

disability rather than on the condition and in which the individual about whom the data is collected answers for himself.

Although the SSA and NHS methods result in sizable differences in the estimates of severe and partial disability, they do not represent contradictory or diverse approaches to disability. The SSA methodological developments are rather an extension of the same general line of reasoning

about disability. We believe these methods represent an improvement in survey measurement techniques for the estimation of disability prevalence. The analysis of the survey data should provide further clarification of the extent of the limitations included under severe and partial disabilities, the patterns of development, and the nature of the social and economic consequences of disability.

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## Notes and Brief Reports

### Another Dimension to Measuring Early Retirement\*

Concern about the extent of early retirement, as measured by the election of OASDHI retirement benefits before age 65, has led to renewed study of the available data on awards. An earlier look at the award series brought about revisions to correct for certain distortions in the series, particularly an understatement of the extent of early retirement in late 1965 and early 1966.<sup>1</sup>

Continuing review of the data points up the fact that overstatement of the number seeking early retirement is also possible, unless the series takes into account the actual retirement of persons who had earlier received conditional and deferred awards. Such an overstatement may be significant in future years because of the large number of persons who initially came on the rolls to obtain entitlement to hospital benefits under the 1965 amendments to the Social Security Act (Medicare).

No regular statistical series has measured this phenomenon—the movement of conditional and deferred awards into payment status—because before Medicare (1) the number of conditional

and deferred awards was relatively small and the deferments were usually for brief periods and (2) it was believed that the number of these awards that moved to payments status was more or less in balance with the number of new awards coming into conditional and deferred status.

Steps have, therefore, been taken to develop a new statistical series that will measure the shift from nonpayment to payment status on a timely basis. Meanwhile, an approximate series has been created for each year beginning 1956.<sup>2</sup> This series is shown in combination with currently payable regular awards in the revised table Q-6 that appears first on page 63 in this issue.

According to this new measure, 52 percent of the men who retired in 1966 accepted an actuarial reduction to obtain benefits before age 65. The corresponding figure is 70 percent when the number of reduced awards is related to the number of currently payable regular awards. The proportion is 33 percent when reduced awards are considered as a percent of all awards (including the conversions of the disability benefits and awards to the transitionally insured, as well as conditional and deferred awards).

Women are more likely than men to retire before age 65, and consequently the several measures differ less for women than for men, varying in 1966 from 49 percent when reduced awards are taken as a percent of all awards to 72 percent when they are related to currently payable regular awards. The new adjusted estimate is 61 percent.

With the new interim measure introduced here—reduced benefits awards as percent of all awards moving to payment status—the proportion of men electing reduced benefits has remained almost level at about 52–54 percent, while for

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\* Prepared in the Office of Research and Statistics.

<sup>1</sup> "Measuring Early Retirement: New Benefit Award Series," *Social Security Bulletin*, October 1967, pages 26–28.

<sup>2</sup> Calculated for each year as the difference between benefits in current-payment status at the beginning and end of that year, after adjusting the year end figure to include the year's benefit terminations and to exclude the year's regular awards that were currently payable.

women the proportion increased almost every year through 1965.

Many workers whose benefits are reduced for early retirement claim their benefits at the earliest opportunity. In both 1964 and 1965, for example, 36 percent of the men and 54 percent of the women awarded reduced benefits were 62 in the year of award. On the other hand, more than one-fourth of the men and almost 1 in 6 of the women workers whose benefits were reduced were aged 65 or older in the year the benefit was awarded. Some low-paid workers had reached age 65 when they filed a claim and then found they could receive lump-sum retroactive benefits for 1 to 12 months if they accepted an actuarial reduction. Others stopped work just before their 65th birthday and took only a small actuarial reduction. If such cases are not viewed as early retirements, then the proportion of early retirees in 1966 was probably closer to 40 percent than to 50 percent for men and to 50 percent than to 60 percent for the women. These proportions are based on the assumption that the 1966 data on awards by single years of age will be similar when they become available.

The number of conditional and deferred awards moving into payment status cannot yet be estimated on a quarterly basis. Consequently the cur-

rent trend cannot be assessed with assurance until a new quarterly series becomes available.

Obviously, retirement benefits before age 65 meet an urgent need for income maintenance for those who are out of the labor force and for others with very low earnings. The fact that the actuarial reduction ( $\frac{5}{9}$  of 1 percent for each month below age 65) is permanent means that the individual will have to rely on lower benefits for life. As shown in the revised table Q-6, the average monthly benefit awarded in 1966 to men who elected a reduction was barely \$84, compared to \$102 for men awarded a regular benefit (not reduced) payable immediately. The half-million men awarded a conditional or deferred benefit in 1966 would have been entitled to about \$120 if they had been retired. By the time they actually retire, their benefit will probably be higher on the basis of earnings during the interim.

For women the pattern was similar—\$64 for those electing a reduction, compared with \$80 for women awarded a regular benefit currently payable and \$111 for those not ready to retire (with conditional and deferred awards).

The average monthly amount of regular awards that are currently payable and that are conditional or deferred is published for the first time in the revised table Q-6.