

Work Experience of Men Claiming Retirement Benefits, 1966

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Men claiming reduced social security benefits are much more likely than men who defer their claim until age 65 to have low lifetime earnings and sporadic work or unemployment in the years preceding entitlement. Nevertheless, among men aged 62, about 45 percent had highest earnings of \$4,800—the 1959–65 taxable maximum—and 30 percent had such earnings in their last year of covered employment. The proportion with earnings at the taxable maximum was of course larger among men aged 65 claiming full benefits: almost two-thirds had earnings at the taxable maximum in their last year of covered employment and three-fourths in the year of highest earnings. Regardless of their age at entitlement, the proportion with recent employment was high among workers whose earnings were at the taxable maximum. Many of these men presumably had earnings above the prevailing taxable maximum during a considerable portion of their working lifetime. Though such earnings could not be credited in computing social security benefits, they may have helped build up private pensions and augment other resources for the retirement years. Workers with an unfavorable record of covered earnings, on the other hand, not only receive relatively low benefits but are much less likely to have retirement income from other sources.

WHEN THE OPTION of taking reduced benefits at age 62 was extended to men in 1961, it was assumed that the number taking retirement benefits before age 65 would decline from the first full-year level. The drop was expected to occur when the backlog of men in the 62–64 age group who had not been working became entitled to benefits.

Examining the situation 7 years after the early-retirement option was extended to men, one is struck by the large number who continue in a period of high employment to claim reduced benefits before age 65. In 1968, almost half of all retirement benefit awards to men and more than

half of those moving to payment status were actuarially reduced because they were claimed before age 65. By the end of 1968, 30 percent of all men with retirement benefits in current-payment status—including those who retired before the option was available—had accepted a reduction for early retirement. The average benefit of \$95.50 going to men who had taken a reduction was 17 percent below the \$115 average benefit paid to men whose benefit was not reduced for early retirement.¹

The Advisory Council on Social Security appointed in 1963 expressed concern in its 1965 report² that the low benefits paid to men coming on the rolls before age 65 might in time lead many to apply for public assistance and so reverse the downward trend in the proportion of aged social security beneficiaries on the assistance rolls. The Council proposed a change in the benefit-computation period for men and considered several possible measures to improve benefits for those who retire before age 65. The Council concluded, however, that it would be unwise to base recommendations on the then limited experience under the age-62 reduction provision for men and recommended that the Social Security Administration collect as much information as possible about workers coming on the benefit rolls before age 65.

SURVEY RESEARCH

The Office of Research and Statistics has since inaugurated a monthly survey of recent beneficiaries designed primarily to identify the factors that determine the age of retirement, at least to the extent of deciding when to take OASDHI benefits. The Survey of New Beneficiaries will compare early retirees, workers claiming full

¹ For trends in these data, see the *Social Security Bulletin*, June 1969, tables Q-5 and Q-6, pages 54–55.

² Report of the Advisory Council on Social Security, *The Status of the Social Security Program and Recommendations for Its Improvement*, 1965.

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benefits, and insured workers enrolling for Medicare who do not claim cash benefits with respect to characteristics such as current and former occupation, private pension coverage and eligibility, earnings and other income, benefit level, education and health status, marital status, earnings, and retirement income of spouse. Stated reasons for the worker's leaving his last job will be related to socio-economic characteristics and will also be intercorrelated, with recent awardees classified by current employment status, as well as by payment and benefit-reduction status. The possible impact of retroactive benefits on the decision to claim benefits before age 65 will be examined, as will the time interval between entitlement and last employment.

This Survey was designed to yield national data through monthly mail questionnaires addressed to a sample of recent awardees. The first mailings were made in mid-1968. Processing of data collected for July–December 1968 is under way and first findings should be available in the fall of 1969 for use by the recently appointed Advisory Council on Social Security, which must submit its final report by January 1, 1971.

The longitudinal Retirement History Study³ is a major vehicle for answering questions relating both to the timing of and reasons for retirement, as well as postretirement changes in economic resources and in activity and living patterns. The study is based on a national area probability sample of persons aged 58–63 at the time of the first interviews in the spring of 1969. Reinterviews will be conducted at intervals of about 2 years to trace the patterns of change and their determinants during a period of at least 10 years. These data will add to the findings of the Survey of New Beneficiaries the important dimension that comes only from study of change for the same individuals over a period of time.

The Social Security Administration's 1968 Special Survey of the Aged will yield cross-section data for people aged 65 and over similar to data from the 1963 Survey of the Aged. The information that is now being compiled on the

1967 income and resources of couples and non-married persons aged 65 and over will be analyzed separately for beneficiaries whose benefits were actuarially reduced for early retirement and those who waited until age 65 or later to retire. Additional light will thus be thrown on the effect of early retirement on postretirement living.

In addition to its program of intramural research on retirement, the Social Security Administration has tried to encourage related research by university scholars by offering support under the research grant program authorized by section 1110 of the Social Security Act.

A major study of this type just completed at the Survey Research Center of the University of Michigan was designed to provide for data collection from two sources—a representative national sample and a random sample of 60-year-old workers in the automobile industry, which had recently established a sizable early retirement benefit. This issue of the *BULLETIN* carries the brief summary of findings and the statement of conclusions that are presented in the first chapter of the forthcoming book on the study.⁴

An earlier study at the Survey Research Center, also supported by the research grant program, investigated the relationship between private pension coverage and voluntary savings for retirement.⁵ Findings from that study supported the conclusions of previous studies that private pension coverage encourages rather than inhibits individual saving for retirement.

A Cornell University study examined the diversity in retirement practices in American industry by analyzing their pension plans and classifying the extent to which their retirement policies were compulsory or flexible in relation to the "normal" retirement age—then age 65. Factors such as company size and the existence of collective bargaining agreements between management and unions were found to be associated with a higher incidence of pension plans, and the

⁴ Richard Barfield, George Katona, and James Morgan, *Early Retirement: The Decision and the Experience*, Survey Research Center, Institute for Social Research, University of Michigan (in press). See pages 23–26 of this issue.

⁵ George Katona, *Private Pensions and Individual Savings* (Monograph No. 40), Survey Research Center, University of Michigan, 1965. For a brief summary of the findings, see the *Social Security Bulletin*, May 1966, pages 42–45.

³ See Lenore Epstein Bixby and Lola M. Irelan, "The Social Security Administration Program of Retirement Research," *Journal of Gerontology*, Summer 1969, and Lola M. Irelan and Joseph Steinberg, "A Retirement History Study," *Proceedings of the 128th Annual Meeting, American Statistical Association*, 1968.

larger plants were apt to have plans with a greater element of compulsion.⁶

In 1968 another study supported by the grant program described patterns of employment changes reported by rural farmers, factory workers, merchants, and professional men aged 50 and over in a sample of small Iowa communities. The study examined patterns of labor-force withdrawal in terms of changes in type of work activities and in hours and weeks worked, as well as any reported changes in nonwork activities, including household tasks, visiting patterns and community involvement.⁷

A brief report, made under contract by Juanita M. Kreps, described the extent and manner by which the work year has been shortened in the United States and four Western European countries. The findings were published by the Social Security Administration in 1968 as Research Report No. 22, *Lifetime Allocation of Work and Leisure*.

WORK EXPERIENCE RECORDS

Work-life experience is of course a major factor in determining age of retirement. For this, fortunately, the records of the Social Security Administration are more appropriate than interview or mail survey data. The Continuous Work History Sample (CWHHS) maintained since 1937 is a 1-percent sample of all social security numbers.⁸ It is a unique source of information on the

⁶ Fred Slavick, *Compulsory and Flexible Retirement in the American Economy*, Cornell University (New York State School of Industrial and Labor Relations), 1966. For a brief summary of the preliminary project findings see the *Bulletin*, August 1964, pages 22-23.

⁷ Further information about the study may be requested from the authors: Dr. John Doerflinger, Chairman, Department of Sociology, University of South Dakota, and Dr. Ward Bauder, Department of Sociology, Cornell University. (Report not yet available.)

⁸ The sample design is a stratified cluster probability sample of the population of possible account numbers. Because the data are based on a sample, they may differ somewhat from figures obtained by tabulating all workers. For a detailed discussion of the CWHHS sample design, including estimates of sampling variability, see the Social Security Administration, Office of Research and Statistics, *Workers under Social Security, 1960: Employment, Earnings, Insurance Status under Old-Age, Survivors, and Disability Insurance*, 1968. For a general description of the earnings record data, see Joseph Steinberg and Heyman C. Cooper, "Social Security Data, Social Science Research and Confidentiality," *Social Security Bulletin*, October 1967.

degree of attachment to the covered labor force and on the level of earnings up to the taxable maximum.

Differences in the work-life experience of the workers entitled in 1963 at ages 62 and 65, respectively, were presented in a *BULLETIN* article in 1966,⁹ which posed the basic question of social policy raised by the large numbers of men taking reduced benefits instead of waiting to retire on full benefits.

One of the major findings that emerged from the analysis of CWHHS data on 1963 entitlements was the fact that a relatively high proportion of men taking benefits at age 62 had a history of low earnings and had no covered earnings in the years immediately before they became eligible for reduced benefits. Some, however, had a favorable work history and thus might have had resources sufficient to make early retirement attractive.

More refined and more complete CWHHS data on 1966 entitlements confirm these general findings, even though changes in classification and sample coverage prevent exact comparisons with data published on 1963 entitlements—or with unpublished data for 1964.¹⁰ Data for the earlier analysis were tabulated before the sample of 1963 entitlements was complete, but the sample was

⁹ Lenore A. Epstein, "Early Retirement and Work-Life Experience," *Social Security Bulletin*, March 1966. To meet urgent need for information as quickly as possible, the analysis of 1963 entitlements was based on awards made by April 1964 and therefore reflected only a portion of 1963 entitlements. Many awards provide for retroactive benefit payments (for as many as 12 months) and others may be delayed pending proof of eligibility. Substantially complete information on entitlements in a given year is not available or recorded on the CWHHS tape record until at least 15 months after the close of the reference year.

¹⁰ For the 1963 entitlement sample, information on benefit-reduction status was lacking from the CWHHS tape record, and entitlement before age 65 was used to indicate early retirement. The data were not tabulated by payment status at the time of award and cases in conditional or deferred status were included with those payable at award.

For the sample of 1964 entitlements, information was available on both benefit-reduction and payment status, and workers whose benefit was conditional or deferred at the time of award were excluded. Data for 1964 entitlements payable at time of award were tabulated by both age and benefit-reduction status, revealing a substantial number of persons attaining age 65 in the year of entitlement who took reduced benefits. This finding is attributable largely to the fact that age was defined as age attained during the year of entitlement.

closest to completion for persons aged 62 and 65 and these two ages were therefore taken as representative of all workers claiming reduced and full benefits, respectively.

It appears from the data for 1966, however, that the effect of using workers aged 62 and those aged 65 as "proxies" for workers claiming reduced and full benefits was to maximize the differences. As would be expected, there is something of a continuum up to age 65, so that workers taking their benefits at the earliest date possible have a less favorable work history than the whole group with a reduction. On the other hand, men claiming benefits in their 65th year are much more likely to have had regular full-time employment in covered industry than those claiming cash benefits later. Consequently, the work experience of all those entitled in 1966 to full benefits payable at the time of the award differs less from that of all early retirees than might have been anticipated from analysis of 1963 entitlements.¹¹

The data for persons aged 62 and over who became entitled during 1966 are based on awards made sometime between January 1966 and February 1968. The information on their payment status at the time of the initial retirement award subdivides the group into (1) those who began to receive benefits soon after their award (such awards are termed "currently payable") and (2) those whose award was conditional or deferred—that is, those not yet retired. Deferred awards are distinguished from conditional awards in that the former normally specify a date when the worker plans to retire and wishes to begin receiving cash payments. Deferred awards comprised two-fifths of the combined total made to men aged 62–64 at entitlement but only about 12 percent of the combined awards to men aged 65 and over.

Before Medicare legislation was enacted in 1965, few workers received conditional awards since most workers did not file for benefits until they expected to retire. Almost 90 percent of retirement benefit awards in 1959–63 were payable in the month of the award. In 1966, however, when nearly all insured workers aged 65 and over and

¹¹ This finding of less difference remains true even though some persons classified as aged 65 in 1963 were actually entitled to reduced instead of full benefits, because 1963 data were classified by age in the year rather than in the month of entitlement, as they were in 1966.

not previously entitled filed in order to establish eligibility for hospital insurance benefits, almost half the retirement benefit awards to men were conditional or deferred.¹² In 1967 and 1968 the proportion exceeded one-third.

Information on awards is available promptly as a byproduct of program operations, but the date of award is less appropriate as an indicator of retirement than the date of entitlement, when the worker meets the requirements for benefits.¹³ Entitlement data (classified by payment status at award) are therefore used instead of awards data in the attempt to determine why so many men claim reduced benefits.

More than one-third of the men and one-sixth of the women entitled to retirement benefits in 1966 did not claim a cash payment at the time of award (table 1). Of those whose benefits were currently payable, all but about 15 percent of both the men and the women took reduced benefits. Nevertheless, the proportion claiming reduced benefits payable at time of award was one-third higher for women than for men (71 percent, compared with 53 percent). It is not surprising that women more often than men retire early. Their early retirement is of less concern than that of men because the majority of women are secondary earners.

The analysis that follows focuses on the differences among the men retiring early, those claiming at age 65 benefits payable at time of award, and those deferring cash benefits beyond age 65.¹⁴ It touches only occasionally on the rather heterogeneous group of men entitled at age 66 and later, and it omits entirely the corres-

¹² See the *Social Security Bulletin*, June 1969, table Q-6, page 55.

¹³ A worker is entitled to retirement insurance benefits if he has reached age 62, is fully insured, and has filed an application for such benefits. Normally, claims for hospital insurance benefits are processed as claims for retirement insurance benefits. A person may be entitled to benefits for as many as 12 months before filing his claim.

¹⁴ The men entitled to reduced benefits not payable at award—6 percent of all men entitled in 1966—are a puzzling group. Some wanted to insure completion of action on their claim before they reached age 65. Some were not working when they filed a claim for benefits and obtained employment between the time of filing and the date of award. Some who were working may have been entitled to retroactive benefits for an earlier period when they did not work. At age 65 the reduction factor is refigured by omitting any months before age 65 for which benefits were not paid because of work.

TABLE 1.—Distribution of workers aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and age at entitlement and by sex

Payment status at time of award and age at entitlement	Number (in thousands)			Percentage distribution by payment status			Percentage distribution by sex		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total entitled in 1966.....	335.4	566.7	368.7	190.0	100.0	100.0	100.0	60.6	39.4
Currently payable.....	665.3	360.7	304.6	71.1	63.6	82.6	100.0	54.2	45.8
Reduced benefit.....	564.5	302.6	261.9	60.3	53.4	71.0	100.0	53.6	46.4
62.....	366.1	173.2	192.9	39.1	30.6	52.3	100.0	47.3	52.7
63-64.....	198.4	129.4	69.0	21.2	22.8	18.7	100.0	65.2	34.8
Full benefit.....	100.8	58.1	42.7	10.8	10.3	11.6	100.0	57.6	42.4
65.....	62.7	37.5	25.2	6.7	6.6	6.8	100.0	59.8	40.2
66 and over.....	38.1	20.6	17.5	4.1	3.6	4.7	100.0	54.1	45.9
Conditional and deferred.....	270.1	206.0	64.1	28.9	36.4	17.4	100.0	76.3	23.7
62-64.....	53.2	34.1	19.1	5.7	6.0	5.2	100.0	64.1	35.9
65 and over.....	216.9	171.9	45.0	23.2	30.3	12.2	100.0	79.3	20.7

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

pending data for women, which will be analyzed subsequently.

LEVEL OF EMPLOYMENT

The work experience of men claiming cash benefits at the earliest possible date—age 62—is particularly significant since such men comprised nearly three-fifths of the group taking reduced benefits payable at time of award. Moreover, they accounted for almost one-third of all men entitled in 1966 and almost half the group entitled in 1966 to benefits payable at time of award (table 1). The recency and regularity of their

employment and their earnings levels are compared with those of men who waited until age 65 or later to retire.

Recency of covered employment.—Among men entitled in 1966 to currently payable benefits at age 62, 22 percent did not have any covered earnings in the preceding year—1965. More than 10 percent of the men taking reduced benefits at ages 63 and 64 had not been employed in 1965. All but 9 percent of the men claiming full cash benefits at age 65, and all but 4 percent of those aged 65 and over whose award was conditional or deferred had covered earnings in the year before retirement (table 2).

TABLE 2.—Last year in covered employment, 1937-65: Percentage distribution of men aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and age at entitlement

Last year in covered employment	Payable at time of award							Conditional and deferred at time of award		
	Total	Reduced benefit			Full benefit			Total	Aged 62-64	Aged 65 and over
		Total	Aged 62	Aged 63-64	Total	Aged 65	Aged 66 and over			
Number with earnings, 1937-65 (in thousands).....	360.7	302.6	173.2	129.4	58.1	37.5	20.6	206.0	34.1	171.9
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1965.....	82.9	82.6	77.9	89.0	84.2	90.7	72.3	95.6	94.1	95.9
1964.....	4.7	5.1	6.8	2.8	2.6	2.7	2.4	.7	1.5	.6
1963.....	2.3	2.5	3.5	1.2	1.2	.3	2.9	.5	.9	.4
1959-62.....	4.6	5.0	6.5	2.9	2.9	1.9	4.9	.7	1.5	.5
1955-58.....	2.8	2.8	3.4	1.9	2.8	1.1	5.8	.9	.6	.9
1951-54.....	.9	.8	1.0	.5	1.7	.8	3.4	.2	.3	.2
1950 and earlier.....	1.8	1.2	.9	1.6	4.6	2.7	8.3	1.5	1.2	1.5
Number with earnings, 1951-65 (in thousands).....	354.3	298.9	171.6	127.3	55.4	36.5	18.9	203.0	33.7	169.3
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1965.....	84.4	83.7	78.6	90.5	88.3	93.1	78.8	97.0	95.3	97.3
1964.....	4.8	5.2	6.9	2.8	2.7	2.7	2.6	.7	1.5	.6
1963.....	2.4	2.6	3.6	1.3	1.3	.3	3.2	.5	.9	.4
1959-62.....	4.7	5.0	6.5	3.0	3.0	1.8	5.3	.6	1.5	.6
1955-58.....	2.8	2.8	3.4	2.0	2.9	1.1	6.3	.9	.6	.9
1951-54.....	.9	.8	1.0	.5	1.8	.8	3.7	.2	.3	.2

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

TABLE 3.—Number of years employed, 1951-65: Percentage distribution of men aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and by age at entitlement

Years of covered employment	Payable at time of award							Conditional and deferred at time of award		
	Total	Reduced benefit			Full benefit			Total	Aged 62-64	Aged 65 and over
		Total	Aged 62	Aged 63-64	Total	Aged 65	Aged 66 and over			
Number with earnings, 1951-65 (in thousands)	354.3	298.9	171.6	127.3	55.4	36.5	18.9	203.0	33.7	169.3
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15.....	51.7	51.5	46.0	58.8	52.7	69.9	19.6	70.1	55.5	73.1
14.....	8.3	9.0	10.2	7.4	4.7	6.0	2.1	4.9	8.0	4.3
13.....	5.8	6.4	7.5	4.9	2.5	2.5	2.6	3.8	5.6	3.4
9-12.....	19.0	20.2	21.9	17.9	12.5	13.2	11.1	16.2	25.2	14.4
5-8.....	8.7	8.9	10.5	6.8	7.6	4.7	13.2	3.6	4.7	3.4
1-4.....	6.6	4.1	4.0	4.3	20.0	3.8	51.3	1.4	.9	1.5

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

The relatively small group of men who first became entitled at age 66 or over were least likely to have had recent employment. Possibly because of advanced age, more than one-sixth of this group had their latest year of covered employment before 1959; before 1951, the ratio was 1 in 8. Even among those with some earnings since 1950, 10 percent had no covered earnings after 1958.

About 10 percent of the men taking reduced benefits at age 62 had their last year of covered employment in 1963 or 1964 but could not begin to receive benefits until they reached age 62 in 1966. Presumably, many of them were disabled but not eligible for disability benefits under the OASDHI program. The 1966 Survey of Disabled Adults conducted by the Social Security Administration shows that a significant proportion of the population are disabled before they reach age 62, that prevalence of disability tends to increase with advancing age, and that severe disability rises even more sharply with age. Most significant, according to this survey, 80 percent of the men aged 62-64 drawing early retirement benefits reported themselves as having a disability. More than one-third were severely disabled.¹⁵

The following information from the CWHHS on employment attachment and earnings is available only for those with covered earnings since 1950, but the data exclude only a negligible number except among the group entitled at age 66

and over to benefits payable at the time of award.

Employment attachment.—Less than half the men taking reduced benefits at age 62 had worked in covered jobs throughout the entire 15-year period, 1951-65, but 70 percent of the men entitled at age 65 and drawing immediate benefits had 15 years of covered employment (table 3). The proportion was even somewhat higher (73 percent) for men aged 65 and over whose award was conditional or deferred, most of whom were continuing to accumulate additional years with covered earnings. Retired-worker beneficiaries who have earnings for any year after age 65 may have their benefits raised by the annual automatic computation.

Men who were aged 66 and over when they became entitled to benefits payable at award were the least likely to have been employed for the maximum number of years. Indeed, more than one-half had had only 1 to 4 years with some earnings in covered employment. Because social security coverage was originally rather limited, beneficiaries in the older ages may have been employed many years in jobs not then under the social security program. Some of these men may have earned a retirement pension in military or government service.

Information on employment attachment further emphasizes that the experience of men who take benefits at age 62 and those who take benefits at ages 63-64 differs considerably. The fact that such a sizable percentage of the men becoming entitled at age 62 to reduced benefits had a discontinuous covered work history lends support to the hypothesis that many were disabled in some

¹⁵ Lawrence D. Haber, *The Effect of Age and Disability on Access to Public-Income-Maintenance Programs* (Report No. 3, Social Security Survey of the Disabled: 1966), Office of Research and Statistics, July 1968.

way before they reached age 62 and had been out of the labor force before they became eligible for reduced benefits. At ages 63-64, nearly three-fifths of the men had 15 years with some covered earnings, as shown by the following figures.

Benefit status at award and age at entitlement	Years worked in covered employment, 1951-65			
	15	13-14	9-12	1-8
Currently payable:				
62.....	46	18	22	14
63-64.....	59	12	18	11
65.....	70	8	13	9
60 and over.....	20	5	11	64
Conditional and deferred:				
62-64.....	56	14	25	5
65 and over.....	73	8	14	5

Supplemental data also indicate that workers employed up to the time they retire characteristically have had continuity of employment and a greater number of years with covered earnings. For example, among men who worked in 1965—the year before their entitlement—about three-fifths of the 62-year-olds had earnings reported during each of the 15 years, but only 46 percent of all men retiring at age 62 had such a long record of covered employment. Similar differences are also apparent for men aged 63-64 who took reduced benefits: two-thirds of the men employed in 1965, compared with 59 percent of all men in this group, had 15 years of employment. The difference was insignificant, however, for men whose award was conditional or deferred because most of these men had worked during 1965.

Level of Earnings

Employment attachment, however, is only one factor in the complex pattern of work experience that determines when men will retire and the amount of benefits they will draw. Besides recency and continuity of employment, the other major factors include the amount of the worker's covered earnings, the taxable maximum on which social security benefits are paid, and changes in wage levels with the passage of time.

Data on the covered earnings of men entitled to benefits in 1966, like data on their level of

employment, tend to confirm the conclusions drawn from data on 1963 entitlements but the more recent data give an added dimension to the analysis.

As for 1963 entitlees, information is presented on level of earnings both in the latest year with covered work and in the year of highest covered earnings. For the first time, however, the amount of earnings in the last year is tabulated with the calendar year of last covered earnings specified. Highest covered earnings are related, as previously, to the total number of years with covered earnings during the period from 1950 to entitlement. In addition, for the first time, the highest covered earnings are related to the earliest calendar year in which they were attained. This relationship permits comparison of the proportion of workers in different benefit-status groups whose earnings reached a peak long before entitlement, as well as the proportion whose total had probably been above the taxable maximum before a change was made in the maximum.¹⁶

The maximum earnings taxable and creditable before 1966 were as follows:

Year	Amount
1937-50	\$3,000
1951-54	3,600
1955-58	4,200
1959-65	4,800

It may be assumed that many of the retirees whose earnings reached the maximum in a particular year probably had earnings at least as high in some subsequent years.

Earnings in last year employed.—Men taking reduced benefits at age 62 earned on the average about \$2,700, roughly \$800 less than the average for men who became entitled to reduced benefits at ages 63-64, and about \$1,300 less than the mean for men taking full benefits in cash at age 65. For men aged 65 and over whose award was conditional or deferred, the average in their last year with earnings was close to the taxable maximum, as shown by the figures in the tabulation that follows.

¹⁶ For a review of the effect of the taxable limit on earnings, see Michael Resnick, "Maximum Taxable Earnings Under OASDHI, 1938-66," *Social Security Bulletin*, October 1968.

Benefit status at award and age at entitlement	Mean earnings in—	
	Year of highest earnings	Last year employed
Currently payable:		
62.....	\$3,883	\$2,749
63-64.....	4,205	3,514
65.....	4,532	4,057
66 and over.....	2,695	2,242
Conditional and deferred:		
62-64.....	4,417	3,722
65 and over.....	15,045	4,605

¹ This mean exceeds the taxable maximum because of earnings from more than 1 employer or a combination of self-employment and wage-and-salary employment (workers' contributions on the portion of earnings above the maximum are refunded).

Nearly one-half of the men who became entitled at age 62 and more than one-fourth of the men taking cash benefits at ages 63-64 earned less than \$2,400 in their last year of covered employment (table 4). By contrast, the level of earnings was that low for only one-sixth of those claiming

cash benefits at age 65 and for 1 in 25 of those aged 65 and over who were not ready to retire. The distribution is shown in summary form below:

Benefit status at award and age at entitlement	Earnings in last year employed—			
	Less than \$2,400	\$2,400-3,599	\$3,600-4,799	\$4,800
Currently payable:				
62.....	47	14	10	30
63-64.....	20	19	13	43
65.....	17	9	11	64
66 and over.....	61	9	8	23
Conditional and deferred:				
62-64.....	21	21	17	42
65 and over.....	4	7	16	73

About one-tenth of the men entitled at age 62 not only had low earnings in their last year of employment but also had no covered employment since 1962; almost one-third of the men in this

TABLE 4.—Latest earnings and last year employed, 1951-65: Percentage distribution of men aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and by age at entitlement

Latest covered earnings ¹ and last year in covered employment	Payable at time of award						Conditional and deferred at time of award			
	Total	Reduced benefit			Full benefit			Total	Aged 62-64	Aged 65 and over
		Total	Aged 62	Aged 63-64	Total	Aged 65	Aged 66 and over			
Number with earnings, 1951-65 (in thousands).....	354.3	298.9	171.6	127.3	55.4	36.5	18.9	203.0	33.7	169.3
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$2,400.....	36.9	37.9	46.6	26.2	31.8	16.7	60.8	6.8	20.8	4.1
1965.....	25.4	26.0	30.7	19.7	22.0	11.8	41.8	4.7	16.6	2.4
1963-64.....	4.9	5.1	7.1	2.4	3.6	2.5	5.8	.6	1.8	.4
1959-62.....	3.8	4.0	5.3	2.3	2.5	1.1	5.3	.6	1.5	.4
1951-58.....	2.9	2.8	3.6	1.7	3.6	1.4	7.9	.9	.9	.9
\$2,400-2,999.....	7.8	8.5	6.9	10.7	4.2	3.8	4.8	3.6	10.7	2.2
1965.....	6.9	7.5	5.8	9.8	3.6	3.6	3.7	3.4	10.7	1.9
1963-64.....	.4	.4	.5	.4				.1		.2
1959-62.....	.2	.2	.2	.2	.2	.3				
1951-58.....	.3	.3	.4	.2	.4		1.1	(?)		.1
\$3,000-3,599.....	6.9	7.4	7.2	7.6	4.5	4.9	3.7	5.6	9.8	4.7
1965.....	6.5	7.0	6.8	7.2	4.3	4.7	3.7	5.5	9.8	4.6
1963-64.....	.2	.2	.3	.2				(?)		.1
1959-62.....	.1	.1	.2	.1				(?)		.1
1951-58.....	.1	.1	.2	.2	.2	.3		(?)		.1
\$3,600-4,199.....	6.0	6.4	6.1	6.8	4.0	3.8	4.2	8.1	10.1	7.7
1965.....	5.4	5.8	5.4	6.4	3.4	3.3	3.7	7.8	10.1	7.4
1963-64.....	.3	.3	.5	.2	.2	.3	.5	(?)		.1
1959-62.....	.1	.1	.1	.1				.1		.1
1951-58.....	.2	.2	.2	.2	.4	.3	.5	.1		.1
\$4,200-4,799.....	4.8	4.6	3.7	5.9	5.8	6.8	3.7	7.8	6.5	8.0
1965.....	4.3	4.1	3.0	5.7	5.4	6.6	3.2	7.8	6.5	8.0
1963-64.....	.3	.3	.4	.1	.2	.3				
1959-62.....	(?)	(?)		.1						
1951-58.....	.2	.2	.3	.1	.2		.5			
\$4,800.....	37.5	35.2	29.5	42.9	49.8	63.8	22.8	68.1	42.1	73.3
1965.....	35.8	33.2	28.9	41.7	49.5	63.3	22.8	67.8	41.5	73.0
1963-64.....	1.2	1.4	1.7	.9				.3	.6	.3
1959-62.....	.5	.6	.8	.2	.4	.5				
1951-58.....	(?)	(?)		.1						

¹ Annual taxable limit on covered earnings was \$3,600 in 1951-54, \$4,200 in 1955-58, and \$4,800 in 1959-65. A worker's reported earnings for a year may exceed the prevailing taxable maximum because of earnings from more than 1 employer or a combination of wage-and-salary employment and self-employment.

² Less than 0.05 percent.

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

TABLE 5.—Highest earnings and year first attained, 1951–65: Percentage distribution of men aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and by age at entitlement

Highest covered earnings ¹ and first year attained	Payable at time of award							Conditional and deferred at time of award		
	Total	Reduced benefit			Full benefit			Total	Aged 62-64	Aged 65 and over
		Total	Aged 62	Aged 63-64	Total	Aged 65	Aged 66 and over			
Number with earnings, 1951-65 (in thousands)	354.3	298.9	171.6	127.3	55.4	36.5	18.9	203.0	33.7	169.3
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$2,400.....	17.9	16.8	19.9	12.7	23.6	8.8	52.4	2.5	7.7	1.5
1965.....	4.2	3.2	3.7	2.7	9.6	2.5	23.3	.7	2.4	.4
1963-64.....	3.1	2.9	3.0	2.7	4.3	1.9	9.0	.5	1.5	.4
1959-62.....	3.1	3.0	3.7	2.0	3.6	1.4	7.9	.5	1.5	.4
1951-58.....	7.5	7.7	9.5	5.3	6.1	3.0	12.2	.8	2.4	.5
\$2,400-2,999.....	7.4	7.9	8.3	7.4	4.7	3.8	6.3	2.1	7.7	.9
1965.....	1.5	1.6	1.3	2.1	.7	.3	1.6	.9	2.7	.5
1963-64.....	1.3	1.5	1.5	1.5	.4	.3	.5	.2	.9	.1
1959-62.....	1.6	1.7	1.7	1.6	1.1	1.1	1.1	.3	1.5	.1
1951-58.....	3.0	3.1	3.8	2.1	2.5	2.2	3.2	.7	2.7	.3
\$3,000-3,599.....	7.3	7.9	7.8	8.2	3.8	3.6	4.2	3.9	9.2	2.9
1965.....	1.7	1.8	1.3	2.4	1.3	1.1	1.6	1.2	2.1	1.1
1963-64.....	1.2	1.2	.9	1.6	1.3	1.1	1.6	.8	1.5	.7
1959-62.....	1.3	1.5	1.5	1.6	.2		.5	.5	1.8	.2
1951-58.....	3.0	3.4	4.0	2.5	1.1	1.4	.5	1.4	3.9	.9
\$3,600-4,199.....	8.8	9.4	10.5	8.1	5.2	5.5	4.8	6.9	9.8	6.3
1965.....	1.8	1.8	1.6	2.1	1.6	1.4	2.1	3.0	3.9	2.8
1963-64.....	1.3	1.5	1.3	1.6	.5	.5	.5	.7	1.2	.6
1959-62.....	1.5	1.7	2.0	1.3	.4	.5		1.2	1.5	1.2
1951-58.....	4.2	4.5	5.6	3.0	2.7	3.0	2.1	1.9	3.3	2.2
\$4,200-4,799.....	8.4	8.7	8.4	9.1	6.7	6.8	6.3	8.6	11.3	8.0
1965.....	1.4	1.3	1.0	1.8	1.4	1.1	2.1	3.4	3.3	3.5
1963-64.....	1.6	1.6	1.6	1.6	1.4	1.9	.5	1.8	1.2	1.9
1959-62.....	2.1	2.0	1.6	2.6	2.5	2.7	2.1	1.3	2.4	1.1
1951-58.....	3.4	3.7	4.3	3.1	1.3	1.1	1.6	2.0	4.5	1.5
\$4,800.....	50.2	49.1	45.2	54.5	56.0	71.5	25.9	76.0	54.3	80.3
1965.....	3.5	3.0	3.0	3.1	6.1	5.8	6.9	5.9	4.2	6.3
1963-64.....	6.0	6.1	4.8	7.7	6.0	7.4	3.2	9.6	7.1	10.1
1959-62.....	36.0	35.4	32.6	39.1	39.7	53.4	13.2	54.2	37.4	57.6
1951-58.....	4.6	4.7	4.7	4.6	4.2	4.9	2.6	6.3	5.6	6.4

¹ Annual taxable limit on covered earnings was \$3,600 in 1951-54, \$4,200 in 1955-58, and \$4,800 in 1959-65. A worker's reported earnings for a year may exceed the prevailing taxable maximum because of earnings from more than

1 employer or a combination of wage-and-salary employment and self-employment.

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

group earned the maximum, however. Men who claimed cash benefits at age 65 and those aged 65 and over whose awards were conditional or deferred were more than twice as likely as those entitled at age 62 to have earned the maximum in their last year employed. For both groups of high earners, more than 9 out of 10 of the men worked in 1965.

Highest earnings.—Highest earnings during the period 1951-65 provide another and perhaps better measure of the earnings relationship among men in various age and benefit groups than earnings in the last year worked.

A very high proportion of the men who became entitled in 1966 and who first attained their highest earnings during the period 1959-62 had earnings of \$4,800 or more (table 5). The percentage at the taxable maximum was greater than at any other earnings interval for men in

each age and benefit group, even the youngest, except for men awarded currently payable benefits at age 66 and over. More than half of the latter group never earned as much as \$2,400.

Men taking reduced benefits at age 62 who never earned at the taxable maximum of \$4,800 (55 percent) were more likely to have had their highest earnings between 1951 and 1958 when the maximums were lower, as were earnings levels in general. In fact, nearly one-third of all men entitled at age 62 had peak covered earnings before 1959—a proportion twice as large as among the men who were aged 65 when they reached entitlement.

In every earnings interval except the top, roughly half the men entitled at age 62 had first received their highest earnings in 1958 or earlier. Thus, these workers, for reasons that can only be inferred, characteristically had low earnings that did not move up with general rising

wage levels.¹⁷ Although a few individuals may have moved out of covered employment into State or Federal government jobs not covered by OASDHI, it seems unlikely that the percentage who moved to noncovered employment was very great. They were presumably unemployed or out of work either because of illness or disability or economic factors.

Men aged 63-64 at entitlement were less likely than those entitled at age 62 to have attained their highest earnings in 1958 or earlier. They were also more likely to have reached the taxable limit on covered earnings.

The relationship between highest and latest earnings.—Comparison of mean earnings in the last year of covered employment with the mean in the year of highest earnings shows, as expected, that earnings in the last year were consistently lower. The decline was much greater for men taking benefits at age 62 than for others. Part of the drop from highest to last earnings reflects the fact that some men who had had full-year jobs worked only part year as they approached entitlement status. This finding appears to be true particularly of men aged 62 at entitlement, as the following figures show.

Benefit status at award and age at entitlement	Percent with 4 quarters of covered earnings in—	
	Year of highest earnings	Last year employed
Currently payable:		
62.....	94	72
63-64.....	98	89
65.....	98	92
66 and over.....	82	77
Conditional and deferred:		
62-64.....	99	93
65 and over.....	99	97

All but 6 percent of the men taking reduced benefits at age 62 and all but 2 percent of the other groups (except those entitled at age 66 or

later) had 4 quarters of covered earnings in their year of highest earnings. The proportion with less than 4 quarters of employment in their last year with covered earnings rose to 28 percent for the youngest of the entitled—more than twice as large a proportion as among men who took reduced benefits at ages 63-64 and more than three times the proportion among men entitled at age 65 to currently payable benefits.

The fact that workers with earnings at or above the taxable maximum are deemed to have 4 quarters of employment explains in part why so large a proportion of the men are reported as having 4 quarters of coverage in their last year with covered earnings as well as in the year of peak earnings.¹⁸ The drop from the highest to the last year in the percentage with 4 quarters is probably minimized as a result, even for the early retirees.

Employment attachment and highest earnings.—High earnings are closely correlated with long years of covered employment. Men whose highest earnings were at or above the taxable maximum of \$4,800 were likely to have had earnings during each year of the 15-year period 1951-65 (table 6). This generalization holds for men taking reduced benefits at age 62 as well as others, although the proportion for this group is below that for men entitled at ages 63-64 and 65 whose benefit was payable at the time of award.

Nearly 60 percent of the men aged 65 taking full benefits and 62 percent of those aged 65 and over claiming conditional and deferred awards had 15 years of covered employment and highest earnings at the taxable maximum. This proportion was almost twice as high as that for men taking reduced benefits at age 62.

SUMMARY OF FINDINGS

Major differences are evident in the extent of covered employment and the level of covered earnings for men taking reduced benefits, particularly those claiming benefits at age 62, and

¹⁸ In 1961, 25 percent of the 4-quarter workers among male nonfarm wage and salary workers of all ages were counted in the 4-quarter worker group on the basis of earnings at or above the maximum. For information on the method of deriving quarters of employment, see *Workers Under Social Security, 1960*, op. cit., pages 8-9.

TABLE 6.—Highest earnings and number of years employed, 1951–65: Percentage distribution of men aged 62 and over entitled to retirement benefits in 1966, by payment status at time of award and by age at entitlement

Highest covered earnings ¹ and years of covered employment	Payable at time of award							Conditional and deferred at time of award		
	Total	Reduced benefit			Full benefit			Total	Aged 62-64	Aged 65 and over
		Total	Aged 62	Aged 63-64	Total	Aged 65	Aged 66 and over			
Number with earnings, 1951-65 (in thousands).....	354.3	298.9	171.6	127.3	55.4	36.5	18.9	203.0	33.7	169.3
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$2,400.....	17.9	18.8	19.9	12.7	23.6	8.8	52.4	2.5	7.7	1.5
15.....	1.9	2.1	2.3	1.7	1.3	.5	2.6	.3	1.2	.1
13-14.....	2.3	2.5	3.0	1.9	.9	.8	1.1	.3	1.8	.1
9-12.....	5.3	5.8	7.0	4.1	2.7	2.7	2.6	.8	2.7	.5
1-8.....	8.4	6.5	7.5	5.0	18.8	4.7	46.0	1.0	2.1	.8
\$2,400-2,999.....	7.4	7.9	8.3	7.4	4.7	3.8	6.3	2.1	7.7	.9
15.....	2.2	2.5	2.6	2.4	.5	.8	.9	.9	3.6	.1
13-14.....	1.1	1.2	1.3	1.2	.5	.8	1.6	.2	.9	.4
9-12.....	2.4	2.6	2.7	2.4	1.6	1.9	1.1	.5	3.0	.2
1-8.....	1.7	1.6	1.7	1.4	2.0	1.1	3.7	.3	.3	.4
\$3,000-3,599.....	7.3	7.9	7.8	8.2	3.8	3.6	4.2	3.9	9.2	2.9
15.....	2.8	3.0	2.6	3.6	1.6	1.9	1.1	2.1	8.0	1.5
13-14.....	1.7	1.8	2.2	1.3	.9	1.4	.5	.5	1.5	.3
9-12.....	1.7	1.9	2.0	1.8	.7	.8	2.1	.9	2.4	.6
1-8.....	1.1	1.2	1.0	1.4	.5	.3	1.1	.5	.3	.5
\$3,600-4,199.....	8.8	9.5	10.5	8.1	5.2	5.5	4.8	6.9	9.8	6.3
15.....	3.8	4.0	4.0	4.2	2.7	3.3	1.6	3.9	3.6	4.0
13-14.....	1.6	1.8	2.3	1.2	.5	.5	.5	.7	.9	.6
9-12.....	1.6	1.7	2.0	1.3	.9	1.1	.5	1.5	4.5	.9
1-8.....	1.7	1.8	2.2	1.4	1.1	.5	2.1	.8	.9	.8
\$4,200-4,799.....	8.4	8.7	8.4	9.1	6.7	6.8	6.3	8.6	11.3	8.0
15.....	3.9	4.0	3.1	5.3	3.1	4.4	.5	5.4	6.2	5.2
13-14.....	1.4	1.5	1.8	1.1	.5	.8	.9	.9	2.4	.6
9-12.....	2.2	2.3	2.4	2.0	1.6	1.4	2.1	1.7	2.1	1.7
1-8.....	1.0	.9	1.1	.7	1.4	.3	3.7	.5	.6	.5
\$4,800.....	50.2	49.1	45.2	54.5	56.0	71.5	25.9	76.0	54.3	80.3
15.....	37.0	35.8	31.5	41.6	43.5	68.9	13.8	57.6	35.9	62.0
13-14.....	6.0	6.4	7.1	5.6	3.8	4.9	1.6	6.0	6.2	6.0
9-12.....	5.7	5.9	5.7	6.2	4.9	6.0	2.6	10.5	10.7	10.5
1-8.....	1.4	1.0	.9	1.1	3.8	1.6	7.9	1.8	1.5	1.9

¹ Annual taxable limit on covered earnings was \$3,600 in 1951-54, \$4,200 in 1955-58, and \$4,800 in 1959-65. A worker's reported earnings for a year may exceed the prevailing taxable maximum because of earnings from more than 1 employer or a combination of wage-and-salary employment and self-

employment.

Source: 1-percent Continuous Work History Sample. Benefits awarded January 1966 through February 1968.

for men who waited for full benefits, according to CWSHS data on 1966 entitlements.

Men entitled before age 65 had less favorable earnings and employment records.—The proportion of men earning less than \$2,400 in their last year with earnings was almost three times as high among retirees at age 62 as among men taking cash benefits at age 65.

Among men becoming entitled at age 62 who never earned \$2,400 in any of the years 1951-65, nearly one-half had first attained their highest earnings before 1959. However, two-thirds of the men in this group with earnings less than \$2,400 in their last year of employment worked in 1965. Nearly one-third of all men entitled at age 62 were working in 1965 but earning less than \$2,400. Almost as many had covered earnings of \$4,800 in 1965, however.

The percentage of 62-year-old men not working

in the year before entitlement was more than twice as large as among men aged 65. The proportion with some covered earnings in each of the 15 years preceding entitlement was barely two-thirds that for men claiming full benefits, payable at award, at age 65.

Men taking reduced benefits at aged 63-64 had higher earnings than those taking benefits at age 62. Ninety percent of them had been employed in the year before retirement and only a fourth earned less than \$2,400 in their last year. More than half these men earned the taxable maximum of \$4,800 in at least 1 year; more than two-fifths had earnings at the maximum in 1 or more years and employment in all 15 years.

Men aged 62-64 whose benefits were not currently payable had higher earnings than those taking currently payable benefits. A larger proportion also had recent employment and more regular employment than men of the same age

who claimed cash benefits. They had fewer years of covered employment, however, than men who became entitled at age 65.

Men claiming benefits at age 65 had higher earnings and more years of employment.—Almost all of the small group of men taking cash benefits at age 65—about 10 percent of all men becoming entitled in 1966 to benefits payable at award—were employed in 1965, and nearly two-thirds were earning at the taxable maximum of \$4,800. Seventy percent of these men had been in covered employment throughout the entire 15-year period. Cash benefits also were awarded to a small group of men aged 66 and over who became entitled for the first time in 1966, but their earnings and years in covered employment were relatively less favorable than those of any other group of men claiming benefits.

Men who became entitled at age 65 or later in order to be eligible for hospital benefits under Medicare but chose not to retire and claim cash benefits were more likely than any other group to have been employed for the 15 years before entitlement. Their earnings characteristically approached or exceeded the taxable maximum. Almost three-fourths of these men had earnings at the taxable maximum in 1965.

Earnings concentrate at the taxable maximum.—In each age and benefit group—men taking reduced benefits and those taking full benefits (except those entitled at age 66 and later to currently payable benefits)—there was a concentration of workers with earnings at the 1959-65

taxable maximum of \$4,800 or more. Among men aged 62, about 45 percent had highest earnings of \$4,800 or more and 30 percent had such earnings in their last year of covered employment. The proportion with earnings at the taxable maximum was of course larger among men aged 65 claiming full benefits.

Regardless of their age at entitlement, the proportion with recent employment experience and with 15 years of covered employment was high among workers whose earnings were at the taxable maximum. Many of these men had presumably had earnings above the prevailing taxable maximum during a considerable portion of their working lifetime.

Some high-wage workers do not claim social security benefits when they first leave employment. Automobile workers, for example, have an attractive early-retirement pension arrangement that makes it feasible to retire as early as age 60 and wait until age 65 to claim unreduced social security benefits. These provisions and their impact are described in the University of Michigan Survey Research Center study reported later in this issue. That study emphasizes that voluntary early retirement is closely tied to the expectation of a reasonable retirement income.

The surveys presently being carried out by the Social Security Administration—in particular, the Survey of New Beneficiaries and the longitudinal Retirement History Survey—will yield information on such factors associated with retirement age as health and marital status, as well as pension eligibility, earnings, and other income sources before and after retirement.