

New Retirees and the Stability of the Retirement Decision

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Examination of the benefit awards data under the social security program may furnish at least partial answers to two questions: What is the estimated number retiring each year? How long do they stay retired? The calculation presented here of the number retiring in 1971 takes into account the fact that the date of the award is not necessarily the actual date of retirement. The difference has been accentuated since Medicare began and individuals have been filing for benefits solely to obtain hospital insurance protection, continuing to earn at a level that precludes receipt of benefits under the earnings test. This study of the data on payable benefits indicates that only a small proportion of retirees lose benefits because of their return to work within 3 years after award.

THE SOCIAL SECURITY Administration has compiled program data on monthly samples of retired-worker beneficiaries newly entitled under the old-age, survivors, disability, and health insurance (OASDHI) program in 1970-72 and followed their payment status for 1- and 3-year periods after the awards.¹ One reason for collecting such information is to determine the number of persons who retire under the social security program each year. Retirement is a major area of concern for the Social Security Administration and the number of retired workers collecting benefits for the first time is a baseline social indicator of how many Americans are entering this stage of life.

Before the introduction of the health insurance program for the aged (Medicare), the only reason for coming on the social security rolls was to begin collecting a cash benefit. Thus, the number of new retired-worker awards was used as a representation of the number of persons retiring under the social security program. At the inception of Medicare in 1965, however, persons aged 65 and over who were still working were urged to file for

their retired-worker benefits in order to receive health insurance protection. They were awarded a cash benefit that was postponed if they were earning substantially more than the retirement-test limit. Although such individuals are on the social security rolls, they are not considered to be retired because they are working at a substantial level and are not collecting benefits. The point of retirement for these persons is the point at which they begin collecting a benefit. Thus, for a given year, the number of new retirees is the total of those persons awarded a currently payable benefit and those awarded a postponed benefit that first becomes payable in that year.

Two other options under the social security program have implications for calculating the number of persons retiring in a particular year. Insured workers do not necessarily become entitled to benefits as of the month in which they file. The effective date of entitlement is the date for which benefits could first become payable, not necessarily the date on which a claim is filed. A worker may request that benefit entitlement be effective as many as 12 months before the month of filing (retroactive entitlement) or as many as 3 months afterward (advance filing). "Advance filers" applying at the end of a year may actually begin collecting benefits in the next year. Those with retroactive entitlement may collect benefits for some months in the preceding year.

This article estimates the number of persons who retired under the social security program in 1971. The calculation begins with the number of payable awards made in 1971, to which are added a number of awards made in 1971 or earlier that were postponed at the time, 1971-72 awards with retroactive entitlement, and 1970 awards made in advance of entitlement—all of them first payable in 1971. A number is calculated for each of four groups—men and women under age 65 and men and women aged 65 and over at entitlement—because differences are expected according to sex and the age at which benefits are first re-

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¹ See the technical note, pages 11-12 for more details on the sample.

TABLE 1—Estimated number retiring under the social security program in 1971, by sex and age at entitlement

Status of retired-worker awards	Total	Men aged—		Women aged—	
		62-64	65 and older	62-64	65 and older
		Total number (in thousands).....	1,132	437	210
Payable, 1970-72 (first paid in 1971).....	875	400	63	351	61
Payable at award in 1971.....	895	412	64	359	60
Net awards filed in advance.....	-11	-5	-1	-4	-1
Net awards with retroactive entitlement.....	-9	-7	0	-4	2
Postponed, 1969-72 (first paid in 1971).....	257	37	147	19	54
With retroactive entitlement.....	86	28	28	15	15
Without retroactive entitlement.....	171	9	119	4	39

ceived Although some persons without social security coverage retire under private pension plans or government programs other than OASDHI, the vast majority of retirees collect social security benefits These numbers therefore provide good estimates of the total population newly retired in the US each year ²

Once estimates of the number of persons entering retirement are obtained, several questions then arise Do people who retire stay retired? How many periodically work at levels that cause them to have their benefits suspended? Is there a large flow into and out of retirement or is the decision to retire generally made once and for all? Here interest centers on payment-status information obtained after the award for persons whose benefit is immediately payable at award and on data obtained after the benefit becomes payable for those persons whose benefit is postponed at award

ESTIMATING THE NUMBER OF PERSONS ENTERING RETIREMENT

Payable Awards

The estimation procedure begins with the number of persons awarded payable benefits in 1971 (table 1) Adjustments must then be made for advance filing and retroactive entitlement

Adjustment for advance filing—The adjustment for advance filing involves adding the pay-

² Susan Grad, *Income of the Population Aged 60 and Older, 1971* (staff paper in process), Office of Research and Statistics, table 18

TABLE 2—Number of retired-worker awards, by payment status at award and type of entitlement, and by sex, age at entitlement, and year

Year	Men		Women	
	62-64	65 and older	62-64	65 and older
Payable awards filed in advance				
1970.....	175,000	28,000	181,000	22,000
1971.....	196,000	32,000	199,000	25,000
Payable awards with retroactive entitlement				
1971.....	174,000	28,000	132,000	31,000
1972.....	163,000	28,000	126,000	34,000
Postponed awards with retroactive entitlement				
1971.....	27,000	28,000	15,000	17,000
1972.....	28,000	28,000	15,000	14,000
Postponed awards without retroactive entitlement				
1969 ¹	12,000	191,000	4,000	62,000
1970.....	12,000	185,000	4,000	58,000
1971.....	12,000	189,000	4,000	62,000

¹ Data not available for 1969, represents average of 1970-72 data

able awards filed in advance in the last 3 months of 1970 and subtracting those filed in advance in the last 3 months of 1971 It is assumed that an equal number of persons files in each month, since the available data are yearly rather than monthly, and that all the awards filed in advance in the last 3 months of the year first become payable at the beginning of the next year In essence, the advance filing procedure adjusts for increasing numbers of advance filers in subsequent years (table 2) The distribution of the number of months of advance filing (from 1 to 3) and for any seasonality of coming on the rolls in advance is taken to be about the same from year to year

Adjustment for retroactive entitlement—The adjustment for retroactive entitlement uses information from the Survey of Newly Entitled Beneficiaries (SNEB) ³ on the distribution of the number of months between entitlement and the benefit award (months of retroactivity) The study found that the number of months of retroactivity depends on what time of the year the beneficiaries come on the rolls Information on

³ Study findings appear in *Reaching Retirement Age Findings from a Survey of Newly Entitled Workers, 1968-70* (Research Report No 47), Office of Research and Statistics, 1976

payable awards over an entire year (January-December 1969) therefore is used here to obtain the distribution of the number of months of retroactivity (table 3) ⁴

The approach followed here is to use information on the likelihood of having a certain number of months of retroactivity to obtain (1) the number of persons with awards in 1971 who had benefit entitlement for some months in 1970 and (2) the number of those with 1972 awards who had some entitlement in 1971. The likelihood of being entitled to a benefit the year before is applied to persons awarded benefits in each month of a given year. The likelihood that persons with retroactive entitlement who were awarded a benefit in January 1971 were also entitled in 1970 is 100 percent, or the sum of the probabilities of having anywhere from 1-12 months of retroactivity, which can be expressed as $\sum x_i$ ($i = 1, \dots, 12$), where x_i is the probability of having i months of retroactivity. Thus, the likelihood for February awards is $\sum x_i$ ($i = 2, \dots, 12$)—the sum of the probabilities of having 2-12 months of retroactivity. If awards were distributed equally over a year— $1/12$ of them each month—the proportion each year of persons having awards with retroactive entitlement who were actually entitled in the preceding year would be

$$\frac{1}{12} \left[\sum_{i=1}^{12} x_i + \sum_{i=2}^{12} x_i + \dots + \sum_{i=12}^{12} x_i \right]$$

The proportions were 63 percent for men and women aged 62-64 at entitlement and 76 percent for men and women aged 65 and over. The figures are assumed to be stable and therefore apply to 1970, 1971, etc. The adjustment for retroactivity of payable awards involves subtracting the above proportion of awards with retroactive entitlement in 1971 and adding the proportion with such entitlement in 1972 to the number of payable awards made in 1971 (table 2). This calculation yields the number of persons with payable awards who first received a benefit in 1971.

⁴ Months of retroactivity are aggregated. If 30 percent of beneficiaries had 1-3 months of retroactivity, then the probabilities for those with 1, 2, or 3 months are assumed to be 10 percent each.

TABLE 3—Percentage distribution of retired workers with retroactive entitlement, by months of retroactivity, payment status at award, sex, and age at entitlement

Months of retroactivity	Payment status at award						
	Payable ¹			Postponed ²			
	Men aged 62-64	Women aged 62-64	Men and women aged 65 and older	62-64	65 and older	62-64	65 and older
Total number	160,000	125,000	67,000	16,000	10,000	17,000	9,000
Total percent	100	100	100	100	100	100	100
1-3	33	28	18	32	22	28	23
4-11	34	37	24	37	59	33	30
12	32	35	58	31	19	38	46

¹ January-December 1969 awards derived from *Reaching Retirement Age* (Research Report No. 47), Social Security Administration, Office of Research and Statistics 1976, table 16.1. Data for men and women aged 65 and older combined because source totals were rounded to thousands.

² Represents January-June 1970 awards.

Postponed Awards

The next step is to determine how many persons with postponed awards retired in 1971. Some persons with postponed awards are entitled to benefits retroactively. For them the year of retirement is either the year of award or the preceding year. All other persons with postponed awards first become entitled to a benefit in the year of award or a future year. Consequently, persons with and without retroactive entitlement are treated separately.

With retroactivity—Calculating the adjustment for retroactivity for persons with postponed awards involves a procedure similar to that used for persons with payable awards. The SNEB did not include a distribution of months of retroactivity for the January-December 1969 postponed awards. Therefore, available data on the first 6 months of the year 1970 are used (tables 2 and 3). Since SNEB findings indicate that persons awarded a benefit with retroactive entitlement in the last 6 months of the year tend to have more months of retroactivity than those receiving awards in the first 6 months, the adjustment is low.⁵ The proportions of postponed awards with retroactive entitlement that are attributed to the preceding year are 60 percent for men and women aged 62-64 at entitlement, 64 percent for men aged 65 and over, and 70 percent for women aged 65 and over. These percentages are then

⁵ See *Reaching Retirement Age*, op cit, page 237.

applied to the number of postponed awards for 1972 and 1971 and the respective figures thus obtained are added to and subtracted from the number of such awards in 1971 (table 2) The result is the number of postponed awards with retroactive entitlement that became payable in 1971

Without retroactivity—The final step is to estimate when persons awarded postponed benefits without retroactive entitlement first receive payments and attribute some number of them to 1971 This estimate is based on data for the elapsed months between the initial award and the first move to payment status for a sample of 1970–71 postponed awards without retroactive entitlement The payment status of the persons in the sample has been followed for 3 years after award The likelihood of awards made in 1971, 1970, and 1969 leading to payment status in 1971 can be determined from the distribution of months elapsing between the award and the change Generally, this is the likelihood that the benefits of persons with postponed awards in a particular year and the 2 preceding years will move to payment status in that year

For persons awarded postponed benefits in December 1971, the likelihood that their awards would become payable in 1971 is the probability of having 0 elapsed month In other words, the change would have occurred in December, which can be expressed as $\sum x_i$ ($i = 0$) The likelihood that persons awarded postponed benefits in November 1971 will begin receiving payments in that year is the likelihood of having 0 or 1 elapsed month, or $\sum x_i$ ($i = 0, 1$), and so on Thus, the likelihood that persons awarded postponed benefits in 1971 will begin receiving benefit payments in 1971 is

$$\frac{1}{12} \left[\sum_{i=0}^0 x_i + \sum_{i=0}^1 x_i + \dots + \sum_{i=0}^{11} x_i \right]$$

with an equal number of awards each month assumed The likelihood that December 1970 awards will become payable in 1971 is $\sum x_i$ ($i = 1, \dots, 12$) and for November it is $\sum x_i$ ($i = 2, \dots, 13$) The likelihood that 1970 awards will become payable in 1971 therefore is

$$\frac{1}{12} \left[\sum_{i=1}^{12} x_i + \sum_{i=2}^{13} x_i + \dots + \sum_{i=12}^{23} x_i \right]$$

For persons with postponed awards in 1969, the likelihood of retiring in 1971 is

$$\frac{1}{12} \left[\sum_{i=13}^{24} x_i + \sum_{i=14}^{25} x_i + \dots + \sum_{i=24}^{35} x_i \right]$$

The estimates for the proportions of those who retired in 1971 with postponed awards in 1971, 1970, and 1969 are shown in the tabulation below

[Percent]			
Sex and age	1971	1970	1969
Men aged			
62-64	38	25	10
65 and older	30	21	11
Women aged			
62-64	64	24	2
65 and older	30	22	12

Among those without retroactive entitlement, the proportions of postponed awards that had become payable 3 years after award were 75 percent for men aged 62–64 at entitlement, 66 percent for men aged 65 and over, 90 percent for women aged 62–64, and 69 percent for women aged 65 and over Information is therefore missing on the elapsed months for the remainder of each age-and-sex group—those whose awards had not moved to payment status within 3 years of the time they were made

Estimates of New Retirees

Although this procedure results in an undercount, the estimated number of new retirees in 1971 is shown in table 1 to be 1.1 million To demonstrate the magnitude of the undercount, a maximum figure can be calculated by adding all the remaining persons with postponed awards 3 years after award to the number retiring in

1971⁶ The best estimate of 1971 retirees is within these limits—from 1.1 million to 1.2 million

Almost all the retirees aged 62-64 came on the rolls with payable awards. Postponed benefits are awarded chiefly to persons aged 65 and over who file in order to become eligible for hospital benefits under Medicare, although a small number of those in the 62-64 age group do have their awards postponed. Among men aged 65 and older at entitlement, postponed awards outnumber payable awards by more than 2 to 1. Among women aged 65 and over, the majority had payable awards, although postponed awards were also common.

The estimated number of retirees is most accurate for women aged 62-64. For these women, 90 percent of postponed awards without retroactive entitlement became payable within 3 years of award, and the adjustment for these persons made only a slight contribution to the number of retirees in 1971. The estimate is least accurate for men aged 65 and over. Only 66 percent of postponed awards without retroactive entitlement moved to payment status within 3 years of award, and the adjustment contributes a major portion to the number of retirees in 1971. This exercise indicates how necessary it is to calculate the number of postponed awards moving to payable status in order to have any idea of the number of persons retiring at age 65 and over.

An abbreviated estimate of the number of persons retiring in 1972 appears below. It does not

[Number in thousands]

Year	Men aged—		Women aged—	
	26-64	65 and older	62-64	65 and older
1971.....	449	211	378	114
1972.....	405	209	389	118

adjust for advance filing or retroactive entitlement of payable awards.

The estimates presented here determine the point of retirement for persons whose date of entitlement does not coincide with the date of award.

⁶ Applying the proportions of persons who had not begun collecting a benefit 3 years after award to the respective average numbers of postponed awards without retroactive entitlement from 1970-72 yields an additional 3,000 men aged 62-64, 65,000 men aged 65 and over, and 19,000 women aged 65 and over.

—a situation that has become more common in recent years. Monthly data and payment-status information of more than 3 years' duration would improve the calculations.

STABILITY OF THE RETIREMENT DECISION

Suspensions of Payable Benefits

Of those who were awarded a payable benefit in 1970-72, only 6 percent had their benefits suspended because of work within a year of award (table 4). This low proportion indicates a very high degree of stability in the decision to stop working or work at a level that permits the payment of benefits. Subgroups varied only slightly in this regard. Men were a little more likely than women to have their benefits suspended. Advance filers were a little less likely to have their benefits suspended than those entitled in the month of filing or those entitled retroactively.

A retired worker's primary insurance amount (PIA) is the amount payable to the individual at age 65. An actuarial reduction is applied to the benefit if it is claimed before age 65. Since a worker's PIA is based on average monthly taxable earnings, it is a reasonably good indicator of the level and regularity of his earnings experience. Persons in the two lowest PIA groups shown in table 4 were less likely to lose benefits than those in the three highest groups. The differences in the proportions moving to suspended status, by age at entitlement, are U-shaped with less change at the extremes. The general tendency for labor-force participation to diminish with increasing age could account for the smaller proportion of persons who have their benefits suspended at later ages.⁷ On the other hand, those in their late fifties or early sixties experience considerable disability that does not meet the tests for disability benefits but is serious enough for them to withdraw from the labor force or retire early.⁸ One study found that 80 percent of the men and 50 percent of the women

⁷ Bureau of the Census, *1970 Census, Subject Reports Employment Status and Work Experience* (PC(2)-6A), 1970, table 2.

⁸ Karen Schwab, "Early Labor-Force Withdrawal of Men: Participants and Nonparticipants Aged 58-63," *Social Security Bulletin*, August 1974.

TABLE 4—Number and percent of retired workers with benefits moving from payment to suspended status within 1 year and within 3 years of award, by selected characteristics

Characteristic	Payable awards			
	1970-72		1970-71 ¹	
	Total number (in thousands)	Changed within 1 year	Total number (in thousands)	Changed within 3 years
Total	2,625	8	1,687	8
Sex				
Men	1,386	7	892	9
Women	1,225	5	788	6
Race				
White	2,362	6	1,522	8
Other	263	5	165	6
Primary insurance amount ²				
\$84 50	476	1	297	2
84 60-150 90	787	5	493	7
151 00-197 90	521	8	323	10
198 00-244 90	650	8	440	10
245 00 or more	191	8	134	10
Type of filing				
In month of entitlement	224	8	144	9
Advanced	1 343	5	843	6
Retrospective	1,059	8	701	9
Age at entitlement				
62	1,552	5	903	6
63	379	8	247	10
64	322	11	208	13
65	252	8	162	9
66 and older	107	4	70	5

¹ At the time the data were obtained, 3 years had not elapsed for person awarded benefits in 1972

² For persons awarded benefits in 1972. Includes September 1972 benefit increase. Amounts for 1970 and 1971 differ from those for 1972 by size of benefit increase in those years

receiving early retirement benefits were disabled.⁹ This situation depresses the rate of labor-force participation (and hence the rate of suspensions of benefits) for early retirees—especially those entitled at age 62, the earliest age for receiving retirement benefits

Most retirees remain retired. Three years after award, the proportion of those awarded payable benefits who lost them because their earnings exceeded the retirement test was only slightly higher than in a 1-year period—up from 6 percent to 8 percent, with only small variations by selected characteristics

Payment Status Changes Within a Year

Overall, 35 percent of those who came on the rolls with payable benefits and experienced change during the year had just one change—

⁹ Lawrence D Haber, *The Effect of Age and Disability on Access to Public Income-Maintenance Programs*, Report No 3, 1966 Social Security Survey of the Disabled, Office of Research and Statistics, July 1968, table, page 10

that is, their benefit was suspended (table 5). Fifty-six percent changed twice—from payment to suspended status and back again—and 9 percent changed three or more times. In other words, most persons who left payment status also returned to it within the year. The few persons for whom benefit status changed several times may either have had an unstable job situation that resulted in the collection of benefits between periods of unemployment or they were able to control the flow of earnings in such a way as to receive benefits for several months during the year. Those whose benefits left payment status and did not return to it may have found a steady job after a period of illness or unemployment.

The number of changes into and out of payment status within 1 year of the award varied with age at entitlement, type of filing, and PIA.

TABLE 5—Percentage distribution of retired workers with benefits moving from payment to suspended status within 1 year of award, by number of changes in year and by selected characteristics

Characteristic	Total number (in thousands)	Payable awards, 1970-72				
		Percentage distribution, by number of changes within 1 year				
		Total	1	2	3	4 or more
Total	158	100	35	56	5	4
Sex						
Men	98	100	35	56	5	3
Women	59	100	36	56	4	4
Race						
White	145	100	36	56	5	4
Other	13	100	31	62	3	3
Primary insurance amount ¹						
\$84 50	6	100	32	60	5	4
84 60-150 90	41	100	32	57	6	5
151 00-197 90	43	100	32	57	6	5
198 00-244 90	63	100	38	55	4	3
245 00 or more	15	100	44	51	4	1
Type of filing						
In month of entitlement	13	100	11	64	7	18
Advanced	64	100	9	61	5	25
Retrospective	81	100	29	61	5	5
Age at entitlement						
62	67	100	44	48	4	4
63	30	100	28	62	5	5
64	38	100	25	68	5	3
65	20	100	37	56	4	3
66 and older	4	100	31	62	4	2
Type of filing and age at entitlement ²						
Advanced						
62	33	100	50	44	4	2
63	5	100	32	64	3	2
64	9	100	31	65	3	1
65	12	100	40	54	4	2
66 and older ³						
Retrospective						
62	28	100	37	53	5	5
63	23	100	27	62	5	6
64	22	100	21	69	6	4
65	6	100	30	60	5	5
66 and older	4	100	31	62	5	2

¹ See table 4, footnote 2

² Excludes persons filing in month of entitlement because data by age at entitlement too small to examine

³ Less than 50 sample cases

Table 6—Percentage distribution of retired workers with benefits moving from payment to suspended status within 3 years of award, by year of change and by selected characteristics

Characteristic	Payable awards, 1970-71					
	Total number (in thousands)	Percentage distribution, by number of changes within 3 years				
		Total	1	2	3	4 or more
Total	116	100	11	61	5	23
Sex						
Men	73	100	12	61	5	21
Women	43	100	8	61	4	27
Race						
White	106	100	11	61	5	24
Other	10	100	11	67	5	16
Primary insurance amount ¹						
\$70 40	6	100	20	59	5	16
70 50-126 90	30	100	11	61	4	23
127 00-164 90	30	100	8	60	5	26
165 00-203 90	38	100	11	62	6	22
204 00 or more	12	100	10	62	3	24
Type of filing in month of entitlement						
Advanced	13	100	11	64	7	18
Retrospective	64	100	9	61	5	25
Age at entitlement						
62	52	100	14	57	6	24
63	23	100	8	64	4	24
64	25	100	7	67	4	22
65	13	100	13	61	5	21
66 and older	3	100	8	71	1	20

¹ For persons awarded benefits in 1971. Amounts for 1970 differ from those for 1971 by size of benefit increase in 1971.

but not with sex or race. Differences between PIA groups in the proportion of persons whose benefits had only one change in payment status were small but the tendency was for those in the higher groups to experience fewer changes than those in the lower ones. Persons with lower PIA's were less likely to have private pensions—the most common second pension—and occasionally might have been more in need of earnings to supplement benefits than those with larger amounts of pension income to live on.¹⁰

Those aged 62 at entitlement had the fewest changes in the payment status of their benefits, followed by those aged 65, and then those aged 63 and 64. Those aged 66 and over at entitlement fell between the latter two groups and were not significantly different from either. In other words, those entitled at the statutory ages—62 for early retirement and 65 for full benefits—had fewer changes in the payment status of their benefits than those entitled at other ages. And those who draw benefits as early as possible experienced the

¹⁰ See Lenore E. Bixby et al., *Demographic and Economic Characteristics of the Aged 1968 Social Security Survey* (Research Report No. 45), Office of Research and Statistics, 1975, tables 4.2 and 4.7.

least change. Overall, those entitled retroactively had more changes in benefit status than those filing in advance or in the month of entitlement—mainly among those aged 62 at entitlement.

Payment Status Changes Within 3 Years

Three years after an award, two was still the most common number of changes, followed by four or more (table 6). With the longer period involved, it is not surprising that more persons had several changes in benefit status. Twenty-three percent moved four or more times in the 3 years, compared with 4 percent in the 1-year period. Almost no differences were evident within the various subgroups in the number of changes in payment status in the 3-year period.

Timing of the First Change

The data in table 7 on the timing of the first change indicate that more than 80 percent of the awards moved to payment status in the first year.

TABLE 7—Percentage distribution of retired workers with benefits moving from payment to suspended status within 3 years of award, by year of change and by selected characteristics

Characteristic	Payable awards, 1970-71				
	Total number (in thousands)	Percentage distribution, by year of change			
		Total	First	Second	Third
Total	127	100	83	11	6
Sex					
Men	80	100	82	12	6
Women	46	100	86	9	5
Race					
White	116	100	84	11	5
Other	11	100	78	11	11
Primary insurance amount ¹					
\$70 40	6	100	66	17	17
70 50-126 90	32	100	82	12	5
127 00-164 90	32	100	83	12	5
165 00-203 90	43	100	85	10	5
204 00 or more	13	100	90	6	4
Type of filing in month of entitlement					
Advanced	13	100	84	9	7
Retrospective	48	100	84	11	5
Age at entitlement					
62	58	100	79	13	7
63	24	100	85	11	4
64	26	100	88	7	4
65	15	100	85	11	4
66 and older	3	100	86	8	6

¹ Totals slightly higher than those in table 6 because of differing exclusions. Table 6 excludes persons whose benefit was terminated anytime within the 3-year period; table 7 excludes persons whose benefit was terminated before a change in payment status occurred.

² See table 6, footnote 1.

TABLE 8—Percentage distribution of retired workers with postponed awards who claimed a cash benefit within 1 year of award, by number of changes in year and by selected characteristics

Characteristic	Postponed awards, 1970-72					
	Total number (in thousands)	Percentage distribution, by number of changes within 1 year				
		Total	1	2	3	4 or more
Total.....	538	100	89	7	3	(1)
Sex						
Men.....	376	100	91	6	3	(1)
Women.....	100	100	86	10	4	(1)
Race						
White.....	501	100	89	7	3	(1)
Other.....	36	100	90	6	4	(1)
Primary insurance amount ¹						
\$84 50.....	16	100	86	8	5	1
84 60-150 90.....	72	100	85	10	4	1
151 00-197 90.....	109	100	87	8	4	1
198 00-244 90.....	212	100	91	5	3	(1)
245 00 or more.....	128	100	91	6	3	(1)
Type of filing						
In month of entitlement.....	25	100	87	9	4	(1)
Advanced.....	355	100	93	4	2	(1)
Retroactive.....	157	100	80	14	6	1
Age at entitlement						
62-64.....	127	100	79	14	6	1
65.....	391	100	93	4	3	(1)
66 and older.....	17	100	87	8	4	(1)

¹ Less than 0.5 percent
² See table 4, footnote 2

after award (over half of them did so in the first 3 months) The magnitude was about the same for separate groups of retirees One notable exception is the proportion for persons with the minimum PIA For 17 percent, or three times the overall rate, of those with the minimum PIA whose benefits became suspended, the first change was made in the third year after award Generally, a suspension of benefits occurs fairly soon after retiring Some persons, however, spend 3 years or more in retirement before going back to work or increasing their earnings to the point of losing benefits

Changes in Payment Status of Postponed Awards

As persons with postponed awards begin collecting benefits, how likely are they to remain retired? For almost 90 percent of postponed awards that moved to payment status, only one change occurred during the year after award (table 8) A change to payment status may reflect two types of behavior At the time of award, an individual could have had a job paying enough for him to lose all benefits for the year and at a

later date he could have stopped working Or a person could have had a job that paid more than the earnings-test limit but not enough for him to lose benefits for the entire year In the latter case, a person loses benefits for some months at the beginning of the year and is paid for some at the end In this situation, if the earnings of such a beneficiary remained the same, his benefits would move into and out of payment status once each year without any change occurring in his work status

Small differences by sex and PIA but no differences by race were observed in the number of changes in payment status for persons awarded a postponed benefit. Women and those in the lower PIA groups had more changes in payment status Retired workers aged 62-64 at entitlement and those persons entitled retroactively were most likely to make more than one change

Within 3 years of the initial award, more than 80 percent of those whose benefits moved from postponed status at award to payment status experienced only one change (table 9) As was true of those whose benefits were payable at award, more persons with initial benefit postponements made several changes within 3 years of the award (12 percent with three or more changes) than did so within 1 year of the award (3 percent

TABLE 9—Percentage distribution of retired workers with postponed awards who claimed a cash benefit within 3 years of award, by number of changes in year

Characteristic	Postponed awards, 1970-71					
	Total number (in thousands)	Percentage distribution, by number of changes within 3 years				
		Total	1	2	3	4 or more
Total.....	463	100	84	3	8	4
Sex						
Men.....	326	100	86	3	7	4
Women.....	135	100	81	3	10	7
Race						
White.....	433	100	85	3	8	4
Other.....	30	100	83	3	10	4
Primary insurance amount ¹						
\$70 40.....	12	100	81	3	10	6
70 50-126 90.....	50	100	76	4	13	7
127 00-164 90.....	92	100	81	4	9	6
165 00-203 90.....	183	100	86	3	7	4
204 00 or more.....	126	100	88	2	6	4
Type of filing						
In month of entitlement.....	24	100	81	3	10	6
Advanced.....	127	100	72	4	14	9
Retroactive.....	311	100	90	3	5	2
Age at entitlement						
62-64.....	92	100	68	4	18	11
65.....	354	100	89	3	6	3
66 and older.....	16	100	81	4	11	5

¹ See table 6, footnote 1

TABLE 10—Percentage distribution of retired workers with benefits moving from postponed to payment status within 3 years of award, by year of change and by selected characteristics

Characteristic	Payable awards, 1970-71				
	Total number (in thousands)	Percentage distribution, by year of change			
		Total	First	Second	Third
Total ¹	498	100	69	19	12
Sex					
Men	356	100	68	20	12
Women	141	100	72	18	11
Race					
White	466	100	69	20	11
Other	32	100	72	16	12
Primary insurance amount²					
\$70 40	13	100	71	16	12
70 50-126 90	54	100	71	18	11
127 00-164 90	97	100	67	20	12
165 00-203 90	198	100	67	20	12
204 00 or more	136	100	72	18	10
Type of filing					
In month of entitlement	26	100	63	23	14
Advanced	338	100	68	20	12
Retroactive	135	100	74	16	10
Age at entitlement					
62-64	97	100	83	12	5
65	383	100	66	21	13
66 and older	17	100	67	18	15

¹ Totals slightly higher than those in table 9 because of differing exclusions. Table 9 excludes persons whose benefit was terminated anytime within the 3-year period, table 10 excludes persons whose benefit was terminated before a change in payment status occurred.

² See table 6, footnote 1.

with three or more changes) Over a longer period, the tendency is still for benefits to move to payment status and remain there.

Sixty-nine percent of the postponed awards that moved to payment status did so in the first year after award (table 10). Nineteen percent did so in the second year and 12 percent in the third year. Thirty-nine percent of those with such moves had their benefits become payable within the first 3 months following the award, a corroboration of the temporary nature of postponed awards. Persons aged 62-64 at entitlement and retroactive filers experienced their first change to payment status sooner than did others.

SUMMARY

The estimates of the number of retirees by sex and age at entitlement to a benefit take into account the fact that the date of the benefit award often is not the actual date of retirement. Adjustments for retroactivity and filing in advance are small for all groups. Adjustments of postponed awards are small among those aged 62-64 at entitlement. Among persons aged 65 and over at

entitlement, a majority of retirees were awarded a postponed benefit that later became payable. Thus, to count only payable awards would result in an undercount of retirees who begin receiving cash benefits after age 65.

The stability of the retirement decision was also examined. From data on 1 year and 3 years of experience after award, it can be concluded that only a small group of retirees goes back to work or increases earnings to the point of losing benefits. Even those who forgo benefits at some time after award are more likely to have their benefits move back into payment status than to remain in suspended status. Loss of benefits is likely to occur soon after retirement.

For many, postponed benefit status lasts from a few months to a year or so. Three years after award, only 30 percent of those persons awarded a postponed benefit had not yet begun collecting benefits. If their benefits do become payable, the change is likely to happen soon after the award and the benefits are likely to remain in payment status rather than move into and out of it.

Technical Note

The Sample

The universe for this data compilation consists of all persons initially awarded retired-worker benefits during each month from January 1970 through December 1972. To receive a retired-worker benefit award an individual must have sufficient covered work experience to be insured,¹¹ must be at least aged 62, and must have filed a claim for benefits. Noninsured individuals who are awarded old-age benefits as dependents (wives, husbands, widows, widowers, or parents of insured workers) are excluded. Also excluded are disability beneficiaries whose benefits are automatically converted to retired-worker benefits at age 65. Transitionally insured workers aged 72 and over are included, but persons receiving special age-72 awards are not.

The sample was selected by means of a two-

¹¹ To be insured at the time of the survey, an individual must have had 1 calendar quarter of covered work experience for each year elapsed after 1950 and before the year in which he reached age 65 (age 62 for women).

stage design The first stage involved the selection of a single primary sampling unit (PSU) for each of 100 strata by appropriate probability procedures The selection of the PSU's was made by the Bureau of the Census as one of several combinations of the basic 357-PSU design of the Current Population Survey¹² Each PSU comprises a single county or group of counties (town or group of towns in New England) Twenty-one of the PSU's used in the first stage consist of counties comprising the largest metropolitan areas Each of these "self-representing" PSU's is identical with its stratum The remaining metropolitan areas were grouped into 33 strata, and one PSU (a single metropolitan area) was selected for each stratum The remaining counties not in metropolitan areas were grouped into 46 strata, and one PSU was selected to represent each stratum

The second stage of the sampling process involved the monthly selection of newly entitled workers within the designated PSU's The size of the sample was set at about 3,200 cases a month, or 1 out of 27 persons awarded retired-worker benefits each month The tabulation below

Payment status at award, 1970-72	Number		Ratio of sample estimate to actual number
	Sample estimate (in thousands)	Actual (in thousands)	
Men			
Payable	1,413	1,533	0 92
Postponed	780	818	96
Women			
Payable	1,240	1,266	98
Postponed	290	303	96

compares actual award data with the estimates based on the sample

Sampling Variability

Because estimates are based on a sample, they may differ from the figures that would have been obtained if every person initially awarded retired-worker benefits during the 3-year period had been

¹² For details on the Current Population Survey sampling procedures and a description of PSU's, stratification, and selection of first-stage units, see Bureau of the Census, *The Current Population Survey—A Report on Methodology* (Technical Paper No 7), Department of Commerce, 1963

TABLE I—Approximate standard errors of estimated percentages

Base of percentage	Estimated percentage						
	2 or 98	5 or 95	10 or 90	20 or 80	30 or 70	40 or 60	50
2,500	1 7	2 6	3 6	4 9	5 6	6 0	6 1
5,000	1 2	1 9	2 6	3 5	4 0	4 2	4 3
7,500	1 0	1 5	2 1	2 3	3 2	3 5	3 5
10,000	9	1 3	1 8	2 5	2 8	3 0	3 1
25,000	5	8	1 2	1 6	1 8	1 9	2 0
50,000	4	6	8	1 1	1 3	1 4	1 4
75,000	3	5	7	9	1 1	1 1	1 2
100,000	3	4	6	8	9	1 0	1 0
250,000	2	3	4	5	6	6	7
500,000	1	2	3	4	4	5	5
1,000,000	1	1	2	3	3	3	4
2,500,000	1	1	1	2	2	2	2

included The standard error is a measure of this sampling variability—that is, the variation that occurs by chance because a sample of the population rather than the entire population is surveyed¹³ The chances are about 68 out of 100 that an estimate from the sample will differ by less than one standard error from the results based on the same procedures of the entire population The chances are about 95 out of 100 that the differences will be less than twice the standard error

Estimated Percentages

A measure of precision for an estimated percentage is provided by a confidence interval The values that lie two standard errors above and below the estimated percentage, for example, form a 95-percent confidence interval The population value of interest can be said, with 95-percent confidence, to lie within this interval

The standard error of an estimated percentage depends on the size of the percentage, the size of its base, and the sampling fraction used Table I presents approximations of standard errors of estimated percentages Table 4, for example, shows that an estimated 5 percent of the benefits of 1,552,000 persons who were aged 62 at entitlement and were awarded a payable benefit in 1970-72 moved to suspended status within a year of the award By interpolation from table I, the standard error is estimated to be about

(Continued on page 38)

¹³ Standard errors have been computed by the random group-collapsed stratum method for 56 selected characteristics The results have been generalized by means of a regression program to be usable for all characteristics

TABLE M-3—Selected social insurance and related programs Beneficiaries of cash payments, 1940-76

[In thousands For explanatory footnotes on programs, see table M-1]

At end of selected month	Retirement and disability					Survivor				Railroad temporary disability ⁴	Unemployment		Federal "black lung" ⁶
	OASDHI ¹		Railroad ¹	Federal civil service	Veterans	OASDHI	Railroad	Federal civil service	Veterans ²		State laws ³	Railroad ⁴	
	Retirement ²	Disability											
December													
1940	148		146	65	610	74	3		323			667	74
1945	691		173	92	1,534	597	4	(7)	698			1,743	13
1950	2,326		256	161	2,366	1,152	142	25	1,010	32		838	35
1955	5,788		427	284	2,707	2,172	206	74	1,156	36		912	48
1960	10,599	687	553	379	3,064	3,558	256	154	1,393	84		2,155	102
1961	11,655	1,027	567	408	3,137	3,812	262	167	1,547	31		1,993	75
1962	12,675	1,275	585	438	3,177	4,103	270	182	1,653	30		1,585	59
1963	13,262	1,452	594	465	3,195	4,321	278	197	1,750	31		1,609	49
1964	13,697	1,563	600	494	3,204	4,539	286	214	1,848	29		1,351	41
1965	14,175	1,739	620	522	3,216	4,953	291	227	1,924	25		1,035	30
1966	15,437	1,970	630	564	3,194	5,360	299	240	1,995	23		936	18
1967	15,907	2,141	641	588	3,175	5,659	309	258	2,077	21		989	39
1968	16,264	2,335	647	613	3,171	5,963	318	274	2,151	25		941	19
1969	16,595	2,488	651	636	3,179	6,229	321	288	2,208	23		1,084	16
1970	17,096	2,665	653	697	3,210	6,468	326	308	2,301	22		2,045	21
1971	17,660	2,930	660	747	3,251	6,700	330	324	2,365	20		1,784	38
1972	18,176	3,250	661	829	3,288	6,919	334	343	2,393	16		1,458	17
1973	19,151	3,561	660	924	3,267	7,160	335	358	2,360	14		1,462	8
1974	19,688	3,912	667	981	3,250	7,264	336	376	2,282	15		2,716	14
1975	20,364	4,352	694	1,029	3,244	7,368	337	391	2,259	19		2,845	37
1975													
November	20,287	4,314	694	1,027	3,239	7,336	337	390		17		2,498	29
December	20,364	4,352	694	1,029	3,244	7,368	337	391	2,259	19		2,845	37
1976													
January	20,464	4,396	695	1,029	3,220	7,407	337	393		19		3,376	43
February	20,491	4,427	694	1,033	3,219	7,415	337	394		19		3,370	42
March	20,487	4,463	692	1,036	3,223	7,438	337	395	2,228	22		3,168	41
April	20,458	4,502	690	1,041	3,229	7,451	337	395		17		2,812	31
May	20,475	4,524	689	1,044	3,231	7,456	338	398		20		2,407	24
June	20,532	4,533	688	1,049	3,235	7,411	337	400	2,221	17		2,382	25
July	20,597	4,529	686	1,054	3,241	7,344	337	401		18		2,375	18
August	20,642	4,543	689	1,060	3,245	7,365	337	403		21		2,340	25
September	20,724	4,560	690	1,065	3,251	7,387	337	404	2,192	20		2,148	22
October	20,798	4,581	691	1,070	3,252	7,412	337	406		19	(*)	20	472
November	20,864	4,603	693	1,073	3,256	7,442	338	407		22	(*)	24	471

¹ Includes dependents
² Beginning Oct 1966, includes special benefits authorized by 1966 legislation for persons aged 72 and over and not insured under the regular or transitional provisions of the Social Security Act
³ Monthly number at end of quarter
⁴ Average number during 14-day registration period
⁵ Average weekly number Includes regular State unemployment insur

ance, the Federal employees' unemployment compensation program, and the ex-servicemen's compensation program
⁶ Includes dependents and survivors
⁷ Less than 500
⁸ Data not available
 Source Based on reports of administrative agencies

NEW RETIREES

(Continued from page 12)

0.1 percent The chances are 68 out of 100 that the proportion is 4.9-5.1 percent, and the chances are 95 out of 100 that it is 4.8-5.2 percent

In comparing two independent percentages to determine whether they differ by a statistically significant amount, the standard error of the difference can be approximated as the square root of the sum of the squares of the standard error

of each percentage Table 4, for example, also shows that an estimated 8 percent of the 379,000 persons who were aged 63 at entitlement and were awarded a payable benefit in 1970-72 had their benefits suspended within a year of the award The standard error for the group aged 62 has been estimated at about 0.1 percent, and the standard error for the age-63 group at about 0.3 percent The sum of the squares of the two standard errors is 0.1 and the square root—the standard error of the differences—is 0.32 percent