant lot become delinquent, and dismiss their maid. Even for this more fortunate couple, nearly 2 years' suspension of benefits amounting to \$61.20 a month required substantial changes in their customary manner of living. They had incurred considerable penalty for delay in reporting, and the amount of benefits lost was nearly double the amount they had received and kept during the 15 months in which the primary beneficiary had employment.

No generalization can be made from these isolated cases on how beneficiaries do manage when they are without either benefit or wage income. The present study does indicate, however, that the proportion of the total beneficiary group who experience a dry spell is relatively small and that, on the whole, such spells are short.

Much of the blame for dry spells has been placed on the penalty provision. Although penalty deductions are only one of the factors causing dry spells, their relative importance is evidenced by the fact that 14 percent of the total months of the dry spell experi-

enced by primary beneficiaries and 11 percent of those experienced by the widows resulted from such deductions. For beneficiaries who had at least one penalty deduction, however, the proportion of the total months without benefits or wages attributable to penalty deductions was 41 percent for primary beneficiaries and 35 percent for widows (table 9). Beneficiaries who had penalty deductions generally had more months than others had without benefits or wages. Nearly 85 percent of those who had at least 10 months of dry spell had some penalty deductions.

Detailed analysis reveals that penalty deductions were applied against only 6 percent of the primary beneficiaries and 2 percent of the widows who took covered jobs (table 8). The primary beneficiaries, who are aged 65 and over, appear to have had more difficulty than the widows in understanding and remembering their responsibilities for reporting employment under the deduction provisions of the act. Not only did a larger proportion of primary beneficiaries than of widows suffer penalty deductions, but 10 percent of the former, as against only 5 percent of the widows,

had 3 or more months with both benefits and wages (table 7).

Some of the beneficiaries had not had all their required deductions at the conclusion of the period studied. In October 1943, the month following the study period, a large majority of both the primary beneficiaries and the widows included in the study were employed. Their benefits were suspended for that month for their current employment. Some of them had had earlier employment which they had not reported promptly and still owed the repayment of some monthly benefits because they had kept their checks for those months. Overpayments which have not yet been recovered have been called "unadjusted months." A larger proportion of widows (24 percent) than of primary beneficiaries (19 percent) owed repayment for a month or more (table 10).

Summary and Conclusions

In the 1930's, when unemployment was acute, there was considerable sentiment for getting older workers to withdraw from the competition for jobs. The insurance benefits were designed to make it possible for older workers to cease work. The "work clause" was believed necessary to keep benefits from becoming merely a subsidy to low wages which beneficiaries might otherwise be willing to accept in a highly competitive labor market. The collection or noncollection of a benefit, however, is only one factor influencing the employment of a beneficiary. Even those widows with children in their care who are entitled to rather substantial benefits have accepted positions in regular employment. Especially in prosperous periods, it seems improbable that benefits alone would be as attractive as

Table 9.—Cumulative number of months without benefits or wages and number of months with deductions for specified reason for persons entitled to primary and widow's current benefits

Benefits	Cumulative number of months †					
	Without benefits or wages		With penalty deductions		With deduction for reasons other than employment or penalty	
	Number	Percent	Number	Percent	Number	Percent
Total:						
Primary.....	5,810	100.0	826	14.2	2,363	40.7
Widow's current.....	360	100.0	40	11.1	82	22.8
Total with at least 1 penalty deduction:						
Primary.....	2,017	100.0	826	41.0	-----	-----
Widow's current.....	116	100.0	40	34.8	-----	-----

† Estimated.

Table 10.—Distribution of persons entitled to primary and widow's current benefits, by number of months benefits unadjusted

Number of months benefits unadjusted	Primary benefits		Widow's current benefits	
	Number	Per cent	Number	Per cent
Total.....	5,701	100.0	1,130	100.0
None.....	4,707	81.3	864	76.5
1.....	577	10.0	180	15.0
2.....	169	2.9	39	3.4
3 and over.....	338	5.8	47	4.2

wage income for most persons who are able to work and can find jobs.

Perhaps a better reason for the work clause is that it serves to prevent socially unnecessary payments to persons who can live on their wages. The extent of regular employment of beneficiaries, as shown by this study, indicates that elimination of the work clause would result in paying benefits to many persons who have returned to full-time jobs after once retiring. In addition, such elimination would also permit some 650,000 insured workers aged 65 or over who have never filed claims to receive benefits in addition to their wages.

The study also shows that changes in or repeal of the penalty provisions of the act would reduce but not eliminate months for which beneficiaries had neither benefit nor wage income. If there were no penalty deductions, the months of dry spell experienced by beneficiaries who had been subjected to penalties would have been reduced about 30-40 percent.

The study of claims records of beneficiaries whose benefits were suspended or deferred leads to the following conclusions, all of which should be considered in the light of economic conditions in the period covered by the study, when jobs were plentiful and wage levels attractive.

1. *Beneficiaries who take covered jobs return to work very soon after their entitlement.* Of the beneficiaries studied, the widows were a little slower than the primary beneficiaries in undertaking covered employment after entitlement. More than four-fifths of both these groups had had at least 1 month's covered employment, at wages of \$15 or more, during their first year as beneficiaries.

2. *Beneficiaries who return to covered jobs work rather steadily for considerable periods of time.* The widows had fewer suspension periods than primary beneficiaries, on the average, but the average length of the suspension was longer. For both groups, suspension periods averaged from 10 to 14 months in length.

3. *Most working beneficiaries report their employment promptly, as required by the law.* In about two-thirds of all the cases studied, the deduction was made from the benefit for the same month as that in which wages requiring the deduction were earned. A larger proportion of the primary beneficiaries than of the

widows had penalty deductions and months without income from either benefits or wages. Only a small percentage of each group had long dry spells.

4. *If job opportunities for older workers and women decrease, many beneficiaries will experience a dry spell.* As of September 30, 1943, the last date for which information was collected for the study, about 70 percent of the benefits in the sample were suspended for current employment. At that time about one-fifth of the total sample group owed deductions which had not been made during an earlier period of employment. Such persons will have at least 1 month without benefit or wage income when their employment stops. The end of the war may, therefore, sharply increase the number of dry spells.

5. *Although, generally speaking, primary beneficiaries who work are younger than the average and have smaller than average benefits, factors other than age and benefit amount are important in influencing employment of beneficiaries.* Job opportunities are especially important. Persons of advanced age often work, as evidenced by the fact that one-fourth of the employed beneficiaries were aged 70 years or over. Moreover, more than one-fourth of the employed primary beneficiaries had benefits above \$25, or more than the average benefit amount.

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tantly. "I have felt in the past and I still feel that the scheduled rate increase, which has been repeatedly postponed by Congress, should be permitted to go into effect. The long-run financial requirements of the social security system justified adherence to the scheduled increase, and the increase was consistent with wartime fiscal requirements.

"I feel sure that the Congress does not intend to jeopardize in any way the benefit rights which have already been built up in the past and which will continue to grow in the future. However, I am less disturbed, in view of the expressed commitments of both major political parties for comprehensive coverage under old-age and survivors insurance, by the present situation . . .

"At an early date," he added, "I plan to submit to the Congress a comprehensive plan for broadening and improving the social security system. At that time, I hope that a clear understanding of the Government's financial responsibilities for social security will emerge and that a long-term plan for allocating the costs of social security will be developed."