

Notes and Brief Reports

Effects of OASDI Benefit Increase, June 1976*

The 6.4-percent rise in the social security checks delivered to beneficiaries in the first week of July 1976 reflected the second automatic cost-of-living increase under the legislation enacted in 1972 and 1973. The increase applied to benefits for all persons on the social security benefit rolls at the end of May, except those receiving benefits under the special minimum PIA provision.¹

BENEFIT AMOUNTS

Table 1 shows total and average monthly benefit amounts as of the end of May and those after

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¹ See "Automatic Increases Under the Social Security Programs," *Social Security Bulletin*, July 1976, pages 40-42

the 6.4-percent increase. The new rates meant an additional \$389 million per month in total benefits for the 32.4 million individuals receiving benefits at the end of May.

The new rates for retired workers brought the average benefit for men to \$244.48—\$15.28 higher than the amount under the old rate, for women the corresponding amounts were \$194.82 and \$12.35. For disabled workers the average benefit rose to \$263.05 for men and \$198.39 for women—increases of \$15.98 and \$12.04, respectively. The entitled dependents of these retired or disabled workers received raises in their benefits that ranged from \$4.07 for children of disabled workers to \$7.39 for the wives and husbands of retired workers. Among the different types of survivor beneficiaries, the average increase in benefit amount was highest for nondisabled widows and widowers (\$13.31) and lowest for children (\$8.98).

ACTUARIALLY REDUCED BENEFITS

Although a 6.4-percent across-the-board benefit increase was specified, the actual increase was

TABLE 1—Monthly cash benefits in current-payment status at end of May 1976 and under new rates effective June 1976 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 amount		Average benefit increase	
		Old rate	New rate	Old rate	New rate	Amount	Percent
All beneficiaries	32,427,189	\$5,818,351	\$6,207,052				6.7
Retired workers and dependents	20,232,328	3,831,684	4,089,284				6.7
Retired workers	16,687,702	3,474,633	3,707,631	\$208.22	\$222.18	\$13.96	6.7
Men	9,193,202	2,107,081	2,247,576	229.20	244.48	15.28	6.7
Benefits actuarially reduced	4,587,391	958,120	1,024,858	208.86	223.41	14.55	7.0
Benefits not actuarially reduced ¹	4,605,811	1,148,961	1,222,718	249.46	265.47	16.01	6.4
Women	7,494,500	1,367,552	1,460,055	182.47	194.82	12.35	6.8
Benefits actuarially reduced	4,864,495	825,082	882,590	169.61	181.44	11.83	7.0
Benefits not actuarially reduced ¹	2,630,005	542,470	577,465	206.26	219.57	13.31	6.4
Wives and husbands	2,851,311	300,894	321,961	105.53	112.92	7.39	7.0
Benefits actuarially reduced	1,926,439	195,533	209,838	101.50	108.93	7.43	7.3
Benefits not actuarially reduced ¹	924,872	105,361	112,123	113.92	121.23	7.31	6.4
Children	693,315	56,157	59,692	81.00	86.10	5.10	6.3
Disabled workers and dependents	4,538,731	715,594	761,964				6.5
Disabled workers	2,592,469	591,048	629,278	227.99	242.73	14.74	6.5
Men	1,777,788	439,236	467,655	247.07	263.05	15.98	6.5
Women	814,681	151,812	161,623	186.35	198.39	12.04	6.5
Wives and husbands	466,978	31,536	33,647	67.53	72.05	4.52	6.7
Children	1,479,284	93,010	99,039	62.88	66.95	4.07	6.5
Survivors of deceased workers	7,451,615	1,257,013	1,340,839				6.7
Widowed mothers and fathers	573,862	84,037	89,427	146.44	155.83	9.39	6.4
Children	2,935,034	412,730	439,072	140.62	149.60	8.98	6.4
Widows and widowers, nondisabled	3,807,715	741,018	791,707	194.61	207.92	13.31	6.8
Benefits actuarially reduced	1,922,994	364,544	390,934	189.57	203.29	13.72	7.2
Benefits not actuarially reduced ¹	1,884,721	376,474	400,773	199.75	212.64	12.89	6.4
Widows and widowers, disabled	114,362	15,662	16,839	136.96	147.24	10.28	7.5
Parents	20,642	3,566	3,794	172.78	183.80	11.04	6.4
"Special age-72" beneficiaries	204,515	14,060	14,965				6.4
Primary	201,264	13,947	14,845	69.30	73.76	4.46	6.4
Wives	3,251	113	120	34.78	37.05	2.29	6.6

¹ Includes transitionally insured beneficiaries

slightly higher for persons with benefits actuarially reduced because they were claimed before age 65. The additional increase resulted from the fact that the 64-percent increase was calculated on the beneficiary's basic benefit amount before reduction and then adjusted, if necessary, and added to the amount of the benefit after reduction. The increase may thus be more than 64 percent of the reduced benefit that was payable at the end of May.²

Persons who claimed their benefits before age 65 but had reached age 65 by June 1976 received the full amount of the increase, since reduction for months before age 65 no longer applied. But even for those with reduced benefits who were still under age 65 and thus required a reduction in the amount of their increase for the months before that age, the increase was reduced by less than the original percentage reduction and the increase after reduction was still greater than 64 percent of the benefit amount under the old rate.

The benefit increases for persons with reduced

² For a more detailed explanation of how benefit increases are calculated for those receiving reduced benefits, see Social Security Administration, *OASDI Digest*, 1974, page 15.

benefits averaged 70 percent for retired workers, 73 percent for spouses, and 72 percent for non-disabled widows and widowers. For those receiving unreduced benefits the increases averaged 64 percent for all three groups. Among the group subject to the largest actuarial reduction—disabled widows and widowers—the average percentage increase was also the largest (75 percent). The overall increase in the average benefit was 67 percent, reflecting the large number of beneficiaries with reduced benefits.

Persons Receiving Benefits Under Special Minimum Provision

The regular primary insurance amount (PIA) that is payable to a retired worker upon entitlement to benefits at age 65 or to a disabled worker serves as the base for computing the monthly amounts for all types of benefits payable on the worker's earnings record and is related to the worker's average monthly earnings. The "special minimum" PIA, which became effective January 1973, is designed to help persons with many years of work in covered employment at low earnings and is related to the number of years in such

TABLE 2—Beneficiaries with special minimum PIA, by type of benefit, at end of specified month, 1974-76

Beneficiaries and averages	Total	Retired workers and dependents				Disabled workers and dependents			Survivors		
		Retired workers		Wives and husbands	Children	Disabled workers	Wives and husbands	Children	Widows, widowers and parents	Widowed mothers and fathers	Children
		Men	Women								
May 1974											
Number	217 745	77 817	85 456	14 425	7 638	17 389	910	2 034	5 940	1,232	4 904
Average special minimum PIA ..	\$170 37	\$172 55	\$166 92	\$172 86	\$172 61	\$173 26	\$173 88	\$174 28	\$170 89	\$172 68	\$171 45
Average regular PIA	165 73	165 20	166 04	165 93	165 04	166 13	167 61	167 71	164 63	168 75	167 26
Average monthly amount	148 10	157 95	163 72	69 53	45 38	173 90	46 38	41 66	145 43	100 49	97 30
June 1974											
Number	117,120	42,331	46,242	7,605	4,216	9,230	453	1,029	3,035	623	2,356
Average special minimum PIA	\$175 42	\$175 29	\$175 42	\$175 58	\$175 46	\$176 03	\$176 59	\$177 49	\$173 90	\$175 41	\$175 46
Average regular PIA	167 04	166 82	167 00	167 33	167 00	167 92	168 97	169 20	165 91	167 44	167 50
Average monthly amount	148 43	158 50	163 17	69 31	43 46	175 46	46 30	42 16	147 29	99 31	96 12
May 1975											
Number	125 175	45 387	46 973	8 076	4 411	11,305	600	1,390	3 646	662	2 725
Average special minimum PIA	\$175 52	\$175 41	\$175 46	\$175 67	\$175 55	\$176 14	\$176 58	\$177 58	\$174 17	\$175 54	\$175 60
Average regular PIA	167 21	167 07	167 08	167 58	167 45	167 85	168 77	169 28	166 24	167 45	167 43
Average monthly amount	146 16	157 96	158 35	69 25	44 92	175 32	44 95	40 65	145 90	98 32	98 52
June 1975											
Number	27 803	10 223	10 693	1 702	933	2 468	112	243	745	131	553
Average special minimum PIA	\$176 91	\$176 88	\$176 88	\$177 07	\$177 02	\$177 24	\$177 67	\$178 73	\$175 35	\$177 25	\$177 20
Average regular PIA	170 94	170 70	170 78	171 17	170 95	170 88	171 29	171 48	169 32	170 84	169 92
Average monthly amount	147 21	158 29	157 75	69 96	43 90	176 59	47 63	47 16	146 73	98 10	95 83
May 1976											
Number	29 444	10 557	11 571	1 769	893	2 638	118	275	892	140	591
Average special minimum PIA	\$178 88	\$176 89	\$176 75	\$177 01	\$176 93	\$177 47	\$177 56	\$178 66	\$175 58	\$176 79	\$177 38
Average regular PIA	170 76	170 76	170 57	171 14	170 66	171 48	171 84	172 02	169 71	171 02	170 72
Average monthly amount	146 85	157 82	156 39	69 90	45 06	176 59	48 38	46 89	145 89	98 13	94 77
June 1976											
Number	4 296	1 563	1,708	249	145	345	13	35	115	20	103
Average special minimum PIA	\$178 30	\$178 28	\$178 26	\$178 41	\$178 51	\$178 90	\$178 92	\$179 49	\$177 57	\$178 20	\$176 94
Average regular PIA	173 58	173 69	173 55	174 15	173 65	174 19	173 65	174 57	172 75	173 43	169 44
Average monthly amount	147 02	157 55	155 23	72 71	38 26	178 25	63 92	59 26	144 71	102 29	102 82

employment and not to the worker's average monthly earnings. The minimum regular PIA was \$84.50 in January 1973 and \$107.90 in June 1976. The "special minimum" PIA ranged from \$85-\$170 in January 1973 and from \$90-\$180 in March 1974 and has remained at that level since then.³ The special minimum PIA is used only when it exceeds an individual's regular PIA.

The number of persons receiving benefits based on the special minimum provision reached its peak in May 1974, when the benefits for 217,745 persons were calculated on this basis (table 2). Effective in June 1974, the second stage of the 11-percent benefit increase raised the regular PIA for some 100,000 beneficiaries in this group to more than \$180. It was more advantageous for

³For a description of beneficiaries affected by this provision in 1973, see Barbara A. Lingg, *The Effects of the Special Minimum Primary Insurance Amount and the Delayed Retirement Credit: Initial Findings* (Research and Statistics Note No. 17), Office of Research and Statistics, 1974.

these persons to have their benefits based on the regular PIA. For those with benefits based on the special minimum PIA, the number therefore dropped to 117,120.

The 8-percent benefit increase, effective for June 1975, raised the regular PIA above \$180 for about 97,000 additional "special minimum" beneficiaries, and the number receiving such benefits declined to 27,803. Because of new individuals coming on the rolls, the number of beneficiaries with special minimum benefits increased to 29,444 in May 1976. The 6.4-percent benefit increase raised the regular PIA for more than 25,000 beneficiaries to amounts above \$180. Thus the number of beneficiaries who were still receiving benefits based on the special minimum PIA was reduced to only 4,296. Unless the \$180 limit on the special minimum PIA is lifted, future benefit increases will probably leave only a negligible number of beneficiaries whose benefits will be based on the special minimum PIA.

Social Security Abroad

France Gradually Lowers Retirement Age*

A new French law, effective July 1, 1976, provides that workers engaged in strenuous labor during a large portion of their work careers will be able to retire at age 60 and receive a pension equal to that usually payable at age 65. Previously it had been possible to receive a relatively small old-age pension at age 60, but most workers waited until age 65 when the pension would be considerably greater. Persons claiming a pension under the new law must resign from their present employment. They are free to seek other employment, however, once the pension has become payable.

This legislation is the first step in a Government plan—designed to cover all workers by

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1980—that will reduce gradually the loss of benefits as a result of retirement before age 65. The decision to phase in the reform over a 5-year period was influenced, to a large extent, by the expected impact of current economic and demographic conditions on the social security system.¹

The new law was designed primarily to (1) alleviate the worsening unemployment situation by creating additional jobs for younger unemployed workers and (2) improve the quality of life by increasing retirement benefits at age 60 to enable more workers to stop working before they reach age 65. In addition, the reform represents progress in an area that for several years had received priority attention from both trade unions and scholars.

The current action follows measures already instituted in response to the growing need and demand to make room for younger unemployed workers by easing the departure of older workers from the labor market. Improved unemployment benefits for workers dismissed at age 60 are one

¹See Lois S. Copeland, "Impact of Recession on Financing of French Programs," *Social Security Bulletin*, July 1976.