



**Social Security**

# **SOCIAL SECURITY BULLETIN**

**Vol. 72, No. 1, 2012**

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**Social Security Administration**  
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Office of Research, Evaluation, and Statistics



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## Articles

**1     **The Impact of Changes in Couples' Earnings on Married Women's Social Security Benefits****

*by Barbara A. Butrica and Karen E. Smith*

This article uses the Social Security Administration's Modeling Income in the Near Term (version 6) to examine how changes in married women's labor force participation and earnings will impact the Social Security benefits of current and future beneficiary wives. Over the next 30 years, a larger share of wives will be eligible for Social Security benefits based solely on their own earnings, and wives' average Social Security benefits are expected to increase by 50 percent. Despite rising female lifetime earnings, wives' earnings typically remain below those of their husbands, so many wives who are retired-worker-only beneficiaries while their husbands are alive will receive auxiliary benefits when their husbands die.

**11    **The Retirement Prospects of Divorced Women****

*by Barbara A. Butrica and Karen E. Smith*

To project the retirement resources and well-being of divorced women, the authors use the Social Security Administration's Modeling Income in the Near Term (version 6). Findings show that Social Security benefits and retirement incomes are projected to increase for divorced women and that their poverty rates are projected to decline, due in large part to women's increasing lifetime earnings. However, not all divorced women will be equally well off; economic well-being in retirement varies by Social Security benefit type.

**23    **Racial and Ethnic Differences in the Retirement Prospects of Divorced Women in the Baby Boom and Generation X Cohorts****

*by Barbara A. Butrica and Karen E. Smith*

The authors use the Social Security Administration's Modeling Income in the Near Term (version 6) to describe the likely characteristics, work experience, Social Security benefit status, and economic well-being of future divorced women at age 70, by race and ethnicity. Factors associated with higher retirement incomes include having a college degree; having a strong history of labor force attachment; receiving Social Security benefits; and having pensions, retirement accounts, or assets, regardless of race and ethnicity. However, because divorced black and Hispanic women are less likely than divorced white women to have these attributes, income sources, or assets, their projected average retirement incomes are lower than those of divorced white women.

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*by Barbara A. Butrica, Karen E. Smith, and Howard M. Iams*

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*by Michael V. Leonesio, Benjamin Bridges, Robert Gesumaria, and Linda Del Bene*

Higher labor force participation rates for people aged 62–79 are associated with a dramatic increase in the share of their total money income attributable to earnings. For persons aged 65–69, the earnings share increased from 28 percent in 1980 to 42 percent in 2009. Two decades ago, Social Security benefits and earnings were roughly equal shares of total money income (about 30 percent); the earnings share is now more than 12 percentage points larger. The marked increase in the importance of earnings as an income source is also evident throughout the 62–79 age range among Social Security beneficiaries.

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*by David Rajnes*

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# THE IMPACT OF CHANGES IN COUPLES' EARNINGS ON MARRIED WOMEN'S SOCIAL SECURITY BENEFITS

by Barbara A. Butrica and Karen E. Smith\*

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*Women's labor force participation and earnings dramatically increased after World War II. Those changes have important implications for women's Social Security benefits. This article uses the Social Security Administration's Modeling Income in the Near Term (version 6) to examine Social Security benefits for current and future beneficiary wives. The projections show that fewer wives in more recent birth cohorts will be eligible for auxiliary benefits as spouses because their earnings are too high. If their husbands die, however, most wives will still be eligible for survivor benefits because, despite the increase in their earnings over time, they still typically have lower earnings than their husbands. Even so, the share of wives who would be ineligible for widow benefits is projected to double between cohorts.*

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## Introduction

Women today are more likely than their mothers and grandmothers to work and to have higher earnings when they do work. Although women's labor force participation had been slowly but steadily rising since the late 1800s, the majority of women did not work and those who did work tended to be unmarried, less educated, and poor (Goldin 2006). From the 1950s through the 1990s, women's labor force participation soared as married women, older women, and those with more education and vocational training entered the labor market (Blau and Kahn 2007; Devereux 2004; Goldin 2006). Since then, the growth in women's labor supply has slowed dramatically, leaving some researchers to speculate whether women's participation in the labor force has reached its "natural rate" (Goldin 2006). Between 1950 and 2010, labor force participation rates for women aged 25–54 doubled, from 37 percent to 75 percent (Chart 1). In contrast, labor force participation rates for men in the same age group declined by 8 percent during this period, from 97 percent down to 89 percent. The trends in work are even more dramatic for persons

aged 55–64, increasing by 122 percent for women and declining by 20 percent for men (Bureau of Labor Statistics 2011).

Married women in particular experienced the largest gains in labor force participation rates during the 1950–2010 period (Census Bureau 2011, Table 596). As a result, dual-earner couples are becoming more commonplace. Between 1980 and 2010, the proportion of married couples with both spouses in the labor force increased from 46 percent to 54 percent (Census Bureau 1981, Table 6; Census Bureau 2010, Table FG1).

As women have increased their participation in the labor market, their earnings have also increased. Median wage and salary income in 2010 dollars increased steadily for women in Social

### Selected Abbreviations

GenX	generation X
MINT6	Modeling Income in the Near Term, version 6
PIA	primary insurance amount

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\* Barbara Butrica and Karen Smith are senior research associates at the Urban Institute.

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Security-covered employment, from \$7,352 in 1940 to \$21,323 in 2008 (Chart 2). In contrast, men's earnings peaked in 1970 at \$34,732; declined steadily through 1995; and then increased slightly to \$30,690 in 2008 (SSA 2011, Table 4.B3). Because of those trends, men's earnings were twice as high as women's earnings in 1940, rising to 2.5 times as high in 1955, but only 1.4 times as high as women's earnings in 2008.

Increased female labor force participation and earnings coupled with declining male labor force participation and earnings have altered the correlation between husbands' and wives' earnings. Schwartz (2010) found the earnings of husbands and wives to be negatively correlated in the late 1960s and 1970s, reflecting the choice of women married to higher-earning husbands to be full-time mothers. By the mid-2000s, the correlation between spouses' earnings had become positive, reflecting men's and women's increasing preference for spouses with similar earnings (Schwartz 2010; Sweeney and Cancian 2004). Schwartz (2010) estimated that increases in married couples' earnings inequality between 1967 and 2005 would have been 25 percent to 30 percent lower had spouses' earnings not increased in their correlation. As women's labor force participation and earnings have increased, married women's own-wage and cross-wage labor supply elasticities have become more like those of married men,

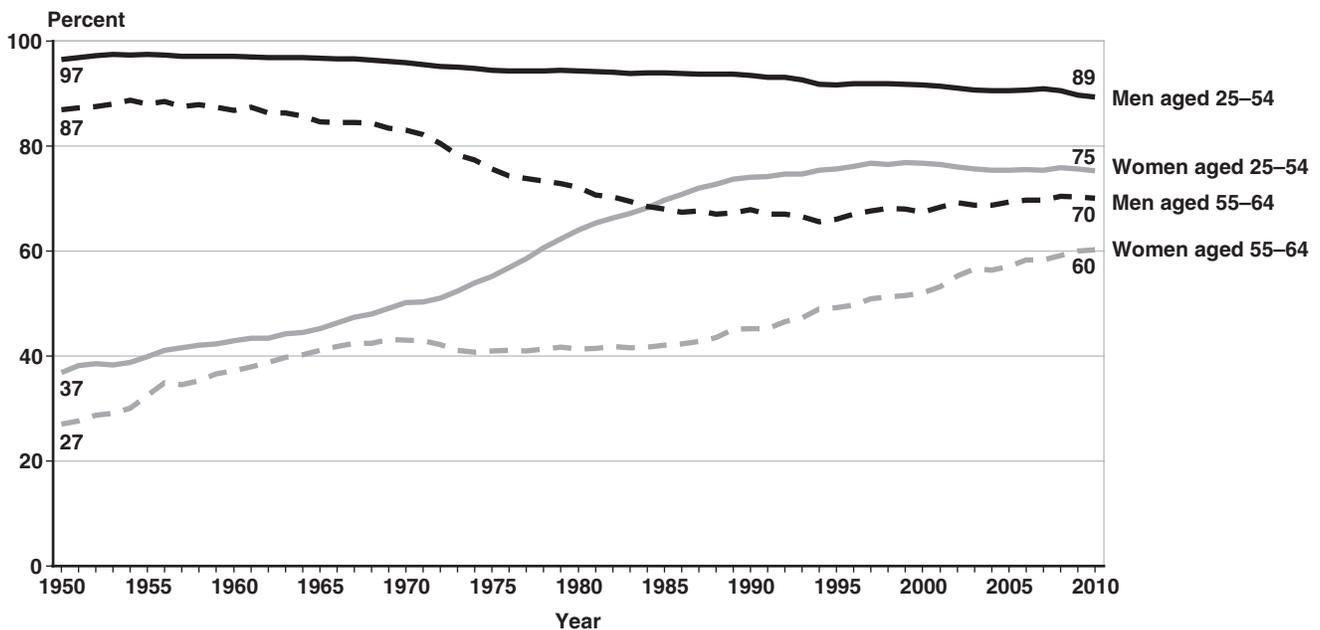
meaning that married women's labor supply is less responsive to changes in their own wages and changes in their husband's wages (Blau and Kahn 2007).

Social Security benefits, which nearly a third of beneficiaries aged 65 or older depend on for 90 percent or more of their total income, are programmatically linked to both marital and earnings histories (SSA 2010, Table 9.A1). There is no doubt that the trends in work and earnings described earlier will affect Social Security benefits. This article uses projections from a microsimulation model to estimate the impact of those trends on the Social Security benefits of future cohorts of married retirees.

### Social Security Program Rules

Social Security pays retired-worker benefits to workers who have 40 quarters of earnings in covered employment over their lives. Those benefits are computed by indexing annual earnings over a person's working life and then calculating his or her average indexed monthly earnings (AIME) and primary insurance amount (PIA)—the benefit payable at the full retirement age (FRA).<sup>1</sup> Social Security reduces benefits for those who collect them before the FRA and increases benefits for those who delay collecting until after the FRA.

**Chart 1.**  
Labor force participation rates of men and women, 1950–2010



SOURCE: Bureau of Labor Statistics (2011).

Social Security also pays auxiliary benefits to qualified spouses of retired workers. Those benefits are computed using the earnings history of the current spouse for individuals who are married when they apply for benefits. The size of that benefit is effectively equal to one-half of the spouse's retired-worker benefit.<sup>2</sup>

Retired workers are “dually entitled” if (1) they are entitled to their own retired-worker benefits, and (2) those benefits are less than the auxiliary benefits to which they are entitled. Social Security pays dually entitled beneficiaries their retired-worker benefit plus the difference between their auxiliary and retired-worker benefits.

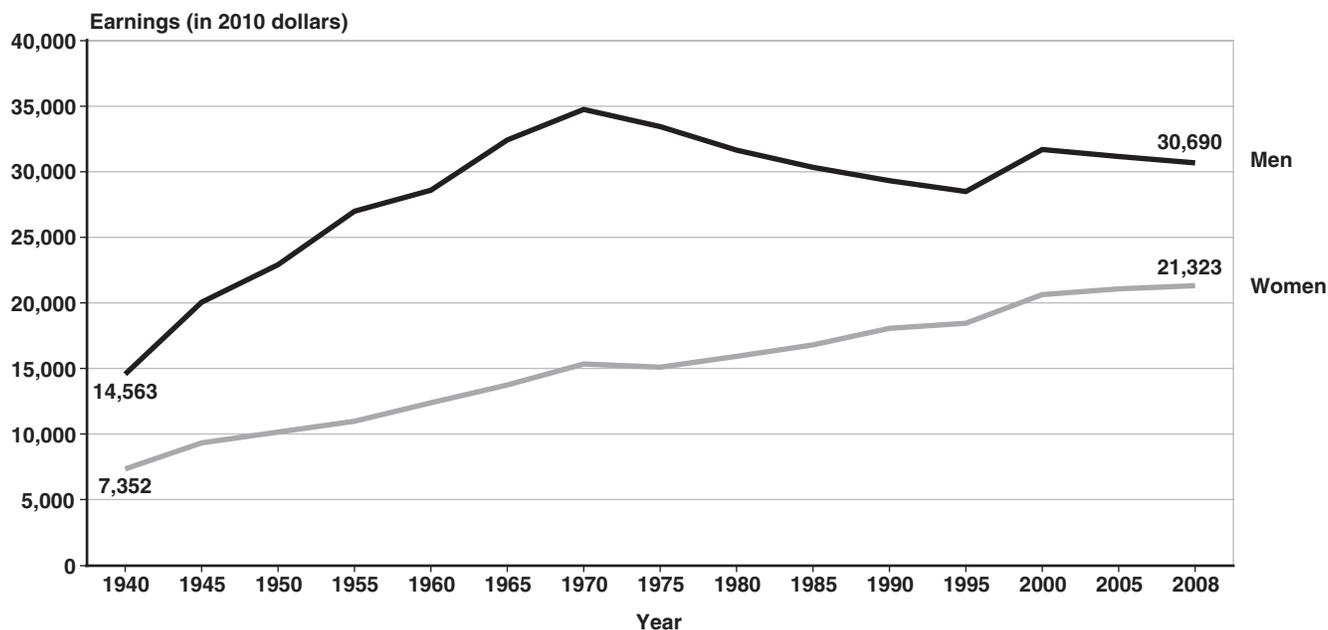
Because Social Security retirement benefits depend not only on the beneficiary's earnings history, but also, to a large extent, on his or her marital history and the earnings histories of the spouse, the structural shift in couple earnings has implications for Social Security benefits. In the past, married women were likely to receive only auxiliary benefits because they had little or no lifetime earnings of their own. As their labor force participation and earnings have increased over time, more and more married women have become entitled to retired-worker benefits. And an increase in lifetime earnings that raises a woman's PIA above

half her spouse's PIA, all else equal, results in higher Social Security benefits for that woman. Sandell and Iams (1997) noted that this is only true when women's husbands are alive; that is, higher lifetime earnings usually have no effect on women's Social Security benefits as widows. That is because many married women have PIAs that are more than half their husbands' PIAs, which qualifies them for retired-worker-only benefits when their husbands are living. However, many of those women have PIAs that are still less than their husbands' PIAs, which qualifies them for widow benefits when their husbands die. Using hypothetical husbands and wives, the authors showed that the distribution of earnings between spouses would lead to different auxiliary benefits for the same total earnings of the couple. Particularly noteworthy is that Social Security couple and widow benefits are largest when the wife does not work, and the widow benefit is smallest when the husband's and wife's earnings are equal.

### ***Methodology***

We analyze the impact of changes in couples' earnings on married women's Social Security benefits using the latest version (6) of the Social Security Administration's Modeling Income in the Near Term (MINT6).

**Chart 2.**  
**Median wage and salary earnings of men and women in Social Security–covered employment, 1940–2008**



SOURCE: SSA (2011).

MINT6 uses data from the 2001 and 2004 Survey of Income and Program Participation (SIPP) matched to Social Security administrative earnings and benefit data through 2008 as the basis for its projections. For those born from 1926 through 1975, MINT6 projects each person's mortality, entry to and exit from Social Security Disability Insurance (DI) rolls, and age of first receipt of Social Security retirement benefits. Because Social Security benefits are closely tied to the occurrence and timing of marital events, MINT6 also projects each person's marital changes. The model starts with the self-reported marriage histories of respondents in the 2001 and 2004 SIPP panels and then statistically projects future marriages, divorces, and remarriages from the date of the SIPP interview until the date of death.

In addition to demographic relationships, MINT6 projects earnings and Social Security benefits.<sup>3</sup> Because Social Security benefits depend on the earnings histories of retirees and their spouses, MINT6 starts with husbands and wives in the 2001 and 2004 SIPP panels, with an exact linkage to each of their own Social Security administrative records of Social Security–covered earnings from 1951 through 2008. Thus, for observed couples in the SIPP, MINT6 accounts for the majority of their actual lifetime earnings for the war baby cohort and more than a third of career earnings for the generation X (GenX) cohort. Few, if any, other data sources capture respondents' earnings histories, marriage histories, and the earnings histories of their current and past spouses—all of which are crucial for estimating Social Security benefits.

MINT6 also accounts for major changes in the growth of economy-wide real earnings, the distribution of earnings both between and within birth cohorts, and the composition of the retiree population. All of those factors will affect the retirement incomes of future retirees. (For more detailed information about the MINT model, see Smith and others (2010); Smith and others (2007); and Smith, Cashin, and Favreault (2005).)

The main focus of our analysis is to understand how historical and projected changes in married women's labor force participation and earnings will impact their Social Security benefits and how those things have changed over time. To do this, we separate our analyses into four 10-year birth cohorts, representing war babies (born 1936–1945), leading boomers (born 1946–1955), trailing boomers (born 1956–1965), and GenXers (born 1966–1975).<sup>4</sup> We analyze the

characteristics, earnings, and Social Security benefits of married women in those cohorts at their Social Security take-up age.<sup>5</sup> We exclude married women who are projected to ever receive DI benefits. Thus, our results for the war babies reflect their outcomes at some time between 1998 and 2015, depending on when they are projected to claim benefits. Our results for GenXers reflect their outcomes at some time between 2028 and 2045. All reported income projections are in 2011 price-adjusted dollars.

## **Findings**

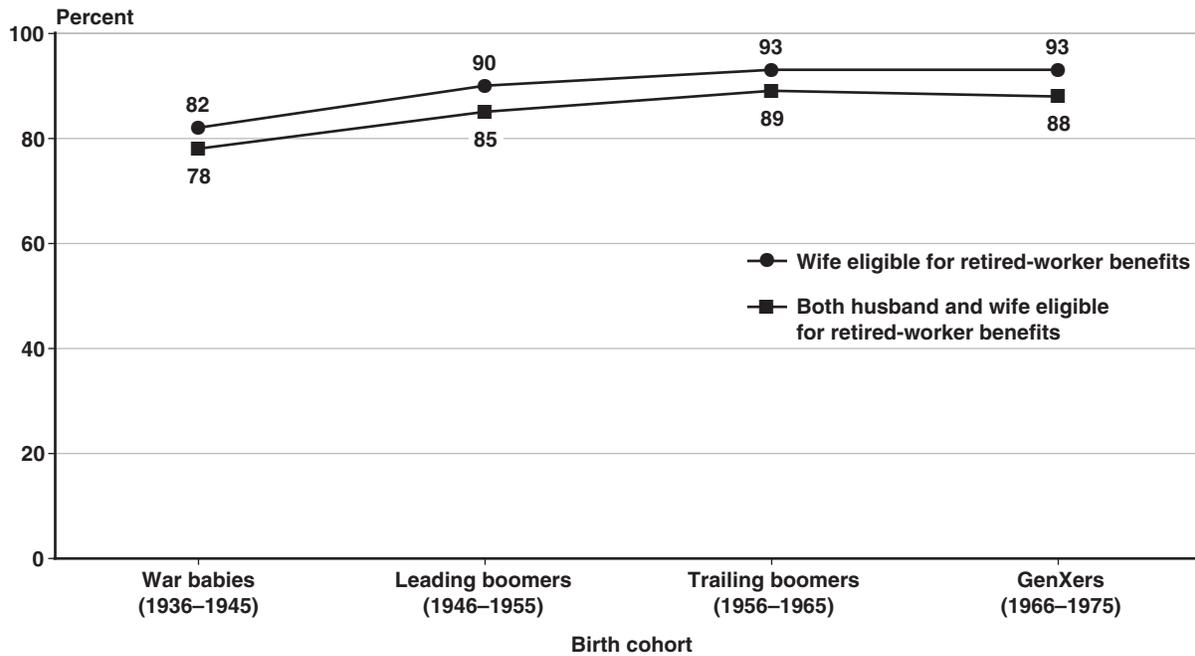
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The increase in women's labor force participation and earnings over time have changed the share of married women who are expected to be eligible for Social Security retired-worker benefits based on their own earnings (Chart 3). MINT6 projects that the proportion of wives receiving retired-worker benefits will increase from 82 percent of war babies to 93 percent of GenXers. Although the labor force participation rates of men have declined slightly at the same time that women's labor force participation rates have increased, many couples are still dual earners. As a result, both the wife and husband will be eligible for retired-worker benefits. As expected, this phenomenon has increased over time from 78 percent of war baby wives to 85 percent of leading boomer wives, 89 percent of trailing boomer wives, and 88 percent of GenX wives.

Social Security benefits depend on a married woman's earnings, as well as on how her earnings compare with those of her husband. Consistent with what other researchers have found, MINT6 projects that spouse lifetime earnings are positively correlated and that correlation will become stronger over time (Chart 4). For example, the correlation of spouse lifetime earnings (AIME) is 0.16 for war baby wives, increasing to 0.17 for leading boomer wives, 0.20 for trailing boomer wives, and 0.25 for GenX wives.

Because spouses' earnings are expected to become even more similar over time, MINT6 projects that fewer wives will be eligible for auxiliary benefits based on their husbands' earnings. Among the war baby wives shown in Chart 5, 18 percent will receive a Social Security benefit based entirely on their husbands' earnings (auxiliary only), and 27 percent will receive a Social Security benefit based in part on their husbands' earnings (dually entitled). In total, 45 percent of war baby wives will receive auxiliary Social Security benefits when they claim them. Among GenX wives, only 25 percent will receive auxiliary benefits when they claim them. Just 7 percent of

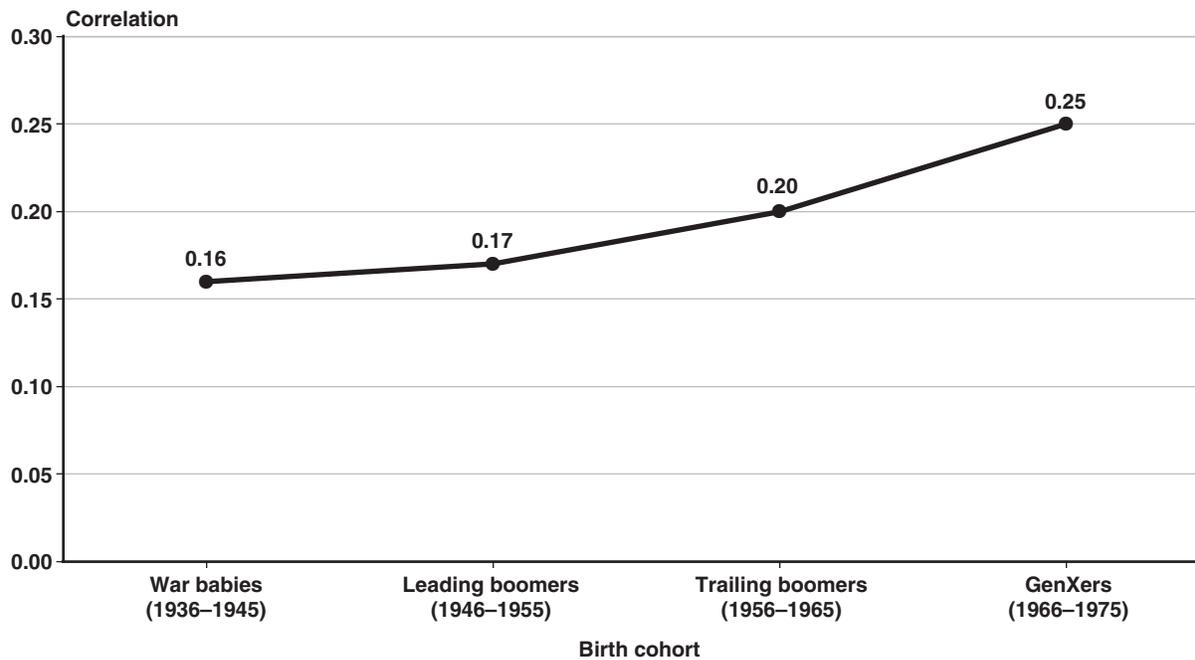
**Chart 3.**  
**Percentage of married women and married couples projected to be eligible for retired-worker benefits at Social Security take-up age, by birth cohort**



SOURCE: Authors' calculations using MINT6 data.

NOTE: Sample includes married women in the year they claim Social Security benefits, but excludes those women projected to ever receive Social Security Disability Insurance benefits.

**Chart 4.**  
**Correlation between husbands' and wives' projected average indexed monthly earnings, by birth cohort**



SOURCE: Authors' calculations using MINT6 data.

NOTE: Sample includes married women in the year they claim Social Security benefits, but excludes those women projected to ever receive Social Security Disability Insurance benefits.

GenX wives will receive only auxiliary benefits, while 18 percent of them will receive both retired-worker and auxiliary benefits. The closing gap between spouses' earnings is also reflected in the share of married women projected to receive *only* retired-worker benefits at Social Security take-up. Among war babies, 55 percent of wives will receive only a retired-worker benefit based on their own earnings because that benefit is larger than the auxiliary benefit based on their husbands' earnings. In other words, over half of the wives in the war baby cohort have earnings that are too high relative to their husband's earnings to qualify for auxiliary benefits. Over time, the size of the retired-worker-only population of married women is projected to increase by 20 percentage points to 75 percent of GenXers.

While her husband is alive, a wife is eligible for an auxiliary benefit if her own retired-worker benefit is less than 50 percent of her husband's retired-worker benefit. If her husband dies, the same woman is eligible for an auxiliary benefit if her own retired-worker benefit is less than 100 percent of her husband's retired-worker benefit. The women who meet those criteria will receive higher benefits as widows.<sup>6</sup> Chart 6 compares the projected benefits of

married women when their husbands are alive and after they die. Married women in the war baby cohort are expected to receive average monthly benefits of \$1,028 as spouses and \$1,560 as widows, in 2011 dollars (before any actuarial adjustments for early or delayed retirement). As women's earnings increase over time, their Social Security benefits will also increase. So it is not surprising that married women in the GenX cohort are projected to receive higher average monthly benefits (\$1,551 as spouses and \$2,040 as widows) than their war baby counterparts. Although the average married woman will get a higher Social Security benefit as a widow than as a wife, not all married women can expect larger benefits when their husbands die. Married women whose retired-worker benefits are higher than their husbands' retired-worker benefits will not be eligible for widow benefits based on their husbands' earnings. Those women will see no change in their Social Security benefits when their husbands die. MINT6 projects that 82 percent of war baby wives will receive higher benefits as widows than as spouses—meaning that an additional 18 percent of those women will see no change in their benefits when their husbands die. As women's earnings increase over time, married women are more likely to have higher

**Chart 5.**  
**Projected Social Security benefit status of married women at Social Security take-up age, by birth cohort**



SOURCE: Authors' calculations using MINT6 data.

NOTE: Sample includes married women in the year they claim Social Security benefits, but excludes those women projected to ever receive Social Security Disability Insurance benefits.

earnings (and consequently higher retired-worker benefits) than their husbands and are therefore less likely to receive widow benefits. Reflecting this trend, MINT6 projects that only 66 percent of GenX wives will receive higher benefits as widows than as spouses.

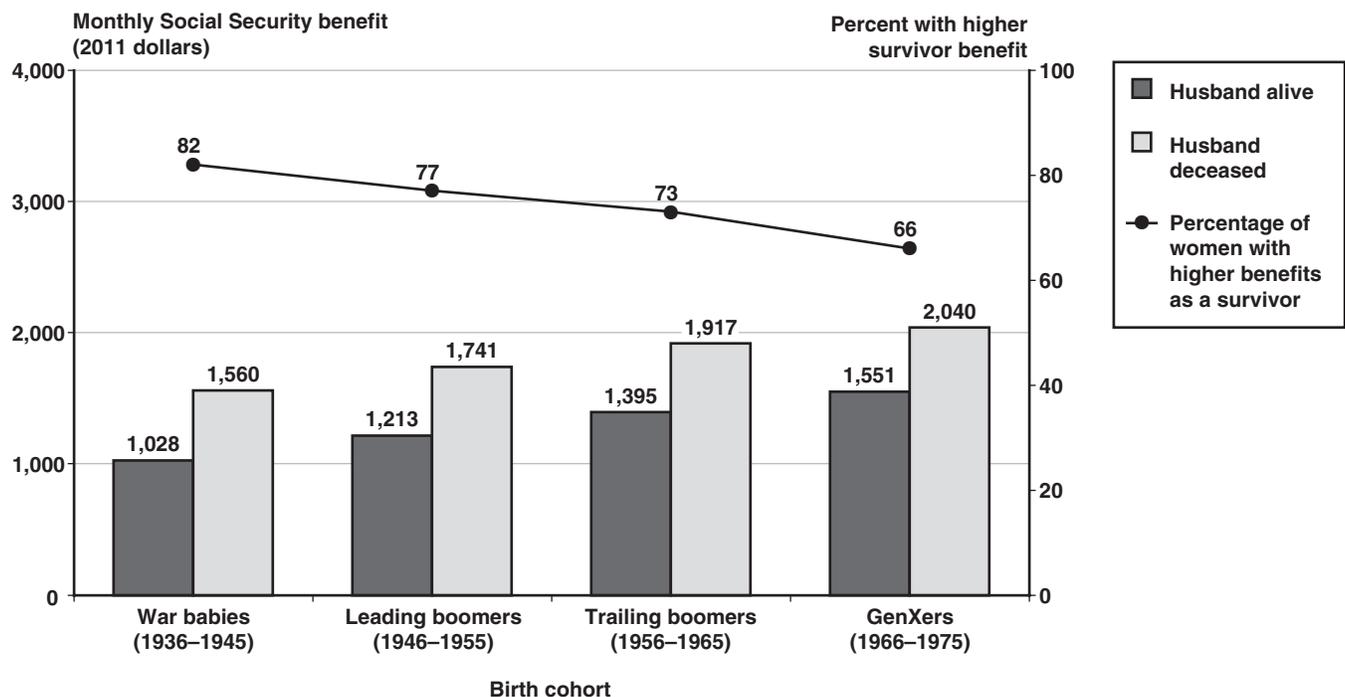
Another way to understand how the changes in spouses' earnings might impact the Social Security benefits of married women is to simulate benefits (1) based only on their husbands' earnings, (2) based only on their own earnings, and (3) to compare those benefits with actual benefits based on both spouses' earnings. Table 1 shows projected average Social Security benefits (before any actuarial adjustment) using three computation methods. The first row shows the average benefit a wife receives based on her retired-worker benefit and any auxiliary benefit she may be entitled to as a spouse. The next two rows show the average benefit a wife would receive if that benefit was computed using only her husband's lifetime earnings and the share of the actual benefit it represents. This simulation essentially assumes that the wife does not work and that she is ineligible

for retired-worker benefits. The last two rows of the table show the average benefit a wife would receive if that benefit was computed using only her own lifetime earnings and the share of the actual benefit it represents. This simulation assumes the wife's retired-worker benefit is larger than any auxiliary benefit she could receive based on her husband's earnings and that she is ineligible for auxiliary benefits.

The results show that average benefits based on just the husband's earnings are less than actual benefits because many wives do work and will receive retired-worker benefits based entirely on their own earnings. However, average benefits based just on the wife's earnings are also less than actual benefits because many wives will still receive auxiliary benefits.

Average benefits based just on the husband's earnings are projected to increase from \$736 to \$910 between the first (war baby) and last (GenX) cohorts, which is a decline from 72 percent of the actual benefit for war baby wives to only 59 percent of the actual benefit for GenX wives. This result suggests that over time, married women's actual benefits

**Chart 6.**  
**Projected mean monthly Social Security benefits of married women at Social Security take-up age before and after their husbands die and percentage of women who will receive higher benefits as a survivor, by birth cohort**



SOURCE: Authors' calculations using MINT6 data.

NOTE: Sample includes married women in the year they claim Social Security benefits, but excludes those women projected to ever receive Social Security Disability Insurance benefits.

**Table 1.**  
**Projected mean monthly Social Security benefit of married women at Social Security take-up age and share of actual benefit, by computation method and birth cohort (in 2011 dollars)**

Computation method	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Actual benefit <sup>a</sup>	1,028	1,213	1,395	1,551
Using only husband's earnings <sup>b</sup>				
Simulated benefit	736	811	878	910
Share of actual benefit (%)	72	67	63	59
Using only wife's earnings <sup>c</sup>				
Simulated benefit	833	1,060	1,276	1,444
Share of actual benefit (%)	81	87	91	93

SOURCE: Authors' calculations using MINT6 data.

NOTE: Sample includes married women in the year they claim Social Security benefits, but excludes those women projected to ever receive Social Security Disability Insurance benefits.

- a. Defined as the wife's Social Security benefit, which is based on both the husband's and wife's earnings. That amount is derived by comparing the wife's PIA with her husband's PIA. If the wife's PIA is less than one-half of her husband's PIA, then the amount of Social Security benefit she receives is effectively equal to one-half of her husband's PIA. This is the Social Security benefit the wife would receive before any actuarial reductions for early retirement or increases for delayed retirement.
- b. Computed as one-half the husband's PIA, which is based on the husband's earnings.
- c. Defined as the wife's PIA, which is based on the wife's earnings.

are decreasingly likely to be based entirely on their husbands' earnings. Average benefits based just on the wife's earnings are projected to increase from \$833 to \$1,444 between cohorts, which is an increase from 81 percent of the actual benefit for war baby wives to 93 percent of the actual benefit for GenX wives. This finding suggests that over time, married women's actual benefits are increasingly likely to be based entirely on their own earnings.

## Conclusions

In this article, we consider how changes over time in the earnings of couples will impact married women's Social Security benefits. Historical trends show dramatic increases over time in women's labor force participation and earnings and a declining earnings gap between men and women. These trends will significantly reduce the share of married women projected to receive auxiliary Social Security benefits at retirement and will reduce the level of auxiliary benefits for married women who are projected to receive them.

Compared with war baby wives, a larger share of wives in later cohorts will be eligible for Social Security benefits based solely on their own earnings. Their rising earnings will increase wives' average Social Security benefits by 50 percent over the next 30 years. Despite rising female lifetime earnings, wives' earnings typically remain below those of their husbands, so

many wives who are retired-worker-only beneficiaries while their husbands are alive will receive auxiliary benefits when their husbands die.

The Social Security provisions that pay auxiliary benefits to wives and widows were intended to increase adequacy, particularly important for early cohorts of women with little or no lifetime earnings (Berkowitz 2002). As earnings of husbands and wives have become more equal over time, the impact of those provisions will decline. Still, about one-fourth of GenX wives and two-thirds of GenX widows are expected to receive auxiliary benefits at retirement. As Congress seeks ways to reform Social Security to address insolvency, changes to the auxiliary benefit provisions—in the face of dramatic shifts in men's and women's earnings—should be considered.

## Notes

*Acknowledgments:* The authors are grateful for helpful comments from Joni Lavery and Chris Tamborini at the Social Security Administration.

<sup>1</sup> The 1983 Amendments to the Social Security Act gradually increased the FRA from 65 to 67. Beginning with persons born in 1938 (who turned age 62 in 2000), the FRA increased 2 months a year until it reached 66 for those born in 1943 (who turned age 62 in 2005). The FRA remains at this level for the next several years. It begins increasing 2 months per year again for persons born in 1955 (and

turning age 62 in 2017), until it reaches 67 for those born in 1960 and later.

<sup>2</sup> Unless the spouse's Social Security benefit is reduced for early retirement or increased for delayed retirement.

<sup>3</sup> MINT6 also projects income from pensions, assets, Supplemental Security Income, other transfer income, income of coresident household members, and imputed rent. Those income sources, however, are not analyzed in this article.

<sup>4</sup> The baby boom cohort is typically represented as persons born from 1946 through 1964. For analytical purposes, however, we define the baby boom cohort as those born from 1946 through 1965.

<sup>5</sup> Social Security take-up age for married women varies between ages 62 and 70 depending on individuals' take-up decisions. MINT6 assumes that all eligible individuals take-up benefits by age 70, after which delaying take-up does not increase benefits.

<sup>6</sup> This benefit, however, will be less than the total benefit the couple would have received when the husband was alive, which is one reason why poverty rates among older widows are so high.

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# THE RETIREMENT PROSPECTS OF DIVORCED WOMEN

by Barbara A. Butrica and Karen E. Smith\*

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*For decades, policymakers have discussed how to remedy the high poverty rates of older widows. Yet older divorced women are more likely to be poor than older widows, and historical divorce and remarriage trends suggest that in the future a larger share of retired women will be divorced. This article uses the Social Security Administration's Modeling Income in the Near Term (version 6) to project the retirement resources and well-being of divorced women. We find that Social Security benefits and retirement incomes are projected to increase for divorced women and that their poverty rates are projected to decline, due in large part to women's increasing lifetime earnings. However, not all divorced women will be equally well off; economic well-being in retirement varies by Social Security benefit type.*

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## Introduction

The high poverty rates of older widows have drawn the attention of policymakers and the media, and widows have been the focus of much of the research on older women's economic well-being (Angel, Jimenez, and Angel 2007; McGarry and Schoeni 2000; Sevak, Weir, and Willis 2003/2004; Weir and Willis 2000). However, among older women, those who are divorced have dramatically lower incomes and higher poverty rates than widows and most other Social Security beneficiaries (Weaver 1997). According to recent data, around 20 percent of divorced women aged 65 or older live in poverty, compared with 18 percent of never-married women and 15 percent of widowed women. Differences in poverty rates are even larger at the oldest ages—22 percent of divorced women aged 80 or older are poor, compared with only 17 percent of never-married women and 15 percent of widowed women (SSA 2010).

Older women are much more likely to be married or widowed than they are to be divorced or never married. Currently, only about 11 percent of women aged 65 or older are divorced and only 4 percent have never married. By contrast, 41 percent of women those

ages are widowed (SSA 2010). Recent trends suggest that those proportions could change in the future. Divorce rates increased sharply between the 1960s and early 1970s. After falling slightly, rates leveled off in the mid-1980s; but in a historical context, they were still relatively high (Ahlburg and De Vita 1992; DaVanzo and Rahman 1993; Goldstein 1999; Norton and Miller 1992; Stevenson and Wolfers 2007). Most individuals who divorce will remarry, but the remarriage rate has decreased, and second marriages also often end in divorce (Norton and Miller 1992).

Although the divorce rate has leveled off and may even have begun to reverse (NCHS 1991; Stevenson and Wolfers 2007; Tejada-Vera and Sutton 2010),

### Selected Abbreviations

GenX	generation X
MINT6	Modeling Income in the Near Term, version 6
PIA	primary insurance amount
SIPP	Survey of Income and Program Participation
SSA	Social Security Administration

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the characteristics of divorce have been changing. In particular, the duration of marriages ending in divorce appears to have declined among more recent cohorts of women. Among first marriages, the share of women who were still married at their fifth anniversary declined from 93.0 percent for those married 1960–1964 to 87.1 percent for those married 1990–1994. The share of those who remained married at their tenth anniversaries declined from 82.8 percent for those married 1960–1964 to 74.5 percent for those married 1990–1994 (Kreider and Ellis 2011).

These divorce and marriage-duration trends suggest that, over time, increasing proportions of women will be divorced when they reach retirement, which has implications for their retirement security generally and their Social Security benefits specifically. A number of studies have already documented the potential effect of divorce and marriage trends on Social Security benefits for future women retirees (Butrica and Iams 2000; Harrington Meyer, Wolf, and Himes 2006; Tamborini and Whitman 2007; Tamborini, Iams, and Whitman 2009). Because divorced retirees might receive Social Security divorced-spouse benefits, widow benefits, or neither, a divorced woman's marital status does not necessarily reflect the type of benefit she is eligible to receive (Weaver 1997); yet the type of benefit she receives will dramatically affect her economic well-being in retirement. This article considers how divorced women's projected retirement incomes, Social Security benefits, and poverty rates vary by benefit type. It also updates Butrica and Iams (2000) with projections generated by an updated microsimulation model.

We find that Social Security benefits and retirement incomes are projected to increase for future divorced women and that their poverty rates are projected to decline, due in large part to women's increasing lifetime earnings. But not all divorced women will be equally well off. In particular, divorced women who receive only retired-worker benefits are a diverse group. For example, those without marriages lasting at least 10 years (the requirement to qualify for benefits based on an ex-husband's earnings history) are expected to have low retirement incomes and high poverty rates. That group is projected to represent one in three divorced women in the generation X (GenX) cohorts (born 1966–1975). Others will have earnings histories that will qualify them for basic retired-worker benefits that are greater than one-half of their ex-husbands' basic retired-worker benefits. That group

is projected to represent one in four divorced women in the GenX cohorts, and is expected to have the highest retirement incomes and lowest poverty rates among all divorced women.

### ***Social Security Benefits for Divorced Women***

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Depending on their circumstances, divorced Social Security beneficiaries can receive either retired-worker benefits, which are based on the individual's own covered earnings history; auxiliary benefits, which are determined by a living or deceased former spouse's covered earnings history; or a combination of both. Thus, divorced women receive Social Security benefits either as retired workers, divorced spouses, or surviving divorced spouses. They can also receive widow benefits from a prior marriage that ended in widowhood. Retired-worker benefits are computed by wage indexing annual earnings over a divorced woman's working life, then calculating her average indexed monthly earnings (AIME) to determine her primary insurance amount (PIA)—the benefit payable at the full retirement age, which currently is 66. Divorced women with 40 or more quarters of coverage over their work lives are considered fully insured and may receive retired-worker benefits.

Auxiliary benefits are computed for each eligible previous marriage reported by a divorced woman. Any person with a previous marriage that ended in divorce is eligible if the ex-spouse was fully insured for Social Security benefits and the marriage lasted at least 10 years. A person with a previous marriage that ended in widowhood is also eligible if the spouse was fully insured.<sup>1</sup> Auxiliary benefits are based on the earnings history of the ex-spouse, deceased ex-spouse, or deceased spouse from each marriage. If an ex-husband is alive when a woman claims Social Security benefits on his earnings record, the auxiliary benefit (also known as divorced-spouse benefit) is effectively equal to one-half of the ex-husband's PIA.<sup>2</sup> If an ex-husband is deceased when a woman claims benefits, the auxiliary benefit (also known as a surviving-divorced-spouse benefit) is effectively equal to the deceased ex-husband's full PIA. Likewise, for a marriage that ended in widowhood, the auxiliary benefit (also known as a widow benefit) is effectively equal to the deceased husband's full PIA.

After computing an auxiliary benefit for each eligible marriage, the Social Security Administration

(SSA) selects the highest auxiliary benefit and compares it with the divorced woman's own retired-worker benefit. If she is not entitled to a retired-worker benefit, she receives the full auxiliary benefit as a divorced spouse, surviving divorced spouse, or widow beneficiary. If she is entitled to a retired-worker benefit that is less than the auxiliary benefit, she is "dually entitled" and SSA supplements her retired-worker benefit with the difference between her retired-worker benefit and the full auxiliary benefit to which she would be entitled. Finally, if she is entitled to a retired-worker benefit that exceeds the auxiliary benefit, she receives only the retired-worker benefit.

Thus, a divorced woman's Social Security retirement benefit depends not only on her own earnings history, but also to a large extent on her marital history and the earnings histories of her previous spouses. Furthermore, a divorced woman with multiple marriages could receive an auxiliary benefit from any of her former spouses. Although she describes herself as divorced, at retirement she may receive a divorced spouse benefit, surviving divorced spouse benefit, or widow benefit from Social Security. In cases where none of her marriages ended in widowhood or in divorce after 10 years, a divorced woman will be ineligible for any auxiliary benefits. This article will show that the type of benefit a divorced woman receives will dramatically influence her economic well-being in retirement.

## **Methods**

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We assess the retirement prospects of divorced women using the latest version of SSA's Modeling Income in the Near Term, version 6 (MINT6). MINT6 uses data from the 2001 and 2004 Survey of Income and Program Participation (SIPP) matched to Social Security administrative earnings and benefit data through 2008 as the basis for its projections. For individuals born from 1926 through 1975, MINT6 projects each person's marital changes, mortality, entry to and exit from Social Security Disability Insurance rolls, and age at first receipt of Social Security retirement benefits.<sup>3</sup> It also projects family income including Social Security benefits, pension income, asset income, earnings, Supplemental Security Income, income from coresident household members, and imputed rental income.<sup>4</sup> Asset balances in retirement accounts and financial assets outside of retirement accounts in MINT6's starting SIPP sample are adjusted to align

with distributions in the 2004 Survey of Consumer Finances.<sup>5</sup>

MINT6 is ideal for this analysis because it directly measures the experiences of survey respondents as of the early 2000s, thus accounting for nearly the full working careers of those born before 1946, the first half of the work lives of the baby boom cohort, and first third of the working lives of the GenX cohort. MINT6 projects their income and characteristics into the future, adjusting for expected demographic and socioeconomic changes. MINT6 also accounts for major changes in the growth of economy-wide real earnings, the distribution of earnings both between and within birth cohorts, and the composition of the retiree population. All these factors will affect the retirement incomes of future retirees.

We separately analyze four 10-year birth cohorts we label war babies (born 1936–1945), leading boomers (born 1946–1955), trailing boomers (born 1956–1965), and GenXers (born 1966–1975).<sup>6</sup> We analyze the characteristics, Social Security benefits, and total income of divorced women in these cohorts at age 70. We exclude divorced women who are projected to ever receive Social Security disability benefits. Because of the legislated increase in the full retirement age, the increase in the delayed retirement credit, the elimination of the retirement earnings test after reaching full retirement age, and changes in pension and health insurance incentives, older adults are increasingly likely to work into their late 60s. Given these trends, we report total income at age 70 to better represent the characteristics and economic well-being of those who have actually retired. We report all income projections in 2011 price-adjusted dollars.

## **Results**

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We begin by describing the projected marital status of women at age 70 to identify the prevalence of divorced women in the future. Then, we describe the projected benefit type of divorced women, accounting for changing trends in marital status and earnings of all marital partners. Those projections show how changes in women's earnings affect the distribution of benefits by type over time. Next, we describe the projected average monthly Social Security benefit of divorced women by benefit type. This is followed by a description of total retirement income from all major sources. Finally, we describe the projected poverty status of divorced women by benefit type and cohort.

### Projected Marital Status

Over time, the percentage of 70-year-old women who are married is projected to remain constant; however, the composition of their nonmarried counterparts is expected to change dramatically. Among war baby women at age 70, 58 percent are expected to be married, 16 percent divorced, 4 percent never married, and 22 percent widowed (Table 1). However, the distribution of 70-year-old women by marital status is expected to change in later cohorts as life expectancies rise and greater percentages of older women never marry or divorce and never remarry. MINT6 projects increases in the shares who are divorced and never married, and a decline in the share who are widowed. As a result, future cohorts of 70-year-old nonmarried women are most likely to be divorced. Among GenX women, for example, 20 percent are expected to be divorced at age 70, 13 percent widowed, and 10 percent never married.

A woman's marital status does not necessarily determine the type of Social Security benefit she receives. As discussed above, a divorced woman could receive an auxiliary benefit from a living or deceased (ex-)husband. If none of her previous marriages ended in widowhood or in divorce after at least 10 years of marriage, however, she is ineligible for any auxiliary benefit.

MINT6 projects that the proportion of divorced women at age 70 with any 10-year marriage will decline from 80 percent of war babies to 70 percent of leading boomers and GenXers (Chart 1). Consistent with other researchers (Harrington Meyer, Wolf, and Himes 2006; Tamborini and Whitman 2007; Tamborini, Iams, and Whitman 2009), we expect that over time, fewer divorced women will be eligible for

auxiliary benefits based on their ex-husbands' earnings records.

### Projected Social Security Benefit Type

Trends in shorter marriages and increases in women's labor force participation and earnings will affect the type of Social Security benefits that future cohorts of divorced women receive. Table 2 shows the projected distribution of divorced women at age 70 by benefit type, and how the distribution is expected to change over time. Among divorced women in the war baby cohort, MINT6 projects that 64 percent will receive only retired-worker benefits, 26 percent will be dually entitled, 5 percent will receive only auxiliary benefits, and 5 percent will be ineligible for any Social Security benefits.

Between the war baby and leading boomer cohorts, two sociodemographic shifts are expected to take place. First, the share of marriages lasting at least 10 years is projected to decline dramatically (Chart 1). Consequently, for divorced women, leading boomers are less likely than war babies to be eligible for auxiliary benefits from their ex-spouses; the share of retired-worker-only beneficiaries projected to be ineligible for auxiliary benefits increases from 37 percent among war babies to 58 percent among leading boomers. Second, women's labor force participation is projected to increase between these cohorts (Blau and Kahn 2007; Goldin 2006). As a result, for divorced women, leading boomers are more likely (32 percent) than war babies (26 percent) to be dually entitled (receiving both auxiliary and retired-worker benefits) at age 70.

Between the leading and trailing boomer cohorts, two different sociodemographic developments are

**Table 1.**  
**Projected marital status of women at age 70, by birth cohort (percentage distribution)**

Marital status	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	100	100	100	100
Divorced	16	20	20	20
Never married	4	6	8	10
Widowed	22	15	13	13
Married	58	58	59	57

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

expected. First, the gap between men's and women's earnings is projected to narrow as women's earnings increase and men's earnings fall off (Blau and Kahn 2007; Goldin 2006). Second, life expectancies are projected to increase, which means that trailing boomers are less likely than leading boomers to be widowed at age 70. As a result of those two trends, trailing boomers are more likely than leading boomers to receive only retired-worker benefits at age 70 because their PIAs only have to exceed half their living ex-husbands' PIAs instead of their deceased (ex-)husbands' entire PIAs. Among divorced women, MINT6 projects that 61 percent of leading boomers will receive only retired-worker benefits, increasing to 67 percent of trailing boomers.

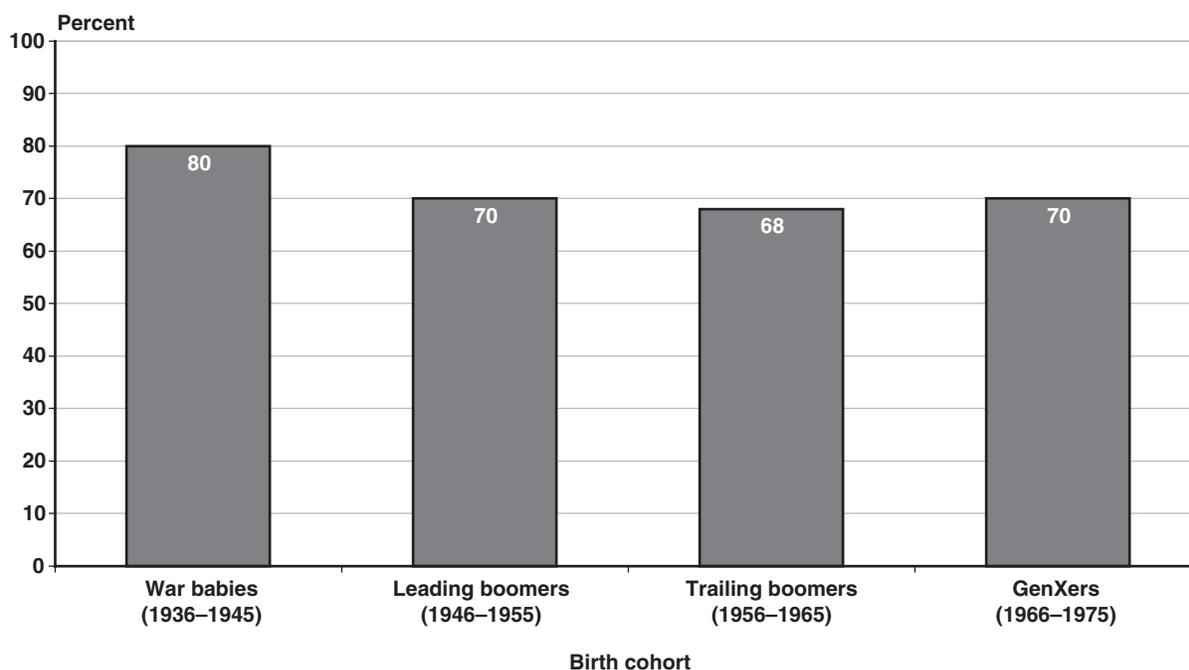
Those developments are projected to continue beyond the trailing boomer cohort. Among GenX divorced women, MINT6 projects that 70 percent will receive only retired-worker benefits at age 70, 23 percent will be dually entitled, 3 percent will receive only auxiliary benefits, and 5 percent will be ineligible for any Social Security benefits.

It is worth highlighting the MINT6 projections of the shares of divorced women who will receive retired-worker benefits at age 70 (including the dually

entitled): 90 percent of war babies, 93 percent of leading boomers, 94 percent of trailing boomers, and 93 percent of GenXers. The fact that over 90 percent of divorced women in all cohorts are projected to be retired-worker beneficiaries suggests that divorced women have long participated in the labor force in large numbers; but because their earnings are expected to increase significantly over time, more are projected to receive only retired-worker benefits (and fewer will also receive auxiliary benefits).

A divorced woman's Social Security benefit can be based on her ex-husband's earnings alone, her deceased husband's or deceased ex-husband's earnings alone, her own earnings alone, or a combination of earnings. Therefore, benefit amounts, total income, and poverty levels are likely to vary substantially across benefit types. For example, the situation of a divorced woman receiving only retired-worker benefits because her PIA is more than one-half her ex-husband's PIA will differ from that of one receiving only retired-worker benefits because her PIA is more than her deceased husband's or deceased ex-husband's full PIA. For the latter woman, the requirement for receiving only retired-worker benefits is much more difficult to satisfy because wives'

**Chart 1.**  
**Projected percentage of divorced women at age 70 to have at least one marriage last at least 10 years, by birth cohort**



SOURCE: Authors' calculations using MINT6.

earnings tend to be lower than their husbands' earnings. Despite the narrowing gap, women's earnings on average remain lower than men's (SSA 2011, Table 4.B6). Finally, both of these women are likely to differ from a divorced woman who receives only retired-worker benefits because her former marriage lasted less than 10 years.

Table 2 also reports, for each benefit type, the projected distribution of divorced women according to the spouse whose earnings record would provide the highest auxiliary benefit (living ex-husband, deceased husband or ex-husband, no qualifying marriage).<sup>7</sup> Among war babies, more than half of retired-worker-only beneficiaries will receive those benefits because their own PIAs are greater than one-half of their living ex-husbands' PIAs. Another 11 percent will receive those benefits because their own PIAs are greater than their deceased (ex-)husbands' full PIAs, and 37 percent will receive only retired-worker benefits because they do not have a qualifying marriage. The composition of retired-worker-only

beneficiaries is expected to change significantly over time because of changes in women's earnings and divorce patterns (Goldin 2006). Among GenX divorced women who are projected to receive only retired-worker benefits, 37 percent will have PIAs that exceed one-half of their living ex-husbands' PIAs, 12 percent will have higher PIAs than their deceased (ex-)husbands, and over half will not have a qualifying marriage.

Although it is not uncommon for divorced women to have PIAs that are greater than one-half of their ex-husbands' PIAs, it is less common for them to have PIAs that exceed their deceased (ex-)husbands' full PIAs. Consequently, between 70 percent and 86 percent of dually entitled beneficiaries qualify for such benefits based on the higher deceased (ex-)husbands' earnings.

In summary, divorced women are projected to rely increasingly on their own retired-worker benefits and decreasingly on auxiliary benefits based on the earnings of their ex-husbands or deceased (ex-)husbands.

**Table 2.**  
**Projected Social Security benefit status of divorced women at age 70, by benefit type, spouse who would provide the highest auxiliary benefit, and birth cohort (percentage distribution)**

Benefit type	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
All divorced women	100	100	100	100
Retired worker only	64	61	67	70
Dually entitled	26	32	27	23
Auxiliary only	5	3	2	3
Nonbeneficiary	5	4	4	5
Retired worker only	100	100	100	100
Living ex-husband <sup>a</sup>	52	24	27	37
Deceased (ex-)husband <sup>b</sup>	11	18	15	12
No auxiliary benefit <sup>c</sup>	37	58	58	51
Dually entitled	100	100	100	100
Living ex-husband <sup>a</sup>	27	14	22	30
Deceased (ex-)husband <sup>b</sup>	73	86	79	70
Auxiliary only	100	100	100	100
Living ex-husband <sup>a</sup>	57	53	70	56
Deceased (ex-)husband <sup>b</sup>	43	47	30	44

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended in divorce.
- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended either in widowhood or in divorce, with the ex-husband dying before his ex-wife received benefits.
- None of the previous marriages ended in widowhood or divorce after at least 10 years of marriage.

### Projected Social Security Benefit Levels

Table 3 shows how projected monthly Social Security benefit amounts differ according to benefit type.<sup>8</sup> Given the way Social Security determines benefit levels, it is not surprising that average benefits for divorced women in all cohorts are projected to be highest for those whose deceased (ex-)husbands' earnings provide the highest auxiliary benefits (for dually entitled women), or would provide the highest auxiliary benefits if they were eligible (for retired-worker beneficiaries). Women in the retired-worker-only subgroup have higher PIAs than their deceased (ex-)husbands—an uncommon occurrence; among war babies, monthly benefits are expected to average \$1,200 in 2011 dollars. Women in the dually entitled subgroup also have relatively high lifetime earnings, but their PIAs are lower than their deceased (ex-)husbands' PIAs. As a result, Social Security benefits for these women are equal to the full amount of their deceased (ex-)husbands' PIAs, unless actuarially adjusted for early or delayed retirement; among war babies, monthly benefits are expected to average \$1,390.

By contrast, MINT6 projects that average benefits will be lowest for divorced women at age 70 who are dually entitled because their own PIAs, although positive, are less than one-half their living ex-husbands'

PIAs (for example, such benefits average \$770 for war babies). Social Security benefits for these women are equal to half their ex-husbands' PIA, unless actuarially adjusted. Even retired-worker-only beneficiaries with no qualifying marriages are expected to receive higher average monthly Social Security benefits (\$1,100 among war babies). Across cohorts, the ranking of benefit amount by benefit type remains unchanged, even as average amounts increase.

Average benefit amounts increase over time primarily because women's earnings have increased, but also because the Social Security taxable maximum earnings amount has risen, so that higher earnings are counted when SSA calculates benefits. Additionally, MINT6 assumes positive real wage growth in the future. Taken together, average Social Security benefits are expected to increase 38 percent overall, from \$1,100 per month for war babies to \$1,520 per month for GenXers. MINT6 projects increases over time in average Social Security benefits for all divorced women, regardless of their benefit type.

Although divorced spouse benefits are lower on average than surviving divorced spouse benefits, many divorced women will become eligible for the higher benefits if their ex-husbands die. Chart 2 shows projected average Social Security benefits for divorced

**Table 3.**  
**Projected average monthly Social Security benefit amount for divorced women at age 70, by benefit type, spouse who would provide the highest auxiliary benefit, and birth cohort (in 2011 dollars)**

Benefit type	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
All divorced women	1,100	1,310	1,370	1,520
Retired worker only	1,150	1,280	1,380	1,570
Living ex-husband <sup>a</sup>	1,180	1,250	1,430	1,660
Deceased (ex-)husband <sup>b</sup>	1,200	1,470	1,530	1,680
No auxiliary benefit <sup>c</sup>	1,100	1,230	1,310	1,480
Dually entitled	1,220	1,520	1,560	1,610
Living ex-husband <sup>a</sup>	770	960	950	1,110
Deceased (ex-)husband <sup>b</sup>	1,390	1,620	1,730	1,820
Auxiliary only	d	d	d	d

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended in divorce.
- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended either in widowhood or in divorce, with the ex-husband dying before his ex-wife received benefits.
- None of the previous marriages ended in widowhood or divorce after at least 10 years of marriage.
- The projected sample size is too small to provide reliable information.

women whose highest auxiliary benefit (assuming they qualify for one) would come from an ex-husband who is still living. For those in the war baby cohort, average benefits are \$1,080 per month. If their ex-husbands die, their average benefits are projected to increase 22 percent to \$1,320 per month. For those in the GenX cohort, average monthly benefits are projected to increase by 25 percent if their ex-husbands die, from \$1,530 to \$1,920. The transition from a divorced spouse to a surviving divorced spouse would increase benefit amounts for 54 percent of war babies, 60 percent of leading boomers, and 65 percent of late boomers. Among GenXers, that share would drop slightly, to 61 percent.

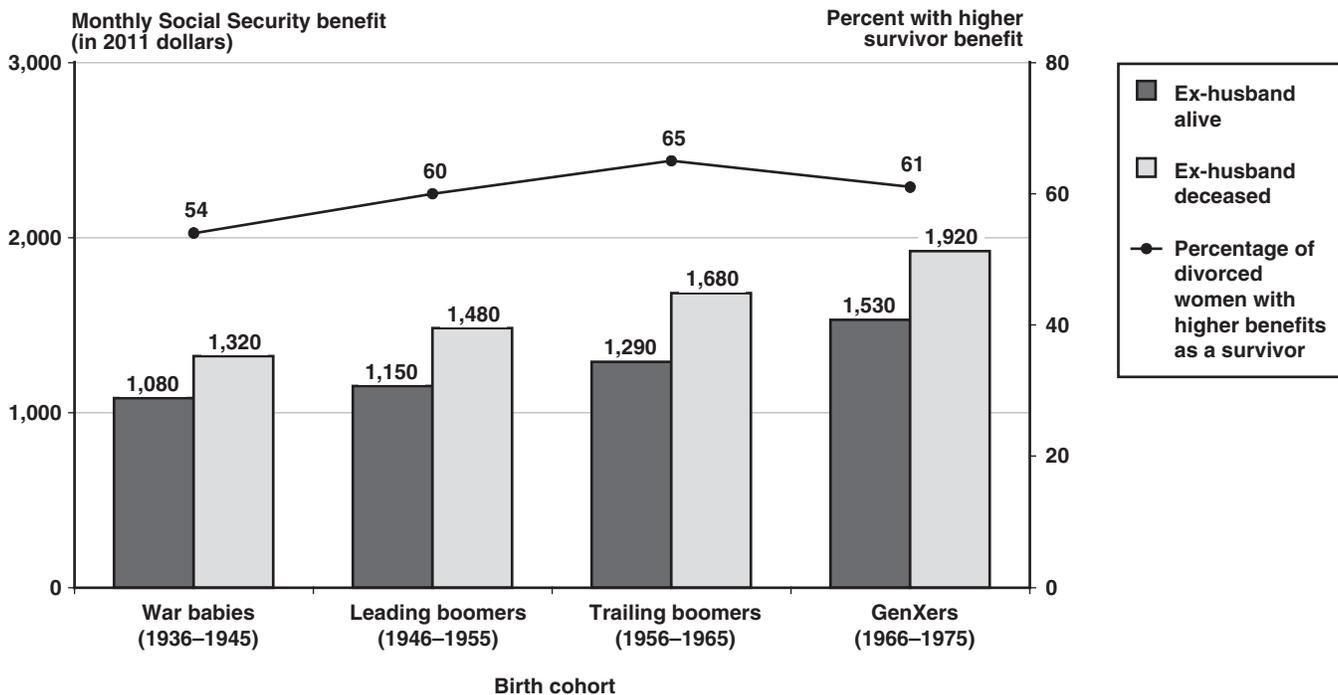
### Projected Retirement Income

Although Social Security benefits comprise 90 percent or more of total income for nearly one-third of beneficiaries (SSA 2010), the majority of retirees receive additional sources of income. Table 4 shows projected average total income for divorced women at age 70. Total income includes income from assets, earnings, imputed rent, Supplemental Security Income, Social Security benefits, and pensions.

MINT6 projects that total income of all divorced women in the war baby cohort will average \$47,400 at age 70; however, there are some striking differences by benefit type. For example, those projected to receive only retired-worker benefits at age 70 because their own PIAs would exceed one-half their living ex-husbands' PIAs are expected to have the highest income in all cohorts. Among war babies, their projected total income averages \$54,100. By contrast, nonbeneficiaries are expected to have the lowest income in all cohorts. Among war babies, their projected total income averages only \$17,200. Interestingly, projected incomes for beneficiaries are very similar across benefit types in the war baby cohort; they range from \$41,100 for dually entitled beneficiaries whose living ex-husbands' earnings records provide the highest auxiliary benefit to \$54,100 for retired-worker-only beneficiaries whose living ex-husbands' records would have provided the highest auxiliary benefit had these women been eligible.

Between the war baby and GenX cohorts, total income for all divorced women is projected to increase 59 percent, from \$47,400 to \$75,500. MINT6 projects that retired-worker-only beneficiaries whose living

**Chart 2.**  
**Projected average monthly Social Security benefit for divorced women at age 70 before and after their ex-husbands die, and percentage of divorced women whose benefits are higher as survivors, by birth cohort**



SOURCE: Authors' calculations using MINT6.

ex-husbands would have provided the highest auxiliary benefit will experience the largest increases in total income—from \$54,100 among war babies to \$104,200 among GenXers. Furthermore, projected incomes by benefit type vary much more for GenXers than for war babies.

### Poverty Rates

Table 5 shows the projected poverty rates of divorced women by benefit type and birth cohort. As with the Census Bureau’s official poverty measure, our measure of income for determining poverty excludes imputed rental income and includes income from coresident family members. Among war babies, 14 percent of all divorced women are projected to be poor at age 70. In all cohorts, projected poverty rates are highest for those ineligible for Social Security benefits and lowest for dually entitled beneficiaries whose deceased (ex-)husbands provide the highest auxiliary benefit. In the war baby cohort, nearly two-thirds of nonbeneficiaries are expected to be poor, compared with only 2 percent of dually entitled widow and surviving divorced-spouse beneficiaries.

Overall poverty rates are projected to decline by one-half across cohorts—from 14 percent for the war

baby cohort to 7 percent for the GenX cohort. At least part of the projected decline in poverty rates is due to assumed positive real wage growth in the future. Most of the decline, however, can be explained by historic gains in women’s labor force participation and earnings. MINT6 projects that poverty rates for nearly all divorced women will decline over time.<sup>9</sup> Even so, in the GenX cohort, 44 percent of nonbeneficiaries, 10 percent of dually entitled divorced-spouse beneficiaries, and 7 percent of retired-worker-only beneficiaries without qualifying marriages are projected to be poor at age 70.

### Conclusions

Historically, divorced women have had the highest poverty rates among all aged women in the United States. Higher divorce rates mean that a larger share of future seniors will enter retirement divorced. Absent other changes, this trend could increase poverty rates for future seniors. However, important sociodemographic changes will positively affect the economic well-being of future cohorts of divorced women. Our microsimulation results show that the historic increases in female labor force participation and earnings are likely to increase future incomes and reduce future poverty rates for older divorced women.

**Table 4.**  
**Projected average total annual income for divorced women at age 70, by benefit type, spouse who would provide the highest auxiliary benefit, and birth cohort (2011 dollars)**

Benefit type	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
All divorced women	47,400	57,500	68,100	75,500
Retired worker only	50,400	61,500	75,400	82,500
Living ex-husband <sup>a</sup>	54,100	73,800	87,400	104,200
Deceased (ex-)husband <sup>b</sup>	51,800	61,400	58,200	73,200
No auxiliary benefit <sup>c</sup>	44,800	56,400	74,300	68,700
Dually entitled	45,200	54,900	57,200	69,300
Living ex-husband <sup>a</sup>	41,100	64,000	47,500	66,900
Deceased (ex-)husband <sup>b</sup>	46,700	53,300	59,900	70,300
Auxiliary only	d	d	d	d
Nonbeneficiary	17,200	18,600	17,400	28,300

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended in divorce.
- The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended either in widowhood or in divorce, with the ex-husband dying before his ex-wife received benefits.
- None of the previous marriages ended in widowhood or divorce after at least 10 years of marriage.
- The projected sample size is too small to provide reliable information.

**Table 5.**  
**Projected poverty rates for divorced women at age 70, by benefit type, spouse who would provide the highest auxiliary benefit, and birth cohort (percent)**

Benefit type	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
All divorced women	14	11	9	7
Retired worker only	13	12	8	4
Living ex-husband <sup>a</sup>	10	8	5	2
Deceased (ex-)husband <sup>b</sup>	16	11	7	3
No auxiliary benefit <sup>c</sup>	17	14	9	7
Dually entitled	6	3	4	4
Living ex-husband <sup>a</sup>	16	11	11	10
Deceased (ex-)husband <sup>b</sup>	2	2	2	2
Auxiliary only	d	d	d	d
Nonbeneficiary	63	57	66	44

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

- a. The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended in divorce.
- b. The highest auxiliary benefit among all eligible marriages is (or would be) based on a marriage that ended either in widowhood or in divorce, with the ex-husband dying before his ex-wife received benefits.
- c. None of the previous marriages ended in widowhood or divorce after at least 10 years of marriage.
- d. The projected sample size is too small to provide reliable information.

A key finding of this article is that not all divorced retiree women are the same. Social Security auxiliary benefits to divorced women with qualifying marriages are determined using different criteria depending on whether the ex-husband is dead or alive. All else equal, divorced women with qualifying marriages stand to improve their economic circumstances when their former spouses die because Social Security benefits are more generous when based on the earnings records of deceased ex-spouses than on those of living ex-spouses.

Divorced women who receive only retired-worker benefits at age 70 have the highest average total income because of their strong labor force attachment and earnings histories. Over time, they have increasingly accumulated more pensions, savings, and greater Social Security benefits based on their own work records. As these retired-worker-only beneficiaries become a growing share of divorced women in the future, they will drive the gains in income growth among divorced women.

Divorced women who remain at high risk of poverty in old age include nonbeneficiaries and those receiving only auxiliary benefits. Those women have very little attachment to the labor force and accumulate no Social Security benefits on their own earnings.

Policy options such as caregiver credits that recognize women's care giving role in supporting children could boost retirement incomes for many of those vulnerable women (Favreault 2010). Such options could prove especially important for divorced women whose child-rearing responsibilities continue or increase after divorce and who receive no spousal income support. Policies that help single mothers enter or remain in the labor force can also help boost family incomes both before and after retirement.

### Notes

<sup>1</sup> Widow(er)s must have been married for at least 9 months to be eligible for widow(er) benefits. However, the 9-month requirement is waived under certain circumstances, such as for a woman who could reasonably expect the marriage to last at least 9 months at the outset and whose husband's death was accidental.

<sup>2</sup> We say "effectively" because Social Security benefits are reduced for early claiming and increased for delayed claiming.

<sup>3</sup> MINT6 also projects outcomes for individuals born from 1976 through 2070 using a somewhat different approach from that used for the core cohorts born from 1926 through 1975. However, this analysis is only concerned with individuals born from 1936 through 1975.

<sup>4</sup> We annuitize assets in MINT6 to represent the potential, rather than actual, income from assets since most retirees do not convert their financial assets into annuities. MINT6 takes the stock of wealth in nonpension, nonhousing assets and retirement accounts and (1) annually decays it based on age-wealth patterns in the SIPP to represent the spend-down of assets over retirement; and (2) converts assets into income by calculating the annuity a couple or individuals could buy if they annuitized 80 percent of their total wealth. Thus, asset income is derived from a series of annuity estimates based on a declining stock of wealth in retirement. Also, we calculate imputed rental income as a 3-percent real rate of return on home equity.

<sup>5</sup> For more detailed information about the MINT model, see Smith and others (2010), Smith and others (2007), and Smith, Cashin, and Favreault (2005). Further sources of information are available at <http://www.socialsecurity.gov/policy/about/mint.html>.

<sup>6</sup> The baby boom cohort is typically represented as those born between 1946 through 1964. For analytical purposes, however, we define the baby boom cohort as those born between 1946 and 1965.

<sup>7</sup> By definition, retired-worker-only beneficiaries do not receive auxiliary benefits. However, we show results for retired-worker-only beneficiaries by the spouse who *would* provide the highest auxiliary benefit if the divorced woman *were* eligible.

<sup>8</sup> The projected sample size for auxiliary-only beneficiaries is too small to provide reliable information.

<sup>9</sup> The only exceptions are dually entitled divorced women whose deceased (ex-)husbands provide the highest auxiliary benefit (their projected poverty rates remain at 2 percent across all cohorts) and auxiliary beneficiaries.

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# RACIAL AND ETHNIC DIFFERENCES IN THE RETIREMENT PROSPECTS OF DIVORCED WOMEN IN THE BABY BOOM AND GENERATION X COHORTS

by Barbara A. Butrica and Karen E. Smith\*

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*Blacks, Hispanics, and divorced women have historically experienced double-digit poverty rates in retirement, and divorce and other demographic trends will increase their representation in future retiree populations. For these reasons, we might expect an increase in the proportion of economically vulnerable divorced women in the future. This article uses the Social Security Administration's Modeling Income in the Near Term (version 6) to describe the likely characteristics, work experience, Social Security benefit status, and economic well-being of future divorced women at age 70 by race and ethnicity. Factors associated with higher retirement incomes include having a college degree; having a strong history of labor force attachment; receiving Social Security benefits; and having pensions, retirement accounts, or assets, regardless of race and ethnicity. However, because divorced black and Hispanic women are less likely than divorced white women to have these attributes, income sources, or assets, their projected average retirement incomes are lower than those of divorced white women.*

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## Introduction

Since the 1960s, marriage and divorce patterns have changed in dramatic and well-documented ways. Marriage and remarriage rates have plummeted, divorce rates have soared, and marriage durations have shortened (Ahlburg and De Vita 1992; DaVanzo and Rahman 1993; Goldstein 1999; Kreider and Ellis 2011; NCHS 1991; Norton and Miller 1992; Stevenson and Wolfers 2007; Tejada-Vera and Sutton 2010). These trends have more than tripled the share of women aged 65 or older who are divorced, from 3 percent to 11 percent between 1980 and 2009 (Census Bureau 1995, Table 48; 2011, Table 34). Some researchers project that in the future as many as one in five women will be divorced at retirement age (Butrica and Iams 2000; Butrica and Smith 2012).

The trends in marriage and divorce have not been experienced equally across racial groups. Sweeney and Phillips (2004) find that divorce rates stabilized

for white women after the mid-1970s, but they have increased somewhat since the late 1980s for black women. In addition, researchers find that marriage will remain nearly universal for whites and Hispanics but much less so for blacks (Goldstein and Kenney 2001; Harrington Meyer, Wolf, and Himes 2005, 2006; Kreider and Ellis 2011; Norton and Miller 1992; Stevenson and Wolfers 2007). Whites are increasingly more likely than blacks to ever marry. Blacks who do

### Selected Abbreviations

MINT6	Modeling Income in the Near Term, version 6
PIA	primary insurance amount
SIPP	Survey of Income and Program Participation
SSA	Social Security Administration
SSI	Supplemental Security Income

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marry are more likely than whites and Hispanics to divorce after the first marriage and are less likely to remarry. Among blacks, 49 percent of first marriages ultimately end in divorce, compared with 41 percent for whites and 34 percent for Hispanics (Kreider and Ellis 2011). Among married individuals in 2009, 71 percent of whites had reached their tenth anniversary, while only 59 percent of blacks had.

These trends will undoubtedly affect the composition and economic well-being of future retiree populations. Historically, older divorced women, blacks, and Hispanics have had significantly lower incomes and higher poverty rates than their counterparts. Among today's women aged 65 or older, 20 percent of those who are divorced are poor, compared with 5 percent of those who are married, 18 percent of those who never married, and 15 percent of widows. Poverty rates of older women also vary dramatically by race and ethnicity: 24 percent of blacks and 22 percent of Hispanics are poor, compared with only 11 percent of whites (SSA 2010, Table 11.1).

One-third of Social Security beneficiaries aged 65 or older depend on their benefits for 90 percent or more of their total income and nearly two-thirds of beneficiaries rely on their benefits for 50 percent or more of their total income (SSA 2010, Table 9.A1). However, Social Security eligibility and benefit amounts depend not only on earnings, but also on marital status. A number of studies have recognized the negative impact that recent marriage and divorce trends could have on Social Security benefits for future generations of retired women (Butrica and Iams 2000; Butrica and Smith 2012; Tamborini and Whitman 2007). Tamborini, Iams, and Whitman (2009) compare marital histories in the 1990 and 2004 Surveys of Income and Program Participation (SIPP) and find a modest decline in Social Security spouse and widow benefit eligibility, particularly among black baby boomer women. Likewise, Harrington Meyer, Wolf, and Himes (2005, 2006) analyze the June 1985, 1990, and 1995 Current Population Surveys and find that the proportion of women who will reach age 62 without a 10-year marriage (which is required to qualify for Social Security benefits based on an ex-husband's earnings history) is increasing modestly for whites and Hispanics, but dramatically for blacks.

This article examines the characteristics, work experiences, retirement resources, and economic well-being of future divorced aged women by race and ethnicity in light of the historical trends in marriage

and divorce. It updates Butrica and Iams (2003) using a version of the same microsimulation model that incorporates more recent data and updated projection methods.

Among white, black, and Hispanic divorced women at age 70, we find that whites are projected to be the most economically advantaged in retirement, while blacks and Hispanics are projected to be the least economically advantaged. Regardless of race and ethnicity, factors associated with higher retirement incomes include having a college degree; having a history of strong labor force attachment; receiving Social Security benefits; and having pensions, retirement accounts, or assets. However, because black and Hispanic women are less likely than white women to have these attributes, income sources, or assets, their projected average retirement incomes are lower than those of divorced white women.

## **Background**

Divorced women qualify for Social Security benefits as retired workers, divorced spouses, or surviving divorced spouses. They can also receive widow benefits based on a prior marriage that ended in widowhood. Retired-worker benefits are computed by wage indexing annual earnings over a divorced woman's working life, then calculating her average indexed monthly earnings to determine her primary insurance amount (PIA)—the benefit payable at the full retirement age, which currently is 66. Individuals with 40 or more quarters of coverage over their work lives are fully insured and may receive retired-worker benefits.

For a divorced woman, the Social Security Administration (SSA) computes auxiliary benefits for each eligible marriage among the previous marriages she reports. Any person with a previous marriage that ended in divorce is eligible for auxiliary benefits if the ex-spouse was fully insured for Social Security benefits and the marriage lasted at least 10 years. Any person with a previous marriage that ended in widowhood is also eligible for auxiliary benefits if the deceased spouse was a fully insured worker. The 10-year marriage requirement does not apply to widow(er)s.<sup>1</sup> Auxiliary benefits reflect the earnings history of the ex-husband, deceased ex-husband, or deceased husband from each marriage. If a woman's ex-husband is alive when she claims Social Security benefits, her auxiliary benefit (also known as divorced spouse benefit) is effectively equal to one-half his PIA.<sup>2</sup> If a divorced woman's ex-husband is dead when

she claims benefits, her auxiliary benefit (also known as a surviving divorced spouse benefit) is effectively equal to the deceased ex-husband's full PIA. Likewise, if a woman is widowed, her auxiliary benefit (also known as a widow benefit) is effectively equal to the deceased husband's full PIA.

After computing an auxiliary benefit for each eligible marriage, SSA selects the highest auxiliary benefit and compares it with the divorced woman's own retired-worker benefit. If she is not entitled to a retired-worker benefit, she receives the full auxiliary benefit as a divorced spouse, surviving divorced spouse, or widow beneficiary. If she is entitled to a retired-worker benefit that is less than the auxiliary benefit, she is "dually entitled" and SSA supplements her retired-worker benefit with the difference between her retired-worker benefit and the full auxiliary benefit to which she is entitled. Finally, if she is entitled to a retired-worker benefit that exceeds the auxiliary benefit, she receives only the retired-worker benefit.

Thus, a divorced woman's Social Security retirement benefit depends not only on her own earnings history, but also to a large extent on her marital history and the earnings histories of her previous spouses. Furthermore, a divorced woman with multiple marriages could receive an auxiliary benefit from any of her former spouses. Although she describes herself as divorced, at retirement she may receive a divorced spouse benefit, surviving divorced spouse benefit, or widow benefit from Social Security. In cases where none of her marriages ended in widowhood or in divorce after 10 years, a divorced woman will be ineligible for any auxiliary benefits.

## **Methods**

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We assess the retirement prospects of divorced women using the latest version of SSA's Modeling Income in the Near Term, version 6 (MINT6). MINT6 bases its projections on data from the 2001 and 2004 SIPP matched to Social Security administrative earnings and benefit data through 2008. For individuals born from 1926 through 1975, MINT6 projects each person's marital changes, mortality, entry to and exit from Social Security Disability Insurance rolls, and age of first receipt of Social Security retirement benefits.<sup>3</sup> It also projects family income including Social Security benefits, pension income, asset income, earnings, Supplemental Security Income (SSI), income from coresident household members, and imputed rental income.<sup>4</sup> Asset balances in retirement accounts and

financial assets outside of retirement accounts in MINT6's starting SIPP sample are adjusted to align with distributions in the 2004 Survey of Consumer Finances.<sup>5</sup>

MINT6 is ideal for this analysis because it directly measures the experiences of survey respondents as of the early 2000s, thus accounting for the first half of the working lives of the 1946–1965 birth cohorts and first third of the working lives of those born 1966–1975. MINT6 projects their income and characteristics into the future, adjusting for expected demographic and socioeconomic changes. MINT6 also accounts for major changes in the growth of economy-wide real earnings, the distribution of earnings both between and within birth cohorts, and the composition of the retiree population. All these factors will affect the retirement incomes of future retirees.

We analyze the characteristics, work experiences, Social Security benefits, and total income of non-Hispanic white, non-Hispanic black, and Hispanic divorced women at age 70. Our analysis excludes divorced women who are projected to ever receive Social Security Disability Insurance. Because of the legislated increase in the full retirement age, the increase in the delayed retirement credit, the elimination of the retirement earnings test after attaining the full retirement age, and changes in pension and health insurance incentives, older adults are increasingly likely to work into their late 60s. Given these trends, we report total income at age 70 to represent the characteristics and economic well-being of those who have actually retired. Our analysis is limited to divorced women born between 1946 and 1975. These women represent the baby boom (born 1946–1965) and generation X (born 1966–1975) cohorts.<sup>6</sup> We report all income projections in 2011 price-adjusted dollars.

## **Results**

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All model results include breakdowns by race and ethnicity. We begin by describing the projected marital status at age 70 of all women born from 1946 through 1975 to assess the size of the future population of divorced women. All subsequent analyses are limited to divorced women at age 70. We compare their demographic characteristics and marriage durations. We then describe their work and earnings histories to better understand their projected Social Security and retirement incomes. Next, we examine their Social Security benefit type at age 70, given their earnings histories and those of all prior spouses. A discussion

of their projected total income, including an analysis of all major sources of retirement income, follows. Finally, we use multivariate regression analysis to examine the effect of benefit type, work history, and other economic and demographic characteristics on divorced women’s projected retirement income.

**Marital Status of Retired Women**

MINT6 projects that women are more likely to be married at age 70 than they are to be divorced, never married, or widowed, regardless of race and ethnicity (Table 1). Still, close to one in five white women, one in five black women, and one in six Hispanic women are expected to be divorced at age 70.

**Characteristics of Retired Divorced Women**

Table 2 compares characteristics of divorced women by race and ethnicity. Among divorced women, MINT6 projects an average age at first Social Security benefit receipt of 64, regardless of race and ethnicity. For those who claim benefits before reaching full retirement age, SSA permanently reduces the benefit amount to offset the longer period over which benefits will be paid.

The projected marital histories of divorced women differ significantly by race and ethnicity. Marital histories, in combination with earnings histories, are important for determining Social Security benefit eligibility and amounts. Compared with white women, black and Hispanic women will wait slightly longer before marrying for the first time. The projected average age at first marriage is 23 for white women, 25 for

black women, and 24 for Hispanic women. Although a large percentage of women will marry more than once before age 70, divorced white women are dramatically more likely than other divorced women to have multiple marriages. Thirty-nine percent of divorced white women will marry two or more times, compared with only 24 percent of both black and Hispanic divorced women. Finally, marriage duration also differs significantly by race and ethnicity. Divorced white and Hispanic women are more likely than divorced black women to have ever had a marriage last 10 or more years—compare 71 percent of white women and 68 percent of Hispanic women with 60 percent of black women. So, although black women will be slightly more likely than white and Hispanic women to be divorced at retirement, they will be significantly less likely to qualify for auxiliary Social Security benefits because they do not meet the 10-year marriage requirement.

Among divorced women at age 70, whites are less likely than blacks and Hispanics to have not finished high school and they are more likely to have completed college. Only 3 percent of divorced white women do not have a high school education compared with 5 percent of divorced black women and 20 percent of divorced Hispanic women. By contrast, 32 percent of divorced white women, 23 percent of divorced black women, and 15 percent of divorced Hispanic women have college degrees.

Finally, native-born adults tend to have more educational and career opportunities than immigrants, and because they have lived in the United States their

**Table 1.**  
**Projected marital status of women born 1946–1975 at age 70, by race and ethnicity (percent)**

Marital status	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
All	100		100		100	
Divorced	21	41	22	42	16***	37
Never Married	6	24	25***	43	7	25
Married	61	49	39***	49	59**	49
Widowed	12	32	15***	35	19***	39
Observations	16,800		2,499		2,466	

SOURCE: Authors’ calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

\*\* = Difference from whites is statistically significant at the 5% level.

\*\*\* = Difference from whites is statistically significant at the 1% level.

entire lives, native-born adults are more likely to have long work histories that entitle them to Social Security benefits. Because of high immigration rates in the mid- to late 1990s, especially among Hispanics (Passel and Suro 2005), nearly one-half of divorced Hispanic women are foreign-born, compared with only 8 percent of divorced white women and 12 percent of divorced black women.

### Work and Earnings Histories

Social Security, pensions, and retirement accounts all depend directly on an individual's own work and earnings history. Table 3 examines whether divorced women's work histories differ by race and ethnicity. MINT6 projects that work histories will be very similar for whites and blacks, but very different for Hispanics. Perhaps related to the large share of immigrants among them, only about one-half of Hispanic women will work 35 or more years between ages 22 and 70 in Social Security-covered jobs, compared with 69 percent of both white and black women. Over their lifetimes, divorced Hispanic women will average only

31 work years, while divorced white and black women will average 37 and 36 work years, respectively.

In contrast to work histories, earnings histories differ significantly by race and ethnicity. We analyze two measures of lifetime earnings. Both measures average the highest 35 years of wage-indexed earnings between ages 22 and 70. The first measure, own lifetime earnings, counts only the divorced woman's earnings. The second measure, shared lifetime earnings, assigns one-half of the couple's total earnings in the years she is married and her own earnings in the years she is single. Among divorced women, own lifetime earnings average \$50,000 per year (in 2011 dollars) for whites—9 percent higher than \$46,000 for blacks and 35 percent higher than \$37,000 for Hispanics. Accounting for the earnings of former husbands increases the differences in earnings by race and ethnicity. Shared lifetime earnings average \$58,000 per year for white women—21 percent higher than \$48,000 for blacks and 41 percent higher than \$41,000 for Hispanics. The difference between shared and own lifetime earnings among divorced women

**Table 2.**  
**Projected characteristics of women born 1946–1975 who are divorced at age 70, by race and ethnicity**

	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Marital status						
Average age at first receipt of Social Security benefits (years)	64	2	64	2	64	2
Marital history						
Average age at first marriage (years)	23	6	25***	7	24*	6
One marriage (%)	62	49	76***	43	76***	43
Two marriages (%)	28	45	19***	39	21***	41
Three or more marriages (%)	11	31	5***	23	3***	18
Any marriage lasted 10 years (%)	71	46	60***	49	68	47
Education						
High school dropout (%)	3	16	5***	22	20***	40
High school graduate (%)	66	47	72***	45	65	48
College graduate (%)	32	47	23***	42	15***	36
Immigration status						
Native-born (%)	92	27	88***	33	51***	50
Foreign-born (%)	8	27	12***	33	49***	50
Observations	3,549		581		403	

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

\* = Difference from whites is statistically significant at the 10% level.

\*\*\* = Difference from whites is statistically significant at the 1% level.

is 16 percent for whites and 11 percent for Hispanics, but only 4 percent for blacks. Because Social Security benefits are based on an individual's own earnings history and the earnings histories of current or former spouses, this finding suggests that the Social Security benefits of divorced black women will depend mostly on their own earnings histories and very little on their ex-husbands' earnings histories.

### Social Security Benefit Status

Women's labor force participation and earnings have increased dramatically since the 1950s, and the gap between men's and women's earnings has steadily declined (Blau and Kahn 2007; Goldin 2006; SSA 2011). Consequently, many divorced women will be eligible for retired-worker benefits based on their own lifetime earnings. Table 4 reports how Social Security benefit status varies by race and ethnicity for divorced women. MINT6 projects that 96 percent of white, 92 percent of black, and 86 percent of Hispanic divorced women will receive retired-worker benefits (combining retired-worker only and dually entitled beneficiaries) at age 70. Black women are significantly

more likely than white women to receive only retired-worker benefits at age 70. Among divorced women, 72 percent of blacks will receive only retired-worker benefits, compared with 65 percent of whites and 68 percent of Hispanics. However, more than one-half of divorced black women (37 percent of 72 percent) who receive only retired-worker benefits will do so solely because they failed to meet the 10-year marriage requirement. By contrast, more than one-half of divorced white and Hispanic women will receive only retired-worker benefits despite having met the a 10-year marriage requirement because the benefits, based on their own lifetime earnings, are higher than any auxiliary benefits they would be entitled to based on their former husbands' lifetime earnings.

Although the gap between men's and women's earnings has been narrowing, most men still earn more than women. As such, a sizable share of divorced women will be eligible for auxiliary benefits based on their former husbands' earnings histories. Social Security will pay auxiliary benefits at age 70 to 33 percent of whites, 24 percent of blacks, and 21 percent of Hispanics. Racial and ethnic differences

**Table 3.**  
**Projected labor force experience and lifetime earnings of women born 1946–1975 who are divorced at age 70, by race and ethnicity**

	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Marital status						
Years of work <sup>a</sup> (%)						
10 or fewer	4	18	4	19	10***	30
11–34	28	45	27	45	39***	49
35 or more	69	46	69	46	51***	50
Average years of work	37	11	36	11	31***	13
Lifetime average annual earnings <sup>b</sup>						
Own (\$)	50,000	43,000	46,000*	41,000	37,000***	29,000
Shared with spouse <sup>c</sup> (\$)	58,000	41,000	48,000***	39,000	41,000***	28,000
Ratio of shared-to-own earnings	1.16	0.97	1.04	0.95	1.11	0.97
Observations	3,549		581		403	

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

\* = Difference from whites is statistically significant at the 10% level.

\*\*\* = Difference from whites is statistically significant at the 1% level.

a. Number of years with positive earnings from ages 22 through 70.

b. Reflects the average of highest 35 years of wage-indexed earnings from age 22 to 70.

c. Computed by assigning each woman half the total earnings of the couple in the years when she is married and her own earnings in years she is not married.

among auxiliary beneficiaries can be explained in part by differences in the correlation of earnings between divorced women and their ex-spouses (see ratio of shared to own lifetime earnings in Table 3), and in part by differences in the proportion of divorced women meeting the 10-year marriage requirement (see Table 2). A small percentage of divorced women (2 to 4 percent), regardless of race or ethnicity, will receive only auxiliary benefits at age 70 because they do not qualify for benefits on their own work histories (although they do qualify on their former husbands' work histories).

Most divorced white and black women will qualify for Social Security at age 70 based on their own or their former husband's work histories, but a significant number of divorced Hispanic women will not. Given their comparatively brief work histories, it is not surprising that more than one in ten divorced Hispanic women (many of whom are immigrants) will not collect Social Security benefits at age 70 (Table 4). By contrast, only 3 percent of divorced white women and 4 percent of divorced black women will not receive benefits.

### Sources of Retirement Income

Table 5 presents the projected total income available for divorced women at age 70. Total income comprises income from assets, earnings, SSI payments, income from imputed rent, Social Security benefits, defined benefit pensions, and income from retirement accounts.

Among divorced women, whites are most likely to have earnings, imputed rental income, Social Security benefits, and retirement accounts at age 70, while Hispanics are least likely to, and blacks fall in the middle. For example, 29 percent of white women will have at least some earnings at age 70, compared with 27 percent of black women and only 19 percent of Hispanic women. Seventy-one percent of white women will be homeowners with imputed rental income, compared with only 61 percent of black women and 54 percent of Hispanic women. Seventy-two percent of white women will have retirement accounts, versus 66 percent of black women and 56 percent of Hispanic women. It is not surprising that 9 percent of Hispanic women will receive means-tested SSI benefits, compared with only 5 percent of black women and 2 percent of white women. What is

**Table 4.**  
**Projected percentage distribution of women born 1946–1975 who are divorced at age 70, by type of Social Security benefit received, and race and ethnicity**

Type of benefit	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
All	100		100		100	
Retired worker only	65	48	72***	45	68	47
Qualifying (10-year) marriage	37	48	35	48	42*	49
No qualifying marriage	28	45	37***	48	27	44
Dually entitled	31	46	20***	40	18***	38
Spouse	7	25	2***	15	4***	19
Surviving spouse or widow	24	43	18***	38	14***	35
Auxiliary benefit only	2	15	4	19	3	16
Spouse	1	12	2	14	2	13
Surviving spouse or widow	1	10	2	13	1	9
Nonbeneficiary	3	16	4*	20	11***	31
Observations	3,549		581		403	

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100 or to category subtotals.

\* = Difference from whites is statistically significant at the 10% level.

\*\*\* = Difference from whites is statistically significant at the 1% level.

somewhat surprising is that a relatively large share of Hispanic women will have income from assets, which includes the annuitized value of vehicles, other real estate, and farm and business equity; stock, mutual fund, and bond values; and checking, saving, money market, and certificate of deposit account balances, less unsecured debt. Among divorced women, 87 percent of whites, 81 percent of Hispanics, and only 73 percent of blacks will have at least one of these assets at age 70.

MINT6 projects average total income at age 70 to be at least 50 percent higher for divorced white women than for divorced black and Hispanic women; compare \$74,000 for whites with \$45,000 for blacks and \$48,000 for Hispanics.<sup>7</sup> Table 5's middle panel presents mean income by source, and the bottom panel shows the shares of mean income attributable to each source. Among divorced white women, on average, \$29,000 (39 percent) of total income is projected to come from asset income, \$8,000 (10 percent) from earnings,

**Table 5.**  
**Projected sources of total income for women born 1946–1975 who are divorced at age 70, by race and ethnicity**

Type of benefit	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
<i>Percentage with income</i>						
Asset income	87	33	73***	45	81***	39
Earnings	29	46	27	44	19***	39
SSI payments	2	15	5***	22	9***	28
Imputed rental income	71	45	61***	49	54***	50
Social Security benefits	98	16	96*	20	89***	31
Defined benefit pensions	30	46	33*	47	21***	41
Retirement accounts	72	45	66***	48	56***	50
<i>Mean total income (\$)</i>						
Total	74,000	211,000	45,000***	53,000	48,000***	108,000
Asset income	29,000	204,000	8,000***	40,000	14,000***	98,000
Earnings	8,000	16,000	6,000**	14,000	5,000***	12,000
SSI payments	a	1,000	a***	1,000	1,000***	2,000
Imputed rental income	7,000	17,000	4,000***	8,000	5,000***	12,000
Social Security benefits	18,000	7,000	16,000***	7,000	14,000	8,000
Defined benefit pensions	3,000	9,000	5,000**	12,000	3,000	9,000
Retirement accounts	9,000	19,000	7,000***	16,000	8,000	34,000
<i>Share of mean total income (percentage distribution)</i>						
Total	100	...	100	...	100	...
Asset income	39	...	17	...	28	...
Earnings	10	...	14	...	10	...
SSI payments	0	...	1	...	1	...
Imputed rental income	9	...	8	...	10	...
Social Security benefits	24	...	35	...	28	...
Defined benefit pensions	4	...	10	...	6	...
Retirement accounts	12	...	15	...	16	...
Observations	3,549		581		403	

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

Rounded components of percentage distributions do not necessarily sum to 100.

... = not applicable.

\* = Difference from whites is statistically significant at the 10% level.

\*\* = Difference from whites is statistically significant at the 5% level.

\*\*\* = Difference from whites is statistically significant at the 1% level.

a. Less than \$500.

\$7,000 (9 percent) from imputed rental income, \$18,000 (24 percent) from Social Security benefits, \$3,000 (4 percent) from defined benefit pensions, and \$9,000 (12 percent) from retirement accounts.<sup>8</sup>

Among divorced black women, income from assets accounts for only \$8,000, or 17 percent, of total income. Although their projected income from earnings (\$6,000), Social Security benefits (\$16,000), and retirement accounts (\$7,000) are slightly lower than those projected for white women, these income sources comprise significantly larger shares of total income for divorced black women—at 14 percent for earnings, 35 percent for Social Security benefits, and 15 percent for retirement accounts. Finally, divorced black women are projected to receive an average of \$5,000, or 10 percent of their total income, from defined benefit pensions.

Divorced Hispanic women are projected to have income from assets averaging \$14,000, accounting for 28 percent of total income. Social Security benefits are projected to match assets as their largest income source, followed by income from retirement accounts (\$8,000, or 16 percent of total income), then earnings and imputed rental income (each accounting for \$5,000 or 10 percent of total income), and finally

defined benefit pensions, which make up \$3,000 or 6 percent of total income.

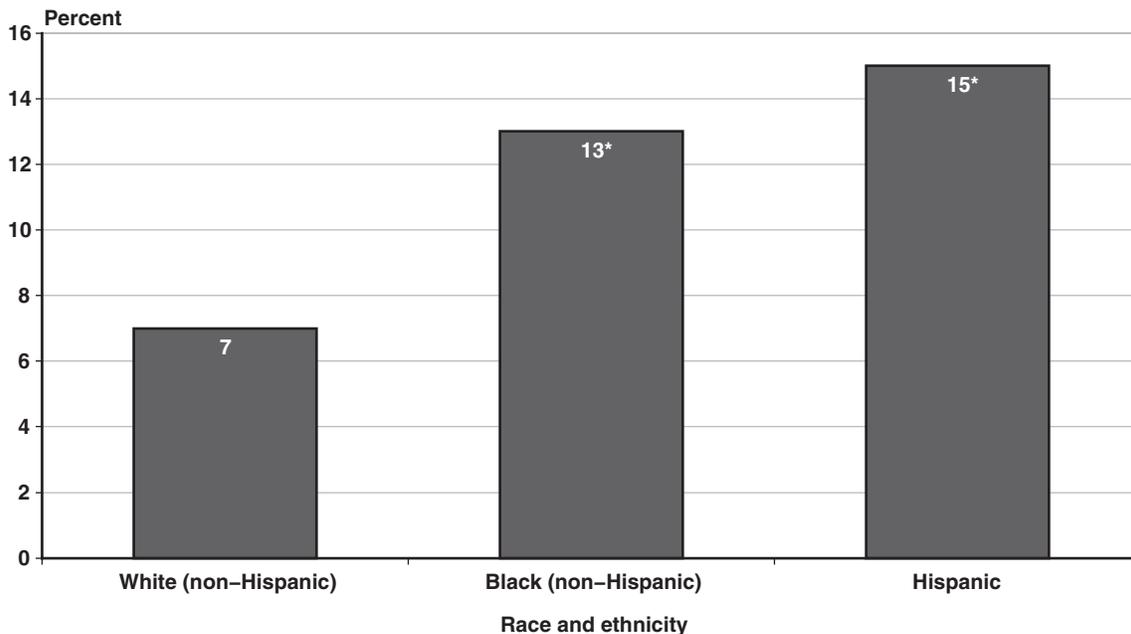
Despite having higher average incomes than divorced black women, divorced Hispanic women are more likely to be poor. Among divorced women born 1946–1975, 15 percent of Hispanics are likely to be poor at age 70, compared with 13 percent of blacks and 7 percent of whites (Chart 1).

### ***The Effect of Demographic and Socioeconomic Characteristics on Income***

Next, we consider the combined effect of the variables described above on divorced women’s retirement income. To do this we estimate a regression of the log of total income at age 70 by race and ethnicity. The results are presented in Table 6.<sup>9</sup> Most of the variables have the expected correlation with retirement income. Delaying Social Security claiming and working 35 or more years is associated with higher-than-average retirement income for divorced women, regardless of race or ethnicity. Conversely, working 10 or fewer years and having no pension or asset income are related to lower-than-average retirement income for all divorced women.

For divorced white women, the factors contributing most to higher-than-average retirement incomes

**Chart 1.**  
**Projected poverty rates at age 70 for divorced women born 1946–1975, by race and ethnicity**



SOURCE: Authors’ calculations using MINT6.

NOTES: Total income is adjusted for household size using US poverty thresholds for persons aged 65 or older.

\* = Difference from whites is statistically significant at the 10% level.

are educational attainment and work experience. For example, those with college degrees have 63 percent more income than those with only high school diplomas, and those who worked at least 35 years have 42 percent more income than those who worked 11–34 years.

For divorced black women, college education and work experience are the only factors that are positively

correlated with retirement income. Those with college degrees have 58 percent more income at age 70 than high school graduates, and those who worked at least 35 years have 66 percent more income at age 70 than those who worked 11–34 years.

Educational attainment and work experience are also correlated with higher-than-average retirement incomes among divorced Hispanic women. Average

**Table 6.**  
**Marginal effects from regression of log income for women born 1946–1975 who are divorced at age 70, by race and ethnicity**

Type of benefit	White (non-Hispanic)	Black (non-Hispanic)	Hispanic
Age at Social Security benefit receipt	1.87***	1.86	4.62*
Age at Social Security benefit receipt squared	-0.01***	-0.01	-0.01*
Marital history			
Age at first marriage	0.04***	0.03	0.02
Age at first marriage squared	0.00***	0.00*	0.00
Two marriages	-0.01	0.00	-0.10
Three or more marriages	-0.04	0.01	0.06
Education			
No high school diploma	-0.29***	-0.17	0.03†††
High school graduate (omitted)			
College degree	0.63***	0.58**	0.57***
Foreign born	0.12**	-0.12††	-0.03
Years of work			
10 or fewer	-0.19**	-0.34**	-0.32
11 to 34 (omitted)			
35 or more	0.42***	0.66***†	0.64***
Beneficiary status			
Nonbeneficiary	-0.37***	-0.24	-0.51***
Auxiliary benefits only	0.15	-0.04	0.10
Dually entitled	0.05	-0.01	0.14
Dually entitled via ex-spouse	-0.02	-0.13	-0.43***††
Retired-worker only (omitted)			
Retired worker with no 10-year marriages	-0.15***	-0.07	-0.11
No pension or retirement account	-0.37***	-0.29***	-0.36***
No asset income	-0.39***	-0.25***†††	-0.25***†
Constant	-1.00	-1.00	-1.00
R-squared	0.373	0.482	0.389
Observations	3,549	581	403

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

\* = Statistically significant at the 10% level.

\*\* = Statistically significant at the 5% level.

\*\*\* = Statistically significant at the 1% level.

† = Difference from whites is statistically significant at the 10% level.

†† = Difference from whites is statistically significant at the 5% level.

††† = Difference from whites is statistically significant at the 1% level.

incomes are 64 percent higher for those with 35 or more years of work experience than they are for those with 11–34 years of work experience, and they are 57 percent higher for college graduates than for high school graduates.

For divorced white women, the factors contributing most to lower-than-average retirement incomes are beneficiary status, assets, pensions, and educational attainment. Average retirement incomes are 37 percent lower for nonbeneficiaries than for retired-worker beneficiaries, 39 percent lower for those without assets than for those with assets, 37 percent lower for those without defined benefit pensions or retirement accounts than for those with them, and 29 percent lower for those without high school diplomas than for those with them.

Many of these same factors are negatively correlated with retirement incomes among divorced black women—although to a much lesser degree. For black women, average retirement incomes are 34 percent lower for those who worked 10 or fewer years than for those who worked 11–34 years, 29 percent lower for those without pensions or retirement accounts, and 25 percent lower for those without assets.

Among divorced Hispanic women, the largest factor contributing to lower-than-average retirement incomes is beneficiary status. Compared with the retirement incomes of retired-worker beneficiaries, nonbeneficiaries' incomes are 51 percent lower and dually entitled spouse beneficiaries' incomes are 43 percent lower. In addition, average incomes at age 70 are 36 percent lower for those without pensions or retirement accounts and 25 percent lower for those without assets.

## **Conclusions**

Historical demographic and marital trends suggest that minorities and divorced individuals will represent increasing shares of future retiree populations. This is a concern because minorities and the divorced have lower incomes and higher poverty rates in retirement than whites and other marital status groups.

Our microsimulation results show large differences in the characteristics, work experience, Social Security benefit status, and economic well-being of divorced women by race and ethnicity. MINT6 projects that on all measures, whites will be economically advantaged in retirement when compared with blacks and Hispanics. Although MINT6 projects that divorced Hispanic women will have slightly higher average incomes at

age 70 than divorced black women, divorced Hispanic women are slightly more likely than divorced black women to be poor at age 70.

MINT6 projects that divorced women will continue to have high poverty rates in retirement, especially among minorities. Divorced women receive Social Security auxiliary benefits if their marriage lasted at least 10 years and their PIAs are less than one-half their ex-husbands' PIAs. However, minority divorced women are significantly less likely to have a qualifying marriage than white divorced women. Furthermore, the ex-husbands of minority divorced women are likely to have lower earnings than those of white divorced women. Both factors mean that white divorced women gain more from Social Security auxiliary benefits than minority divorced women.

Our analysis shows that more education, longer work careers, and access to pensions and savings significantly increase retirement incomes. Policy options that encourage more education and easier access to pensions can increase retirement security. Options that increase a woman's ability to enter or remain in the labor market, especially after divorce, can also significantly increase retirement incomes of divorced women. Working longer not only increases Social Security benefits, it also allows individuals more time to accumulate pensions and savings and reduces the number of years accumulated savings must support (Butrica, Smith, and Steuerle 2007).

Many of the factors correlated with higher retirement incomes for whites are also correlated with higher retirement incomes for blacks and Hispanics—namely, a college degree, strong labor force attachment, receipt of Social Security benefits, and having pensions, retirement accounts, or assets. However, because black and Hispanic women are less likely than white women to be college graduates, have strong work histories, receive Social Security benefits, or to own pensions, retirement accounts, or assets, their average retirement incomes are lower than those of white women.

Any Social Security reform Congress implements should recognize the continued economic vulnerability of divorced women. The current provisions for auxiliary benefits often fail to benefit many low-income divorced women. Options that reduce auxiliary benefits for higher-income spouses in place of higher worker benefits could increase Social Security benefits for many low-income divorced women without changing program outlays.

## Appendix

**Table A-1.**  
**Regression of log income for women born 1946–1975 who are divorced at age 70, by race and ethnicity**

Type of benefit	White (non-Hispanic)		Black (non-Hispanic)		Hispanic	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Age at Social Security benefit receipt	1.053***	0.336	1.050	0.707	1.727*	0.996
Age at Social Security benefit receipt squared	-0.008***	0.003	-0.008	0.005	-0.013*	0.008
Age at Social Security benefit receipt missing because not in labor force	34.674***	10.839	36.119	22.902	58.175*	32.393
Marital history						
Age at first marriage	0.039***	0.012	0.032	0.021	0.018	0.038
Age at first marriage squared	-0.001***	0.000	-0.001*	0.000	0.000	0.001
Two marriages	-0.007	0.030	-0.001	0.072	-0.107	0.100
Three or more marriages	-0.038	0.043	0.012	0.126	0.055	0.232
Education						
No high school diploma	-0.349***	0.082	-0.188	0.128	0.027†††	0.110
High school graduate (omitted)						
College degree	0.487***	0.029	0.459***	0.070	0.451***	0.121
Foreign born	0.110**	0.050	-0.128††	0.088	-0.026	0.091
Years of work						
10 or fewer	-0.205**	0.102	-0.421**	0.193	-0.384	0.255
11 to 34 (omitted)						
35 or more	0.349***	0.032	0.505***†	0.073	0.496***	0.100
Beneficiary status						
Nonbeneficiary	-0.463***	0.141	-0.272	0.290	-0.719***	0.251
Auxiliary benefits only	0.136	0.124	-0.042	0.218	0.093	0.328
Dually entitled	0.052	0.033	-0.008	0.080	0.133	0.123
Dually entitled via ex-spouse	-0.025	0.055	-0.136	0.194	-0.568**††	0.235
Retired-worker only (omitted)						
Retired worker with no 10-year marriages	-0.167***	0.031	-0.068	0.064	-0.117	0.101
No pension or retirement account	-0.455***	0.032	-0.338***	0.069	-0.439***	0.094
No asset income	-0.493***	0.039	-0.285***†††	0.063	-0.284***†	0.106
Constant	-25.209**	10.865	-26.728	22.961	-47.662	32.481
R-squared	0.373		0.482		0.389	
Observations	3,549		581		403	

SOURCE: Authors' calculations using MINT6.

NOTES: Sample excludes women projected ever to receive Disability Insurance benefits.

\* = Statistically significant at the 10% level.

\*\* = Statistically significant at the 5% level.

\*\*\* = Statistically significant at the 1% level.

† = Difference from whites is statistically significant at the 10% level.

†† = Difference from whites is statistically significant at the 5% level.

††† = Difference from whites is statistically significant at the 1% level.

## Notes

<sup>1</sup> Widow(er)s must have been married for at least 9 months to be eligible for widow(er) benefits. However, the 9-month marriage requirement is waived under certain conditions, such as when the spouse was “reasonably expected to live for 9 months” and death was accidental or in the line of duty.

<sup>2</sup> We say “effectively” because Social Security benefits are reduced for early claiming and increased for delayed claiming.

<sup>3</sup> MINT6 also projects outcomes for individuals born from 1976 through 2070 using a somewhat different approach from that used for the core cohorts born from 1926 through 1975. However, this analysis is only concerned with individuals born from 1946 through 1975.

<sup>4</sup> We annuitize assets in MINT6 to represent the potential, rather than actual, income from assets since most retirees do not convert their financial assets into annuities. MINT6 takes the stock of wealth in nonpension, nonhousing assets and retirement accounts and (1) annually decays it based on age-wealth patterns in the SIPP to represent the spend-down of assets over retirement; and (2) converts assets into income by calculating the annuity a couple or individuals could buy if they annuitized 80 percent of their total wealth. Thus, asset income is derived from a series of annuity estimates based on a declining stock of wealth in retirement. Also, we calculate imputed rental income as a 3-percent real rate of return on home equity.

<sup>5</sup> For more detailed information about the MINT model, see Smith and others (2010), Smith and others (2007), and Smith, Cashin, and Favreault (2005). Further sources of information are available at <http://www.socialsecurity.gov/policy/about/mint.html>.

<sup>6</sup> The baby boom cohort is typically represented as those born between 1946 through 1964. For analytical purposes, however, we define the baby boom cohort as those born between 1946 and 1965.

<sup>7</sup> Because of the positively skewed nature of assets, average asset values tend to be much higher than median asset values. Excluding asset income from total retirement income, racial and ethnic differences in average retirement incomes among divorced women would be much smaller. Although whites would still have the most income at age 70, Hispanics would now have the least (compare \$45,000 for whites with \$37,000 for blacks and \$34,000 for Hispanics).

<sup>8</sup> Because asset income in MINT6 is more comprehensive than in most surveys, its share of total income tends to be higher.

<sup>9</sup> Table 6 shows the marginal effects. Appendix Table A-1 shows parameter estimates and standard errors for the ordinary least squares regression.

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# THIS IS NOT YOUR PARENTS' RETIREMENT: COMPARING RETIREMENT INCOME ACROSS GENERATIONS

by Barbara A. Butrica, Karen E. Smith, and Howard M. Iams\*

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*This article examines how retirement income at age 67 is likely to change for baby boomers and persons born in generation X (GenX) compared with current retirees. We use the Social Security Administration's Modeling Income in the Near Term (MINT) model to project retirement income and assets, poverty rates, and replacement rates for current and future retirees at age 67. We find that, in absolute terms, retirement incomes of future cohorts will increase over time, and poverty rates will fall. However, projected income gains are larger for higher than for lower socioeconomic groups, leading to increased income inequality among future retirees. Finally, because postretirement incomes are not expected to rise as much as preretirement incomes, baby boomers and GenXers are less likely to have enough postretirement income to maintain their preretirement standard of living compared with current retirees.*

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## Introduction

On January 1, 2011, the first wave of baby boomers turned age 65. Because boomers have had very different life experiences than their predecessors, researchers and policymakers have speculated on the retirement income prospects of the largest birth cohort (76 million) in American history.

Earlier research by Butrica, Iams, and Smith (2007) assessed the retirement income prospects of future retirees using projections from the Social Security Administration's (SSA's) Modeling Income in the Near Term (MINT) microsimulation model. The authors outlined a number of salient trends that will impact retirement incomes for baby boomers differently than for previous generations. Those trends include the following:

- a rise in educational attainment, especially among women;
- a pronounced drop in marriage rates and coincident rise in divorce rates between 1960 and 1990;
- an increase in the immigrant and minority share of Americans;

- an increase in female labor force participation and a decline in male labor force participation;
- an increase in median earnings of women and a decline in median earnings of men;
- an increase in both earnings and family income inequality;
- a sharp decline in single-earner couples and rise in both dual-earner couples and single-headed families;
- a shift in Social Security benefits away from spouse and widow benefits toward more dual-entitlement and worker-only benefits;

### Selected Abbreviations

DB	defined benefit
DC	defined contribution
FRA	full retirement age
GenX	generation X
MINT	Modeling Income in the Near Term

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### Selected Abbreviations—Continued

RET	retirement earnings test
SIPP	Survey of Income and Program Participation
SSI	Supplemental Security Income

- retirees' rising real incomes and falling poverty rates over the past three decades; and
- stagnant or declining real wage growth between 1970 and 1996, followed by rapid real wage growth in the mid-to-late 1990s.

Butrica, Iams, and Smith (2007) found that while future retirees were projected to have higher real incomes and lower poverty rates than current retirees, future retirees also would replace a lower share of their working years' income in retirement. Those findings were based on MINT3 projections generated in 2002. That model has been updated three times since then. Each update improves on the prior version by using more recent data, improving the projection methods, and updating economic projections based on observed historic trends. This article reassesses the retirement prospects of baby boomers using MINT6 and extends the analysis to include persons born in generation X (GenX).

### What is MINT6?

MINT6 is one of a suite of microsimulation models used by SSA to estimate the income, assets, and demographic characteristics of the future retired population. As the basis for its projections, MINT6 uses data from the 2001 and 2004 Survey of Income and Program Participation (SIPP) matched to Social Security administrative earnings and benefit records through 2008. For individuals born from 1926 through 1975, MINT6 projects each person's marital changes, mortality, entry to and exit from Social Security Disability Insurance (DI) rolls, and age of first receipt of Social Security retirement benefits. It also projects family income including Social Security benefits, pension income, asset income, earnings, Supplemental Security Income (SSI), income from coresident household members, and imputed rental income.<sup>1,2</sup> Although we focus on the income of the aged unit, coresident income is important for determining SSI and poverty.

MINT6 is ideal for this analysis because it directly measures the experiences of survey respondents as of the early 2000s—representing the first half of the

lives of baby boomers and the first third of the lives of GenXers—and statistically projects their incomes and characteristics into the future, adjusting for expected demographic and socioeconomic changes. MINT6 also accounts for major changes in the growth of economy-wide real earnings, the distribution of earnings both between and within birth cohorts, and the composition of the retiree population. All of those factors will affect the retirement incomes of future retirees.

### Changes Since MINT3

This section outlines changes in MINT that could affect the findings reported earlier in Butrica, Iams, and Smith (2007). MINT6 starts with more recent data than MINT3, with pooled 2001 and 2004 panels of the SIPP matched to Social Security administrative earnings and benefit data through 2008. MINT6 uses demographic and economic assumptions based on *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (Board of Trustees 2009). MINT3 used starting values from the 1990 through 1993 panels of the SIPP matched to Social Security administrative earnings and benefits data through 2000, and the demographic and economic assumptions were based on the *2002 Trustees Report* (Board of Trustees 2002). Since the early 1990s, however, a number of demographic, economic, and policy changes have occurred that could impact future retirees' economic security in ways that are different from those reported earlier in Butrica, Iams, and Smith (2007).

Since the introduction of the 1990–1993 SIPP panels, the United States has become even more demographically diverse. In 1990, Hispanics represented 9.0 percent of the American population. By 2009, they had grown to 15.8 percent (Census Bureau 2001, Table 15; Census Bureau 2010, Table 6). From 1990 through 2004, the percentage of Americans with at least a high school diploma increased from 77.6 percent to 85.2 percent, and the share with at least a college degree increased from 21.3 percent to 27.7 percent (Census Bureau 2006, Table 214). During this time period, women became increasingly likely to work outside the home. Female labor force participation rates increased slightly from 57.5 percent to 59.2 percent for the population aged 16 or older, but increased dramatically from 45.2 percent to 56.3 percent for those aged 55–64, and from 8.6 percent to 11.1 percent for those aged 65 or older. In contrast, male labor force participation rates declined among most age groups,

but increased slightly for those aged 55–64 and those aged 65 or older (Census Bureau 2006, Table 577). And among full-time wage and salary workers aged 25 or older, the ratio of men’s to women’s median weekly earnings narrowed from 1.39 in 1990 to 1.27 in 2004 (Census Bureau 2001, Table 621; Census Bureau 2006, Table 632).

In addition to these demographic changes, there have been some policy changes that will undoubtedly impact future retirees. In particular, both the legislated elimination of the retirement earnings test (RET) for individuals above the full retirement age (FRA) in 2000 and the increase in the FRA itself have changed work and benefit take-up incentives for later cohorts compared with earlier cohorts.<sup>3</sup> The percentage of workers covered by traditional defined benefit (DB) pension plans that pay a lifetime annuity, often based on years of service and final salary, has been steadily declining over the past 30 years. From 1980 through 1998, DB pension coverage among workers fell from 38 percent to 21 percent (Department of Labor 2002). In contrast, the percentage of workers with defined contribution (DC) pension plans, which are investment accounts established and often subsidized by employers, but owned and controlled by employees, has been increasing over time. During that same time period, DC coverage increased from 8 percent to 27 percent (Department of Labor 2002). More recently, many employers have frozen their DB plans (Munnell and others 2006). Some experts expect that most private-sector plans will be frozen in the next few years and eventually terminated (Gebhardtshauer 2006), fueled in part by the passage of the Pension Protection Act in 2006 (Butrica and others 2009). The shift in pensions away from DB plans toward DC plans could significantly alter projected pension incomes.

Finally, the economic landscape has changed dramatically since the data were collected for the 1990–1993 SIPP panels. Most recently, the economy of the United States experienced a recession more severe than any since the Great Depression. Stock prices fell 38 percent between September 2007 and March 2009, causing retirement accounts to lose about \$2.7 trillion, 31 percent of their value (Butrica and Issa 2011). Burtless (2009) showed the dramatic effect historic market returns had on portfolio balances for identical workers retiring in different years, with the income generated from those balances replacing from 18 percent to 50 percent of earnings depending solely on the timing of contributions. The author showed that persons retiring in 2000 benefited substantially from historic

market returns with replacement rates of 50 percent, although those retiring in 2008 could only expect a replacement rate of 25 percent. Not long before the stock market crashed, the US housing bubble burst with prices falling 32 percent between the second quarter of 2006 and the first quarter of 2009 (Standard & Poor’s 2009).

We have also made a number of model improvements since Butrica, Iams, and Smith (2007), all designed to improve the model projections. Those improvements include the following:

- reestimating the labor equations using more recent data to better capture changes in retirement behavior with the elimination of the RET;
- reestimating the job change and pension coverage models using 2001 and 2004 SIPP data to better capture pension changes that occurred since the early 1990s that were the basis of the MINT3 projections;
- reestimating the coresidency model using the 2001 and 2004 SIPP data to better capture more recent coresidency trends. We also expanded the coresidency definition by lowering the age of individuals considered coresidents, from age 30 to 25;
- reestimating the marriage and divorce models using data from the 2001 and 2004 SIPP to better capture more recent trends;
- changing, substantially, the method used to project immigrants—from one based on cloning the full experience of previous immigrants to one based on applying the full set of econometric models included in MINT;
- reestimating the health status models using more recent Health and Retirement Study (HRS) data and improving the correlation of health and disability;
- aligning mortality after age 65 to the *2009 Trustees Report* projections by age, sex, and cohort. Earlier versions were unaligned;
- updating the annuity factors used in MINT to convert assets into income using mortality projections consistent with the *2009 Trustees Report* projections;
- aligning the self-reported SIPP retirement account and financial assets to distributions from the 2004 Survey of Consumer Finance, substantially increasing asset values at the top of the asset distribution, to address known deficiencies in the SIPP asset data; and

- reestimating the home equity and financial asset accumulation models using more recent HRS data.

These changes are detailed in Smith and others (2010); Smith and others (2007); and Smith, Cashin, and Favreault (2005). This article reexamines earlier findings of Butrica, Iams, and Smith (2007) using the updated version of the MINT model. While the body of the article focuses on the current MINT6 projections, the Appendix quantifies in general terms the effects that major model and economic changes have had on projected retirement income.

## **Methodology**

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We begin by examining the extent to which the characteristics of future retirees, including education, race, marital status, and projected labor force experience differ from those of current retirees. We then compare current and future retirees' retirement outcomes using both absolute measures (such as family incomes and poverty rates) and relative measures (such as subgroup incomes and replacement rates).

Our sample population is separated into five 10-year birth cohorts representing depression babies (born 1926–1935), war babies (born 1936–1945), leading boomers (born 1946–1955), trailing boomers (born 1956–1965), and GenXers (born 1966–1975).<sup>4</sup> We analyze the characteristics, lifetime earnings, and family incomes of individuals born in those cohorts when they reach age 67 (the age by which most people will have retired), allowing us to compare those cohorts at the same stage in life. Unless otherwise noted, all reported incomes are in 2011 price-adjusted dollars and expressed as per capita values so that husbands and wives equally share family income.<sup>5</sup>

Projections for cohorts born after 1936 are based on MINT6. Projections for depression babies, those born in the 1926–1935 period, are based on MINT5. While the depression babies are included in the MINT6 population, we do not observe them at age 67 in the baseline data because they are older than age 67 at the SIPP interview date. MINT5 projections provide a better representation of depression babies at age 67.

## **Characteristics of Current and Future Retirees**

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The projected characteristics of retirees at age 67 in each of the five 10-year cohorts are shown in Table 1. MINT projects changes in marital status among cohorts. Twenty-nine percent of depression

babies will be nonmarried compared with about 36 percent of trailing boomers and GenXers. Not only will the share of nonmarried retirees increase in the later cohorts, but the reasons for the increase in nonmarried status will also change dramatically. Trailing-boomer and GenX retirees are more likely than depression baby retirees to never marry or to be divorced, and they are less likely than depression baby retirees to be widowed. Marital status has important implications for the economic well-being of future retirees because among current retirees aged 65 or older, those who never married have the highest poverty rates, followed by those who are divorced, widowed, and married (SSA 2010). The increasing share of unmarried retirees means that future retirees are more likely to enter retirement without access to the income security that spousal income provides, and because they miss out on the economies of shared living, they are more likely to be poor than their married counterparts.

The racial composition of retirees is projected to shift dramatically between the cohorts as minority-group representation increases. Trailing-boomer retirees and especially GenX retirees are more likely than depression baby retirees to be nonwhite. For instance, almost one in five depression baby retirees are in a racial/ethnic minority compared with nearly two in five GenX retirees. The share of foreign-born retirees is expected to more than double, rising from 10 percent of depression baby retirees to 26 percent of GenX retirees. Minorities and immigrants typically have lower earnings and incomes than whites, so the rising share of those subgroups is likely to lower projected future retirement incomes.

In contrast, the projected increases in education and employment are likely to increase future retirement incomes. GenX retirees are almost twice as likely as depression baby retirees to be college educated and about a third as likely to be high school dropouts. Moreover, GenXers, particularly women, are projected to have more labor force experience than depression babies. GenX women are nearly three times as likely to have worked 35 or more years than depression baby women by age 67.<sup>6</sup> Employment gains are more modest for men, whose share with 35 or more years of earnings by age 67 is projected to rise from 69 percent among depression babies to 74 percent among war babies. The share falls to 71 percent among Gen X men who had lower labor force participation rates at younger ages compared with earlier cohorts.

Increased time spent in the labor force, in turn, leads to higher average lifetime earnings among the later cohorts. Our measure of lifetime earnings is the average of the highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by first assigning each individual half of the total earnings of the couple in the years when the individual is married and then his or her own earnings in years when single. Table 2 shows that median shared lifetime earnings at age 67 are projected to rise from \$30,000 (in 2011 dollars) among depression babies to \$51,000 among GenXers. The gains are larger for older adults with college degrees, those with more labor force experience, and those with higher earnings and incomes than they are for older adults with less education, fewer years of labor force experience, and lower earnings and

incomes. The lifetime earnings of workers in the war baby cohort increased nearly 30 percent over those in the depression baby cohort, largely reflecting the rise in labor force participation and earnings of women. Lifetime earnings are projected to increase with each successive cohort, though at a decreasing rate.

### ***Projected Family Income***

MINT projects that median per capita family income at age 67 will increase from \$28,000 among depression babies to \$38,000 among war babies; \$41,000 among leading boomers; \$44,000 among trailing boomers; and \$46,000 among GenXers—representing a 64 percent increase from the earliest cohort (depression babies) to the latest cohort (GenXers); see Table 3. The subgroups with the largest gains are

**Table 1.**  
**Characteristics of adults at age 67, by birth cohort (in percent)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	100	100	100	100	100
Marital status					
Never married	4	4	7	9	11
Married	71	68	66	65	64
Widowed	15	12	8	8	7
Divorced	10	15	19	19	18
Race/ethnicity					
Non-Hispanic white	82	79	76	69	61
Non-Hispanic black	8	9	10	12	12
Hispanic	6	7	8	12	18
Other	4	5	6	7	9
Education					
High school dropout	28	13	7	7	9
High school graduate	55	63	63	64	59
College graduate	17	24	30	29	33
Immigration status					
Native born	90	88	86	81	74
Foreign born	10	12	14	19	26
Sex					
Women	54	53	52	52	51
Men	46	47	48	49	49
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	24	13	8	6	6
11 to 34	57	52	41	38	38
35 or more	19	35	51	56	56
Men					
Less than 10	3	2	3	3	3
11 to 34	28	23	24	24	26
35 or more	69	74	74	74	71

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

a. Labor force experience is the number of years with positive earnings from ages 22 to 67.

**Table 2.**  
**Median shared lifetime earnings of adults at age 67, by individual characteristics and birth cohort**  
**(in thousands, 2011 dollars)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	30	39	45	48	51
Marital status					
Never married	23	32	40	38	45
Married	31	41	48	51	54
Widowed	25	30	34	38	38
Divorced	28	36	42	46	52
Race/ethnicity					
Non-Hispanic white	32	41	49	53	58
Non-Hispanic black	21	31	39	39	44
Hispanic	19	21	27	33	37
Other	15	25	31	39	45
Education					
High school dropout	22	20	20	22	24
High school graduate	31	37	42	43	45
College graduate	43	54	64	72	77
Immigration status					
Native born	31	40	48	51	55
Foreign born	19	22	25	33	38
Sex					
Women	28	36	43	46	48
Men	33	42	48	51	55
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	19	18	11	8	8
11 to 34	28	33	33	33	33
35 or more	37	45	53	56	61
Men					
Less than 10	3	2	3	5	3
11 to 34	20	23	25	26	28
35 or more	38	47	55	58	65
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	10	12	14	16	16
Second	22	28	32	34	35
Third	30	39	45	48	51
Fourth	39	50	60	65	71
Top	52	72	90	101	114
Income quintile <sup>c</sup>					
Bottom	14	16	18	19	19
Second	25	32	37	39	40
Third	31	40	47	50	53
Fourth	37	48	57	62	69
Top	44	60	76	87	99

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

- Labor force experience is the number of years with positive earnings from ages 22 to 67.
- Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.
- Income includes annuitized income from assets, earnings, SSI payments, imputed rental income, Social Security benefits, DB pension income, and annuitized income from retirement accounts.

**Table 3.**  
**Median per capita family income of adults at age 67, by individual characteristics and birth cohort**  
**(in thousands, 2011 dollars)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	28	38	41	44	46
Marital status					
Never married	22	28	31	31	37
Married	29	40	44	47	47
Widowed	26	32	35	40	40
Divorced	25	31	34	40	46
Race/ethnicity					
Non-Hispanic white	30	42	46	49	53
Non-Hispanic black	18	24	27	29	35
Hispanic	16	19	24	29	32
Other	20	26	29	40	45
Education					
High school dropout	18	16	16	20	21
High school graduate	29	35	36	37	38
College graduate	51	66	70	77	78
Immigration status					
Native born	29	39	43	46	49
Foreign born	20	24	27	33	37
Sex					
Women	26	35	40	41	43
Men	30	40	43	46	49
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	20	19	12	11	11
11 to 34	27	33	30	30	30
35 or more	32	44	52	53	56
Men					
Less than 10	10	9	9	10	9
11 to 34	23	23	24	25	27
35 or more	34	45	51	53	59
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	13	13	14	14	15
Second	21	28	29	30	30
Third	28	37	41	42	43
Fourth	35	52	57	60	64
Top	52	81	93	105	114
Income quintile <sup>c</sup>					
Bottom	10	11	12	13	14
Second	19	24	26	28	28
Third	28	38	41	44	46
Fourth	41	57	64	67	72
Top	75	115	123	136	146

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

- Labor force experience is the number of years with positive earnings from ages 22 to 67.
- Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.
- Income includes annuitized income from assets, earnings, SSI payments, imputed rental income, Social Security benefits, DB pension income, and annuitized income from retirement accounts.

never married and divorced, racial/ethnic minorities, college graduates, those with 35 or more years in the labor force, and those with the highest shared lifetime earnings and retirement incomes. Income inequality is projected to increase dramatically over time. Among depression babies, median income in the top income quintile will be 7.5 times higher than in the bottom income quintile. Among GenXers, the income gap will increase to a factor of 10.4.

Nearly all retirees will receive income from nonretirement income sources—including income

from assets, earnings, SSI payments, and imputed rental income (Table 4). Among depression babies, 45 percent have earnings at age 67, and 5 percent receive SSI payments. In addition, 88 percent of depression babies have net assets and 80 percent have home equity that could support retirement consumption.<sup>7</sup> We use an annuity measure to convert net assets into a measure of annual income and a rate of return to convert home equity into imputed rental income.<sup>8</sup> The share with asset income declines slightly between depression and war babies as half of the latter group

**Table 4.**  
**Family income of adults at age 67, by income source, per capita family income quintile, and birth cohort (in percent)**

Income source and quintile	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
All					
Total income	100	100	100	100	100
Income from assets	88	84	84	90	92
Earnings	45	52	51	51	50
SSI	5	5	4	3	2
Imputed rental income	80	81	81	83	83
Social Security benefits	91	93	94	95	94
DB pension income	56	49	39	32	25
Retirement account income	47	58	74	79	80
Bottom income quintile					
Total income	99	99	99	100	100
Income from assets	70	64	66	75	79
Earnings	18	19	15	15	13
SSI	21	23	17	13	10
Imputed rental income	56	51	56	62	65
Social Security benefits	77	82	82	84	80
DB pension income	20	17	10	10	9
Retirement account income	12	14	31	39	47
Middle income quintile					
Total income	100	100	100	100	100
Income from assets	93	88	86	93	94
Earnings	48	57	57	57	61
SSI	1	0	0	0	0
Imputed rental income	86	88	86	87	86
Social Security benefits	96	97	97	98	98
DB pension income	69	59	46	36	27
Retirement account income	51	66	85	88	87
Top income quintile					
Total income	100	100	100	100	100
Income from assets	98	97	96	99	99
Earnings	67	73	75	73	69
SSI	0	0	0	0	0
Imputed rental income	92	94	94	92	92
Social Security benefits	90	94	96	97	96
DB pension income	66	56	53	44	37
Retirement account income	79	87	95	96	96

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

reached age 67 after the 2008 stock market crash and subsequent recession. Asset accumulation increases for trailing boomers and GenXers who have more years after the market crash to rebuild assets. Retirees' earnings and imputed rental incomes are projected to increase across cohorts. As older adults' incomes and assets increase over time, the share with SSI payments is projected to decrease.<sup>9</sup>

Nearly all retirees will also receive income from retirement income sources—including Social Security benefits, DB pensions, and retirement accounts (for example, DC pensions, individual retirement accounts (IRAs), and Keogh plans). Among depression babies, 91 percent receive Social Security benefits, 56 percent have DB pensions, and 47 percent have retirement accounts. Reflecting the shift in employer pensions from DB to DC, retirees with retirement accounts are projected to increase and those with DB pensions are projected to decrease among later cohorts. Among GenXers, only 25 percent will have DB pensions, while 80 percent will have retirement accounts. The share of GenXers with Social Security benefits is also projected to increase, due in part to an increase in Social Security coverage.

Sources of income vary by income quintile. Older adults in the bottom income quintile are less likely than those in the top quintile to have income from all sources except SSI. The share of 67-year-olds in the bottom quintile who have earnings falls from 18 percent of depression babies to 13 percent of GenXers. In contrast, the share in the middle quintile with earnings rises from 48 percent of depression babies to 61 percent of GenXers. Moreover, the share in the top quintile with earnings rises from 67 percent of depression babies to 75 percent of leading boomers, before falling to 69 percent of GenXers.

Surprisingly, only about 80 percent of seniors in the bottom quintile receive Social Security income in any cohort. Many of those retirees worked in uncovered jobs or immigrated to the United States late in their lives and do not qualify for Social Security based on their own earnings. In contrast, MINT projects that Social Security take-up is high even among top-income seniors who are more likely to work at older ages than are their counterparts with lower incomes. The elimination of the RET after the FRA means that high-income seniors can work without reducing their Social Security benefits. The share of top-income 67-year-olds with Social Security income rises from 90 percent of depression babies

to 97 percent of trailing boomers and 96 percent of GenXers.

What is driving the changes in retirement income over time? In fact, all sources of income except for DB pensions and SSI are projected to increase significantly across cohorts (Table 5).<sup>10</sup> DB pensions are projected to provide a third (\$2,000) as much for GenXers as they are for depression babies (\$6,000). However, income from retirement accounts is projected to be six times higher among GenXers (\$12,000) than among depression babies (\$2,000). Thus, the increase in retirement account income more than offsets the decline in DB pensions, and total retirement plan income (DB plus DC) is expected to increase across cohorts from \$8,000 for depression babies to \$14,000 for GenXers. But there are stark differences by income level. Average combined pension income (DB plus DC) hovers around \$1,000 for retirees in the bottom income quintile, regardless of cohort. For middle-income seniors, combined pension income rises from \$7,000 for depression babies to \$10,000 for war babies, before falling to \$8,000 for GenXers. However, for those in the top income quintile, combined pension income is projected to increase with each successive cohort from \$18,000 for depression babies to \$29,000 for leading boomers, and to \$45,000 for GenXers. In addition to the increase in income from retirement plans, income from assets is projected to be 1.9 times higher for GenXers than for depression babies; earnings, 1.6 times higher; imputed rental income, 2.5 times higher; and Social Security benefits, 1.6 times higher.

Social Security is the main source of income for low-income seniors, while income from assets is the predominant income source for high-income seniors (Table 6). Among depression babies, Social Security accounts for 61 percent of total income for those in the bottom income quintile, 38 percent of total income for those in the middle income quintile, and only 9 percent of total income for those in the top income quintile. In contrast, income from assets represents only 8 percent of total income for low-income retirees and 16 percent of total income for middle-income retirees, but 49 percent of total income for high-income retirees. Over time, income from assets becomes considerably more important for low- and high-income retirees, but less important for middle-income retirees. The importance of Social Security, on the other hand, remains relatively constant, regardless of income level.

For middle-income retirees, the increase in total income between the depression baby and GenX cohorts is driven primarily by an increase in earnings at age 67—from 14 percent to 24 percent of total income. In contrast, the share of total income from earnings falls over time for low- and high-income retirees. For example, earnings at age 67 account for 25 percent of total income for high-income depression babies, but only 13 percent of total income for high-income GenXers.

### ***Projected Poverty***

Given the projected increase in real family incomes over time, it is not surprising that poverty rates are projected to decline (Table 7). At age 67, 7 percent of depression babies are expected to live in poverty compared with 6.1 percent of trailing boomers and 5.7 percent of GenXers. Poverty rates for divorced retirees are projected to decline more than half over time, from 15.9 percent of depression babies to only 6.9 percent of GenXers. Poverty rates for Hispanics

**Table 5.**  
**Mean per capita family income of adults at age 67, by income source, per capita family income quintile, and birth cohort (in thousands, 2011 dollars)**

Income source and quintile	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
<b>All</b>					
Total income	44	58	64	75	81
Income from assets	16	19	21	30	31
Earnings	9	11	12	13	14
SSI	0	0	0	0	0
Imputed rental income	2	3	4	5	5
Social Security benefits	10	12	14	15	16
DB pension income	6	7	5	3	2
Retirement account income	2	4	7	10	12
<b>Bottom income quintile</b>					
Total income	9	11	12	13	13
Income from assets	1	1	1	1	2
Earnings	1	1	1	1	1
SSI	1	1	1	1	1
Imputed rental income	1	1	1	1	1
Social Security benefits	6	7	7	8	8
DB pension income	1	1	0	0	0
Retirement account income	0	0	0	1	1
<b>Middle income quintile</b>					
Total income	28	38	42	44	46
Income from assets	5	4	5	6	6
Earnings	4	7	9	10	11
SSI	0	0	0	0	0
Imputed rental income	2	3	4	4	4
Social Security benefits	11	13	15	16	17
DB pension income	6	7	4	2	1
Retirement account income	1	3	5	6	7
<b>Top income quintile</b>					
Total income	124	159	175	224	243
Income from assets	61	80	87	127	131
Earnings	30	32	32	33	32
SSI	0	0	0	0	0
Imputed rental income	4	6	9	12	14
Social Security benefits	11	15	18	20	22
DB pension income	13	14	12	7	7
Retirement account income	5	11	17	26	38

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

are also projected to decline dramatically from 15.8 percent to only 7.8 percent across cohorts. However, not all groups are expected to do so well. Among high school dropouts, poverty rates are projected to increase from 13.5 percent to 24.9 percent between the earliest cohort (depression babies) to the middle cohort (leading boomers), before declining to 18 percent for the two latest cohorts (trailing boomers and GenXers). Poverty rates are especially high among depression babies with fewer than 10 years of employment and

are projected to increase even more over time as the composition of that group changes. Given the projected increase in minorities and immigrants, as well as the historic increase in women's labor force participation, retirees with low labor force attachment are increasingly low-educated, low-skilled, and disabled. Not surprisingly, those retirees are projected to have very high poverty rates.

The contribution to poverty of any subgroup of the population to the overall poverty rate is the product of

**Table 6.**  
**Share of mean per capita family income of adults at age 67, by income source, per capita family income quintile, and birth cohort (as a percentage of subgroup total income)**

Income source and quintile	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
<b>All</b>					
Total income	100	100	100	100	100
Income from assets	35	33	33	39	38
Earnings	20	20	20	17	17
SSI	0	0	0	0	0
Imputed rental income	5	6	7	7	7
Social Security benefits	22	21	22	20	20
DB pension income	14	13	8	4	3
Retirement account income	4	7	11	13	15
<b>Bottom income quintile</b>					
Total income	100	100	100	100	100
Income from assets	8	6	8	10	12
Earnings	7	8	6	7	5
SSI	8	9	7	5	4
Imputed rental income	8	8	9	9	10
Social Security benefits	61	64	64	63	62
DB pension income	6	5	3	2	1
Retirement account income	1	2	4	4	5
<b>Middle income quintile</b>					
Total income	100	100	100	100	100
Income from assets	16	12	12	13	13
Earnings	14	19	21	22	24
SSI	0	0	0	0	0
Imputed rental income	7	8	9	9	9
Social Security benefits	38	34	36	36	37
DB pension income	20	19	11	5	3
Retirement account income	4	8	12	14	15
<b>Top income quintile</b>					
Total income	100	100	100	100	100
Income from assets	49	50	50	57	54
Earnings	25	20	19	15	13
SSI	0	0	0	0	0
Imputed rental income	3	4	5	5	6
Social Security benefits	9	9	10	9	9
DB pension income	10	9	7	3	3
Retirement account income	4	7	10	12	16

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

the group's poverty rate and its share of the population (Table 8). A subgroup will contribute more to overall poverty if its share in the population is large and its poverty rate is high. Adults age 67 with less than 10 years of earnings have very high poverty rates, which are projected to increase over time. Because that subgroup comprises a declining share of 67-year-old women, it contributes less to overall poverty among

GenXers (1.3 percentage points) than among depression babies (1.8 percentage points). However, because the size of that subgroup remains constant among 67-year-old men, it contributes more to overall poverty among GenXers than among depression babies.

While poverty rates are projected to decline over time for foreign-born seniors, those persons represent

**Table 7.**  
**Poverty rates of adults at age 67, by individual characteristics and birth cohort (in percent)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	7.0	7.0	7.0	6.1	5.7
Marital status					
Never married	21.6	23.3	19.9	18.6	14.1
Married	4.4	3.4	3.4	2.9	3.3
Widowed	9.6	12.3	14.8	10.3	11.2
Divorced	15.9	14.8	11.8	9.3	6.9
Race/ethnicity					
Non-Hispanic white	5.1	4.6	4.7	3.8	3.4
Non-Hispanic black	14.9	14.9	14.3	13.1	11.1
Hispanic	15.8	16.5	13.9	9.4	7.8
Other	15.9	16.8	15.2	11.7	9.8
Education					
High school dropout	13.5	21.2	24.9	17.9	18.0
High school graduate	5.0	6.2	7.0	6.6	6.0
College graduate	2.7	1.6	2.7	1.8	1.9
Immigration status					
Native born	6.1	5.6	5.8	5.1	4.4
Foreign born	15.1	17.7	14.8	10.4	9.3
Sex					
Women	8.0	8.8	8.5	7.4	6.5
Men	5.8	5.1	5.4	4.7	4.9
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	14.1	25.2	39.9	43.1	43.4
11 to 34	7.1	9.1	11.1	10.9	8.8
35 or more	3.2	2.1	1.5	1.0	0.8
Men					
Less than 10	35.2	46.2	56.5	45.5	54.4
11 to 34	12.2	14.4	15.0	12.9	11.5
35 or more	1.8	0.8	0.6	0.7	0.5
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	25.2	30.5	31.5	27.9	26.5
Second	5.5	3.3	2.5	1.8	1.4
Third	2.2	1.0	0.7	0.6	0.4
Fourth	1.5	0.2	0.2	0.1	0.1
Top	0.5	0.2	0.2	0.1	0.0

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

NOTE: Consistent with the official poverty definition, family income for poverty includes coresident income, but excludes imputed rent.

a. Labor force experience is the number of years with positive earnings from ages 22 to 67.

b. Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.

a rising share of the aged population whose poverty rates are still higher than their native-born counterparts. Consequently, foreign-born retirees will contribute more to poverty among GenXers (2.4 percentage points) than among depression babies (1.5 percentage points). We see a similar pattern among never-married seniors. While their poverty rates are projected to fall over time, never-married seniors

still have higher poverty rates on average than other marital groups. And because their share of 67-year-olds is projected to increase over time, never-married retirees will contribute more to poverty among GenXers (1.5 percentage points) than among depression babies (0.9 percentage points). For the same reasons, Hispanics' contributions to poverty are also projected to increase over time.

**Table 8.**  
**Contribution to poverty of adults at age 67, by individual characteristics and birth cohort (in percent)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	7.0	7.0	7.0	6.1	5.7
Marital status					
Never married	0.9	1.0	1.4	1.7	1.5
Married	3.1	2.3	2.3	1.9	2.1
Widowed	1.5	1.5	1.2	0.8	0.8
Divorced	1.5	2.2	2.2	1.7	1.2
Race/ethnicity					
Non-Hispanic white	4.2	3.6	3.5	2.6	2.1
Non-Hispanic black	1.2	1.4	1.5	1.5	1.3
Hispanic	1.0	1.2	1.2	1.1	1.4
Other	0.6	0.8	0.9	0.8	0.9
Education					
High school dropout	3.7	2.8	1.8	1.3	1.5
High school graduate	2.8	3.9	4.4	4.2	3.5
College graduate	0.5	0.4	0.8	0.5	0.6
Immigration status					
Native born	5.5	4.9	5.0	4.1	3.3
Foreign born	1.5	2.1	2.0	2.0	2.4
Sex					
Women	4.3	4.6	4.4	3.8	3.3
Men	2.7	2.4	2.6	2.3	2.4
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	1.8	1.8	1.6	1.4	1.3
11 to 34	2.2	2.5	2.4	2.1	1.7
35 or more	0.3	0.4	0.4	0.3	0.2
Men					
Less than 10	0.6	0.6	0.7	0.5	0.8
11 to 34	1.5	1.6	1.7	1.5	1.4
35 or more	0.6	0.3	0.2	0.3	0.2
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	5.0	6.1	6.3	5.6	5.3
Second	1.1	0.7	0.5	0.4	0.3
Third	0.4	0.2	0.1	0.1	0.1
Fourth	0.3	0.0	0.0	0.0	0.0
Top	0.1	0.0	0.0	0.0	0.0

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

NOTE: Contribution to poverty of any subgroup is equal to the product of its share in the population and its own poverty rate.

a. Labor force experience is the number of years with positive earnings from ages 22 to 67.

b. Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.

## ***Projected Relative Income***

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Although family income per person is projected to increase across cohorts for the majority of retirees, not everyone will be equally well-off in later cohorts. To provide a better sense of the relative economic well-being of various subgroups, we also present the ratio of median income in a subgroup to median income of its cohort group (Table 9). Using this gauge of retirement security, we find that many historically vulnerable populations will have lower relative incomes in later cohorts than in the depression baby cohort, including widows, high school dropouts and graduates, those with less than 35 years of work experience, and those with earnings and income in the lowest income quintiles.

For example, median per capita family income for high school dropouts in the depression baby cohort is 64 percent of the median family income among all depression babies. The comparable statistic is only 46 percent for those in the GenX cohort. This is because overall median income increases 64 percent from the earliest cohort (depression baby) to the latest cohort (GenX), while median income for high school dropouts increases only 17 percent (see Table 3). So even though high school dropouts have higher family incomes in the GenX cohort than in the depression baby cohort, they are relatively worse-off compared with other GenXers.

Other subgroups, however, are expected to be relatively better-off in the GenX cohort than in the depression baby cohort. Never-married and divorced retirees, those with strong labor force attachments, and those with earnings and incomes in the highest quintiles will have higher relative incomes in the GenX cohort than in the depression baby cohort. GenXers in all racial/ethnic subgroups see gains in relative incomes compared with depression babies, but the gains are larger for minorities (particularly for Hispanics and Asians).<sup>11</sup> GenXers in all education subgroups see declines in relative incomes compared with depression babies, but the losses are greatest for high school graduates. These nonintuitive results occur because the relative sizes and income growth rates of racial/ethnic and education groups change over time. Median income is lower for minorities than for whites. But because the incomes of minorities are projected to increase over time by much more than those of whites, minorities in later cohorts are better-off than minorities in earlier cohorts—in both absolute and relative terms.<sup>12</sup>

Never-married and divorced retirees, historically vulnerable populations, will also have higher relative incomes in the GenX cohort than in the depression baby cohort. For those adults, the growth in median per capita family income from the earliest cohort (depression baby) to the latest cohort (GenX) exceeds the growth in overall average income between the cohorts, increasing their relative rank within their cohort.

In general, MINT6 predicts changes over time in the relative income ranking of important subgroups within specific cohorts. Some subgroups—mostly the historically advantaged—will experience substantial gains in real per capita income, and other subgroups—mostly the historically disadvantaged—will experience minimal gains over time. Racial/ethnic and education disparities are expected to narrow, while lifetime earnings and labor force attachment disparities are expected to increase.

## ***Projected Replacement Rates***

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Income replacement rates measure the extent to which individuals' retirement incomes replace their employment incomes (Steuerle, Spiro, and Carasso 2000; Biggs and Springstead 2008). The value of those replacement rates depends largely on how employment income is measured. For example, replacement rates based on peak earnings will often generate lower values than those based on final earnings, which can decline as workers transition into retirement. Instead of using peak or final earnings in the replacement rate calculation, we use measures of lifetime earnings that reflect available resources over individuals' careers from which they could reasonably accrue retirement income.

We calculate two replacement rates that are based on shared earnings from ages 22 to 67, but that differ in how those earnings are indexed. The first replacement rate—largely based on the Social Security benefit formula—wage indexes shared earnings to age 67, takes the highest 35 years of earnings, and then averages them. The second replacement rate price indexes shared earnings to 2011 dollars, takes the highest 35 years of earnings, and then averages them. Both replacement rates measure the extent to which income at age 67 replaces average shared lifetime earnings. The wage-adjusted replacement rate accounts for increases in the standard of living over time, as is done in the Social Security benefit formula. The price-adjusted replacement rate accounts for

**Table 9.**  
**Ratio of subgroup to cohort median per capita family income of adults at age 67, by individual characteristics and birth cohort (in percent)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	100	100	100	100	100
Marital status					
Never married	77	74	75	70	81
Married	104	107	108	107	104
Widowed	91	86	85	91	87
Divorced	88	83	83	91	102
Race/ethnicity					
Non-Hispanic white	108	112	112	113	116
Non-Hispanic black	63	63	66	65	76
Hispanic	58	49	58	66	70
Other	70	69	71	92	99
Education					
High school dropout	64	44	40	46	46
High school graduate	104	94	87	85	83
College graduate	182	175	168	177	170
Immigration status					
Native born	103	104	105	105	107
Foreign born	70	65	65	75	80
Sex					
Women	94	94	96	95	94
Men	107	106	104	105	108
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	72	51	29	24	24
11 to 34	95	88	72	70	67
35 or more	115	118	125	121	122
Men					
Less than 10	35	23	21	22	19
11 to 34	81	62	58	58	60
35 or more	121	120	123	123	129
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	45	34	33	32	33
Second	76	73	70	69	66
Third	98	98	100	97	95
Fourth	125	137	138	137	140
Top	186	215	226	240	249
Income quintile <sup>c</sup>					
Bottom	36	30	29	29	30
Second	68	64	63	63	62
Third	100	100	100	100	100
Fourth	146	152	155	154	157
Top	269	306	297	312	320

Source: Authors' tabulations of MINT5 and MINT6 (see text for details).

- Labor force experience is the number of years with positive earnings from ages 22 to 67.
- Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.
- Income includes annuitized income from assets, earnings, SSI payments, imputed rental income, Social Security benefits, DB pension income, and annuitized income from retirement accounts.

increases in the cost of living. Because wages typically grow faster than prices, replacement rates based on wage-adjusted earnings tend to be lower than those based on price-adjusted earnings.<sup>13</sup>

MINT projects that median wage-adjusted replacement rates will increase from 95 percent to 98 percent from the earliest cohort (depression baby) to the next cohort (war babies), but then steadily decline over time reaching 84 percent for the latest cohort (GenX); see Table 10. The share of retirees with less than 100 percent replacement rates is projected to decline from 53 percent of depression babies to 51 percent of war babies, and then increase to 60 percent of trailing boomers and 61 percent of GenXers. Given their reduced expenses, however, many experts say that retirees will only need 75 percent to 85 percent of their preretirement income to maintain their preretirement living standards. Using this lower standard, 39 percent of leading boomers, 41 percent of trailing boomers, and 43 percent of GenXers will fail to have enough income at age 67 to maintain their preretirement standard of living compared with 35 percent of depression babies.

As expected, price-adjusted replacement rates are higher than wage-adjusted replacement rates. As with wage-adjusted replacement rates, median price-adjusted replacement rates increase from the earliest

cohort (depression baby) to the very next cohort (war baby) and then fall for later cohorts; however, the subsequent decline in price-adjusted replacement rates is not as large as with wage-adjusted rates—a result of differential real wage growth between cohorts. Median price-adjusted replacement rates rise from 109 percent for depression babies to 119 percent for war babies, before falling to 110 percent for GenXers. About a quarter of all 67-year-olds in every cohort is projected to have retirement incomes that replace less than 75 percent of their price-indexed lifetime earnings.

Median wage-adjusted replacement rates at age 67 are higher for lower lifetime earners than for higher lifetime earners (Table 11). This reflects the progressive Social Security benefit formula. Those replacement rates are also higher for persons at age 67 with high income. The high-income group accumulates more savings, more pensions, and are more likely to work at age 67 than those in the low-income group. High-income retirees also benefit more from tax-free accumulations in pensions that lower their relative earnings while working in order to accumulate higher pension incomes in retirement (Kawachi, Smith, and Toder 2005). That group also benefits more from the relatively higher earnings on their investments than do low-income retirees.

**Table 10.**  
**Median and distribution of replacement rates of adults at age 67, by birth cohort (in percent)**

	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
<b>Wage-adjusted denominator<sup>a</sup></b>					
Median	95	98	89	86	84
Distribution					
< 25%	3	2	3	2	2
< 50%	13	13	17	17	18
< 75%	35	34	39	41	43
< 100%	53	51	57	60	61
< 200%	85	84	88	88	89
<b>Price-adjusted denominator<sup>b</sup></b>					
Median	109	119	116	113	110
Distribution					
< 25%	2	1	2	1	1
< 50%	8	7	7	7	8
< 75%	26	22	23	24	25
< 100%	44	39	40	42	44
< 200%	80	79	81	82	82

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

- a. Wage-adjusted replacement rates are calculated as the ratio of income at age 67 to wage-adjusted shared lifetime earnings from ages 22 to 67. Income for replacement rates does not include coresident income or imputed rental income.
- b. Price-adjusted replacement rates are calculated as the ratio of income at age 67 to price-adjusted shared lifetime earnings from ages 22 to 67. Income for replacement rates does not include coresident income or imputed rental income.

**Table 11.**  
**Median wage-adjusted replacement rates of adults at age 67, by individual characteristics and birth cohort (in percent)**

Characteristic	Depression babies (1926–1935)	War babies (1936–1945)	Leading boomers (1946–1955)	Trailing boomers (1956–1965)	GenXers (1966–1975)
Total	95	98	89	86	84
Marital status					
Never married	100	102	93	84	83
Married	94	97	89	86	83
Widowed	103	107	101	98	97
Divorced	90	91	82	83	80
Race/ethnicity					
Non-Hispanic white	95	99	91	87	84
Non-Hispanic black	91	85	76	79	76
Hispanic	87	92	87	83	81
Other	140	118	99	96	96
Education					
High school dropout	86	89	88	92	82
High school graduate	93	94	84	82	80
College graduate	123	116	101	97	91
Immigration status					
Native born	94	97	88	85	82
Foreign born	112	115	100	93	91
Sex					
Women	96	101	91	85	82
Men	94	95	87	87	85
Labor force experience (years) <sup>a</sup>					
Women					
Less than 10	113	119	133	135	124
11 to 34	95	102	87	84	83
35 or more	87	96	92	84	80
Men					
Less than 10	395	483	250	211	241
11 to 34	110	99	90	91	91
35 or more	87	93	86	85	83
Shared lifetime earnings quintile <sup>b</sup>					
Bottom	145	129	110	103	104
Second	93	93	83	81	79
Third	86	88	82	81	77
Fourth	85	96	88	84	82
Top	93	99	92	87	84
Income quintile <sup>c</sup>					
Bottom	61	65	60	60	59
Second	68	68	62	63	62
Third	84	87	81	79	78
Fourth	106	114	105	101	98
Top	180	191	155	152	146

SOURCE: Authors' tabulations of MINT5 and MINT6 (see text for details).

NOTE: Wage-adjusted replacement rates are calculated as the ratio of income at age 67 to wage-adjusted shared lifetime earnings from ages 22 to 62. Income for replacement rates does not include coresident income or imputed rental income.

- a. Labor force experience is the number of years with positive earnings from ages 22 to 67.
- b. Shared lifetime earnings is the average of highest 35 years of wage-indexed shared earnings from ages 22 to 67, where shared earnings are computed by assigning each individual half of the total earnings of the couple in the years when the individual is married and his or her own earnings in years when nonmarried.
- c. Income includes annuitized income from assets, earnings, SSI payments, imputed rental income, Social Security benefits, DB pension income, and annuitized income from retirement accounts.

While the top-income group has higher replacement rates than the bottom-income group, replacement rates fall more over time for those with the highest incomes than for those with the lowest incomes. The median replacement rate of GenXers in the top-income group is close to 20 percent lower than the median replacement rate of depression babies in the same income quintile (146 percent and 180 percent, respectfully). A similar drop in replacement rates is projected for college graduates, falling from 123 percent among depression babies to 91 percent for GenXers.

A number of factors explain these trends including changes in women's earnings, differences in historic investment returns, and differences in saving preferences. Higher-educated men born in the depression were more likely to have nonworking wives than were lower-educated men. Those wives contribute no earnings in the denominator of the replacement rate, but benefit from Social Security spouse benefits, yielding higher replacement rates among depression baby retirees with high incomes and college degrees. But spouse benefits decline sharply over time as more women work at higher wages, thus lowering replacement rates among GenX retirees with high incomes and college degrees.

In addition, depression babies reached age 67 from 1993 through 2002. The bulk of those seniors experienced exceptionally high rates of return on equities as the stock market boomed in the 1982–2000 period. Investments for later cohorts plummeted as the stock market crashed in 2001 and again in 2008. The gains experienced by depression baby retirees and losses experienced by baby boom and GenX retirees are more concentrated among those with high incomes and college degrees because they had more savings invested in the stock market than lower-income and lower-educated seniors. As a result, replacement rates are projected to decline from the earliest cohort (depression baby) to the latest cohort (GenX), particularly for retirees with high incomes and college educations.

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## **Discussion**

A number of demographic and economic factors will affect income trends over time. Because the Social Security benefit formula pays benefits based on one's own earnings and a spouse's earnings, many lower-earning women receive Social Security spouse and survivor (auxiliary) benefits and do not reap higher Social Security benefits for their own work effort (Butrica and others 2006). As women work more at

higher wages and the gap between men's and women's earnings closes, the share of women receiving benefits based on their husband's earnings will fall. This transition will lower replacement rates over time.

The shift from DB to DC pensions has changed retirement income dynamics. DB pension plans typically pay workers benefits based on tenure and late-career earnings. DC pensions accumulate value as long as workers contribute to those plans and their investments earn a rate of return above inflation. Leading boomers, however, got the worst of both plans: They were denied their high accrual years as plans switched from DB to DC plans and had relatively few years to build retirement account balances before retirement (Butrica and others 2009).

Higher divorce rates and the rising share of individuals who forego marriage in later cohorts means that a larger share of later cohorts will not benefit from the economic security of spousal income in periods of unemployment or disability, leaving many single workers economically vulnerable in old age (Johnson, Mermin, and Uccello 2006).

The civil rights movements and subsequent anti-discrimination labor laws have lessened the racial disparities in earnings, and increased educational attainment means that more workers have access to rising prosperity as long as they work and invest in their futures.

Finally, the increase in the Social Security normal retirement age for cohorts born after 1937 will systematically lower Social Security replacement rates for retirees claiming benefits at the same age in earlier cohorts.

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## **Conclusions**

Despite the numerous demographic, economic, and policy changes that have occurred since the early 1990s, the general findings of earlier research by Butrica, Iams, and Smith (2007) have not changed. Future retirees are projected to have higher incomes and lower poverty rates, and so their prospects look better than current retirees in absolute terms. However, future retirees are also projected to have lower replacement rates, and so their prospects are actually worse than current retirees in relative terms. For example, the typical GenX retiree is projected to have an income of \$46,000 at age 67. In contrast, the typical depression baby retiree had income of only \$28,000. However, the income of the GenX retiree is projected to replace only 84 percent of preretirement

earnings—significantly less than the 95 percent replacement rate for the depression baby retiree.

Gains in retirement income are largely going to higher socioeconomic groups (whites, the college educated, high earners, and workers with strong labor force attachments), than to lower socioeconomic groups, leading to rising retirement income inequality. Regardless of the measure of well-being, certain baby boom and GenX subgroups will remain economically vulnerable, including unmarried retirees, non-Hispanic blacks, high school dropouts, those with weak labor force attachments, and those with the lowest lifetime earnings. While these economically vulnerable subgroups typically have higher than average replacement rates, high replacement rates do not ensure economic well-being.

Projecting incomes over the next several decades involves much uncertainty, and future developments could lead to outcomes very different from our forecasts. MINT includes historic data through 2008, capturing only the early parts of the recession. Most depression babies and war babies retired by the time the recession hit. Unemployment rates were lower for older workers than for younger workers (Butrica, Johnson, and Smith 2011), so the impact of unmodeled job losses on future retirement security will be larger for trailing boomers and GenXers than for leading boomers. The unusually long unemployment spells that characterized the Great Recession could seriously scar workers who lost their jobs and lead to worse outcomes than MINT projects. Alternatively, average wages could bounce back to their prerecession levels, offsetting much of the recessionary losses. The recession might also induce some workers to change their behavior to improve their retirement security either by working more hours or by delaying retirement. Furthermore, MINT calculates Social Security benefits under current law. Promised Social Security benefits may change as a result of reforms needed to address long-term solvency.

### ***Appendix: How Have MINT Projections Changed?***

Despite the numerous data changes between MINT6 and MINT3 projections, the substantive conclusions remain the same. Later cohorts can expect higher real incomes and lower poverty rates, but declining replacement rates compared with depression babies.

Changes in mortality projections mean that MINT6 has slightly fewer widowed boomers than MINT3

because of increasing projected life expectancy. MINT6 projects a lower share of boomers without high school diplomas compared with MINT3. This is partly due to unmodeled gains in educational attainment beyond the SIPP interview date in MINT3 that are observed in MINT6 and partly due to SIPP sample differences (Smith, Michelmore, and Toder 2008).

MINT6 projects about 7 percent lower lifetime average earnings for boomers than did MINT3 largely because of lower than expected actual growth in real wages compared with the *2002 Trustees Report* assumptions used in MINT3. While high-income groups were less likely to have lost a job during the recession than low-income groups, high-income groups have more to lose and lost more during the recession (Butrica, Johnson, and Smith 2011). Younger cohorts were more likely to have lost a job during the recession than older cohorts, and the impact of the recession accumulates over time.

MINT6 projects a significantly higher share of retirement account ownership for later cohorts than did MINT3 because of changes in future pension assumptions. MINT6 assumes that all private-sector DB pensions and a third of state and local DB pensions freeze between 2006 and 2011. It assumes that frozen plans are replaced with substitute DC pensions (Butrica and others 2009). Younger workers that converted to substitute DC plans benefited from the stock market crash because they were able to buy stocks on sale and benefit from stock market growth rates that were projected to be higher than average as stock prices recovered (Butrica, Smith, and Toder 2010). Projected gains in retirement account ownership are greatest for workers in the middle of the income distribution. Low-income workers continue to have low rates of retirement account ownership, and high-income workers continue to have high rates of retirement account ownership. The assumed rate of pension freezes should be revisited for future versions of MINT given the actual course of history, but current evidence still shows that DB plans remain on the decline (Vanguard 2011).

Differences between MINT6 and MINT3 projections of per capita retirement income vary more than differences in lifetime earnings by cohort. MINT6 projects 17 percent higher average retirement income than MINT3 for depression babies, 25 percent higher retirement income for war babies, 4 percent lower retirement income for leading boomers, and 5 percent higher retirement income for trailing boomers. The

majority of the differences are due to the wealth alignment in MINT6 that was not in MINT3. This alignment primarily increased the self-reported retirement account balances and financial assets at the top of the asset distribution and accounts for about 75 percent of the increase in retirement income of depression babies and 42 percent of the increase for war babies. Because older individuals have more assets on average than younger individuals, the alignment inflated assets for depression babies and war babies substantially more than it did for the leading and trailing boomers.

While the wealth alignment increased the asset income of depression babies and war babies, the driving factor in the 4 percent reduction in projected retirement income of leading boomers was the 2008 stock market crash. Leading boomers were in their fifties—the zenith of their careers and savings—when the stock market crashed. Because of projected asset rebalancing, leading boomers sold stocks at low prices to buy bonds. They did not gain as much from higher-than-average, post-crash stock market increases as did trailing boomers (Butrica, Smith, and Toder 2010).

MINT6 captures the rise in home equity that was due to the housing bubble—not projected in MINT3—increasing projected imputed rental income slightly (about 4 percent of the gain). Increased historic labor force participation among 67-year-olds also increased average retirement income of depression babies and war babies in MINT6 compared with MINT3, accounting for about 18 percent of depression baby income gains and 27 percent of war baby gains, both groups benefiting from the elimination of the RET.

Projected Social Security income is very similar across versions of MINT. Because Social Security is based on lifetime earnings and MINT observes much of that history in both MINT3 and MINT6, projections of Social Security income are more certain and less volatile than projections of other sources of retirement income. Both MINT6 and MINT3 find that Social Security remains the most important source of income for low-income seniors.

Lowering the coresidency age from 30 in MINT3 to 25 in MINT6 increased the share of 67-year-olds projected to coreside. In addition, the updated coresidency model changed the coresidency projections in MINT6 compared with earlier versions of MINT. MINT6 projects that a greater share of high-income seniors and a lower share of those with low-incomes will coreside than was projected in MINT3. The recession contributes to higher projected coresidency in MINT6,

as many younger adult children who were out of work chose to remain in or return to their parents' homes to save on living expenses. Because coresidency is not included in our measure of total income, changes in coresidency projections do not contribute to reported changes in total income. However, lower coresidency rates among low-income retirees contribute to higher projected poverty rates in MINT6 compared with MINT3.

Asset income is the most volatile component of retirement income, and the roller-coaster path of investment markets makes this a difficult source of income to project. Changes in asset income projections in MINT6, compared with earlier versions of MINT, drive the projected changes in retirement incomes across model versions. Those individuals with the most to lose, lose the most when the stock market falls, but they also gain the most when the market increases.

Because most assets are owned by high-income groups, volatility in the asset market contributes little to changes in retirement income for seniors in the bottom of the income distribution, but contributes a great deal to changes in retirement income for seniors in the top of the income distribution. Despite volatile asset income projections, high-income seniors continue to have substantially more retirement income than those with low-incomes, even for seniors hardest hit by the stock market crash.

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## Notes

*Acknowledgments:* The authors are grateful for the helpful comments from Patrick Purcell, Melissa Knoll, and David Shoffner at the Social Security Administration.

<sup>1</sup> MINT6 also projects outcomes for individuals born from 1976 through 2070, using a somewhat different approach than for the core cohorts born from 1926 through 1975. However, this analysis is only concerned with individuals born from 1926 through 1975.

<sup>2</sup> Imputed rental income is calculated as a 3 percent real rate of return on home equity.

<sup>3</sup> The FRA increased from 65 to 66 in the 2003–2008 period and will increase to age 67 in the 2021–2026 period.

<sup>4</sup> The baby boom cohort is typically represented as those born from 1946 through 1964. For analytical purposes, however, we define the baby boom cohort as those born from 1946 and 1965.

<sup>5</sup> We convert earnings and incomes in MINT to 2011 dollars using the 2010 *Trustees Report* wage and price assumptions (Board of Trustees 2010). Those assumptions include the economic impact of the recession and faster assumed real wage growth that are the results of the passage of

the Affordable Care Act, signed by President Obama in March 2010.

<sup>6</sup> Labor force experience is measured as the number of years from ages 22 to 67 that an individual has positive earnings. Because historical earnings are only available back to 1951, labor force experience is censored for members of the depression baby cohort who were born before 1929. Labor force experience before 1978 is limited to Social Security–covered earnings, causing us to understate work years for individuals in fully uncovered jobs.

<sup>7</sup> While 88 percent of depression babies with asset income may seem high, Fisher (2007) found that asset income in the Survey of Consumer Finance is under-reported because some households do not consider certain assets (for example, checking accounts) to be assets. MINT asset income includes the value of vehicles, other real estate, and farm and business equity; stocks, mutual funds, and bond values; and checking and savings accounts, money markets, and certificate of deposit account balances, less unsecured debt. MINT takes the stock of wealth in nonpension, nonhousing assets and retirement accounts and (1) annually decays it based on age/wealth patterns in the SIPP to represent the spend-down of assets over retirement, and (2) converts assets into income by calculating the annuity a couple (or individual) could buy if they (he or she) annuitized 80 percent of their (his or her) total wealth. Thus, asset income is derived from a series of annuity estimates based on a declining stock of wealth in retirement.

<sup>8</sup> We annuitize assets in MINT to represent the potential, rather than actual, income from assets because most retirees do not convert their financial assets into annuities. Based on the stock of wealth each year, the annuity measure of income from assets will produce higher measured income from assets than measures based solely on the returns on assets, as the former includes both a return on assets and a return of principal, while the latter includes only a return on assets.

<sup>9</sup> Most SSI payments and asset parameters are not indexed to inflation. Asset levels, for example, were last set in 1989 and have not been indexed for inflation since. Consequently, fewer people qualify for benefits as time goes by.

<sup>10</sup> We show mean instead of median income because median values are zero for most income sources; that is, fewer than half of seniors have income from most income sources.

<sup>11</sup> Asians are the majority of the “Other” race group. That group also includes Native Americans and individuals of mixed races.

<sup>12</sup> The race and education differentials are examples of “Simpson’s Paradox” in which the correlation of different groups is reversed when groups are combined. Simpson’s Paradox is often explained using a joke told by Harvard students, “when Harvard students transfer to Yale, it increases the mean intelligence of both schools.”

<sup>13</sup> We exclude imputed rental income from income in the numerator of the replacement rate (Munnell and Soto 2005).

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# THE INCREASING LABOR FORCE PARTICIPATION OF OLDER WORKERS AND ITS EFFECT ON THE INCOME OF THE AGED

by Michael V. Leonesio, Benjamin Bridges, Robert Gesumaria, and Linda Del Bene\*

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*The labor force participation rates of men and women aged 62–79 have notably increased since the mid-1990s. The result is a dramatic increase in the share of total money income attributable to earnings. For persons aged 65–69, the earnings share of total income increased from 28 percent in 1980 to 42 percent in 2009. For this age group in the late 1980s and early 1990s, Social Security benefits and earnings were roughly equal shares of total money income (about 30 percent); the earnings share is now more than 12 percentage points larger. When we focus on aged persons who receive Social Security benefits, earnings shares have increased markedly throughout the 62–79 age range since the early 1990s. We show that for aged persons with labor market earnings, those earnings have a large effect on their relative position in the distribution of annual money income of older Americans.*

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## Introduction

The labor force participation rates (LFPRs) of American men aged 62 or older fell for nearly four decades after World War II. Many factors contributed to that decline, including the availability of Social Security retirement benefits, the provision of employer-provided pension plans, the advent of Medicare in 1965 to finance health care for the aged, and sustained economic growth that increased real lifetime incomes for successive birth cohorts. In short, as Americans became wealthier, they viewed earlier retirements as both desirable and affordable.

A combination of greater longevity and earlier retirements substantially increased the expected duration of retirement over most of the 20<sup>th</sup> century. For example, in the early 1950s, the median age for leaving the labor force was 66.9 for men and 67.6 for women, while life expectancy at age 65 was 12.8 years for men and 15.1 years for women (Gendell 2008, Table 1; Board of Trustees 2011, Table V.A3). Fifty years later, the median age of exit from the labor force by men was 61.6 and 60.5 for women. In 2000, life expectancy at age 65 was 15.9 years for

men and 19.0 years for women. Thus, over the half century, the average duration of retirement—as an approximation—increased from 10.9 to 19.3 years for men and from 12.5 to 23.5 years for women.

Since the 1980s, public policymakers, employers, and individual workers have had cause to reassess the affordability of early retirement. Longer retirements require commensurate increases in resources to maintain an adequate standard of living. Those resources are typically drawn from three sources: Social Security benefits, employer-provided pensions, and personal savings. The aging of the population implies that the ratio of workers to retirees is falling. For Social Security, primarily a pay-as-you-go program, the ratio is

### Selected Abbreviations

ASEC	Annual Social and Economic Supplement
CPS	Current Population Survey
DRC	Delayed retirement credit
FRA	Full retirement age
LFPR	Labor force participation rate

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projected to fall from its current level of about three workers per beneficiary to about two by 2030 as the baby boom generation leaves the labor force. The Social Security Board of Trustees (2011) projects that assets of the combined Social Security trust funds will be fully exhausted in 2036.<sup>1</sup> Social Security retirement benefits were never intended to be the sole source of retirement income, and their projected cost growth is unlikely to prompt policymakers to make scheduled benefits more generous.<sup>2</sup> Furthermore, Social Security's net replacement rates—defined as the percentage of preretirement earnings that benefits (net of taxes) represent—are declining under current law because of the gradual increase in the full retirement age (FRA) from 65 to 67, increasing taxation of benefits, and rising Medicare Part B premiums, which are deducted from Social Security benefits (Reno and Lavery 2007).<sup>3</sup>

Employers have their own set of concerns about the potential adverse impact on competitiveness of costs associated with pensions and retiree health benefits. Private pension coverage rates have stagnated, at best, for decades—about half of the workforce is covered—and there has been a well-documented shift from defined benefit to defined contribution plans. That change has effectively shifted much of the risk associated with funding adequate pensions from employers to employees. Furthermore, rapidly rising costs of health insurance have discouraged employers from offering such insurance to retirees in recent years.

Recent retirees and older workers currently planning their retirements face a decidedly different environment from that of two decades ago. As the Social Security FRA increases, the benefit reduction for retirement at earlier ages increases, reducing the benefit amount payable each month. About half of the work force does not have an employer-provided pension, and one consequence of the now-chronic low personal saving rate is that many workers have not saved adequate resources for retirement. Those workers with self-managed assets in either private savings or defined contribution pension plans have seen a decade of wide swings in equity prices that have produced limited gains for investors. More recently, a large downturn in housing prices lowered the real value of the single most valuable asset for many near-retirees. It is unsurprising, therefore, that recent surveys show that large numbers of younger workers and near-retirees—though usually not majorities—appear to have inadequate retirement resources and lack confidence about their long-range financial status (Helman, Copeland, and VanDerhei 2011).

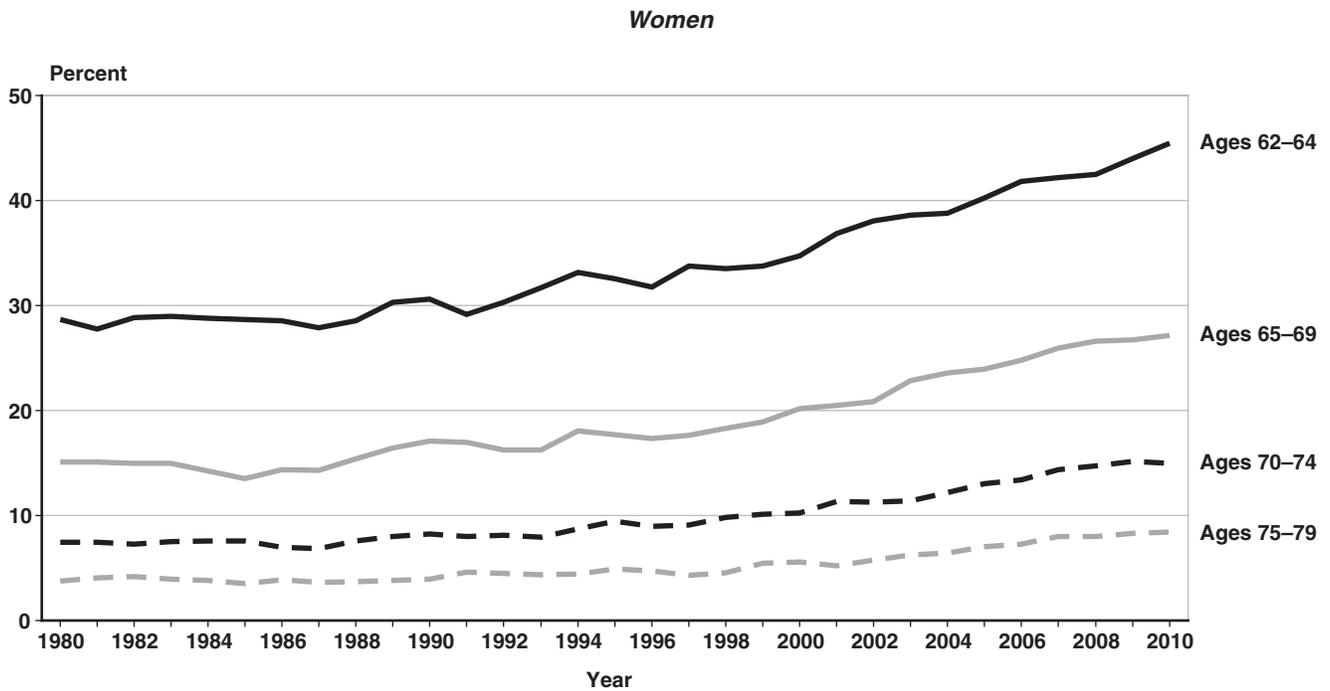
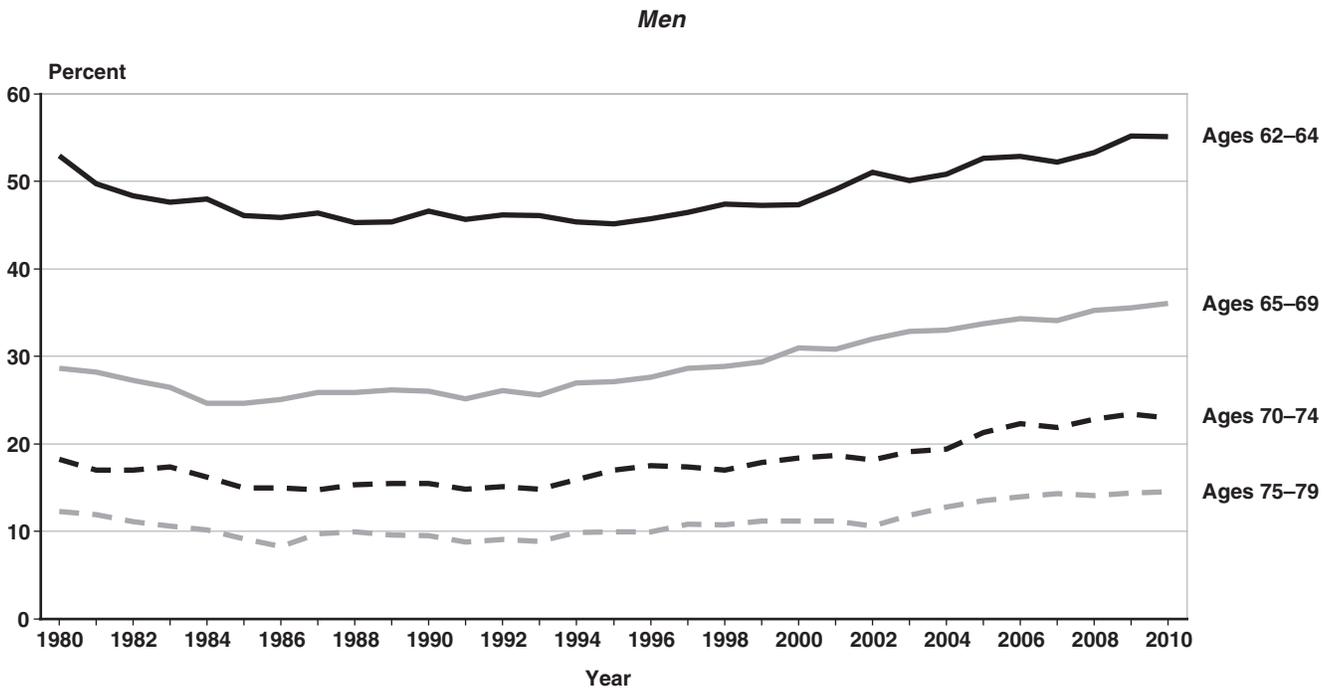
With these factors at work, for much of the past two decades public officials and financial planners have encouraged people to work longer and to delay claiming Social Security benefits. This strategy shortens the retirement period that needs to be funded and can generate additional savings. The evidence presented in this article indicates that earnings have indeed become a much greater share of total income of the older population since the mid-1990s. Around the middle of the 1980s, LFPRs for older men ended a downward trend that had endured since World War II. After stabilizing for about a decade, they began to rise by the mid-1990s. The increased labor force participation is associated with substantial increases in the labor market earnings of the older population, particularly among those aged 65–74, and especially among Social Security beneficiaries. This article discusses the emerging importance of earnings as an income source for older Americans and the factors that may be driving this change.

## **Background**

This article's statistical results are based on the Census Bureau's Current Population Survey (CPS) monthly files and Annual Social and Economic Supplement (ASEC) files for the period 1980–2010.<sup>4,5</sup> All statistics pertain to the civilian noninstitutionalized population. Chart 1 displays annual LFPRs during 1980–2010 for men and women aged 62–79.<sup>6</sup> The choice of population ages to study is somewhat arbitrary. Some workers younger than age 62 leave the labor force for retirement and LFPRs for both men and women begin to decline noticeably by age 55. At age 80 or older, about 7 percent of men participated in the labor force in 2009–2010, a figure that has trended upward during the past decade. Nonetheless, a large majority of retirements, under various definitions of the term, occur during ages 62–79.

For most of the latter half of the 20th century, successive generations of Americans with substantial lifetime labor force attachment scaled back or ceased labor force participation at increasingly younger ages.<sup>7</sup> For men in all four of the age intervals (62–64, 65–69, 70–74, and 75–79) displayed in Chart 1, the early 1980s show the final years of the long decline in LFPRs. Those rates then stabilize, more or less, for about a decade; then they begin a period of generally sustained annual increases in the mid-1990s.<sup>8</sup> The largest percentage point increase (11.4) between the low point and 2010 occurred for the group aged 65–69, but the proportional LFPR increases for the other three

**Chart 1.**  
**LFPRs for the population aged 62–79, by age group and sex, 1980–2010**



SOURCE: Authors' calculations using CPS monthly files.

NOTE: Annual figures are weighted arithmetic means of the 12 monthly values.

age groups are also substantial. Recent labor force projections from the Bureau of Labor Statistics indicate that the LFPRs for three of the four age groups will continue to increase during 2008–2018 at roughly the same pace as occurred during 1998–2008; for 65- to 69-year-olds, the increase will decline from 7.6 to 4.7 percentage points (Toossi 2009).

The LFPRs for women in the same age groups show little trend until the 1990s, at which point they begin to increase at rates similar to those for men. In part, increasing lifetime labor force attachment drives the trend for later birth cohorts. Each successive cohort of women reaching age 62 tends to have a higher percentage with recent work experience than earlier cohorts had. The Bureau of Labor Statistics projects LFPR increases for all four age groups during 2008–2018 roughly similar to those in the previous decade (Toossi 2009).

The LFPR trends for the older population depicted in Chart 1 are well known. Less studied is the nature of the jobs held by older workers. More specifically, what role does self-employment play versus wage-and-salary work, and is the increased work primarily full time or part time? Charts 2a and 2b present LFPRs for men and women categorized by both employment characteristics. Following Bureau of Labor Statistics convention, we define part-time employment as that which involves working fewer than 35 hours per week.<sup>9</sup>

Since the mid-1990s, most of the increase in LFPRs for older men has been in full-time wage-and-salary employment (Chart 2a). The two youngest age groups show the largest percentage-point gains. For men aged 62–64, the full-time wage-and-salary rate increased from 23.6 percent in 1995 to 33.4 percent in 2010, while the rate for those aged 65–69 increased from 8.7 percent to 17.3 percent. Although the absolute increases for the two oldest groups are smaller, the proportional increases during that interval are larger, as their 2010 rates more than double their 1995 LFPRs. Among the employment categories, part-time wage-and-salary work shows the second-largest LFPR gains since 1993 for all four age groups. At ages younger than 70, full-time work has long been more important than part-time work for men, but the recent data indicate that even among men aged 70–74, full-time work is now more prevalent; only men aged 75–79 are more likely to work part time. Finally, during the past 15 years, increases in wage-and-salary employment are the primary drivers of rising labor force participation for all four

age groups, with self-employment rates exhibiting little change.

The results for women are similar, with the preponderance of LFPR increases for the two youngest age groups attributable to rising full-time wage-and-salary employment (Chart 2b). LFPRs for women younger than age 70 are considerably lower than those for same-age men. Until very recently (2007), women aged 65–69 in wage-and-salary jobs were more likely to be working part time. Although the part-time wage-and-salary rate rose by nearly 3 percentage points during 1993–2010 for that age group, it has now been surpassed by the full-time wage-and-salary rate. Among women aged 70–74 and 75–79, part-time work still dominates full-time work. In addition, women are considerably less likely than men to be self-employed, whether full time or part time, in all four age groups.

### ***The Importance of Earnings in the Total Incomes of Older Americans***

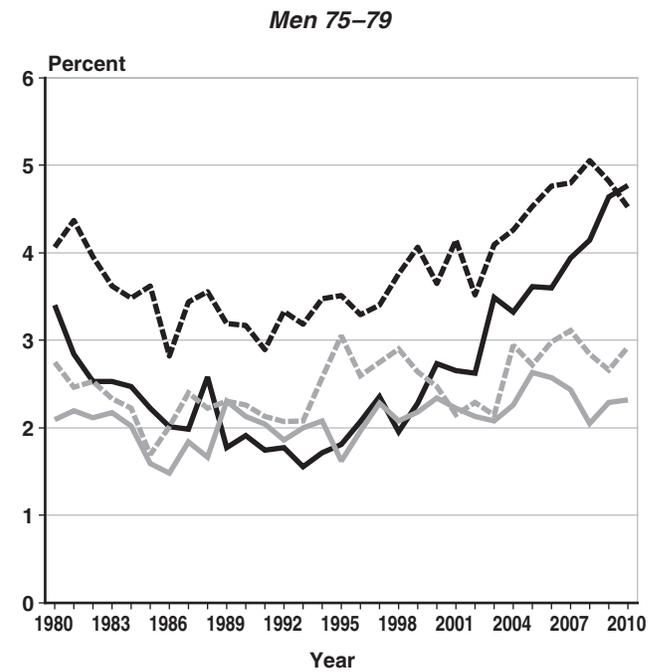
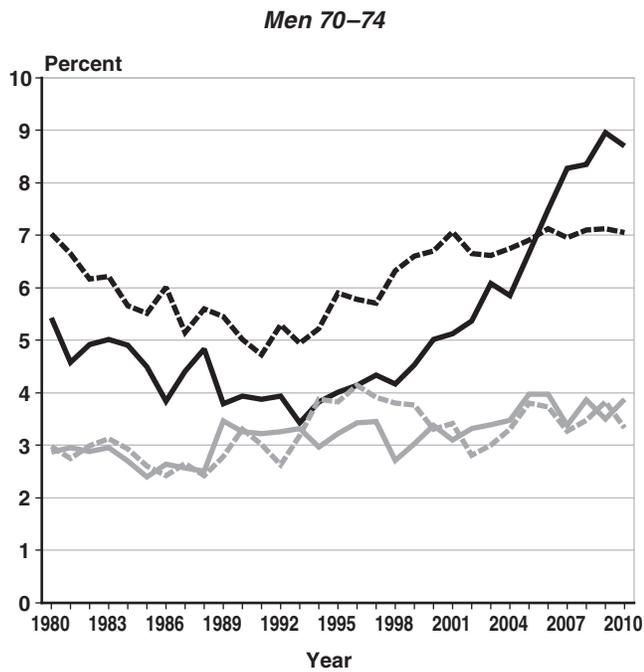
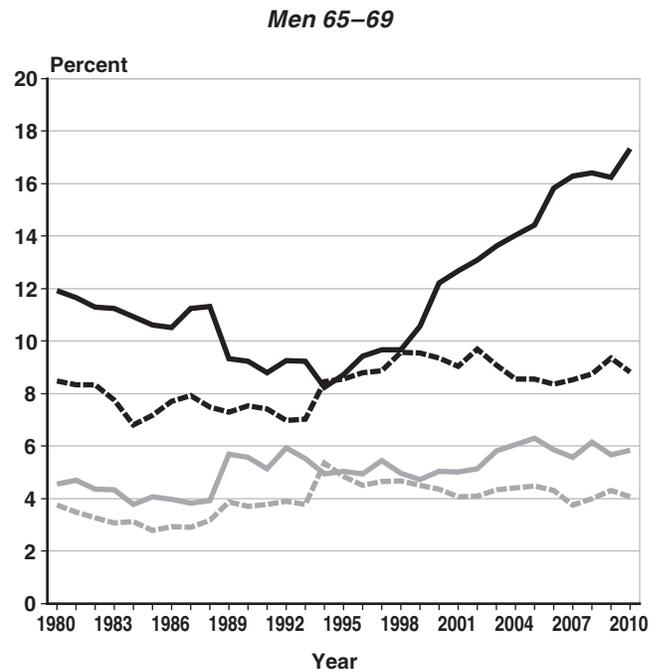
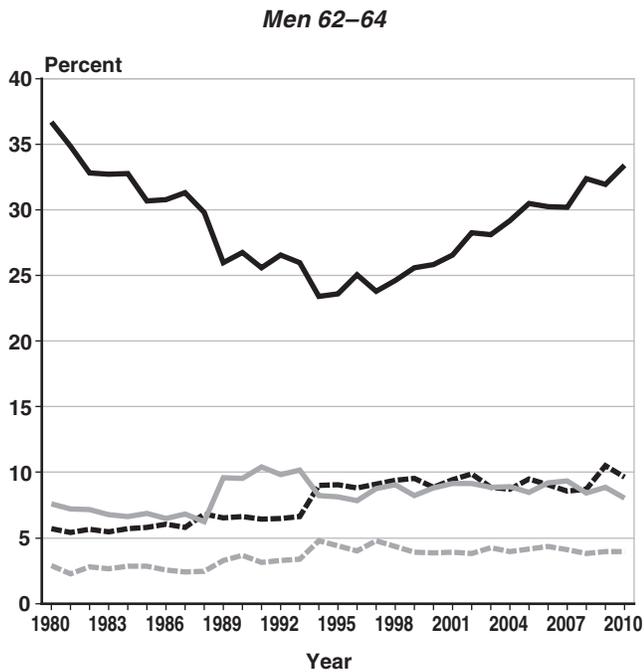
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The increased labor force participation of the older population has been accompanied by a large increase in the importance of earnings in their total incomes. In this section, we examine the components of the annual income received by persons aged 62 or older during 1980–2009. We consider the total money incomes of aged persons in two living-arrangement categories: married-couple units and nonmarried-person units.<sup>10</sup> *Total money income* is the sum of five component categories:<sup>11</sup>

- *Earnings* comprise all wage-and-salary earnings and farm and nonfarm self-employment income.
- *Social Security benefits* include retired-worker, disabled-worker, spouse and other dependent, and survivor benefits.
- *Pension benefits* include income from all private pensions and annuities, government civilian and military employee pensions, and railroad retirement program benefits. This category includes retirement, survivor, and disability benefits from these sources.
- *Asset income* includes interest, dividends, rents and royalties, and estate and trust income.<sup>12</sup>
- *Other income* is the sum of unemployment compensation; workers compensation; veterans' payments; educational assistance; child support; alimony; contributions and financial assistance; miscellaneous survivor, disability, and retirement income; Supplemental Security Income; and other public assistance.

Chart 2a.

LFPRs for men aged 62–79 by age group: Wage-and-salary versus self-employed workers by full-time versus part-time work status, 1980–2010

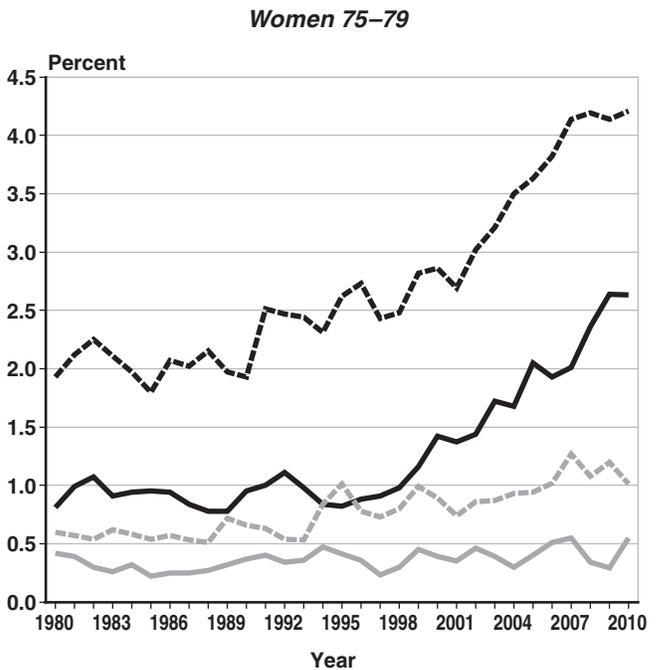
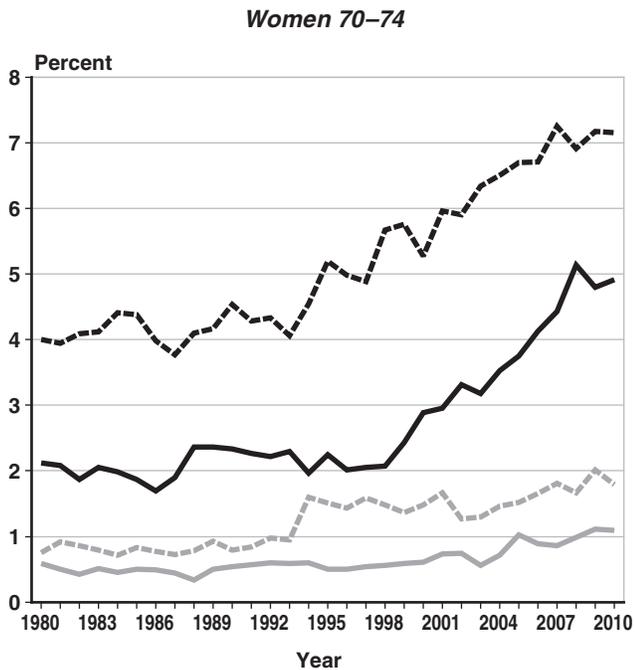
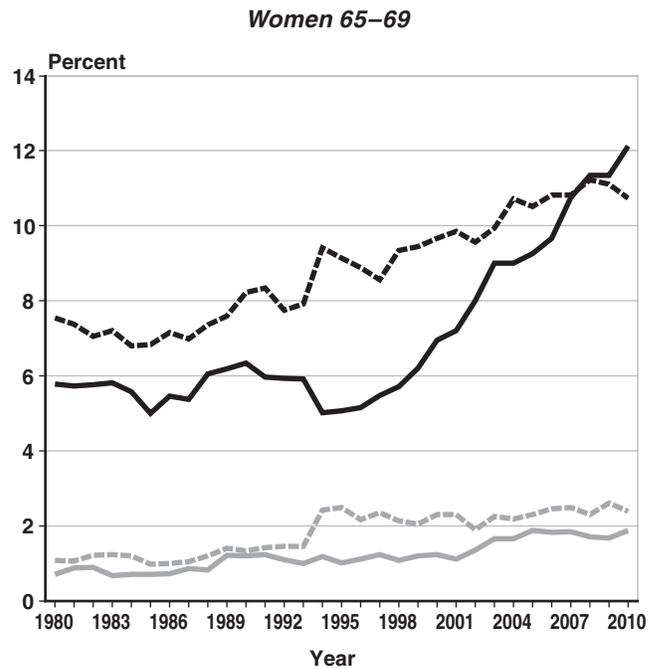
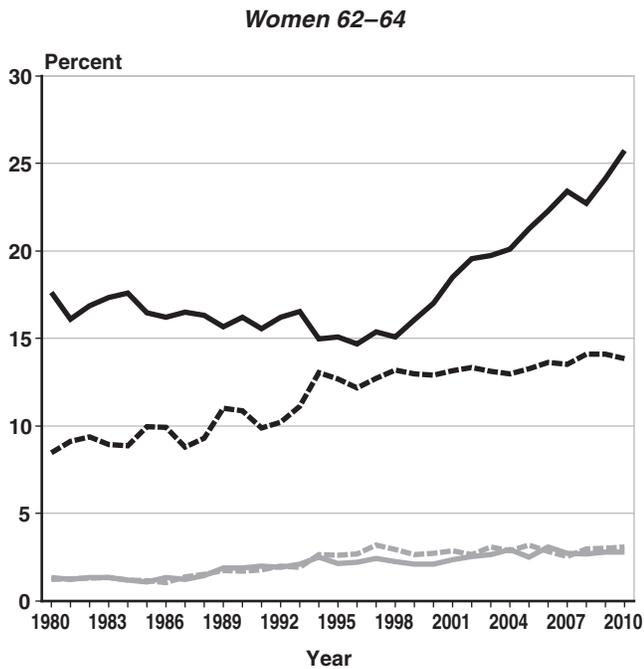


SOURCE: Authors' calculations using CPS monthly files.

NOTE: Annual figures are weighted arithmetic means of the 12 monthly values. Part time is defined as working fewer than 35 hours per week.

Chart 2b.

LFPRs for women aged 62–79 by age group: Wage-and-salary versus self-employed workers by full-time versus part-time work status, 1980–2010



SOURCE: Authors' calculations using CPS monthly files.

NOTE: Annual figures are weighted arithmetic means of the 12 monthly values. Part time is defined as working fewer than 35 hours per week.

Charts 3 through 6 show income shares for aged persons during 1980–2009. We calculate income shares as follows: For married persons living with a spouse, we assume equal sharing of incomes, and divide the couple’s total income and each of its income components equally between the husband and wife. For unmarried persons, we look only at the person’s own income. Income shares are the weighted sum of the amounts for an income category expressed as a percentage of the weighted sum of total money income for the relevant demographic group.<sup>13, 14</sup>

### ***Income Shares by Source for All Persons Aged 62–79***

Chart 3 displays the income shares for people aged 62–79. Panels for all four age groups show substantial increases in the shares of total money income accounted for by labor market earnings since the mid-1990s.<sup>15</sup> As the importance of earnings has increased, the asset income share has fallen noticeably—a decline that began in the early 1990s—while the Social Security benefit income share has declined modestly. The pension benefit share has represented from 11 percent to 23 percent of total money income during 1980–2009 for the four age groups, and within age groups the share has varied over time. After increasing during the 1980s and early 1990s for all four age groups, the pension benefit share has declined gradually since the mid-1990s for the three youngest age groups, but has held steady for those aged 75–79. The “other income” share is consistently small (about 2–4 percent) for all age groups.

For the youngest age group (62–64), whose LFPRs have risen for both men and women by about 10 percentage points since 1995, the earnings share increased from 50 percent in 1990 to 58 percent in 2000 and 66 percent in 2009, with the upward trend beginning in the mid-1990s. For this age group, the asset income share attained its high value of 17 percent in 1985 before falling to 10 percent in 1994. The asset income share remained in the 8–11 percent range during 2000–2006, with a value of 8 percent recorded for 2009. Over the three decades, the Social Security benefit share of income declined from 16 percent to 11 percent.

The importance of earnings in total income also increases substantially for the three oldest age groups. For 65- to 69-year-olds, the earnings share increased from 28 percent in 1980 to 34 percent in 2000, and reached 42 percent of total money income in 2009. Similar to the experience of the 62- to 64-year-olds,

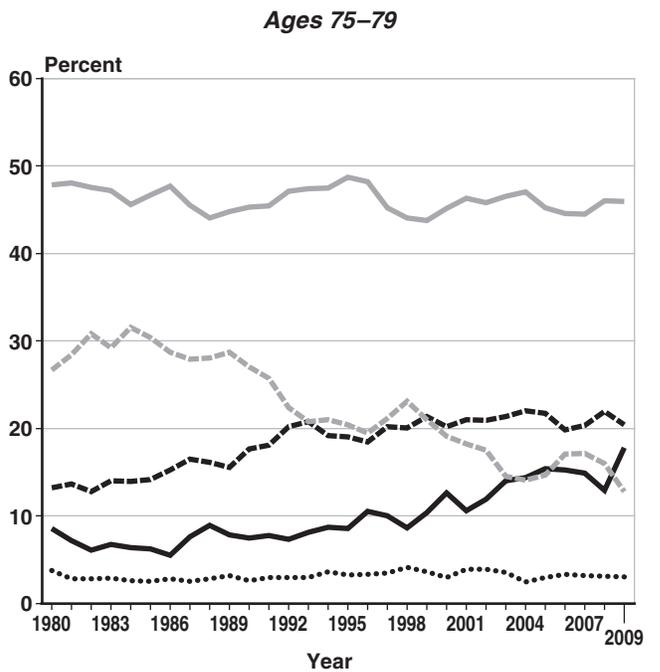
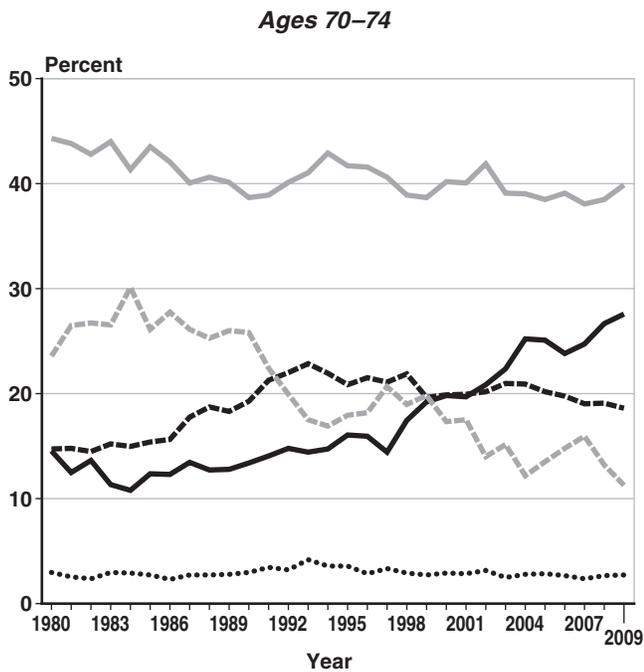
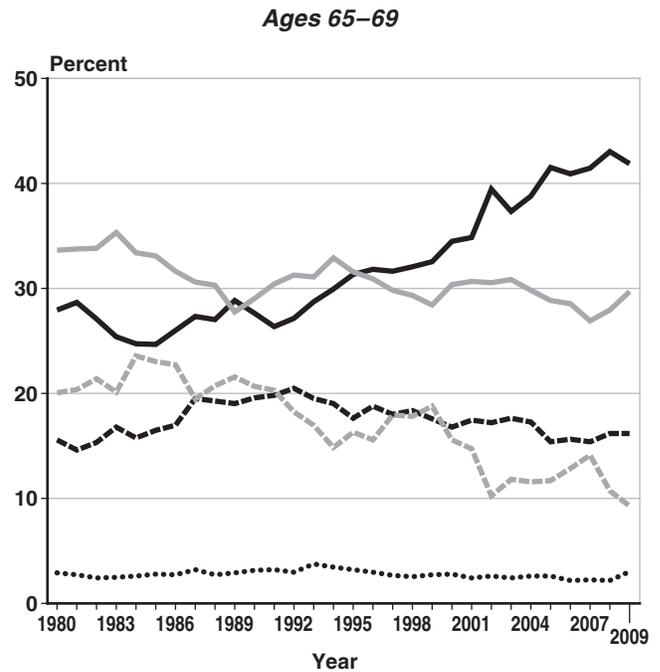
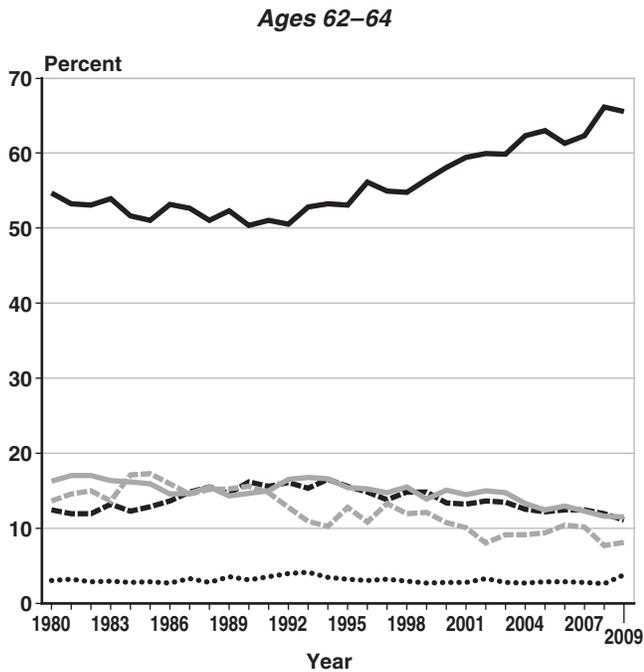
the shares of asset income fell from 20 percent in 1980 to 9 percent in 2009. The Social Security benefit share also decreased by about 4 percentage points during that period. The changes in income shares attributable to earnings (since 2000) and assets (since 1999) are particularly pronounced. In 2000, the Social Security FRA (the age at which benefits are not reduced for early claiming) began its gradual increase to age 67 and the retirement earnings test for beneficiaries at FRA through age 69 was repealed. Both changes improve work incentives for current and potential Social Security beneficiaries. The declining share of asset income likely reflects relatively low investment returns for most of that decade and a 10 percentage point decline (to 57 percent) in persons reporting income from that source since 1999.<sup>16</sup> Perhaps the single most striking feature of the panel for 65- to 69-year-olds is that for the middle of the 1980–2009 period, Social Security and earnings were about equally important components of total money income, each with roughly a 30 percent share. Since 1994, these components have sharply diverged, with the earnings share now more than 12 percentage points higher than the Social Security share.

Social Security benefits remain the most important component of total money income for the two oldest age groups, although the gap between the benefit and earnings shares has narrowed substantially for those aged 70–74. The earnings share for 70- to 74-year-olds has essentially doubled, from 12–15 percent in the early 1980s to 28 percent in 2009. The corresponding increase for 75- to 79-year-olds was from 5–7 percent in the mid-1980s to 12–18 percent in 2004–2009. Both groups experienced large declines in asset income shares.<sup>17</sup>

### ***Income Shares by Source for Persons Aged 62–79 with Earnings***

In recent years a majority of people aged 62–64 have earnings, but the percentages decline with age.<sup>18</sup> For example, in 2009, the percentages for our four age groups were 68 percent (ages 62–64), 47 percent (ages 65–69), 30 percent (ages 70–74), and 19 percent (ages 75–79). Naturally, the average share of earnings in total money income among earners, as shown in Chart 4, is higher than for the wider population that includes nonearners, as shown in Chart 3. For all four age groups in Chart 4, the earnings share has consistently exceeded the Social Security benefit share—usually by a sizable amount, even for the two oldest groups.<sup>19</sup> The four panels of the chart show a clear

**Chart 3.**  
**Distribution of total money income by source, all persons aged 62–79 by age group, 1980–2009**

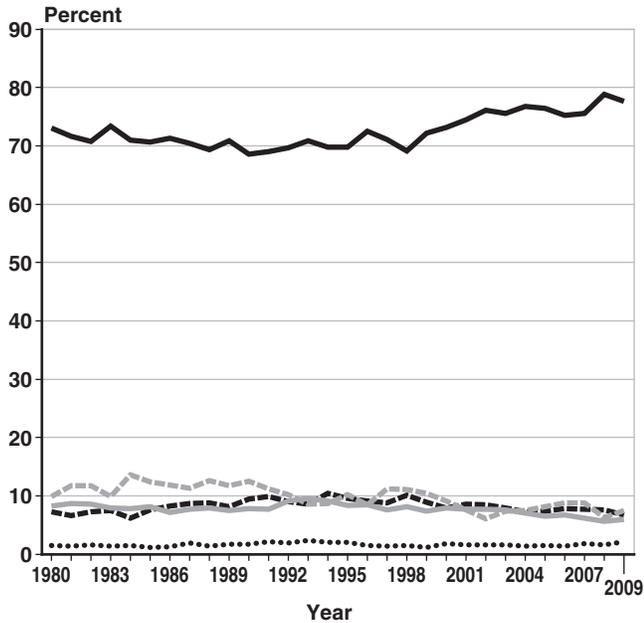


SOURCE: Authors' calculations using CPS ASEC data.

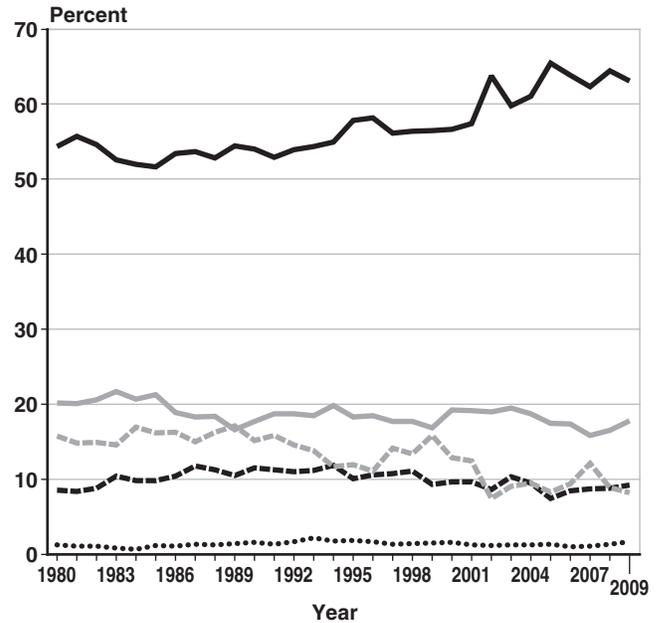
**Chart 4.**  
**Distribution of total money income by source, all persons aged 62–79 with earnings by age group, 1980–2009**



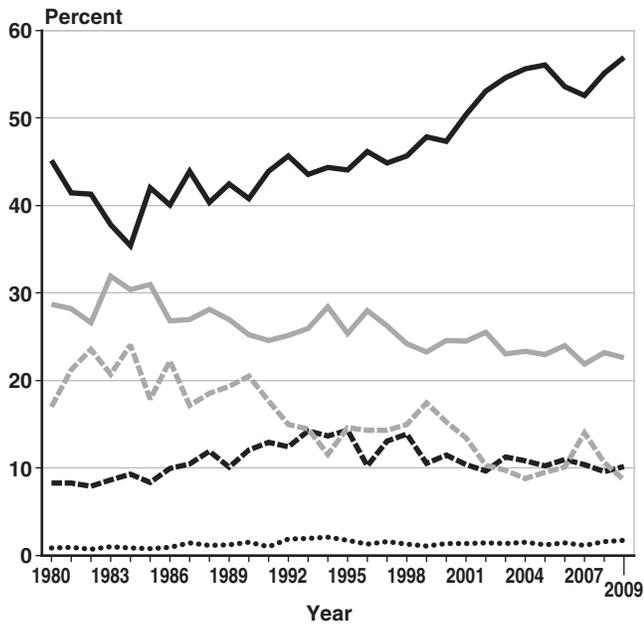
*Earners 62–64*



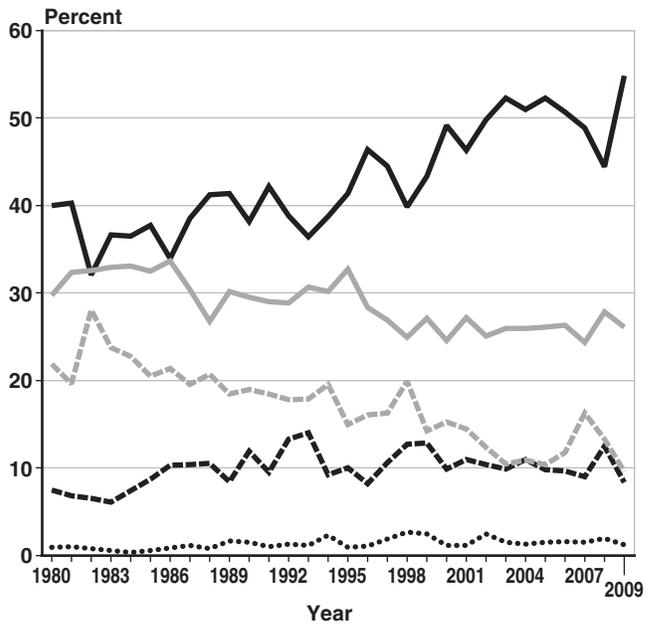
*Earners 65–69*



*Earners 70–74*



*Earners 75–79*



SOURCE: Authors' calculations using CPS ASEC data.

NOTE: Zero-earners are included if they meet the age requirement and have a spouse who reports earnings.

increase in earnings shares over time for the population of earners, but not as large an increase as depicted in Chart 3 for the total population in this age range. The reason is that some of the increase in LFPRs does not translate into an increasing earnings share for earners when the earnings shares of new participants are low. To the extent that an age group's higher LFPR is accounted for by increases in employment in higher paying (typically full-time) jobs, the additional participation will tend to increase the earnings share of total money income. This increase is particularly noticeable, from 35 percent in 1984 to 57 percent in 2009, for units aged 70–74. For the youngest age group (62–64), earnings always accounted for at least 68 percent of total money income, and more recently has increased to 78 percent. For 65- to 69-year-old earners, the earnings share has always exceeded 50 percent, and attained 63 percent in 2009.

### ***Income Shares by Source for Social Security Beneficiaries Aged 62–79***

Many Americans equate retirement with receiving Social Security benefits that are not disability related. In the past, beneficiary status has been strongly associated with withdrawal from the labor force or reduced work. From the program's inception, Social Security benefits have been subject to earnings tests that have helped reinforce the idea that benefits are intended to replace labor market earnings. Over the years, the relaxation of earnings test rules has made work more attractive to beneficiaries by increasing annual limits on allowable earnings, reducing the benefit reduction rate, and exempting more people from the test. We discuss these changes later in the article.

Chart 5 shows income shares by source for persons aged 62–79 who receive Social Security benefits.<sup>20</sup> The Social Security benefit share of total money income is substantial for all four age groups, with greater shares observed for older ages. All four age groups again show notable increases over time in the earnings share of total money income, particularly the 65–69 and 70–74 age groups. Among 65- to 69-year-old beneficiaries, the earnings share increased sharply, from 22 percent in 1994 to 33 percent in 2009. Nearly all of the increase (more than 10 percentage points) occurred between 2000 and 2002, the period immediately following the repeal of the earnings test for workers who reach the FRA.<sup>21</sup> For 70- to 74-year-olds, the earnings share increased from 13 percent in 1990 to 25 percent in 2009. The earnings share gained 6 percentage points during 2002–2004, but much

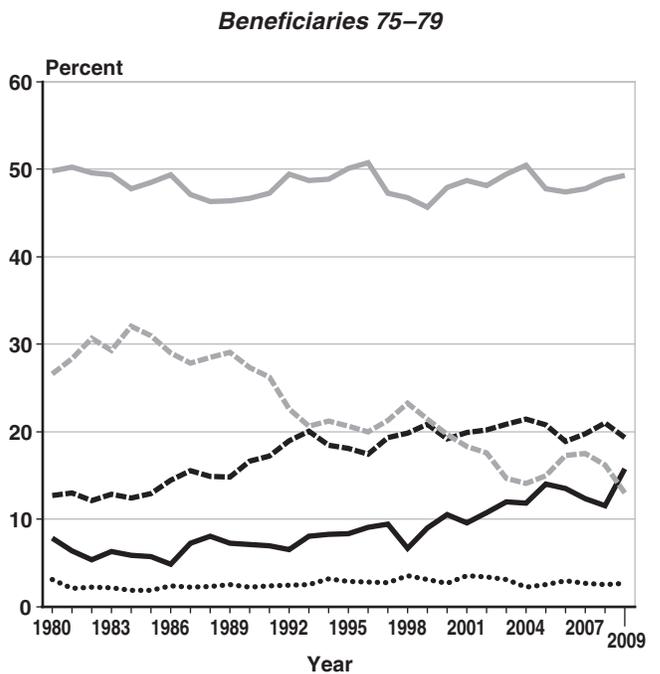
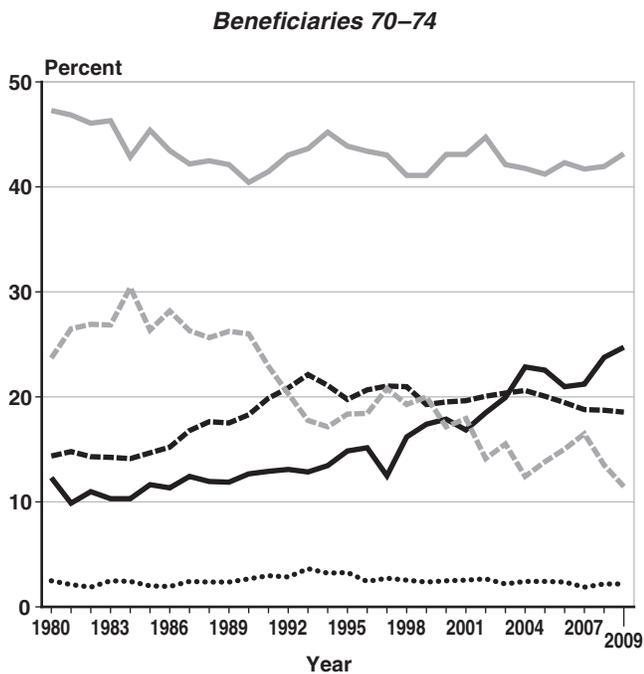
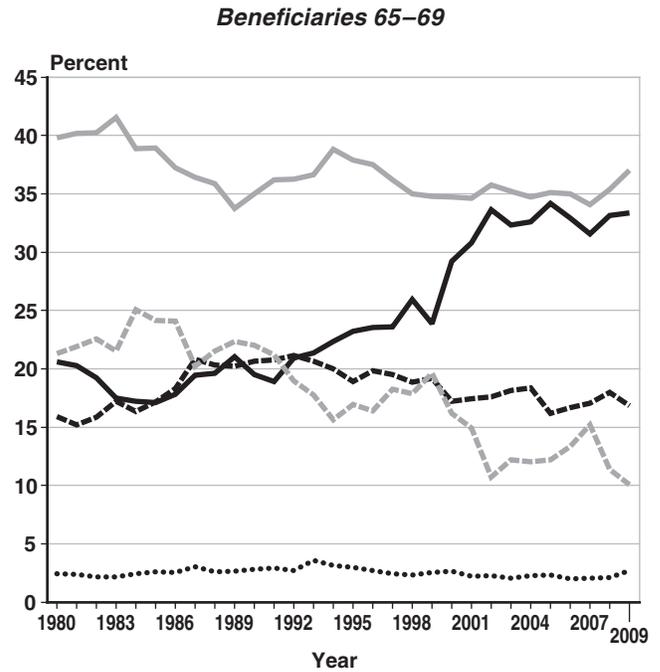
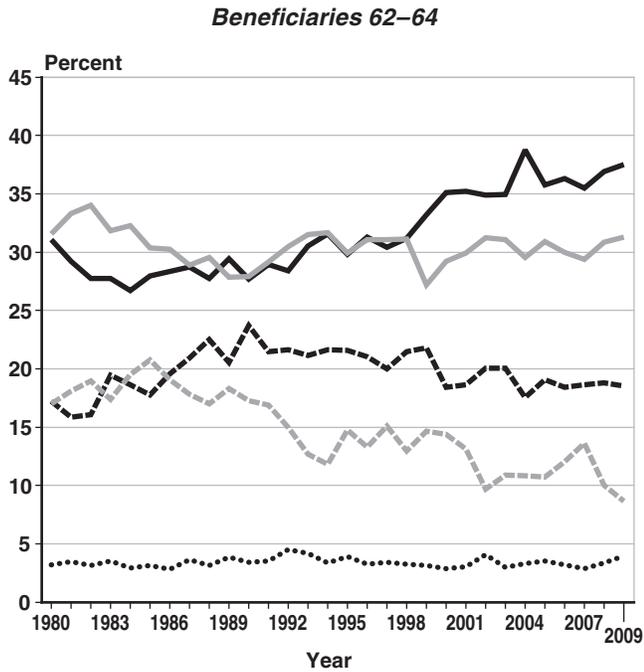
(almost 40 percent) of the increase from 1990 to 2009 occurred prior to 2000. For all four age groups, the asset income share declined substantially over the past two decades. Since the early 1990s, pension shares have declined slightly (by 2–4 percentage points) for the three youngest age groups and changed little for the 75- to 79-year-old group. The other-income share has remained small (about 2–4 percent) for Social Security beneficiaries in all four age groups throughout the observation period.<sup>22</sup>

### ***The Importance of Earnings in the Distribution of Total Money Income***

For some older workers, particularly those without adequate resources to finance retirement, labor market earnings may be a necessary component of total income. Other older workers may be motivated more by job satisfaction or a desire to remain active in the labor force, with any earnings being a secondary consideration. We now examine changes in the shares of the five income sources over time by size-adjusted total money income quintile. The quintile cutoffs are determined by the distribution of adjusted total money income for the population aged 55 or older. For this exercise, we calculate the adjusted income for each person aged 55 or older using a simple equivalence scale (equal to  $\sqrt{2}$  for married couples living together and equal to 1 for all other persons).<sup>23</sup> For each member of a couple, adjusted income is the couple's income divided by  $\sqrt{2}$ . We then rank the size-adjusted total money incomes of persons using person-level CPS weights to determine quintile cutoffs.

Because earnings have long been the major source of income for persons younger than age 65, we focus on the population aged 65 or older, for whom earnings traditionally have been relatively less important. Chart 6 displays the behavior of total money income shares during 1980–2009 for the five income quintiles (1 = lowest, 5 = highest). Earnings represent small shares of total money income for the lowest two quintiles throughout the observation period, never exceeding 3 percent in quintile 1 or 7 percent in quintile 2. Social Security benefits account for very large proportions of income in the two lowest quintiles, with a slight increasing trend over the full observation period. Growth in the earnings share since the early 1990s is increasingly apparent as our attention moves to the higher income quintiles. In quintile 5, earnings have been the largest income component since the mid-1990s, with the 2009 share equal to 43 percent. The highest quintiles have experienced notable

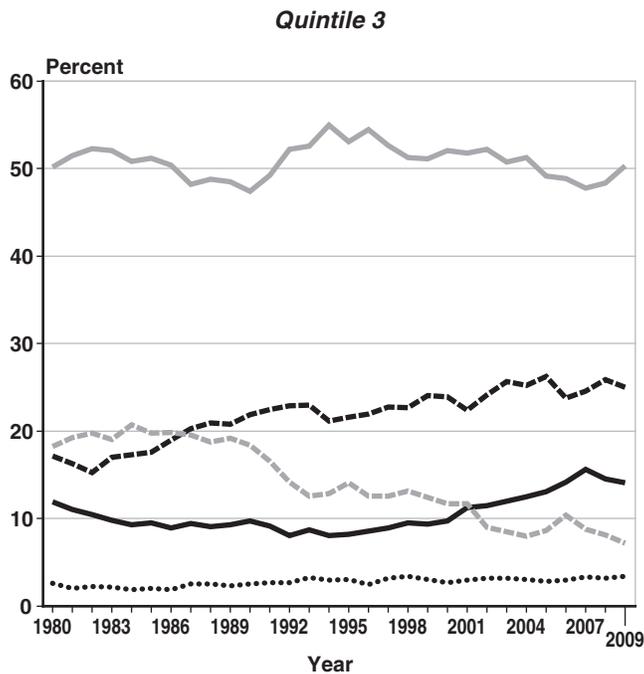
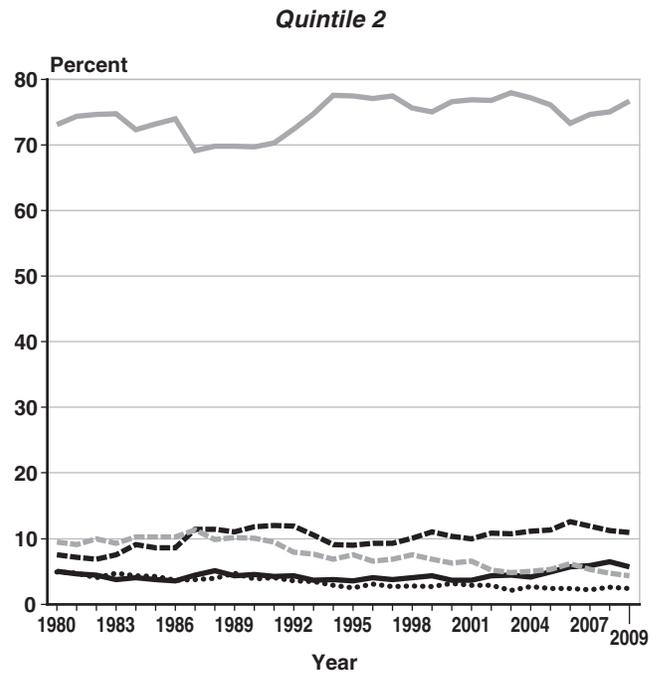
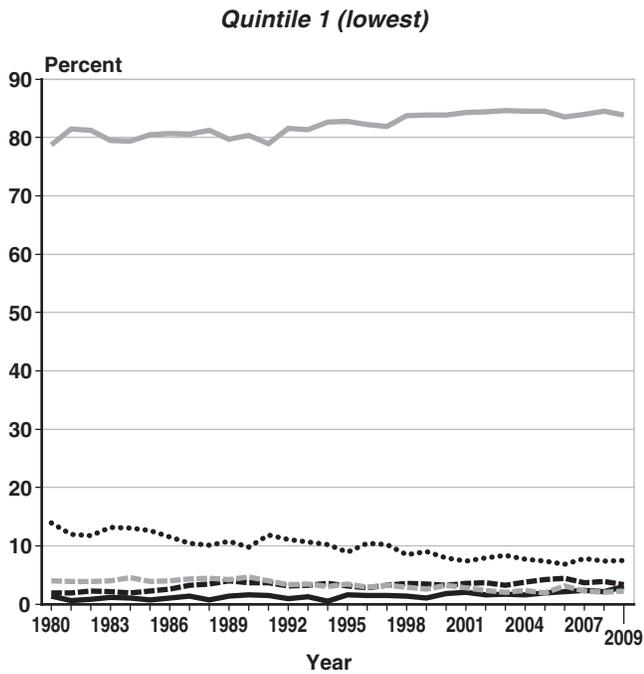
**Chart 5.**  
**Distribution of total money income by source, all persons aged 62–79 who receive Social Security**  
**benefits by age group, 1980–2009**



SOURCE: Authors' calculations using CPS ASEC data.

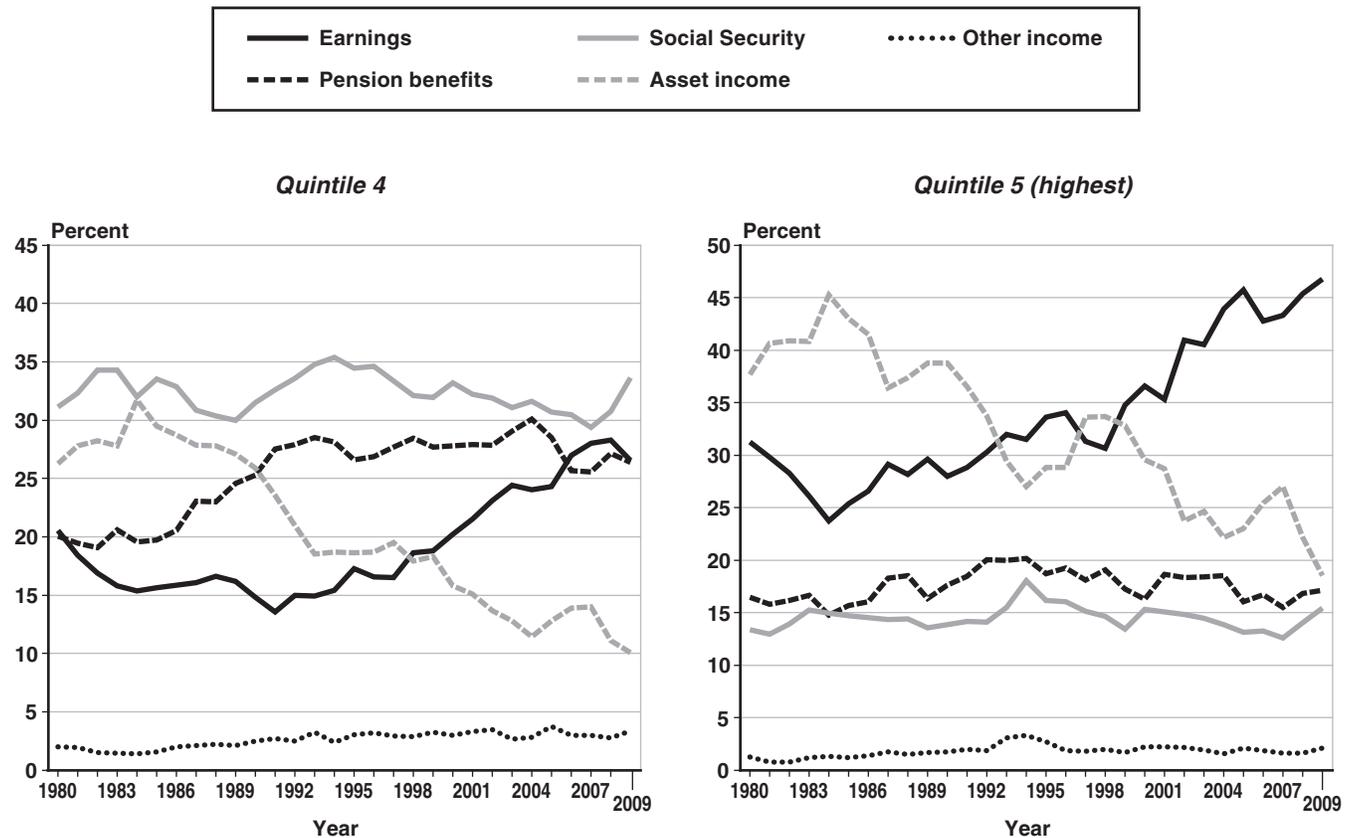
NOTE: Nonbeneficiaries are included if they meet the age requirement and have a spouse who receives Social Security benefits.

**Chart 6.**  
**Distribution of total money income by source, all persons aged 65 or older by income quintile, 1980–2009**



Continued

**Chart 6.**  
**Distribution of total money income by source, all persons aged 65 or older by income quintile,**  
**1980–2009—Continued**



SOURCE: Authors' calculations using CPS ASEC data.

declines in asset income shares. The importance of Social Security benefits in total money income is notably smaller as one moves to higher quintiles; the respective shares for quintiles 3, 4, and 5 are about 50 percent, about 30 percent, and under 20 percent.

To assess the importance of earnings for persons aged 65 or older, one can examine how the distribution of adjusted total money income would be altered if we replaced actual earnings amounts with zero (no work). We tabulate the resulting movements from higher to lower quintiles using the original quintile cut-off values. Chart 7 summarizes the results of this exercise, looking at all men and women aged 65 or older, and then focusing on only those men and women who report earnings of their own. Each panel in Chart 7 graphs the percentages of persons whose units would move down one or more quintiles (shown in black) and two or more quintiles (shown in gray) over the 1980–2009 period if their own earnings were subtracted from their unit's total money income.<sup>24</sup>

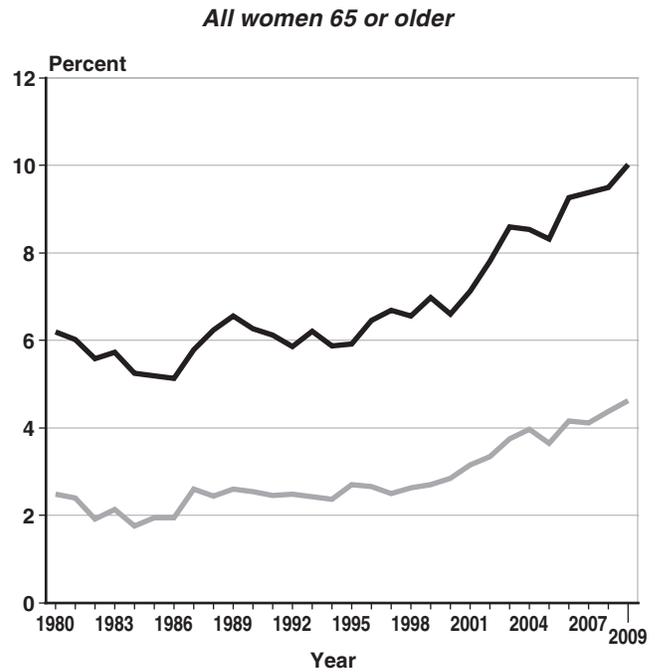
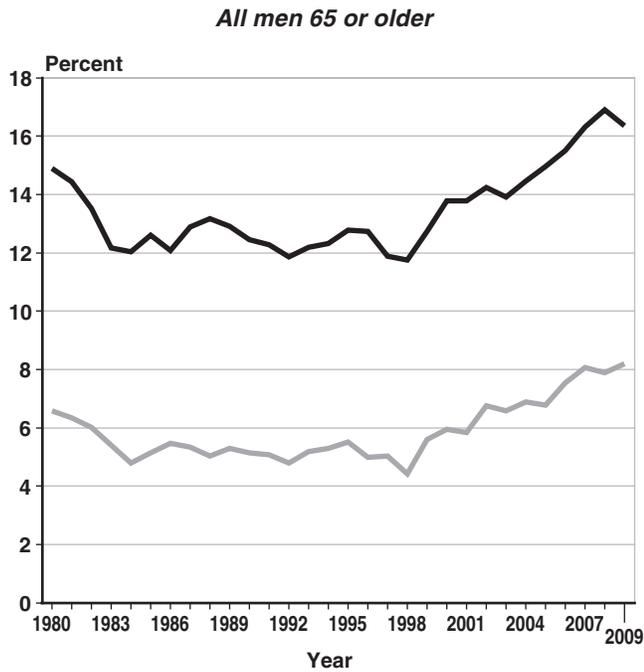
Again, the growing importance of earnings since the early 1990s is apparent for both older men and women. Throughout the observation period, men are generally more likely to have earnings, given their higher LFPRs. It is, therefore, no surprise that eliminating earnings as an income source results in larger percentages of men moving down in the income distribution by one or more quintiles. For all men aged 65 or older, the percentage who would move one or more income quintiles downward increases from 12 percent in 1990 to 16 percent in 2009; and among those with earnings, the proportion migrating downward increases from 58 percent to 67 percent. For all women aged 65 or older, the percentage moving down one or more quintiles increases from about 6 percent in 1990 to 10 percent in 2009; among those with earnings, the increase is from 52 percent to 64 percent.<sup>25</sup> Of those aged 65 or older who move down at least one income quintile when earnings are zeroed out, two-fifths move down by two or more quintiles, regardless of sex.

**Chart 7.**

**Percentage of persons aged 65 or older who would belong in lower total money income quintiles if their earnings were eliminated, total and for those with earnings, by sex, 1980–2009**

Eliminating earnings would lower the person—

1 or more quintiles
  2 or more quintiles



SOURCE: Authors' calculations using CPS ASEC data.

Thus, earnings have become an increasingly important income source for the population aged 65 or older and, for those who have them, earnings substantially affect their relative position in the distribution of annual money income among Americans aged 55 and older.

## ***Discussion***

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Many factors have likely contributed to the increase in late-life earnings. In this section, we briefly review some of the more plausible influences.

Although their influence is difficult to measure, several important changes in the law have helped facilitate longer work lives. The Age Discrimination in Employment Act or ADEA (1967) prohibits workplace discrimination, in general, against people aged 40 or older based on age; specifically bans practices such as discrimination in hiring, firing, wages, fringe benefits, training, job assignments, and promotions; and explicitly bans job notices that specify age preferences. The 1978 Mandatory Retirement Act, which amends the ADEA, prohibits mandatory retirement before age 70. A further amendment in 1986 abolished mandatory retirement for most jobs (employers with fewer than 20 workers are exempt).

The passage of the Employee Retirement Income Security Act (ERISA) in 1974 broadly affected the operation of employer pensions, for example by liberalizing vesting rules for workers. The 1986 Tax Reform Act reduced ERISA's 10-year vesting requirement to 5 years. Although these changes were designed to increase the probability that an employee would retire with a pension, they raised pension costs for employers, providing incentives either to scale back pension coverage or to shift those added costs to workers by slowing the growth in money wages. These two pieces of legislation are thought to have contributed to the decline in defined benefit pensions. Stagnant pension coverage rates coupled with the shift toward defined contribution pensions have likely encouraged older individuals to continue working. Unlike defined benefit plans, which usually feature significant incentives to retire at specific ages, defined contribution plans are largely neutral with respect to retirement age. Thus, the increasing prevalence of defined contribution plans has effectively reduced a disincentive for continuing work.

One aspect of the very low private saving rate in the United States (until its recent modest recovery) is the substantial fraction of near-retirees who are estimated to have inadequate retirement savings.

Although observers disagree about the extent to which accumulated assets are insufficient, our analysis of the sources of retirement income for the bottom two total money income quintiles finds a near absence of income from assets or pensions. For many seniors, earnings are necessary to attain a satisfactory standard of living, but many aged units in the lowest quintiles do not work.

Inadequate retirement savings can result not only from failing to contribute regularly to a retirement savings account, but also from unexpectedly low investment returns. The past decade has seen lower equity returns than the historical averages, with periodic gains offset by precipitous declines in asset prices. There is not yet much evidence on the effects of poor investment performance on retirement timing, and the little evidence that exists is mixed. For many families, housing equity represents the single largest form of wealth. The effects of the recent steep declines in housing prices on retirement decisions are unknown, but are likely to serve as work incentives for older workers.

Continued work is usually contingent on good health; and by most measures, the health of the “young old”—those who are most likely to want to continue working—has improved over time, making them more able to work. Along with a healthier older population, technological and other advances have enabled many work opportunities to become less physically demanding. Furthermore, as educational attainment of successive cohorts has increased over time, the older labor force increasingly includes higher skilled workers who are more likely to enjoy work and earn higher pay, enhancing the option to continue working.

The increasing cost of health care has led to the declining availability of employer-provided health insurance for retired workers. With group coverage unavailable to many retirees, older individuals often cannot afford insurance. The risk of incurring health expenses without coverage motivates some workers to extend employment in order to retain employer-provided health insurance, at least until age 65 when Medicare coverage begins.

The average age of the population is increasing, as smaller cohorts follow the baby boomers. Many speculate that the job market for older workers will continue to improve as demand for their services increases. To meet that demand, prospective employers may have to redesign jobs and offer compensation packages to suit the preferences of older workers.

Finally, the past two decades have seen important changes in the Social Security retirement program meant to encourage older workers to continue working and postpone claiming benefits. These changes include the following:

- Gradually increasing the FRA from 65 to 67. The exhibit below illustrates how the FRA, currently 66, is between the two phases in which it is to rise incrementally from 65 to 67. The effect of a 2-year increase in the FRA is equivalent to a 13.3 percent benefit cut. A benefit cut induces more work.

Effective date	Full retirement age	Worker's birth year
1999 and earlier	65	1937 and earlier
2000	65 and 2 months	1938
2001	65 and 4 months	1939
2002	65 and 6 months	1940
2003	65 and 8 months	1941
2004	65 and 10 months	1942
2005–2016	66	1943–1954
2017	66 and 2 months	1955
2018	66 and 4 months	1956
2019	66 and 6 months	1957
2020	66 and 8 months	1958
2021	66 and 10 months	1959
2022 and later	67	1960 and later

SOURCE: SSA 2011.

- Gradually increasing the delayed retirement credit (DRC) from 3 percent to 8 percent per year during 1990–2008.<sup>26</sup> The DRC is the rate by which the eventual monthly benefit amount increases when a worker defers claiming benefits beyond the FRA. Credits can accrue until age 70. On average, 8 percent is actuarially fair; that is, for a person with average life expectancy, delaying first receipt of benefits does not change the present value of expected lifetime benefits. Like the increased FRA, the increased DRC promotes continued work.
- Liberalizing the retirement earnings test (including abolishing the test for persons aged 65–69) in 2000. From its inception, Social Security has had an earnings test that sets retiree earnings limits, above which benefit payments are reduced. Over the years, ad hoc increases to the earnings limit have been instituted many times. Four changes are particularly

relevant for the 1980–2009 period examined in this article. In 1983, the earnings test was eliminated for beneficiaries aged 70–71. In 1990, the benefit reduction rate decreased from 0.50 to 0.33 for beneficiaries aged 65–69. Beginning in 1996, a series of large annual increases in the exempt amount was adopted for beneficiaries aged 65–69, which was overridden by the 2000 abolition of the earnings test for beneficiaries who have reached the FRA.<sup>27</sup> Eliminating the earnings test is considered a work incentive, especially for beneficiaries who do not understand that lost benefits are subsequently restored, as well as for workers with high discount rates who strongly prefer current-period income.

All told, the economic environment over the past 30 years has changed in ways that favor increased work and earnings by older workers, a trend that appears likely to continue.

## Notes

*Acknowledgments:* The authors thank Clark Burdick, Lynn Fisher, Susan Grad, Dean Leimer, David Pattison, and Patrick Purcell for comments and advice on earlier drafts, and Richard Burkhauser and Jeff Larrimore for providing us with their estimates of income amounts subject to top-coding in the Current Population Survey.

<sup>1</sup> Social Security has two trust funds, the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund. After the projected exhaustion of assets in 2036, continuing tax income would be sufficient to pay 77 percent of scheduled benefits, before gradually declining to 74 percent by 2085.

<sup>2</sup> US Social Security benefits as a percentage of pre-retirement earnings are among the lowest in Organisation for Economic Co-operation and Development countries (OECD 2007).

<sup>3</sup> The 1983 Amendments to the Social Security Act contained a mix of program changes designed to reduce benefit costs and increase revenues. Changes included a gradual increase in the FRA—the age at which full benefits are payable—in two phases: from 65 to 66 during 2000–2005 and then to 67 during 2017–2022. The legislation also gradually increased the incentive to delay claiming benefits between the full retirement age and age 70.

<sup>4</sup> To protect the privacy of survey respondents, the Census Bureau adjusts some ages (age perturbation) in public-use files depending on the demographic characteristics of household members. This masking technique can result in relatively large errors in income estimates for subgroups within the older population (Alexander, Davern, and Stevenson 2010). The effects on this article's results are likely to be very small because of the level of aggregation used in

our research (multiyear age groups that include all races). For more on this problem in the context of the population aged 60 and older, see Census Bureau (2010).

<sup>5</sup> We extracted CPS monthly files for 1980–2008 and ASEC files for March 1981–2009 using Unicon Research Corporation’s (2009) CPS Utilities software. Monthly files for 2009–2010 and the ASEC file for March 2010 were downloaded from the Census Bureau website (<http://www.census.gov/>).

<sup>6</sup> We caution the reader to note the different scaling of vertical axes in the multiple panels displayed in the charts throughout the article. We vary the vertical axis scales to make distinctions clearer by utilizing chart space more fully, which can easily convey the false impression that different absolute changes are the same.

<sup>7</sup> Using decennial census data, Ransom and Sutch (1988) find little change in LFPRs for older men during 1900–1940. Parsons (1980) documents a 15 percentage point decline in the LFPR of men aged 55–64 during 1948–1976.

<sup>8</sup> The lowest participation rates for each age group are 45.1 percent for ages 62–64 in 1995; 24.6 percent for ages 65–69 in 1984 and 1985; 14.8 percent for ages 70–74 in 1987; and 8.3 percent for ages 75–79 in 1986.

<sup>9</sup> Labor force participants not working in the week before the survey are classified by their usual work status. Self-employment includes both incorporated and unincorporated self-employment.

<sup>10</sup> Nonmarried-person units include persons who are separated or married but not living with their spouse.

<sup>11</sup> The Social Security Administration uses a similar categorization in its biennial publication *Income of the Population 55 or Older* (SSA 2010).

<sup>12</sup> A shortcoming of the CPS income data is the lack of information on capital gains and losses, which is a nontrivial source of income for some elderly persons. Because the CPS collects no data for asset holdings, we did not attempt to impute capital gains and losses to aged persons.

<sup>13</sup> Income amounts in the public-use ASEC files are subject to top-coding. Since the late 1990s, the Census Bureau’s public-use files have contained the arithmetic means for income values above the top-code amounts, enabling accurate calculation of income shares. For income years 1980–2001, we use comparable means developed by Larrimore and others (2008). For income years 1998, 2000, and 2001, the cell means recorded in the public-use files are identical (or nearly so) to the values calculated by Larrimore and his colleagues, but some public-use file cell means for 1999 income sources appear to contain substantial errors. These corrections for top-coding have only minor effects on the article’s income-share estimates.

<sup>14</sup> Differential CPS reporting by income component likely causes the income shares of earnings and Social Security benefits for the aged to be overstated and our share of asset income to be understated. Estimates of CPS aggregate income underreporting for the whole population are available for selected years during the 1984–2001 period in Coder and Scoon-Rogers (1996), Roemer (2000), and Ruser, Pilot, and Nelson (2004).

<sup>15</sup> Recall that the various income-share panels use different vertical scales.

<sup>16</sup> The declining share of asset income since the 1990s is observed in both CPS data and in the Federal Reserve Board’s Survey of Consumer Finances. Fisher (2007) notes that among Survey of Consumer Finances units aged 65 or older, the percentage holding financial assets has increased while the probability of owners reporting corresponding asset income has decreased. Because the nonreporting involved assets such as money market and savings accounts, which very likely generate income each year, at least part of the decline in measured asset income appears to be an increasing failure to report asset income received.

<sup>17</sup> Although the article’s results focus on the population aged 62–79, the importance of labor market earnings in total income has also increased for those aged 80 or older, where the earnings share has risen from 3–4 percent in the 1980s to 6–10 percent during the past decade.

<sup>18</sup> Zero-earners are included among persons with earnings if they meet the age requirement and have a spouse who reports earnings.

<sup>19</sup> There is one exception: For persons aged 75–79 for 1982, the earnings share is slightly smaller than the Social Security share.

<sup>20</sup> We include a person who is not a Social Security beneficiary but who satisfies the relevant age restriction if the spouse receives Social Security income.

<sup>21</sup> FRA was 65 for anyone aged 65–69 during 2000–2002. Increases in the FRA would begin to affect 65- to 69-year-olds starting in 2003.

<sup>22</sup> We also examined the income shares of Social Security beneficiaries separately for (1) members of married couples and (2) all other persons. Earnings shares for married persons are considerably larger than for others. As one might expect, the Social Security benefit share is consistently the largest share for “other persons” in all age groups in all years (they have no spouse who could provide non-Social Security income). However, both groups trend to increased earnings shares.

<sup>23</sup> There is no professional consensus on a single best equivalence scale. The square root equivalence scale has been used in distributional analyses conducted by the Organisation for Economic Co-operation and Development,

the Congressional Budget Office, and the Urban Institute-Brookings Institution Tax Policy Center. See Citro and Michael (1995, 176–182) for further discussion and references.

<sup>24</sup> In calculating these percentages, we exclude the small number of persons with negative earnings.

<sup>25</sup> In an alternative exercise we replace the earnings of both members of each married couple with zero even if one member is younger than age 65. We look at all men and women aged 65 or older and then focus on those 65 or older in units with earnings. The percentage of men that moves down one or more quintiles increases from 19 percent in 1990 to 26 percent in 2009, and the proportion among men in units with earnings increases from 66 percent to 75 percent. The percentage of women moving down one or more quintiles increases from 11 percent to 16 percent between 1990 and 2009, and among those in units with earnings, the increase is from 61 percent to 72 percent.

<sup>26</sup> The DRC increased by 0.5 percentage points for birth cohorts attaining age 65 in successive even-numbered years.

<sup>27</sup> Throughout this period, the earnings test for beneficiaries aged 62 to 64 remained unchanged: a 0.50 benefit reduction rate for excess earnings with a wage-indexed annual limit. Note that any lost retired-worker benefits prior to a worker's FRA are restored by an actuarially fair amount added to monthly benefits when the FRA is reached. When the test applied to beneficiaries aged 65–69, lost benefits were restored at the DRC rate.

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# “FAST-TRACK” STRATEGIES IN LONG-TERM PUBLIC DISABILITY PROGRAMS AROUND THE WORLD

by David Rajnes\*

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*Long-term public disability programs in the United States and several other countries have incorporated fast-track (FT) procedures that share a common goal of accelerating applicants through various stages of the disability determination process—generally for those with severe disabilities, blindness, or terminal illness. This article identifies a variety of FT procedures either implemented or under consideration in public long-term disability programs operated in the United States and other countries; compares FT procedures in those disability programs with respect to specific program features, differences with respect to the administrative components involved in those procedures, and the level of technology used; examines more generally why countries may consider implementing FT procedures; and describes how FT procedures may be employed to improve overall processing of claims and contribute to disability case management.*

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## Introduction

This article explores the domestic and international experience with “fast-track” (FT)<sup>1</sup> procedures in the determination process of public disability programs. FT procedures target applicants with severe disabilities who are likely to receive favorable determinations. Disability programs in the United States and several other countries have adopted a variety of FT procedures. Those procedures reduce delays, which negatively affect individuals and their families, and may help governments with disability caseload management.

In the United States, the Social Security Administration (SSA) expanded its list of FT procedures in recent years with the introduction of the Quick Disability Determination (QDD) and Compassionate Allowance (CAL) initiatives. Known collectively as “fast-track disability processes” by SSA, those initiatives provide additional tools for the agency to manage the growth of disability applications from the American baby boomer population.<sup>2</sup> Complementing the more traditional “expediting” procedures operated by SSA, QDD and CAL take advantage of sophisticated software, which enables fast-tracking operations within an electronic disability process.

Other countries have introduced a variety of FT procedures. Like the United States (US), the four other countries in this sample are in the process of experimenting with or fine tuning recent disability reform efforts in the area of fast tracking disability determinations. While country-specific goals and medical conditions of interest tend to be similar, the variety of disability program designs, associated claims processes, and administrative arrangements give rise to subtle and some not-so-subtle differences.

The article is divided into five sections, the first of which introduces the five countries examined in the study and chronicles the methodology used in the selection process for the non-US sample. The

### Selected Abbreviations

CAL	Compassionate Allowance
CPP	Canada Pension Plan
CPP-D	Canada Pension Plan Disability
DDS	Disability Determination Service
DI	Disability Insurance
DLA	Disability Living Allowance

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### **Selected Abbreviations—Continued**

DSP	Disability Support Pension
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
FT	fast track
HCP	health care professional
JCA	job capacity assessment
NII	National Insurance Institute
QDD	Quick Disability Determination
SSA	US Social Security Administration
SSI	Supplemental Security Income

next section documents how country-specific FT procedures operate in the context of the application and decision-making processes. This is followed by a comparison of the operational aspects of fast tracking disability claims across the country sample as laid out in the previous section. In the last sections, some tentative conclusions are offered based on a data review and the country descriptions, which are followed by several brief observations.

### ***Country Selection and Methodological Approach***

This research produces a qualitative assessment of FT strategies using the United States as its starting point. In the process, several countries are identified as operating public disability programs with FT features employed at various stages of the determination process. To the author's knowledge, there is no cross-national study on this topic in the disability literature. The subject matter discussion relies on the availability of material provided by staff in national disability agencies who have agreed to participate in this study. As a result, the country presentations that follow constitute the best information on these countries available at this stage.

Work began in 2008 to identify countries other than the United States with long-term public disability programs operating FT procedures. A survey questionnaire was drafted (see the Appendix) to circulate among staff in selected countries with a track record of participation in previous major cross-country disability studies conducted by the Organisation for Economic Co-operation and Development (OECD 2003), or included in an SSA-funded survey conducted in the late 1990s (Westat 1998).<sup>3</sup> Eventually the author

settled on disability agencies in 23 OECD member countries as potential respondents to receive an e-mailed survey questionnaire.<sup>4</sup>

The search process netted six positive responses to the survey: four robust responses (from Australia, Canada, Israel, and the United Kingdom) and two responses (Norway and Germany) indicating the presence of FT procedures, but lacking enough detail to include those national disability programs in this study.<sup>5</sup> The five-country sample examined in this article represents those countries offering the best opportunity to date to examine how various countries use FT processes, which is conducive for broad comparison. It cannot be overemphasized that information collected in this study relied heavily on the expert knowledge of staff at several national disability agencies. Those country-based contacts provided much of the descriptions incorporated into this analysis and verified the data collected, thus making the study possible. Once included in the sample, staff at participating national agencies provided a steady stream of data, references, and dialogue—for more than a year—which helped to enlighten the author about how FT procedures operate in each case.

Several factors could have influenced the overall response to the survey. Not surprising (given the English-language questionnaire), all participating national agencies are based in English-speaking countries. Besides language, another potential factor that may have limited the number of positive responses was the wording of the questionnaire, which emphasized the two most recent FT procedures used at SSA—both highlighting the use of sophisticated software. One cannot be certain, but mentioning other more traditional examples of FT methods used at SSA could have resulted in a higher number of positive responses, thus eliminating a potential negative bias associated with the highly technical emphasis in the wording of the survey questionnaire.

### ***Countries with Fast-Track Processes***

This section provides the details of FT processes in each country surveyed. Procedures in the United States are presented first and provide a reference point for comparing FT processes in other national systems. In what follows, each national summary contains an outline of the administrative responsibilities of the major parties involved in the decision process, an explanation of relevant FT procedures, a description of the evaluation procedures faced

by claimants, and some country highlights of FT procedures.

Cross-country comparisons of FT processes are framed with respect to the following three questions:

1. What is the decision process and who are the key parties responsible for making decisions (including FT decisions) on disability claims?
2. How are FT procedures (including technology) integrated into each nation's disability claims process?
3. What is the claims processing sequence for disability applications?

Table 1 introduces the five-country sample and provides an overview of some design features in each national disability program, including how disability is defined, program eligibility requirements, benefit amounts and indexation, program financing, and dependent coverage, as well as the treatment of work following the granting of a disability pension. Some significant programmatic differences can be observed, such as Israel's residency-only eligibility criterion or Australia's means-tested social programs financed by general revenue.

Another view of the five-country sample, captured in Table 2, highlights selected demographic and FT aspects of each country's national disability programs. Those data indicate that self-reported disability rates as a percentage of the working-age population range from around 12 percent in Canada, nearly 15 percent in Australia, approximately 18 percent in both Israel and the United Kingdom, to nearly 19 percent in the United States. Also relevant to this analysis are the annual disability program expenditure levels calculated for each country as a percentage of gross domestic product (GDP) and the share of FT claims in those disability programs. Expenditure levels on long-term disability programs range from a low of 0.2 percent of GDP in Canada to the much higher levels found in Israel (1.3 percent) and the United Kingdom (2.1 percent), to more moderate percentages recorded for the United States (0.9)<sup>6</sup> and Australia (1.0). In general (with one exception—Israel),<sup>7</sup> countries with FT processes reflect similar percentages of FT applicants among their respective claimant populations (roughly 4 to 6 percent) despite differences in overall expenditure levels in their disability programs or other distinguishing features. Meanwhile, a fairly wide range exists across the sample with respect to the general disability beneficiary population as a share of the working-age population (approximately 1 to 6 percent).

## ***Fast-Track Experience with Public Disability Programs in the United States***

In the United States, SSA manages two programs that provide benefits based on disability or blindness, the Social Security Disability Insurance (DI) program and the Supplemental Security Income (SSI) program.<sup>8</sup> The DI program provides benefits to disabled or blind persons who are insured workers—those who have made the required contributions<sup>9</sup> to the Social Security Trust Fund.<sup>10</sup> By contrast, the SSI program makes cash-assistance payments to aged, blind, and disabled persons (including children) who have limited income and resources. For SSI, there is no requirement for a work history. The government funds SSI from general tax revenue.<sup>11</sup> Both disability programs use FT procedures.

Disability is defined in the United States as the inability to engage in any “substantial gainful activity” (SGA) because of a medically determinable physical or mental impairment(s) that is expected to result in death or that has lasted, or is expected to last, for a continuous period of not less than 12 months. SSA assesses disability under both DI and SSI through a five-step sequential evaluation process used to determine whether an adult is disabled (SSA 2009a; Honeycutt and Brucker 2006; GAO 2008).<sup>12</sup> The process for determining disability comprises a work test, an impairment severity test, a medical listing test,<sup>13</sup> a test for ability to perform previous work, and a test for ability to perform any type of work.<sup>14</sup>

### ***Disability Assessment Process***

Social Security disability claims are processed initially through a network of local SSA field offices and state agencies (called Disability Determination Services, or DDSs). Social Security field office representatives obtain applications for disability benefits in person, by telephone, by mail, or online. The application and related forms ask for a description of the claimant's impairment(s), treatment sources, and other information that relates to an alleged disability. The field office is responsible for verifying nonmedical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information; it then sends the case to a DDS for evaluation of disability.

The DDSs, funded by the federal government, are state agencies responsible for compiling medical evidence and rendering the initial determination

**Table 1.**  
**General characteristics of disability programs in the United States and other selected countries with fast-track procedures**

Characteristic	United States	Australia	Canada
Definition of disability to qualify for benefits	Inability to engage in substantial gainful activity (SGA) because of medically determined impairment lasting or expected to last 12 months or longer or result in death.	Diagnosis of permanent blindness or at least 20% level of physical, mental, or psychiatric impairment causing inability to work for next 2 years; or person not able to undertake educational/vocational training, allowing work within next 2 years.	Impairment must be <i>severe</i> and <i>prolonged</i> and must prevent one from working any job regularly. Legislation defines severe disability as one preventing worker from doing former job, or any job, regularly. Disability is prolonged when it is likely to be lengthy, of indefinite duration, or likely to result in death.
Eligibility criteria	Insured status based on length and recency of employment.	Insured status based on length of residency and recency of employment.	Insured status based on length and recency of employment.
Work or other	Length and recency of work test.	Prevented from working 15 or more (formerly 30) hours weekly, or retraining for work within the next 2 years; relevant income/assets tests (unless blind) also apply.	Length and recency of work test.
Age	Up to age 66.	Aged 16 to 65 (men) and aged 16 to 64 (women); converging to age 67 for men and women by July 2023.	Aged 18 to 65.
Financing source(s)	Total contributions of 1.8% of earnings equally shared by worker/employer. Maximum monthly earnings for contribution/benefit purposes in 2010 was US\$8,900.	All federal assistance programs are funded through general revenue.	Total contributions paid on earnings of 1.8% equally shared by worker/employer. Maximum annual earnings for contribution/benefit purposes in 2009 was C\$46,300 (US\$40,870).
Benefit amounts	Pension based on insured worker's average covered earnings since 1950 (or year attaining age 22) and indexed for past wage inflation, up to onset of disability, excluding up to 5 years of lowest earnings.	Pension is identical to the amount for the old-age pension.	Benefit based on 75% of old-age pension plus a basic monthly pension up to a maximum.
Cost of living adjustment	Yes.	Yes.	Yes.
Treatment of work while disabled	Program has incentives to work. Successful return to SGA (currently earning in excess of \$1,010 monthly or more than \$1,690 monthly for statutory blindness) results in benefit suspension after trial work period and termination after extended period of eligibility.	Up to 15 hours of work weekly and retraining are allowed.	Beneficiaries may do volunteer work, attend school, and retrain without losing benefits. In 2009, they could also earn up to C\$4,600 (US\$4,061) before taxes.
Dependent coverage	Yes—spouse and dependent children eligible based on worker's coverage.	No.	Yes—child supplement based on worker's eligibility.

Continued

**Table 1.**  
**General characteristics of disability programs in the United States and other selected countries with fast-track procedures—Continued**

Characteristic	Israel	United Kingdom
Definition of disability to qualify for benefits	Must pass medical and functional tests. That applies to workers whose earning capacity is lost or reduced as a result of impairment and to nonworking spouses whose functionality in the household is lost or reduced.	Individuals must have limited capacity for work, meaning current health conditions or disability restricts their ability to work.
Eligibility criteria	Insured status based on residency.	Insured status based on length and recency of employment.
Work or other	Residency only.	Entitled once 13-week Statutory Sick Pay is exhausted. Most people receiving Employment and Support Allowance (ESA) expected to undertake work-related activity (interviews/action plan), with the aim of eventually returning to work.
Age	Aged 18 to 66.7 (men) and aged 18 to 61.7 (women); moving to age 70 for men and age 66.7 for women by 2027.	Aged 16 to 65 (men) and aged 16 to 60 (women); moving to age 65 for women by 2025 and to age 68 for men and women by 2046.
Financing source(s)	Employer (employee) contributed 0.30% (0.11%) of employee earnings below 60% of national average wage (7,663 new shekels monthly or US\$2,372 in 2008) plus 0.42% (1.86%) of earnings above that amount. Maximum annual earnings for contribution/benefit purposes are 5 times national average wage, as of January 1 each year.	Shared responsibility: Employers required to pay benefits for up to 13 weeks; government pays if employee is ineligible for employer-paid benefits, and it pays after employee is absent over 13 weeks. Government also pays noncontributory benefits (for example, Disability Living Allowance (DLA)).
Benefit amounts	Pension linked to <i>basic amount</i> used to calculate public pensions. If insured person is assessed as 75% or more disabled, full pension equals 25% of basic amount plus 7% of that amount. No earnings test. Pensions proportionately reduced for less severe impairments.	ESA paid at three rates, which increase with duration of the benefit—short term (lower rate), short term (higher rate), and long-term benefit. DLA has care and mobility component, which determines the duration/level of payment.
Cost of living adjustment	Yes.	Yes.
Treatment of work while disabled	Pension gradually decreases as person's income from work increases: higher income from work yields higher total income (work/pension combined).	Includes voluntary work (no time limit); being in supervised treatment, or work-related public/voluntary job search (under 16 hours weekly at minimum wage); unlimited work under £20 weekly (US\$31); or work up to 26 weeks as long as it is done in less than 16 hours weekly and for less than minimum wage.
Dependent coverage	Yes—spouse and child (up to 2) supplement.	Yes—eligible based on worker's coverage.

SOURCES: Compiled by the author using *Social Security Programs Throughout the World* (various volumes and years). United Kingdom financing information taken from IBIS eVisor (2009).

on whether a claimant is disabled (including blindness)<sup>15</sup> under the law. Usually the DDS tries to obtain evidence from the claimant's own medical sources first. If that evidence is unavailable or insufficient to make a determination, the DDS will arrange for a consultative examination to obtain the additional information needed.

After completing its development of the evidence, DDS staff makes the initial disability determination. Then the DDS returns the case to the field office for appropriate action. If the DDS finds that the claimant is disabled, SSA computes the benefit amount and begins paying benefits. If the claimant is dissatisfied with an unfavorable determination, the order of

**Table 2.**  
**Demographic and fast-track aspects of long-term disability programs in the United States and other selected countries**

Country	Working-age (15–64) population (millions)	Self-reported disability rates <sup>a</sup> (as a percentage of working-age population)	Disability beneficiaries			Annual disability claims			Annual disability program cash benefits (as a percentage of GDP)
			Program	Actual count	As a percentage of working-age population	Total new disability claims	FT claims	FT claims as a percentage of new total	
United States	212.3	18.6	DI <sup>b</sup>	7.8 million	3.6	2.8 million	128,000 <sup>c</sup>	4.5	0.9
Australia	15.1	14.8	DSP	792,581	5.3	91,630	5,611	6.1	1.0
Canada	23.6	11.5	CPP-D <sup>d</sup>	309,347	1.3	60,000	2,340	3.9	0.2
Israel	4.9 <sup>e</sup>	17.9	NII	210,271	4.3	68,678	N/A	N/A	1.3
United Kingdom	40.1	18.3	IB (now ESA)	2.6 million	6.5	681,000	40,860	6.0	2.1

SOURCES: Compiled by SSA staff. Population figures come from the *World Population Prospects: The 2010 Revision Population Database*, United Nations (2011) and country sources. Pension program costs for the United States are based on the *Annual Statistical Supplement to the Social Security Bulletin, 2010* (SSA 2011a). US percentages of self-reported disability of 18.6 percent, reported by the Decennial Census of 2000, counts individuals with some type of long-lasting condition. The Decennial Census included impairments involving vision or hearing, certain physical limitations, and difficulty performing certain activities because of a physical, mental, or emotional condition (Waldrop and Stern 2003). Australia's percentages for self-reported disability come from the 2009 Survey of Disability, Ageing and Carers, where disability is defined as any limitation, restriction, or impairment that restricts everyday activities and has lasted or is expected to last for at least 6 months (Australian Bureau of Statistics 2010). Canada's percentages of self-reported disability are taken from the Participation and Activity Limitation Survey, 2006, which defines disability as difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities, in addition to indicating a physical or mental condition or health problem that impairs an individual's ordinary level of functioning (Statistics Canada 2009). Israel's percentages of self-reported disability are taken from *People with Disability in the Community* (Israel Ministry of Health 2009). Pension disability program costs for the United States are based on the *Annual Statistical Supplement to the Social Security Bulletin, 2007* (SSA 2008); United Kingdom program costs are based on fiscal year (FY) 2007 data taken from OECD (2011). Israel's disability prevalence statistics for 2010 come from NII. Similar statistics for the United Kingdom come from the Department for Work and Pensions, Disability and Carer's Division, which estimates the number of people with a long-standing illness, disability, or infirmity who have significant difficulty with day-to-day activities.

NOTES: All new disability claims were made in FY 2010, except for Canada in which new claims were made in FY 2008.

CPP-D = Canada Pension Plan Disability; DI = Disability Insurance; DSP = Disability Support Pension; ESA = Employment and Support Allowance; FT = fast track; GDP = gross domestic product; IB = Incapacity Benefit; N/A = data not available; NII = National Insurance Institute; SSA = US Social Security Administration.

- Self-reporting of disability differs by ages across countries: In Canada and the United Kingdom, self-reported individuals include those aged 16–64; in Israel, that population includes persons aged 20–64; in Australia, the self-reported disability population includes those aged 15–64; and in the United States, self-reported individuals include those aged 16–64, for US Census purposes.
- In this table, disability figures for the United States reflect only the DI program. In December of 2009, there were 7.8 million disabled-worker beneficiaries on the DI rolls. In addition, the program paid benefits to 1.9 million nondisabled dependents of disabled workers, 236,000 disabled widow(er)s, and 921,000 disabled adult children. Widow(er)s and most disabled adult children are not paid from the DI Trust Fund, so technically, they are not included under DI expenditures. Medicare and administrative costs are not included in DI figures. Administrative costs brought the total for DI Trust Fund expenditures for 2009 up to approximately US\$121.5 billion.
- Estimate.
- In Canada, there were also 88,555 children receiving benefits in addition to the CPP-D beneficiaries listed here.
- In Israel, there were an estimated 721,067 persons with a "nonsevere" disability (Israel Ministry of Health 2009).

appeals is as follows: reconsideration by the DDS, a hearing in front of a federal administrative law judge (ALJ) in SSA's Office of Disability Adjudication and Review, a request that the Appeals Council review the ALJ's decision, and an appeal to the federal court system.

An important characteristic that has set the claims process in the United States apart from other countries in the sample is SSA's replacement of the traditional paper-based claims folder with an electronic folder to store case-related data and images. Implementation of that technology began in 2004, and by early 2006, all DDSs had begun processing more than half of new disability claims in a completely electronic format (Green and others 2006).<sup>16</sup> The automated electronic disability collect system (EDCS) records information about the claimant's alleged disabling condition(s) and transfers data to the electronic folder. SSA creates that folder (containing all essential documentation), which can be accessed by all case-processing agency components (field offices, DDSs, and so forth) through an associated electronic folder interface. That interface enables the downloading of electronic folder data as cases move from one office to another throughout the determination process. At the initial application stage, the combination of the electronic folder and EDCS has enabled the use of electronic indicators to flag cases and is a predictive model for identifying claims that are likely to receive approval. Since 2008, new claims are handled solely by the electronic folder.<sup>17</sup>

### **Fast-Track Procedures**

SSA employs six FT<sup>18</sup> procedures that accelerate the claims process in the disability programs it administers (see Table 3). In general, one procedure only applies to claims under the SSI program, while the remaining processes either fall under DI or apply to both DI and SSI. However, there is some overlap in the identification process and application. The more recent initiatives are described in the following subsections. The newest procedures, QDD and CAL, are referred to as "fast track" by SSA, while the others are generally referred to as "expedited procedures."

**Quick Disability Determination (QDD).** SSA began using the QDD process in August 2006 on a pilot basis,<sup>19</sup> issued final regulations effective September 2007, and extended the QDD process nationwide by February 2008. QDD uses a predictive model to analyze specific elements of data within electronic files. Cases selected for QDD processing (this step takes about a second) are forwarded to a DDS within

24 hours of receipt and are very likely to receive favorable determinations using medical information that is readily available.

**Compassionate Allowance (CAL).** As another recent FT initiative, the CAL process was launched initially in the fall of 2008 and currently targets 27 cancers and 86 other specific medical conditions.<sup>20</sup> All CAL-identified conditions are selected for CAL processing based solely on the claimant's allegations. Unlike QDD, CAL does not score the disability claim. Instead, CAL uses sophisticated software to quickly identify diseases and other medical conditions that invariably qualify under the Listing of Impairments based on minimal, but sufficient, objective medical information. Trained professionals must determine whether the evidence confirms the diagnosis. If so, the claim can be approved in a matter of days, compared with the several months it may take on average for a claim to be approved at the initial determination level. SSA developed the list of CAL conditions from information received at public outreach hearings, public comment from an advance notice of proposed rule making, comments received from SSA and DDS communities, and from counsel by medical and scientific experts.<sup>21</sup>

**Terminal Illness (TERI) cases.** When a case is deemed TERI, it merits special handling, with carefully prescribed protocols for appointment setting, labeling and flagging (as TERI cases), tracking, and continuous monitoring of timing to ensure fast processing. When a new claim is filed, the TERI designation can be input into the electronic folder. Other types of cases (CAL, QDD, and so forth) may be designated for processing as TERI if they meet the TERI criteria. TERI cases, which can be assigned at any time and at any level of adjudication, may be identified by the teleservice center (telephone call center), field office, or DDS—where management is responsible for tracking and controlling TERI cases through the initial and reconsideration levels of review at the DDS, 10 days following the receipt of the claim and every 10 days thereafter.

Suitable applicants with an "untreatable impairment(s)"—which cannot be reversed and is expected to end in death—must present a credible claim themselves or from a friend, family member, personal doctor, or other medical source, although TERI cases can also be identified by the field office or DDS during standard processing. Qualifying claims may be based on a diagnosis, such as amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease) or a statement that the claimant is receiving in-patient

**Table 3.**  
**Fast-track processes in the United States and other selected countries, 2010**

Country	Program/initiative and fast-track (FT) process	Date implemented	Description and features of interest
United States	Both Disability Insurance (DI) and Supplemental Security Income (SSI) <ul style="list-style-type: none"> <li>• Presumptive Disability/ Presumptive Blindness (PD/PB)</li> <li>• Terminal Illness (TERI)</li> <li>• Expedited Reinstatement (EXR)</li> <li>• Military Service Casualty Cases (MSCC)</li> <li>• Quick Disability Determination (QDD)</li> <li>• Compassionate Allowance (CAL)</li> </ul>	<ul style="list-style-type: none"> <li>• PD/PB (1974)</li> <li>• TERI (1991)</li> <li>• EXR (2001)</li> <li>• MSCC (2001)</li> <li>• QDD (2007)</li> <li>• CAL (2008)</li> </ul>	<ul style="list-style-type: none"> <li>• CAL and QDD enabled through sophisticated software</li> <li>• QDD only relies on predictive modeling scoring</li> <li>• EXR applies to postentitlement cases</li> </ul>
Australia	Disability Support Pension (DSP) <ul style="list-style-type: none"> <li>• Manifest grant</li> </ul>	<ul style="list-style-type: none"> <li>• Manifest grant implemented around 2002</li> <li>• New FT impairment lists introduced in July 2010</li> <li>• CAL conditions used as a starting point for initial listings</li> </ul>	Five categories of manifest grants: <ol style="list-style-type: none"> <li>1. Permanent blindness</li> <li>2. Terminal illness</li> <li>3. Intellectual disabilities</li> <li>4. Condition requiring nursing home-level care</li> <li>5. Category 4 HIV/AIDS</li> </ol>
Canada	Canada Pension Plan (CPP) Canada Pension Plan Disability (CPP-D) <ul style="list-style-type: none"> <li>• FT for reapplication</li> <li>• FT for automatic reinstatement</li> <li>• Terminal Illness Application (TIA) pilot</li> </ul>	<ul style="list-style-type: none"> <li>• Procedures initially implemented in 2002</li> <li>• New FT procedures updated in March 2010</li> <li>• Fast-track reapplication (1995)</li> <li>• Automatic reinstatement (2005)</li> <li>• Pretest of TIA pilot started in the fall of 2007</li> <li>• Pilot has been expanded to more provinces/hospitals</li> </ul>	<ul style="list-style-type: none"> <li>• Priority given to terminally ill applicants</li> <li>• Application reviewed within 48 hours instead of 4 months</li> <li>• For reapplication or reinstatement if previous condition reappears after return to work and benefits have stopped</li> <li>• Streamlined form and provides help with document preparation; Government partnership with service providers to assist clients</li> </ul>
Israel	General disability <ul style="list-style-type: none"> <li>• “Green Route”</li> </ul>	<ul style="list-style-type: none"> <li>• Government mandated in the 1990s that claim determination be reached within 3 weeks from application submission</li> </ul>	<ul style="list-style-type: none"> <li>• For claimants with severe disability</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>• Employment and Support Allowance (ESA)</li> <li>• Disability Living Allowance (DLA)</li> </ul>	<ul style="list-style-type: none"> <li>• ESA replaced Incapacity Benefit in October 2008</li> <li>• DLA was introduced in 1992</li> </ul>	<ul style="list-style-type: none"> <li>• ESA consists of both contributory and means-tested portions</li> <li>• DLA is noncontributory and not means tested</li> </ul>

SOURCE: Compiled by the author.

hospice care. Additional qualifying conditions include a bone marrow transplant, any stage IV malignancy, and small cell or throat cell lung cancer, among others.

**Military Service Casualty Cases (MSCC).** SSA expedites the processing of disability claims by military service members seriously injured while on active duty on or after October 1, 2001, with assistance from the Veterans Administration (VA) and the Department of Defense (DoD).<sup>22</sup> To give priority to those cases, SSA has encouraged the identification of these “wounded warrior” claims in two ways (GAO 2009). First, since 2005, claimants can self-identify under the MSCC program when filing for disability. SSA has added questions on its application form to help recognize military service members and veterans and their dates of service. Second, DoD agreed (in a 2008 memorandum) to send weekly electronic updates to SSA with information about service members’ status as “wounded, injured, or became ill” connected with military operations in Afghanistan and Iraq.

To qualify for disability benefits under MSCC, military personnel must be unable to do substantial work because of their medical condition(s)—either physical or mental—and the medical condition(s) must have lasted or be expected to last at least 1 year, or is expected to result in death. Service members frequently undergo a qualifying medical exam or medical test to assist in the case evaluation. Field office and DDS staff are instructed to expedite processing those claims and to follow TERI procedures through all stages of case development and adjudication. Once the field office refers the application to a DDS for review, it follows up within 7 days to ensure receipt by the DDS system. DDS staff is required to consider wounded warrior cases as early as possible and explore all potential physical and mental impairments. In addition, SSA staff at the hearing level is required to schedule wounded warrior cases in the first available open hearing slots; such cases receive an electronic indicator so that an adjudicator knows to expedite case processing.

**Presumptive Disability (PD)/Presumptive Blindness (PB) cases.** PD/PB status dates back to the introduction of SSI in 1974. First-time disability claimants may receive payments in advance of the formal medical determination by the DDS if there is a “high degree of probability” that the DDS will find the claimant disabled after obtaining all the necessary evidence. There are a limited number of conditions one must have to be eligible for receipt of payments, and the field office is authorized to make PD or PB

determinations. The DDS can make such determinations in any case with a high probability of allowance.

PD/PB disability cases must meet all nonmedical factors of eligibility. Benefits begin the month after a claimant files an application, if PD/PB requirements are met. These are presumptive payments, which present a notable difference from other FT categories. Claimants may receive up to 6 months of payments based on PD or PB prior to the formal DDS determination. If the DDS finds that the claimant is not disabled, the claimant is not required to return the presumptive payments.

Qualifying impairments from which an SSA field office worker can identify include the amputation of two limbs; amputation of a leg at the hip; allegations of total blindness, total deafness, or a cerebral vascular accident (stroke) more than 3 months prior to application with the claimant having marked difficulty walking or using a hand or arm. Additional such impairments include alleged muscular dystrophy; muscular atrophy; or cerebral palsy with the claimant having marked difficulty walking, speaking, or coordinating his or her hands or arms; and terminal illness with a physician’s confirmation of the expectation of death within 6 months. As previously noted, DDSs are not confined to the list of special categories that SSA field office workers use, but can make determinations of presumptive disability in any case involving any impairment in which the adjudicators have sufficient evidence to determine that there is a high probability of allowance.

**Expedited Reinstatement (EXR) cases.** EXR, which became effective January 1, 2001, is a safety net for persons who successfully return to work and later lose their entitlement to DI or SSI because of their work activity. EXR is not an expedited initial application, but a postentitlement process. An application does not need to be completed at the time the individual is terminated for SGA, but he or she can subsequently no longer work because of the same or related medical condition(s). As a result, the standards are not the same as those for the initial decision. Moreover, the process is not impairment-specific, but applies to individuals who allege the same impairment(s) as that stated in their original application.

If a person’s entitlement ended because he or she had resumed work and received earnings, but stopped working within 5 years of when those benefits ended because of the same medical condition(s), it is possible for SSA to restart benefits without the individual filing

a new application. If a person qualifies for EXR, SSA may pay up to 6 months of temporary (provisional) cash payments while the DDS conducts a medical review. In addition, the person is also eligible for medical insurance (Medicaid or Medicare) during the 6-month provisional benefit period. Provisional payments are made beginning with the month that the claimant files the EXR request.

### ***Application Sequence and Administration of Disability Claims***

To apply for disability benefits in the United States, applicants can complete an online application in many cases, mail or bring in a completed disability report, or file a report at their local Social Security office. Once a claimant's application is complete, field office staff electronically transfers the claim to a central office for disability determination. At that point, sophisticated software electronically evaluates the claim, determining whether the case qualifies for processing as a QDD and/or CAL case.<sup>23</sup>

For QDD, a predictive model rapidly searches data from the disability report and evaluates variables including alleged impairments, medication, age, education, and work history. The model sums the weighted variables and generates a likelihood score for the case becoming a QDD. More specifically, a QDD case is identified electronically by the model as having a high degree of probability that the claimant is disabled; evidence of the claimant's allegations is expected to be readily available and the case can be processed quickly by the DDS. If the model identifies a claim as QDD (sufficiently high score), the claim is electronically marked "QDD" and routed to the state DDS.<sup>24</sup> Following receipt at the DDS, a QDD case is assigned to a disability examiner, also known as a disability claims adjudicator, who reviews the allegations and whatever medical evidence is submitted at the time of filing. If warranted, the disability examiner tries to obtain additional evidence as needed. Then the DDS, in coordination with a medical consultant, prepares a determination and returns the updated electronic folder to the Social Security field office.<sup>25</sup>

Similar to the process for QDD cases, potential CAL cases are identified at initial application using sophisticated software. CAL cases also receive expedited handling at the DDS level. However, in contrast to QDD cases, CAL cases are not selected on the basis of a likelihood (probability) score. Instead, medical conditions preidentified as CAL are loaded into global reference tables by impairment name, common

synonyms, and abbreviations. When the CAL-selection software identifies the name of a CAL condition on an application, the case is electronically marked "CAL" and routed to the DDS for expedited handling.<sup>26</sup>

To expedite the processing of CAL claims, SSA has provided disability adjudicators with impairment summaries for CAL conditions. The impairment summaries contain information about each listed condition, indicate the type of medical evidence needed to confirm a diagnosis, and suggest the Listing of Impairment criteria under which the claim may be evaluated.

### ***Fast-Track Highlights in the United States***

In sum, SSA uses six FT procedures that accelerate the claims process in the disability programs it administers, including sophisticated software to enable the following newest initiatives, QDD and CAL:

- For QDD, SSA's operational instructions state that the disability determination should be made quickly after the claim is received in the DDS and provide a recommended time frame of 20 days or less in the DDS.
- Nearly 4 percent of all disability applications went through QDD/CAL processing in fiscal year (FY) 2009, and this share grew to 4.5 percent by the end of FY 2010; the goal for FY 2011 was 5 percent.

### ***Experience of Other Countries Operating Fast-Track Procedures***

Other countries have FT procedures in their disability programs. Table 3 lists the FT procedures described in the United States and the other four countries examined in this article. Of significance is the variety of procedures found in nearly every country under study.

While the US complement not only contains six FT processes that address a variety of impairments, the availability of an electronic claims process has permitted the introduction of predictive modeling and automated case selection software. That innovation has the potential to lower processing times and improve impairment identification in submitted claims. As noted earlier, the QDD process selects cases based on a likelihood (probability) score, whereas the CAL process primarily relies on the software to identify the terms of a preidentified medical condition. The latter CAL-style approach is used in the other countries listed in Table 3, although with less emphasis on technology. However, the situation in some of these other countries may change given announced reforms

involving steps to upgrade the operational systems of their respective disability programs.

Fast-track strategies detailed for two countries in Table 3 are particularly noteworthy. In Canada, FT processes target individuals in the process of submitting an application for a claim, as well as those who have returned to the labor force after suffering a relapse, which is similar to expedited reinstatement cases administered by SSA. Another country with an interesting FT feature is the United Kingdom, which not only has an FT process for its long-term disability program, but also operates a supplementary program providing additional benefits for care and mobility needs, with FT features. More generally, all countries in this study target claimants with a terminal illness, and nearly all (except Israel) have recently changed their FT procedures and listed disabling conditions.

Table 4 allows a comparison of the general decision procedure for disability claims (column 1) and claims with FT processing (columns 2–5), including the country-specific decision process, FT procedures, FT technology, specific time lines; and the motivation for implementing FT procedures.

Multiple stages characterize the decision process in all countries, with the responsibility for decision making typically conferred on a disability examiner who may share this obligation with a medical specialist. The descriptions covering technology and time frames vary the most. The innovations in software and electronic claims processing of the United States may be followed by Israel and Australia in the future, with limited changes observed in the other countries sampled. In general, the time horizons indicate dramatically lower processing times that the various disability programs establish and achieve using FT claims procedures.

### ***Fast-Track Experience in Australia's Public Disability Programs***

Australia is one of a small number of developed countries with social security programs based on social assistance rather than a social insurance approach. All major support systems, including those related to disability, are funded through general revenue and are based on income and assets tests (Clayton and Honeycutt 2005). Eligibility determination, payments and services provided by public disability programs, as well as unemployment and other pensions, are the responsibility of the government service provision agency, Centrelink.<sup>27</sup> The Department of Families,

Housing, Community Services and Indigenous Affairs (FaHCSIA) sets policy for disability programs.<sup>28</sup>

The primary mode for providing income support in Australia for persons with disabilities is the Disability Support Pension (DSP). To qualify for DSP, an applicant must meet age, residency, disability, and employment criteria. Applicants must be aged 16–64 (or 16–65, depending on sex) and satisfy minimal residency criteria.<sup>29</sup>

An applicant can satisfy the disability requirements for the DSP in two ways. The first requirement involves a diagnosis of permanent blindness. Persons who are permanently blind automatically meet the medical eligibility criteria for the DSP and are exempt from the income and assets test that applies to all other DSP recipients. The second requirement is a permanent physical, intellectual, or psychiatric impairment assessed at 20 points or more using the Impairment Tables, which assess an applicant's functional limitations related to work in terms of effects on "body systems" rather than a specific diagnosis. The Impairment Tables have a maximum range of 40 to 50 points.<sup>30</sup> To be eligible, the person must also be unable to perform any work of at least 15 hours a week at or above the relevant minimum wage, or be unable to train for such work for at least the next 2 years, as evidenced by a job capacity assessment (JCA). To confirm the impairment rating under the Impairment Tables, the physical, psychological, or psychiatric impairment must be permanent—that is, fully diagnosed, treated, and stabilized, and unlikely to show any significant functional improvement within 2 years, with or without reasonable treatment.

A reform of Australia's disability programs was introduced as part of the 2009–2010 budget, including a new assessment process, more stringent eligibility rules, a new advisory unit to give DSP assessors independent advice, and a comprehensive revision of the Impairment Tables used to measure how a person's impairment(s) affects their ability to work. The tighter eligibility rules and new Impairment Tables are scheduled to be implemented in 2012.

### ***Disability Assessment Process***

All DSP applicants, except for those considered "manifestly disabled" (with impairments described in the following section), must undergo a job capacity assessment, which has a dual role of assessing the individual's work capacity and barriers to find work and of referring the person to appropriate assistance when needed. For this purpose, the assessor collects

**Table 4.**  
**Comparison of usual claims procedures and fast-track processing of long-term disability programs in the United States and other selected countries, 2010**

Country	Decision procedure	Fast-track processing
United States	<p>Application is filed; claim is forwarded to state Disability Determination Service (DDS), which collects medical/other evidence and makes decision for Social Security Administration (SSA). DDS may require one of more independent medical examinations. The disability examiner (DE) and a medical professional review evidence and make determination based on five-step evaluation process. Person may be found disabled based on list of impairments or assessment of functional limitations and vocational issues. New regulations (effective 2010) allow qualified DEs to issue some favorable Quick Disability Determination (QDD) and Compassionate Allowance (CAL) decisions alone. DEs may consult state medical professionals in those cases, but are not required to do so.</p>	<p>Six fast-track (FT) initiatives to accelerate the claims process. Of those, only one (presumptive disability/presumptive blindness) operates solely under Supplemental Security Income (SSI), while the others fall under Disability Insurance (DI) and SSI. Newer initiatives (QDD and CAL) rely on sophisticated software. QDD relies on probabilistic modeling to identify claims, while CAL uses that software to identify cases based on medical terms.</p>
Australia	<p>Disability Support Pension (DSP) applicants, except those <i>manifestly disabled</i>, must undergo job capacity assessment (JCA) to evaluate work capacity/barriers to find work. Assessor collects medical files, employment history, and so forth. JCA provides Centrelink with information on applicant's recommended impairment rating/work capacity. Decision to grant/reject DSP made by Centrelink based on all available evidence.</p>	<p>Claimants for DSP are generally required to undergo independent assessment, JCA, for level of impairment/work capacity. People in select categories can be granted DSP without need for JCA, including those permanently blind; terminally ill; having intellectual disability; requiring nursing home-level care; or having category 4 HIV/AIDS. New FT impairment lists (2010) use SSA's CAL as starting point.</p>
Canada	<p>Canada Pension Plan (CPP) reviews application, medical report, and other documents before sending for medical adjudication. Adjudicators responsible for making decisions for CPP disability benefits. CPP assesses severity of disability, and if claimant does not meet <i>severe</i> criterion (unable to regularly pursue substantial gainful occupation), then CPP does not consider question of whether disability is prolonged. Once confirmed that claimant made required contributions and is granted a CPP disability benefit, then prior contributions are used to calculate monthly benefit.</p>	<p>In the case of terminal illness, key performance indicator is 48 hours from receipt of three information pieces: application, applicant's questionnaire, and medical report.</p>
Israel	<p>Two-stage process of determining entitlement: 1) National Insurance Institute (NII) physician determines medical disability percentage, and 2) claims officer determines degree of incapacity to earn/function after consultation with authorized physician and rehabilitation clerk. At times, the opinion of rehabilitation clerk regarding incapacity degree may be influenced by variables such as labor market situation and claimant's area of residence.</p>	<p>According to a 1990s government decree, determinations must be reached for persons with severe disabilities within 3 weeks of day claim submitted. When authorized physician makes decision and transfers claim to second stage, he or she must indicate if claimant has <i>severe</i> disability. If claimant has 100% disability from single impairment, there is no need at first stage to diagnose other impairments. Persons with severe (at least 80%) disability are given priority in summons before medical committees.</p>
United Kingdom	<p>When claiming Employment and Support Allowance (ESA), claimants enter 13-week assessment. During that phase, claimants take part in work capability assessment (WCA) to determine ESA eligibility/capability for work. Special rules permit exceptions to WCA (terminal illness and so forth). While awaiting assessment, claimants receive basic assessment rate. Once assessed, they are placed in one of two categories: "support group" or "work-related activity group." Amount of ESA benefit depends on category assignment.</p>	<p>ESA provisions allow claimants with terminal illness and sufficient <i>deeming conditions</i> to be fast tracked before reaching medical questionnaire or in-person assessment stage, which determine eligibility. If applicant wishes to claim under special rules, case passes to health care professional (HCP) for assessment. Similar provisions apply for claiming Disability Living Allowance (DLA) under special rules, where HCP has 48-hour target to provide medical advice upon receiving case. If condition(s) is discovered at later stage, claimant can then be fast tracked.</p>

Continued

**Table 4.**  
**Comparison of usual claims procedures and fast-track processing of long-term disability programs in the United States and other selected countries, 2010—Continued**

Country	Fast-track technology	Time frames
United States	Electronic folder (EF) is replacing paper claims folder. System collects data on claimant's disabling condition(s) and transfers it to EF, accessible to all case-processing agency components. Sophisticated software analyzes data within EF to identify cases with high potential of claimant being disabled and where SSA can quickly obtain evidence of person's allegations.	No established time frames for rendering decision. For FT processes, persons with most severe disabilities will generally be approved for benefits in less than the 3–4 months it typically takes for initial decision. For QDD, guidelines call for 20–30 days; for CAL, time frame is not mandated.
Australia	Currently, paper medical reports from practitioners are stored in DSP claimant's paper file. Since 2010, those reports and other paper-based medical data can be electronically scanned and stored on claimant's computer record. Initially, this will only be done for new claimants. Centrelink decision makers/assessors can access electronically stored medical information.	Timeline standard for processing new DSP claims is for 70% completion within 49 days. Centrelink (agency that determines claims and makes payments for Department of Families, Housing, Community Services and Indigenous Affairs) consistently meets target. No separate statistics kept on FT manifest grants, but most of those grants would be completed within 49 days.
Canada	Claims processing consists of paper-based folder, with documents manually scanned into system initially on a flow basis. At initial adjudication/reconsideration levels, all <i>charting</i> conducted by Service Canada is saved electronically as are letters (generated from automated letter-writing program) to client/third parties. At reassessment levels, automated claimant/physician questionnaires, using special software, are available to assist evaluation of claimant responses to produce recommendation with supporting rationale specific to case.	Canada Pension Plan Disability (CPP-D) able to adjudicate 75% of initial files in 120 days. Process begins once necessary information received: application, applicant's questionnaire, and medical report. For terminal illness, standard time frame is 48 hours from receipt of that data. By law, benefits start 4 months after date Service Canada determines the person is disabled. Thus, there is a 3-month waiting period.
Israel	Public programs use electronic databases during application process, disability assessment, and benefit payment, which include data on disability criteria and results of medical/functional assessments. NII has central computer located in headquarters with online accessibility from local branches. Patients have electronic medical records (EMRs) via sick funds (similar to HMOs in United States). NII working to gain access to records for claims processing and planning a computerized system ( <i>Tevel</i> ) with focus on diagnosis (International Classification of Diseases, 9th edition-based) and document management (including EMR data obtained from sick funds).	By law, entitlement to/and payment of benefit begins only after 90 days have elapsed since incapacity began ( <i>determining date</i> ). Every claim is transferred to a doctor. If person severely disabled (generally 70% or more), claim processed within 21 days. Average time frame for processing claims is 70 days.
United Kingdom	Computerization of certain features exists in general claims process. Diagnostic system developed to permit claims administrators to check range of symptoms and progression of disease based on average prognosis, by evaluating reports provided by claimants and their physicians. No automatic processing guides FT strategies. Under special rules for terminally ill, applicants check box on claim form to indicate claiming under this provision.	While eligibility for ESA is determined, claimants receive basic rate of benefit for 13 weeks. Claimants who state they are terminally ill or suffer from <i>deeming conditions</i> have cases reviewed by HCP within 24 hours of referral. If satisfied, HCP recommends claimant be paid highest level of ESA, without providing further data or undergoing in-person assessment. For typical DLA claims, the target for clearing applications is within an average of 35 days; special rules FT cases are processed in 6.1 (target of 8) days.

Continued

**Table 4.**  
**Comparison of usual claims procedures and fast-track processing of long-term disability programs in the United States and other selected countries, 2010—Continued**

Country	Objectives
United States	Processes enable fast tracking applicants with most severe disabilities. FT systems increase efficiency/productivity of process and may help free up resources so SSA can better cope with recent large increases in DI applications. For SSI recipients, expedited approvals also ensure immediate medical coverage for many individuals.
Australia	<i>Manifest grants</i> of DSP only made in specific cases and in limited number of specific circumstances. Before 2002, the manifest grant rules were significantly looser with more discretion, but were found to be applied inconsistently by decision makers.
Canada	Standardized procedures for adjudicating applications for the terminally ill adopted in 2002 to ensure <i>compassionate, sensitive, and timely</i> service for applicants by requiring applications be adjudicated within 48 hours of receipt. That process was streamlined in 2010. Automatic reinstatement of benefits was implemented in 2005 to provide financial safety net and encourage beneficiaries to try to return to regular employment. FT reapplication (1995) allows additional measure of support.
Israel	Disability pension is provided to resident applicants. Motivated by humanitarian reasons, the government's decree in the 1990s mandated a decision within 3 weeks following submission of a claim for persons assessed <i>severely disabled</i> .
United Kingdom	The focus is to improve mainstream employment programs for the sick and disabled. An important goal is to help persons move from receiving benefits back into the workforce. For the terminally ill and others, FT processes help accelerate claimants through the determination process to provide benefits more quickly.

SOURCE: Compiled by the author using online country websites, Westat (1998), and Honeycutt and Mitra (2005).

medical files, employment history, and other relevant information about the person. Since July 1, 2010, assessors have electronic access to the applicant's medical information via computer.

“Job capacity assessors” are allied health professionals, such as psychologists, social workers, rehabilitation counselors, occupational therapists, and

physiotherapists. (JCA providers have been contracted by the Australian Department of Education, Employment and Workplace Relations.<sup>31</sup>) Assessors have to undertake training courses and follow service guidelines to ensure that assessments are delivered consistently across the country. Assessors and claimants are able to discuss claimants' educational attainment, work history, skills, qualifications, and interests, as well as the effects of their medical condition(s) including treatment history and the stability and prognosis of any episodic condition(s). Assessors are also able to discuss with claimants other factors that could affect the claimant's ability to work, such as language difficulties or mobility problems. This assessment provides expert advice about the impairment rating and the impact of the medical condition(s) on the person's capacity to work.

The JCA provides Centrelink staff with information on the applicant's recommended impairment rating under the Impairment Tables and his or her work capacity. The assessor completes the JCA report electronically and that report is transmitted to Centrelink and stored on the DSP claimant's computer record. The decision to grant or reject the DSP is then made by Centrelink personnel based on all available evidence, including the information provided by the claimant and by the JCA.

### **Fast-Track Procedures**

Claimants in select impairment categories can be granted a DSP without the need to undergo an independent JCA of their level of impairment and work capacity. Those *manifest grants* are made to claimants with one of the following conditions:

- Permanent (legal) blindness—based on the information provided in an ophthalmologist/optometrist report
- Terminal illness—current medical condition(s) is chronic and debilitating with a prognosis that the life expectancy is 24 months or less
- Intellectual disability—supporting documentation clearly indicates an impairment rating of 20 points or more under the Impairment Tables
- Condition requiring nursing home–level care
- Category 4 HIV/AIDS

Supplementing those manifest grant categories are two fast-tracking lists of conditions, which were introduced in July 2010, using SSA's CAL conditions as a starting point. Claimants with a condition on list 1

are fast-tracked to a DSP on the basis of diagnosis alone. If the claimant has a condition on list 2, then more information on the prognosis/severity needs to be obtained from the doctor/specialist before deciding whether to fast track the claim or refer the claimant for a JCA. If the DSP claimant's medical report lists such a condition, then the newly created Health Professional Advice Unit (HPAU) provides immediate advice about a condition, treatment regime, and likely prognosis. The HPAU doctor may be able to confirm the expected prognosis, that is, whether terminal or catastrophic, or may contact the treating physician to clarify and thereby expedite the claim without further assessment. At the same time, treating physicians are eligible to receive payment after providing information on the claimant—enabling DSP assessors to make a more informed decision—at the request of the HPAU.

### ***Application Sequence and Administration of Disability Claims***

Applicants are encouraged to register their intention to claim the DSP to ensure they will be paid from the earliest possible date. That step can be accomplished online, by telephone, or in person at a Centrelink customer service center. Once an applicant has registered his or her intent to file a claim, a Centrelink customer service officer will send the applicant a paper claim pack; those claim forms can also be downloaded online. The three forms that must be completed include one for the claim, one for income and assets, and the medical report. Completed forms may be sent to the nearest customer service center or submitted in person by the claimant or another person on the claimant's behalf.

It is up to the DSP claimant to make an appointment and arrange for his or her treating medical practitioner to complete the medical report. The treating medical practitioner usually gives the completed report to the DSP claimant to submit to Centrelink, or the doctor may mail it directly to Centrelink. The paper-based medical report provides information on the diagnosis, clinical features, treatment details, and the impact of the medical condition(s) on the claimant's ability to function.

Historically, the paper-based medical reports from medical practitioners were stored in the DSP claimant's paper-based file. Since July 2010, those paper reports and other paper-based medical information are being electronically scanned and stored on the claimant's computer record. Initially, this is the process for new claimants, but it is expected that all existing medical information will eventually be scanned and

stored electronically for access by Centrelink decision makers and job capacity assessors.

In addition, under the updated DSP fast-tracking procedure, the condition(s) listed in the DSP claimant's medical report are checked against the list of conditions to see if it is on one of the two lists; if so, eligibility is established for the manifest grant without the need for a JCA. For example, if a Centrelink customer service officer attempts to set up a JCA appointment for a DSP claimant who has a medical condition code that corresponds to a condition on list 1 or list 2, a warning flag will appear advising the staff to consider whether fast tracking would be appropriate before booking the JCA appointment. Therefore, those lists assist Centrelink customer service staff in recognizing conditions that may deserve a DSP manifest grant under the existing guidelines so that the advisor could then consider fast tracking the claim. The new lists are particularly useful for some of the lesser-known disorders, providing clearer information than was previously available.

### ***Fast-Track Highlights in Australia***

The following list shows Australia's experience with fast tracking disability claims:

- A disability reform implemented in 2010 aims to lead to fewer claims overall, but generates faster FT processing for manifest grants, including the addition of two CAL-style listings. The reform also created a new Health Professional Advice Unit to give DSP assessors independent advice and to comprehensively revise the tables used to measure how a person's impairment affects their ability to work.
- Since July 2010, Centrelink has had access to electronic medical files for new claims.
- Over 6 percent of DSP grants in the 2008–2009 period were manifest grants, with slightly more than half approved because of a terminal illness.
- While no separate statistics are kept on processing times of FT manifest grants, disability program staff in Australia indicates that approximately 70 percent of new disability claims are processed within 49 days, and that FT claims fall well within this time frame.
- Manifest grants by category for the 2008–2009 period, as a percentage of all successful approved grants, include permanent blindness (0.37 percent), terminal illness (3.30 percent), intellectual/learning disability (2.12 percent), nursing home–level care (0.54 percent), and HIV/AIDS (negligible).

## **Fast-Track Experience in Canada's Federal Disability Programs**

The Canada Pension Plan Disability (CPP-D) program provides monthly benefits to Canada Pension Plan (CPP) program contributors who cannot work at any job because of a “severe” and “prolonged” physical and/or mental disability. *Severe* means that applicants are incapable of regularly pursuing any gainful occupation because the disability prevents them from doing any type of work on a regular basis. *Prolonged* means that (1) the disability is of long and indefinite duration, or (2) the disability is likely to result in death.

Service Canada offers a “single-window access” to a range of government programs and services for Canadian citizens, including the CPP-D program, through its more than 600 points of service located across the country, call centers, and the Internet.<sup>32</sup>

### **Disability Assessment Process**

The CPP-D program involves a two-part test for eligibility—the earnings test and the medical requirement. To be eligible for a CPP disability benefit, an applicant (referred to as a “client”) must have made enough CPP contributions in at least 4 of the last 6 years, or have contributed for at least 25 years, including 3 of the last 6 years prior to becoming disabled.<sup>33</sup> In the process, the provisions that follow may be used to help the client: late applicant provision, child-rearing, drop-out provision, credit splitting provision, and international agreements. The “minimum qualifying period” (MQP) is the minimum number of contribution years needed to be eligible for a disability benefit. Service Canada staff must calculate a claimant’s MQP before it can assess medical eligibility.

Next, a CPP-D medical report is reviewed, including documentation of clinical observations, diagnosis, and long-term prognosis of an applicant’s medical condition(s). Medical adjudicators, who are trained health care professionals (generally nurses) knowledgeable in CPP disability legislation and policies, are responsible for making a decision on a CPP-D application. They decide first whether the client’s medical condition(s) meets the *severe* and *prolonged* criteria as discussed below.<sup>34</sup> For more complex cases, adjudicators may consult with a CPP physician. Eligibility is not based on a specific medical diagnosis, but considers other factors as well, including the nature and severity of the medical condition(s); the impact of the medical condition(s) and treatment on the claimant’s capacity to work at any job; personal characteristics

(for example, age, education, and work history); and the applicant’s work performance and productivity.

In addition to the detailed information provided by the applicant, CPP (like SSA in the United States) may consult with employers, schools, and other third parties who may be able to provide additional information on the applicant’s functional capacity. The information provided by the applicant’s treating physician is also important to the adjudicators making the decision. If required, the adjudicators may also seek information from non-CPP specialists or independent medical examiners. This ensures that CPP has enough information to be reasonably satisfied that the applicant meets the eligibility requirements.

CPP assesses the severity of the disability first, and if the client does meet the *severe* criterion (client is unable to regularly pursue any substantial gainful occupation), then CPP considers the question of whether the disability is *prolonged*. If the medical adjudicator determines that the client meets the criteria of *severe* and *prolonged* and grants the CPP disability benefit, then the benefit officer calculates the monthly benefit based on the client’s previous contributions.

### **Fast-Track Procedures**

A national policy, with standardized procedures for the adjudication of disability applications for clients with a terminal illness, was adopted in June 2002. It was enacted to ensure “compassionate, sensitive, and timely” service for applicants by requiring that their disability application be adjudicated within 48 hours of receipt in the disability unit. This process was updated in March 2010 to streamline the application process at all levels for applicants whose medical condition(s) is considered terminal.<sup>35</sup>

The process begins once the application is received in the mail processing center and the program service delivery clerk manually scans for one of the following key terms, which could indicate a terminal illness, upon receipt of an application: “stage III or IV cancer,” “end stage,” “failure,” “malignant,” “metastatic/mets,” “palliative,” “terminal,” “carcinoma,” “sarcoma,” and “blastoma.” The clerk tags terminal illness files based on the diagnosis section of the medical report—a “red urgent” tag is stapled to the folder to note the 48-hour contact frame, and the “urgent box” is checked in the automated file tracking system. The clerk requests any previous file(s), verifies the date of birth and social insurance number, and then ascertains whether there are current earnings. If required, the clerk forwards

the file to the benefits officer for an earnings investigation. Throughout that process, incomplete files will trigger a telephone call to applicants to alert them about any missing information. If everything is in order, the file is forwarded for medical adjudication. If the claim is denied based on nonmedical information, a call is placed to the client explaining the decision and his or her right to request reconsideration, and a denial letter is sent out, including an information sheet regarding additional resources available in the community.

If the claim is not denied based on nonmedical information, the medical adjudicator assesses the file to determine if the client meets the impairment criteria of being severe and prolonged. The adjudicator processes the file immediately when the information clearly indicates the status is terminal, obtaining medical confirmation of the status by telephone or fax. If the adjudicator does not find that the client has a terminal illness, he or she deactivates the terminal-status indicators and returns the file to the queue for normal processing. Upon receipt, additional documents are added to the file throughout this step. For terminal cases, the client will be notified of the decision within 48 hours from the clerk's first receipt of the file in the mail processing center.

The CPP-D program operates other FT initiatives that enhance the decision process described earlier, including policies for the automatic reinstatement of returning applicants to their previous CPP-D benefits and assistance to potential applicants in their document preparation prior to submitting a formal application.

**Fast-track reapplication and automatic reinstatement.** Since January 31, 2005, former disability beneficiaries who have returned to regular employment (and whose benefits have ceased as a result) are entitled to *automatic reinstatement of benefits* if they cannot continue working because of a recurrence of their disabling condition(s). This is a postentitlement policy similar to the Expedited Reinstatement (EXR) policy operated by SSA in the United States. For CPP-D beneficiaries, this policy provides a financial safety net to encourage a return to regular employment. It is particularly beneficial for persons with episodic disabilities, as there is no limit on the number of times a claimant can use this provision. To use the automatic reinstatement provision, the claimant must have informed the CPP-D about his or her return to work and benefits must have ceased. The claimant is sent an automatic reinstatement information kit

to use in the event that his or her disability recurs and prevents the continuation of work. A request for automatic reinstatement is not a readjudication; there is a process of completing a simple form in addition to providing a statement from a physician verifying that the person has the same or recurring medical condition(s). The automatic reinstatement entitlement is available for 2 years following the month the CPP-D benefits stopped. In addition, the request for reinstatement must be made within 1 year following the month in which the recurrence of the disability caused the individual to stop working.

Another earlier policy, *fast-track reapplication*, was introduced in 1995 to encourage CPP-D beneficiaries to attempt a return to work. The provision allows contributors to reapply at any time within a 5-year period after the termination of CPP-D benefits. That allows an additional measure of support for applicants who may not meet the time lines or medical eligibility requirement for the automatic reinstatement of benefits, provided that valid earnings and contributions are made each year following the cessation of the previous disability benefit. As with the automatic reinstatement provision, there is no limit to the number of times the process may be used. Claimants who reapply within 5 years will receive priority processing status, and approved individuals will receive a benefit payment the month following the date of application.

**Terminal Illness Application (TIA) pilot.** CPP-D has been testing an abridged format and process for terminally ill applicants. Anecdotal information has indicated that it takes approximately 4 months on average for claimants to complete the regular CPP-D application form (33 pages).<sup>36</sup> The TIA is a streamlined 8-page form. Service Canada has partnered with service providers—social workers; extramural nurses; cancer care “navigators” (nursing professionals who help patients and families understand cancer diagnosis, treatment, and other factors); and physicians in hospitals and clinics—who work directly with terminally ill clients. Those service providers assist the client with the shortened form, coordinate the completion of the medical report, and fax the application directly to the mail processing center to begin the formal claims process. Once all of the pieces of the application are received for processing, a decision is finalized within 1 to 2 days. Pretest of the TIA, which began with 6 hospitals in the fall of 2007, has now been expanded to more than 32 agencies/hospitals. According to Service Canada, an estimated 1.8 percent of CPP-D clients may benefit from a TIA. Service

Canada has received positive feedback from service providers indicating that the form and process are much easier to complete.<sup>37</sup> The next steps in the policy evaluation process will include further analysis of the TIA pilot data and a review of any lessons learned from the exercise.

### **Application Sequence and Administration of Disability Claims**

Individuals wishing to apply for a CPP-D benefit may contact Service Canada to obtain the CPP-D benefit application kit. Applicants can also get an online version of the application kit to print out. The kit includes several forms: an Application for Disability Benefits (to be completed by the applicant), a Questionnaire for Disability Benefits (to be completed by the applicant), and a Medical Report (to be completed by the applicant's physician). Additional reports from specialists are encouraged and can be submitted with the application on behalf of the client.

There is an "early client contact" policy active throughout the application and claims process. The policy is designed to obtain additional information from the client and ensure that he or she understands the basis for the decision. Once the client has filed an application, he or she receives a call from a Service Canada representative to gather and/or provide information about the application form, time lines, and what steps to anticipate in the adjudicative process. Once a decision to grant or deny has been issued, the client is contacted again by Service Canada and provided with information about the decision and related matters, such as the appeals process and other resources that are available.

### **Fast-Track Highlights in Canada**

The range of FT strategies includes a 48-hour processing policy for the terminally ill (introduced in 2002 and updated in 2010), FT reapplication and automatic reinstatement policies, and the Terminal Illness Application pilot—all assisted by an early client contact policy. The following items describe the results of FT strategies undertaken in Canada.

- CPP-D has been able to adjudicate 75 percent of initial general disability claims within 120 days, but the standard is 48 hours for fast tracking terminal illness cases.
- A terminal illness application pilot, introduced in 2007, provides a shortened and simplified application form and assists potential claimants before

their applications are submitted. This initiative has been expanded.

- Fast-track reapplication (introduced in 1995) and automatic reinstatement (updated in 2005) help former beneficiaries who returned to work, but who have had to reapply for CPP-D benefits after benefit termination because of a reoccurrence of the disabling condition(s).

### **Fast-Track Experience in Israel's Public Disability Programs**

Disability insurance in Israel provides a minimum subsistence income for persons with disabilities.<sup>38</sup> The disability pension is paid to residents of Israel between the ages of 18 and the retirement age who meet all the qualifying conditions. There are two main groups of entitled persons, according to the entitlement test: (1) disabled persons whose earning capacity has been lost or reduced as a result of their impairment (*earners*), and (2) disabled nonworking spouses (or common-law wives) whose capacity to function as "housewives" has been lost or reduced.

More specifically, the definition of a disabled earner is an individual who—as a result of a physical, mental, or emotional impairment stemming from an illness, accident, or birth defect—satisfies the criteria for one of the following categories:

- Being unable to self-support from work/occupation, or the capacity to self-support by working has been reduced as a result of the impairment(s) by 50 percent or more
- Having no actual income from work/occupation
- Being a working disabled person with income from work/occupation no higher than 60 percent of the average monthly wage, or no more than 4,984 new shekels (NS) or US\$1,448 (as of July 2011); entitled to a disability pension for a *long period*,<sup>39</sup> and designated as *severely disabled*<sup>40</sup>
- Being a working disabled person with income from work/occupation no higher than 45 percent of the average monthly wage, or no more than NS3,738 or US\$1,086 (as of July 2011) and who does not have a *severe disability* or was not entitled to a disability pension for a *long period*

For disability purposes, a *housewife* is a married woman (including common-law marriage) who has not worked outside the household for a period determined by law and who—because of a physical, mental, or

emotional impairment stemming from an illness, accident, or birth defect—does not have the capacity to function and carry out regular household chores, or her capacity for doing such work has been reduced by at least 50 percent.

The National Insurance Law was amended on August 1, 2009. The amendment encourages disability pension recipients to join the workforce, and it recognizes the rights of disability beneficiaries who do not work. Key provisions of the amendment include the following:

1. If a degree of permanent incapacity has been established, beneficiaries will not be reexamined upon joining the workforce. The overall amount received from work and from the pension will always be higher than the amount of the pension alone.
2. A 3-year safety net was created for beneficiaries; if they stop working or if their earnings from work decrease, they will be allowed to return to receiving the disability pension as before, without an additional examination.
3. A new incentive pension was created to replace the disability pension and will be paid automatically to beneficiaries who are also working. The pension will then be gradually reduced as the income from work increases, so the overall amount received from both working *and* from the pension will always be higher than the disability pension alone.

### **Disability Assessment Process**

There are two stages in the process of determining entitlement to a disability pension (Israel's National Insurance Institute (NII), Research and Planning Administration, unpublished memo). In the first stage, a physician appointed by NII determines the medical disability percentage. Entitlement to the pension is then examined for *earners* where a medical disability percentage of at least 60 percent has been determined (or 40 percent, if at least 25 percent is determined from a single impairment) and for *housewives* for whom a medical disability percentage of at least 50 percent is determined. If the calculated degree of disability is less than the respective thresholds at this stage, then the claim is rejected, and the second stage of examining earning capacity and household functioning is not carried out.

If the requisite medical disability percentage is determined in the first stage, a second stage involves the claims officer determining the degree of incapacity

to earn/function after consultation with an authorized physician and a rehabilitation clerk. The determination of the degree of incapacity is based mainly on the *earner's* personal characteristics, such as an ability to return to the previous job (on a full-time or part-time basis); work at a different job; or to learn a new profession (taking into account the claimant's education level, physical capacity, and health condition(s)). Under certain circumstances, the opinion of the claims officer regarding the incapacity degree may be influenced by other variables, such as the labor market situation in the disabled person's area of residence. Regarding *housewives*, the examination of capacity loss is based on functioning in the home.

According to NII, a new disability system is being designed, known as the *Tevel*, which will incorporate electronic technology to minimize the intervention of a claims officer (David Rajnes (author) and NII staff, personal communication). The new computerized system is expected to take 10 years to complete. The first phase includes activities associated with preparing the claim for the medical board evaluation. Essentially, NII is creating a paperless chart, similar to SSA's electronic folder. All incoming paper work will be scanned and have extensive key words attached. All claims will then be linked to the 9<sup>th</sup> version of the International Statistical Classification of Diseases and Related Health Problems (ICD9), which is used by NII. This new system is expected to include the following features:

- Supporting the filing of disability claims via the Internet
- Receiving medical records directly from sickness insurance funds (similar to private health maintenance organizations (HMOs) in the United States)
- Developing a listing of all medical documents with associated key words to enable search and retrieval functions
- Allowing claimants to be notified if they may be entitled to additional benefits
- Supporting simultaneous work by staff on a claim
- Incorporating a computer-driven "logic engine" to enable numerous warnings and alerts
- Producing a task-driven system that translates the workload into tasks for staff to handle
- Generating reports and quality assurance, including numerous metrics and data to allow ongoing evaluation and improvement of the system

## ***Fast-Track Procedures***

In the 1990s, the government decreed that decisions must be reached on claims for persons having severe disabilities within 3 weeks of the day that their claims are submitted. The NII introduced this *Green Route* to comply with the government mandate, which was enacted for humanitarian reasons, to quickly process claimants (for example, those who are terminally ill) projected to have shorter life spans than normal. When an authorized physician makes the decision and transfers the claim to the second stage, he or she must indicate if the claimant has one of the following cases of severe disability: cancer; amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease); blindness; is incapable of working at all for at least 1 year from the day of the submission of the claim; or the medical disability determination is at least 80 percent.

NII physicians may request special documents in order to make their decision.<sup>41</sup> If it is clear that the claimant has 100 percent disability from a single impairment, there is no need at the first stage to diagnose other impairments. Persons with severe disabilities are given priority by summons before "medical committees." In certain cases, such persons do not have to be physically present at the committee sessions, which is the stage that usually lengthens the determination process. If, despite all efforts, the decision on a claim of a person with a severe disability is not yet made after 3 weeks have elapsed since the submission of the claim and entitlement is probable, then an advance payment is made to the claimant.<sup>42</sup>

## ***Application Sequence and Administration of Disability Claims***

Persons who believe they are entitled to a monthly disability pension may contact the NII branch nearest their place of residence and submit a claim for a pension. By law, NII must consider the claim for a disability pension within 90 days (except for persons with *severe* disabilities as indicated earlier) following the day on which the applicant lost earning capacity (or capacity to perform housekeeping tasks for nonworking spousal applicants) or when the claimant's earning capacity was reduced by 50 percent or more.

The claim should be submitted by the applicant, although another person may represent the claimant and submit the claim on the applicant's behalf, if he or she is unable to submit the claim in person because of a physical or mental condition. Medical documents, certification of employment and salary, and any other

document proving the applicant's entitlement to a disability pension, should be attached to the claim.

The next step in the determination process is for the claimant to appear before a *medical committee*, composed of one NII doctor who specializes in a particular medical field and a secretary whose job is to ensure that the applicant's rights are protected and to record the committee report. Claimants reporting a number of conditions or medical impairments may need to be examined by several NII specialists and if, following the examination, it is determined that an additional examination is required by another specialist, one or more additional committees may be assembled. The opinions of those NII specialists are then submitted to the "certified physician."

Once the medical examination is concluded, the doctor reads the medical findings to the secretary and makes a decision in accordance with the medical documents on file, the claimant's application, and the completed examination. The doctor determines the degree of disability according to the "List of Impairments" in the examinations book (which contains a defined percentage of disability for every medical impairment according to NII regulations), sets the date for the start of the medical disability percentage, and determines whether the medical disability is temporary or permanent. If the committee believes that the claimant must undergo additional medical examinations or provide additional medical documents, it will not establish a percentage of medical disability, but will instead wait for the additional material. In such cases, a letter is sent to the claimant explaining what the committee requires. Upon receipt of the requested material, the committee determines the percentage of the claimant's medical disability.

Entitlement to a pension begins 90 days after the date of commencement of incapacity to earn/perform housekeeping tasks (the "determining date") for nonworking spousal applicants. The earliest possible date of commencement of incapacity is 15 months before a claim is submitted. Benefit levels are based on the disability percentage rating level assessed by this process.

## ***Fast-Track Highlights in Israel***

The following list summarizes strategies Israel has taken to address fast tracking disability claims:

- A 1990s government decree mandated that a decision must be reached on claims for persons with severe disabilities within 3 weeks of the day that claims are submitted. This is known as the *Green Route*.

- *Tevel* is the new computerized disability processing system expected to take 10 years to complete. The first phase includes activities associated with preparing the claim for the medical board evaluation. All incoming paper work will be scanned and have extensive key words attached and then linked to the International Statistical Classification of Diseases and Related Health Problems (ICD9).

### ***Fast-Track Experience in the United Kingdom's Public Disability Programs***

The disability benefit system in the United Kingdom is quite complex, including programs for temporary disability benefits, working tax credits, and return-to-work incentives (Mitra, Corden, and Thornton 2005; IBIS eVisor 2009).<sup>43</sup> Statutory Sick Pay (SSP) is an employer-funded and administered temporary benefit, where employees who are unable to continue working because of illness or nonrelated work injuries can receive up to 13 weeks of cash benefits. An employee who has exhausted SSP and does not return to work may apply to the public contributory permanent disability program under the Department for Work and Pensions (DWP), which oversees the administration of the Employment and Support Allowance (ESA). ESA—which replaced the Incapacity Benefit and the income support paid to new claimants in October 2008—is designed to help persons who are sick or disabled return to work. In addition, the disability system in the United Kingdom has noncontributory means-tested benefits, as well as benefits that are not means tested, to help meet the extra costs of living with a disability—a Disability Living Allowance (DLA) for persons younger than age 65 and an Attendance Allowance for those aged 65 or older.<sup>44</sup>

#### ***Disability Assessment Process***

To claim ESA, individuals must be between age 16 and the normal retirement age (currently 60 for women, 65 for men), have exhausted their entitlement to SSP, and not be eligible for social assistance or unemployment benefits. After making a claim for ESA, individuals typically take part in a work capability assessment, which takes place at around 13 weeks, to evaluate their eligibility for ESA and capability for work. While awaiting the assessment outcome, claimants receive a basic benefit. Once a determination is made, individuals are assigned to one of two categories: a “support group”—the group in ESA that does not require the claimant to take part in any back-to-work activity—or a “work-related activity group.” The work capacity

assessment may also include a medical assessment before a decision can be reached on the applicant’s capability for work. An approved doctor, referred to as a health care professional (HCP),<sup>45</sup> assesses how the illness or disability affects the applicant’s capacity for work or work-related activity and provides advice to a decision maker employed by Jobcentre Plus (part of DWP), which is responsible for administering benefit claims.

The medical input required by decision makers includes medical examinations, reports, and advice.<sup>46</sup> Examining HCPs base their assessment on information provided by the claimant, any information available to them from the claimant’s doctor, and their own observations. After conducting the exam, the HCP completes a report for the decision maker. Somewhat differently, decisions about DLA entitlement are made by Disability and Carers Service decision makers, working from a network of nine “disability benefits centres” around the country. To qualify for DLA, individuals must indicate their applicable needs for 3 months before they make a claim and must show that they expect to need such help for 6 months after the claim. Decision makers examine, follow up, and weigh evidence submitted as part of the DLA claim before issuing a decision.

#### ***Fast-Track Procedures***

Two possible sets of assessments are relevant for fast tracking disability benefits in the United Kingdom: one for the ESA and another for the extra costs of disability provided by the DLA. ESA allows claimants with a terminal illness or with other severe conditions to be fast tracked to the support group. Claimants in this group may be fast tracked before they reach the medical questionnaire or face-to-face assessment stages, which form part of the work capability assessment that helps determine ESA eligibility.

When the claimant first applies for the ESA, he or she is asked—by a call center operator over the phone or in one of the questions on the online form—whether the claim should be made under *special rules*. Special rules apply to anyone who has a terminal illness and is not expected to live past 6 months or who suffers from specific “deeming conditions” (for example, kidney dialysis, double amputees, and severely deaf/blind) regarded sufficient in themselves. If the claimant says that he or she wishes to apply under special rules, then the case will immediately be forwarded to an HCP. If the HCP is satisfied that the claimant is terminally ill, he or she will advise that the claimant be placed in

the support group and paid the highest level of ESA immediately.

HCPs can provide advice more quickly if the claimant submits a DS1500 form with his or her claim (David Rajnes (author) and DWP officials, personal communication). By obtaining the DS1500 from a personal physician, the claimant shows that he or she is terminally ill and is not expected to live beyond 6 months. If an HCP receives one of those forms with the claim, then he or she may take this as sufficient evidence of a terminal illness. This form is used for both ESA and DLA claims. Under special rules, the DLA (and the Attendance Allowance) benefit will usually be awarded for a period of 3 years. When 3 years have passed, the beneficiary is asked to renew the claim.

Similar provisions apply to those claiming DLA benefits because of terminal illness. If the HCP receives a special rules case and if there is no DS1500 form included, he or she will check to see if a claim has also been submitted for DLA. If there has been a successful claim to DLA in the past 6 months, either with or without the DS1500, this information may provide sufficient evidence of the claimant's terminal illness and a medical review is not repeated. The HCP advises DWP about that status. If a claimant has provided a DS1500 for a DLA claim, another similar form is not required for the ESA claim.

If there is no DS1500 and there has been no previous DLA claim, the HCP will contact the relevant doctor or other medical professional dealing with the claimant's case to ask for further evidence. HCPs have a 48-hour target for providing advice to DWP on special rules cases. If a terminal illness is discovered at a later stage of the claims process—either by the claimant informing the department or the HCP recognizing the illness from the medical evidence submitted—the claimant will be fast tracked to the support group from that point on.

### **Application Sequence and Administration of Disability Claims**

Individuals can claim ESA in several ways. Telephones and text phones (used by those who find it hard to speak or hear clearly) are available for those requiring assistance. An adviser at the contact center can help applicants complete the application. Alternatively, applicants may complete the claim form themselves by downloading it from the Internet, printing it out, filling it in manually or online, and sending it to Jobcentre Plus.

After the initial claim for ESA is filed, applicants have to complete a questionnaire indicating how the illness or disability affects their ability to perform everyday tasks. The applicant's own doctor may be asked to provide a medical report. An approved HCP will consider the questionnaire and any medical reports, along with any other information the applicant may have provided. If the HCP needs more information to make a decision on the benefit claim, he or she will recommend a face-to-face medical assessment, which usually takes place in 1 of 12 medical centres near the applicant's residence. If the applicant is unfit to travel, the approved HCP may visit him or her at home.

### **Fast-Track Highlights in the United Kingdom**

The following list summarizes the experience of the United Kingdom with fast tracking disability claims:

- Claimants who state they are terminally ill or suffer from *deeming conditions* have their case reviewed under *special rules* by an HCP within 48 hours of referral.
- Approximately 5 percent of disability claims receive FT processing.
- Two possible sets of assessments are possible for fast tracking disability benefits: (1) a contributory permanent disability provision, ESA, designed to help persons who are sick or disabled return to work, and (2) a noncontributory non-means-tested provision, DLA, which provides cash payments for the extra costs of disability.

### **Aspects of Fast-Track Processes**

This section discusses selected aspects of fast tracking presented earlier for the countries included in the sample. The environment in which FT procedures operate is examined along three dimensions: (1) the administration of disability claims, (2) the integration of FT (including the role played by technology) into the determination process, and (3) claimant sequencing throughout that process.

### **Administration of Disability Claims (including Fast Tracking)**

Nearly two decades ago, an International Social Security Association study contained the observation that the responsibility for both eligibility and assessing the degree of disability is generally assigned to an individual decision maker or to a team committee (Bloch 1994). Based on the review of the five countries examined in this article, that statement still appears

relevant today. However, systemic changes are evident, at least for countries in the sample. New technology-based initiatives—QDD and CAL in the United States, those pending in Australia, and others that are underway in Israel—are transforming the decision maker’s role where fast tracking is concerned, redefining responsibilities that involve more systematic verification of data related to disability assessment rather than requiring the more traditional approach to disability determination. In addition, the types of inputs required for determining disability claims in certain countries appear more in line with an automated environment designed to lead to faster processing and greater efficiencies. Evidence from the implementation of predictive modeling in the United States and the recent introduction of a new Health Professional Advice Unit in Australia suggests those new frameworks are providing assessors with an opportunity to clarify/confirm diagnoses that allow decision makers to make disability determination decisions more quickly; where additional information becomes available, such decisions may become better informed.

At the same time, nongovernment involvement is evident in the private-sector medical assessment process, which is contracted out in the United Kingdom. It is also evident with the partnership arrangement that Service Canada is conducting with clinics and hospitals for its Terminal Illness Application pilot, which involves document preparation prior to the application stage for those identified as terminally ill in Canada. While those developments, both technological advancement and nongovernmental involvement, suggest an evolution in fast tracking the disability process, it is not clear from the small five-country sample the extent to which such trends may be significant worldwide.

### ***Integrating Fast-Track Procedures into the Disability Claims Process***

Fast-track procedures vary as far as national program-driven details are concerned, but there are at least two trends at work that suggest how those procedures are being integrated into the overall disability claims process.

First, this research finds that there appears to be some convergence in terms of FT-related technology, at least in certain countries. As automation increases, we may see more of a technology-driven dichotomy consisting of claims processes that identify (flag) conditions versus a more probabilistic approach. Pending technological advances in Australia appear to be

moving in the direction taken by SSA—in terms of the agency’s sophisticated software, including electronic claims processing. SSA initiatives compare closely with what Australia is in the process of implementing under the new disability reform and what Israel appears to be moving toward over the next 10 years.

In the context of fast tracking claims, increased automation could be expected to increase efficiency in several ways. First, it could permit better identification of an alleged or reported medical condition(s) for screening claims when fast tracking, increasing the potential for greater efficiency with the implementation of updated impairment listings on a flow basis. In addition, software innovations, similar to predictive modeling and electronic claims processing, might enable greater flexibility in disability management, as observed in the United States, with the ability to adjust criteria using FT procedures to redirect managed caseloads across the entire disability system.

Second, this research also finds that the placement of FT in the claims process is broad-based both in terms of type of initiative and time horizon. This is most evident in the case of Canada (using relatively less technology), which (like the United States) has implemented reentitlement FT procedures, but is also currently testing a unique FT procedure on a pilot basis to help terminally ill individuals complete their application materials more quickly. The Terminal Illness Application pilot advances the time horizon of the claims process forward and is indicative of Canada’s “client centric” approach demonstrated for some time in its early client contact policy. In the United Kingdom, FT processes are also at work with a DLA benefit for the additional expense associated with care and mobility of disabled persons. DLA complements the standard disability benefit that had been available through the Incapacity Benefit, now replaced by ESA (since October 2008).

### ***Processing Sequence Encountered by Disability Applicants***

The countries under study for this research differ in terms of how their disability programs interact with the claimant, passive versus active approaches. At one extreme is Canada—with its Terminal Illness Application pilot, the early client contact policy of walking “clients” through the entire claims process, and the reapplication and reinstatement FT options for claimants with recurring disabilities. The fact that those FT processes in the CPP-D program rely less on technology may not be a coincidence because

the close relationship between “customer/client” and government service delivery does not appear to be necessarily consistent with a high-tech, arms-length relationship. SSA is somewhat different, operating a more high-tech approach with its FT processes at the DDS level, but also incorporating a mixture of automation and face-to-face activities in its handling of the majority of claims at the field office level.<sup>47</sup> Between those two polar cases are approaches adopted by disability agencies in the United Kingdom, Australia, and Israel, which are harder to categorize. Noteworthy, however, is the up-front availability of the employer-funded and administered SSP benefit and 13 weeks of an assessment-rate benefit in the United Kingdom that would seem to diminish the urgency for fast tracking claims from a humanitarian perspective.

Finally, the outcomes associated with FT processes are clearly successful in achieving more timely decisions for persons who qualify, though it is less clear how those processes affect overall operations. Faster processing times are achieved for the most part, with overall accelerated time horizons ranging from 48 hours (Canada) to about 3 weeks (United States and Israel). As mentioned earlier, the United Kingdom appears to attain lower processing times for FT claims, supplemented by other income support programs. Data on lower processing times are not available for Australia’s manifest grants, but reduced times are claimed by agency staff in that country. While increased efficiency and productivity of the disability process because of FT procedures may help free up resources to allow disability agencies to better cope with all claims, the more direct impact on disability applicants who fall outside the scope of FT procedures is uncertain and not addressed in this article.

### ***Lessons Learned***

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The information collected from countries participating in this study indicates that FT procedures reflect country-specific goals and standards. Although the small sample size restricts the potential for making global assertions about FT procedures, some insights can be discerned.

The following list contains some of the most important lessons learned from this research:

- FT procedures do not appear widespread among public long-term disability programs throughout the world. For purposes of this study, efforts to identify such processes led to the discovery of only six potential candidate countries, other than the United States, and sufficient information on which to draw comparisons was available in only four countries, other than the United States.
- FT procedures are rather diverse, but share a common goal of helping persons most likely to need (and to be eligible for) assistance. As observed in this article, FT procedures do expedite the determination process for certain disability claimants. Comprising an array of guidelines, protocols, and processes, those procedures aim to shorten the disability determination process for selected claimants, but strive to accomplish that goal in the following four ways:
  1. Technology-intensive emphasis on computerization and software
  2. Online application and posting of documents electronically
  3. Personal contact via telephone and face-to-face meetings
  4. Manual or automated applicant screenings designed to shorten the duration of case processing
- Among the countries identified as having disability programs using FT procedures, one observes a tendency to focus on claimants with many of the same medical conditions for accelerated processing, to emphasize similar operational guidelines, and to establish the goal of significantly decreasing processing times in those cases. However, some special approaches are worth mentioning. One example is Canada’s recent initiative to assist potential beneficiaries (diagnosed as terminally ill) by providing hands-on assistance to guide the claimant in completing a new and much-abbreviated application package. Another example is the supplemental disability benefit allowance provided in the United Kingdom to help beneficiaries deal with the extra costs of living with a disability. A final example is the postentitlement opportunity for individuals who return to work and then become unable to work again to more quickly reclaim their disability benefits in both the United States and Canada, without having to go through a lengthy reapplication process.
- FT procedures generally affect a relatively small proportion of the overall disability applicant pool. According to the data available, the share of cases qualifying as FT typically hover around 5 percent

of disability claims in a given year. Differences within this narrow range are generally not great despite the disparity among national disability approaches documented in this study, which may reflect a trade-off between accuracy and processing speed. Specifically, there may be a limit on the number of fast-track claimants that disability systems can handle without sacrificing some degree of precision in determining eligibility. In that context, concurrent income support program strategies in some countries (for example, the United Kingdom's 3-day waiting period followed by an issuance of benefits that can last as long as 13 weeks before determination)—strategies unavailable in the United States—appear to reduce the urgency of FT procedures.

- Most countries included in this sample have recently concluded or are in the process of expanding their use of FT procedures through pilot projects or disability program reforms. For example, SSA continues to use sophisticated software to expedite an increasing share of disability cases, whereas other countries—Australia, Israel, and the United Kingdom—are employing FT procedures more frequently to identify and move cases quickly through the determination process, but with less-intensive technological methods. Canada, in particular, has successfully implemented a variety of FT procedures, which have reduced processing times without relying on high-end technology. Given the small sample of disability systems and fast-track outcomes examined in this article, one cannot predict whether more sophisticated computerized procedures are the wave of the future. While high-tech approaches appear to be gaining traction in some countries, there may be many other countries outside this sample reflecting an opposite trend.
- Countries desiring to explore and use FT processes can learn from other countries about the methods that work and the medical conditions that might be targeted. In fact, cross-country fertilization of FT practices may occur, as documented in this research, when countries take into account the relevant experiences abroad. For example, in the process of conducting this research, FaHCSIA staff in Australia learned about and subsequently incorporated SSA's Compassionate Allowance listing of conditions into their modified Disability Support Pension FT process, which became effective on July 1, 2010.

## ***Concluding Remarks***

The evidence collected for the five countries included in this study indicates that FT procedures concern only a relatively small percentage—around 5 percent—of the overall pool of disability applicants. However, it is clear that SSA, as well as the other national disability agencies analyzed here, place great importance on diminishing human suffering by moving quickly to address the claims of persons with terminal illnesses and other conditions deemed to merit special handling. Defining and identifying those disability applications that are most likely to satisfy the criteria for FT handling is also, by necessity, an on-going challenge as new information comes to light regarding medical diagnostics and treatment.

Even the limited number of countries selected for this study demonstrates that national social security systems may develop FT procedures in a variety of ways, with some countries placing considerable importance on setting time frames within which decisions are made and applicants are notified of the outcomes of their claims. Some countries, notably the United States, are investing increasing resources into the development of sophisticated electronic processing procedures designed to single out the most likely applicants for FT handling. Within that group of countries, increased automation appears to raise the potential for efficiency gains in disability case management at the same time that it transforms the role of the decision maker. As the goal remains the same for all national systems, namely, to handle those cases as quickly as possible when it is evident that delay would pose a burden on potential beneficiaries (and their families), it is self-evident that countries have a great deal to learn from each other regarding this aspect of social security policy and practice. Indeed, this research indicates how the spread of these techniques and strategies across national boundaries may occur; the modeling of Australia's FT procedures along the lines of SSA's Compassionate Allowance initiative serves as an example of such cross fertilization.

Finally, this analysis shows how FT processes interact with evolving national disability programs. New or expanded impairment listings and efforts to update older disability claims processing guidelines appear to be the norm in recent years for all countries surveyed in this article. As technology becomes available to improve the identification of serious impairments, on a probabilistic or nonprobabilistic basis, the role of decision makers and medical support personnel will also change in the assessment of disability claims.

## Appendix: Questionnaire— Letter Circulated

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Dear \_\_\_\_\_:

The US Social Security Administration is looking for ideas to streamline and improve its process for determining whether applicants for disability benefits meet the requirements of our program, and we hope that you will be able to help us.

Our Social Security Disability Insurance (SSDI) program has over 7 million beneficiaries and receives over 2 million applications per year. We have recently implemented a new procedure, the **Quick Disability Determination (QDD)** process, in an effort to better serve benefit applicants. QDD uses a sophisticated screening tool to identify applicants who are highly likely to meet entitlement requirements. The screening tool rapidly searches the application and other documents for key words and other information that have been demonstrated to indicate a high probability of entitlement. Cases identified for QDD are sent for accelerated processing that may enable us to allow the claim quickly—often within 10 days.

We are also testing a similar procedure, **Compassionate Allowances**, which is designed to quickly identify diseases and other medical conditions that invariably qualify for benefits based on minimal objective medical evidence. For example, individuals with catastrophic congenital abnormalities such as the most common form of Down syndrome, acute leukemia, amyotrophic lateral sclerosis and pancreatic cancer would likely fall into this category. We believe that many of these claims could be allowed based on confirmation of the diagnosis alone.

The SSDI program is neither a temporary nor permanent disability program. Most disability beneficiaries continue to receive benefits until they reach retirement age or die. However, some return to self-supporting employment and, in other cases, the beneficiary's impairment improves to the extent that he no longer meets the requirements of the program. Beneficiaries who have an impairment that is expected to improve, or an impairment where improvement is possible, are scheduled for periodic continuing disability reviews (CDR), which include a medical examination. If it is determined, following a CDR, that the beneficiary is no longer disabled, benefits are terminated.

We would be appreciative if you could provide us with the following information: Does your disability

program include any procedures similar to those described above? If so, could you provide us with a detailed description of the procedure(s)?

Thank you for your cooperation in this matter.

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### Notes

*Acknowledgments:* The author gratefully acknowledges the invaluable assistance from many individuals at SSA while preparing this article: L. Scott Muller (Office of Research, Evaluation, and Statistics); Nancy Schoenberg (Office of Compassionate Allowances and Disability Outreach); Dalmer Hoskins (Division of Program Studies); and Susan Grad (Office of Research, Evaluation, and Statistics). In addition, the author is indebted to John Kearney (formerly with SSA) for proposing the topic of this study. Finally, this article benefited greatly from the feedback provided by agency staff in the several countries discussed here.

<sup>1</sup> In the United States, the term “fast track” is used by the Social Security Administration to denote the Quick Disability Determination and Compassionate Allowance procedures. In this article, however, the term *fast track* is employed in a more general sense.

<sup>2</sup> Significant increases in new disability claims for Social Security Disability Insurance and Supplemental Security Income since 2008 can also be attributed to worsening overall economic conditions and rising levels of unemployment. See Szymendera (2011) for a more complete discussion of those and other factors affecting the growth in disability applications.

<sup>3</sup> SSA staff also provided suggestions to the author about official contacts in some cases.

<sup>4</sup> Because there is no international inventory of national disability agency personnel available, the author consulted the staff listings posted online for member countries of the International Social Security Association in Geneva, Switzerland, <http://www.issa.int>. The author initially tried to contact international liaison specialists for each country and pursued any recommendations made for staff names or departments of national disability agencies to locate sources familiar with a particular national disability program; this was done with knowledge of whether some type of FT procedure was in operation. On November 3, 2009, the survey questionnaire was e-mailed to subscribers of the Syracuse University-based Global Partnership for Disability and Development (GPDD) listserv; GPDD is a major forum for the dissemination and discussion of global disability issues. The GPDD effort did not result in any new contacts of significance. Additional leads (contact names of staff and departments) arose in the course of this search process. In each case, e-mailing the survey questionnaire served as the initial step in attempting to contact a potential respondent.

<sup>5</sup> Negative (no FT procedures presently operating) responses to the survey questionnaire were received from

Austria, Finland, Japan, Mexico, Netherlands, Portugal, Sweden, Switzerland, and Taiwan. Attempts to contact staff with disability agencies were unsuccessful in Belgium, the Czech Republic, Egypt, France, Ireland, Italy, New Zealand, and South Africa—resulting in a nonresponse rate for the questionnaire of roughly one third.

<sup>6</sup> This figure represents expenditures only for Social Security Disability Insurance, the major long-term disability program; it does not include costs for the Supplemental Security Income program, which is discussed briefly in the next section.

<sup>7</sup> Comparable data for the share of fast-tracked claims in Israel are unavailable.

<sup>8</sup> The description in this section draws on SSA (2009a and 2009b), SSA's website—<http://www.socialsecurity.gov>, and Szymendera (2010).

<sup>9</sup> Contributions are based on employee earnings (or earnings of a spouse or parents). Dependents may also be eligible for benefits based on an employee's earnings record.

<sup>10</sup> As a prerequisite, US applicants must also have worked for a certain period of time, or have a specified amount of covered earnings in a year as measured in quarters of coverage (depending on age) of at least 1 quarter of coverage for each elapsed year from age 22 to the age of disability onset. (A minimum of 6 credited periods up to a maximum of 40 quarters are required for fully-insured status.) In addition, there is a recency of work test in the United States: Applicants must have 20 quarters of coverage in the 40-quarter period ending in the quarter in which they became disabled; or, if aged 32 or younger, one-half of the quarters must have elapsed since the attainment of age 22. Individuals younger than age 24 need 6 quarters of coverage in the 12-quarter period ending in the quarter in which they became disabled.

<sup>11</sup> Note that data for the SSI program are not reflected in Table 2.

<sup>12</sup> The evaluation process is based on the answers to five questions taken in order: (1) Is the individual working and earning more than the SGA amount? If yes, the person is not disabled no matter how severe his or her medical condition(s). If no, then ask the following question. (2) Does the person have a medical condition that is "severe" enough to interfere with basic work-related activities? If no, the person is not disabled. If yes, then go to the next question. (3) Does the individual have an impairment that meets the criteria for one of the impairments listed in the regulatory Listing of Impairments or one that is just as severe? If so, then the claim is allowed; if not, then proceed to the next question. (4) Can the individual perform the work he or she previously did? If so, the person is not disabled. If the answer is no, then go to the final question. (5) Can the individual do any other type of work? If not, the person is disabled; otherwise, the claim is denied. For more information, see SSA (2009a and 2011b).

<sup>13</sup> The Listing of Impairments describes, for each major body system, impairments considered severe enough to prevent an individual from doing any SGA.

<sup>14</sup> Fast-track procedures in the United States also apply to SSI children under the Code of Federal Regulations. This shorter sequential evaluation process for children is accessible online, [http://www.socialsecurity.gov/OP\\_Home/cfr20/416/416-0924.htm](http://www.socialsecurity.gov/OP_Home/cfr20/416/416-0924.htm).

<sup>15</sup> Under DI, statutory blindness is a disability category, while under SSI, it is a category separate from disability.

<sup>16</sup> A discussion of the historical background preceding SSA's launch of the electronic disability claims process in 2004 is available from the General Accounting Office (GAO 2003).

<sup>17</sup> Older paper-based evidence is converted to scanned documents. Once SSA meets all of the requirements set forth by the National Archive and Records Administration for the retention and security of the electronic records, the electronic folder will become the official file and all information needed to document the disability case will be stored and maintained in an electronic format.

<sup>18</sup> As mentioned earlier, the term "fast track" at SSA refers specifically to two recent hi-tech procedures. However, this analysis employs for all countries, including the United States, the more common usage of the phrase.

<sup>19</sup> In New England, where the QDD process was first tested for the period from August 2006 through October 2006, slightly less than 3 percent of all new disability cases were identified as QDD cases; 97 percent of those cases identified were decided within 21 days, with an average decision time of 11 days.

<sup>20</sup> The number of CAL conditions listed was expanded in fiscal year 2012. Thirteen new conditions were added to the CAL list on December 10, 2011, bringing the number of conditions up to 113. Those conditions involve neurological, mental, and immune system disorders.

<sup>21</sup> Additional information about CAL conditions and processing applicable cases is available online, <http://www.socialsecurity.gov/compassionateallowances/>.

<sup>22</sup> In March 2010, the Department of Veterans Affairs (VA) proposed its own fast tracking of veterans' claims processing for service-connected presumptive illnesses that were due to Agent Orange exposure during the Vietnam War (VA 2010). The VA hopes to migrate from manually processing those claims to an automated process for adjudicating them, involving military and private medical records and the scheduling of medical examinations. With this new approach, the VA expects to shorten the time it takes to gather evidence, which now averages more than 90 days. Once the claim is fully developed and all pertinent information is gathered, the VA will be able to more quickly decide the claim and process the award, if granted.

<sup>23</sup> A contract was awarded to IBM in September 2004 to develop a predictive modeling tool for the QDD process, which became operational on a pilot basis in July 2006 and has been maintained by IBM since that time.

<sup>24</sup> This arrangement permits SSA to manage the disability caseload of a particular DDS.

<sup>25</sup> SSA regulations effective November 12, 2010, temporarily permit designated disability examiners in all of the DDSs to issue “fully favorable” determinations for most adult claims adjudicated under the QDD and CAL procedures. The authority applies to those cases at the initial level and to CAL cases at the reconsideration level. Regardless of the basis of the determination, medical or psychological advisor sign off is not required for a fully favorable determination. Disability examiners may confer with those consultants, but generally are not required to do so.

<sup>26</sup> Although a QDD indicator cannot be manually added to a case, this is possible with CAL. Disability Determination Services, the Office of Quality Performance, and the Office of Disability Adjudication and Review all have the capability to manually add cases to CAL processing.

<sup>27</sup> Centrelink is one of six service delivery agencies responsible for delivering services and welfare payments to individuals throughout Australia, as negotiated with policy departments in the Human Services Portfolio.

<sup>28</sup> The description in this section draws heavily on personal communication between David Rajnes (the author) and FaHCSIA staff, FaHCSIA’s website (<http://www.fahcsia.gov.au/Pages/default.aspx>), and Clayton and Honeycutt (2005).

<sup>29</sup> The Age Pension retirement age for women is currently 64 and 65 for men. Those ages are both scheduled to rise to 67 by 2023.

<sup>30</sup> Where multiple medical conditions impact one body system or structure, then a single score is assigned that reflects the combined functional impairment on that body system or structure. Where multiple body systems are affected by one or more condition(s), ratings may be assigned on all relevant tables, and the total impairment rating should reflect the overall level of the applicant’s impairment (Clayton and Honeycutt 2005).

<sup>31</sup> On July 1, 2011, current contracts for job capacity assessors were terminated and Centrelink became the sole provider.

<sup>32</sup> The description in this section draws heavily on personal communication between David Rajnes (the author) and Service Canada officials and from Service Canada website descriptions, <http://www.servicecanada.gc.ca>.

<sup>33</sup> If the applicant has not contributed to the CPP for enough years, certain provisions of the law may help them qualify. For example, the *general drop-out provision* excludes 15 percent of a person’s lowest earnings to help offset periods of low or no earnings, such as those incurred

during unemployment, illness, or schooling. In addition, the *child rearing provision* excludes from the calculation of benefits the periods during which contributors have remained at home, or have reduced their participation in the workforce, to care for children younger than age 7. Under *credit splitting or pension sharing*, married or common-law spouses may either share their retirement pensions (where the union is intact) or split their pension credits (where the union has ended). If the claimant has not worked recently because of a medical condition(s), the *late applicant provision* helps contributors who meet all conditions of eligibility, except that their contributions were made too long ago to meet the minimum qualifying period to be eligible for benefits. Applicants must have been continuously unable to work in any job from the date the applicant is deemed to have become disabled to the present and into the future. The *incapacity provision* may help patients who are unable to apply for benefits on their own because of their medical condition(s)—patients with a loss of cognitive function because of a severe stroke, for example. Personal representatives can use this provision to apply for CPP disability benefits on the patients’ behalf at a later date.

<sup>34</sup> They decide first whether the client’s medical condition(s) meets the *severe* criterion as outlined in the 1966 Act to Establish a Comprehensive Program of Old Age Pensions and Supplementary Benefits—also known as the CPP Act. If it is determined that the *severe* criterion is met, then the medical adjudicator will determine if the *prolonged* criterion is also met. However, if it is determined that the *severe* criterion is not met, then the medical adjudicator will not review to determine if the *prolonged* criterion is met.

<sup>35</sup> This section is based on CPP-D (2010).

<sup>36</sup> The national terminal illness policy (updated March 2010) did not address the complexity of the initial application kit nor the amount of potentially unnecessary information asked of dying claimants (for example, would they be interested in vocational rehabilitation?).

<sup>37</sup> By June 2010, applications totaling 309 were received using the new process. Service Canada evaluations indicate that it is taking approximately 1-1½ days for all sections of the TIA (including medical report) to be completed and faxed to the mail processing center. Once the application is received in the processing center, 81 percent of all files are adjudicated in fewer than 10 calendar days, including 61 percent adjudicated in fewer than 5 calendar days.

<sup>38</sup> The description in this section draws heavily on personal communication between David Rajnes (the author) and National Insurance Institute staff, as well as the agency website, <http://www.btl.gov.il>.

<sup>39</sup> According to the National Insurance Law, amended on August 1, 2009, this means entitlement to a disability pension for at least 60 out of the 80 months that preceded the amendment (that is, in the period between August 1, 2002, and July 31, 2009).

<sup>40</sup> This is a medical disability of at least 75 percent, or a 40 percent impairment for a psychotic disorder or “mental retardation.”

<sup>41</sup> These special documents have been prepared by the Israel Cancer Association and by the Atlas Association (caring for ALS patients). These documents meet NII requirements.

<sup>42</sup> The pension may be granted later on a permanent basis, and assessments are no longer made. Under rules introduced in August 2009, an NII claims officer may reopen the discussion of a disabled person’s medical degree only if the medical condition(s) deteriorated before the end of the temporary period. A reduced medical degree may be determined after the end of the temporary period (NII 2010).

<sup>43</sup> The description in this section draws heavily on personal communication between David Rajnes (the author) and Department for Work and Pensions staff from the Disability and Carers Division; Thomas (2008); Lewis (2009); Mitra, Corden, and Thornton (2005); European Union of Medicine in Assurance and Social Security (undated and unpublished document, <http://www.eumass.com>); and United Kingdom government websites, including <http://www.Newcastle.gov.uk>.

<sup>44</sup> The government has proposed to replace the DLA with a new benefit, the *personal independence* payment, in the 2013–2014 period. The new benefit will continue to be a non-means-tested, extra-costs benefit. According to the government, this new disability benefit would be easier for individuals to understand and would address individual circumstances rather than the health condition itself (DWP 2010).

<sup>45</sup> Schlumberger Group Medical Services, a multinational corporation, provides medical services (advice and examination reports) nationwide to the DWP, under contract for more than 200 full-time medical advisers. Because of the high workload, Schlumberger subcontracts services for another 3,000 part-time physicians (chiefly general practitioners) to conduct medical examinations (European Union of Medicine in Assurance and Social Security, undated and unpublished document, <http://www.eumass.com>).

<sup>46</sup> The HCPs who provide those services are experienced in assessing disability, capacity for work and care needs, and mobility for entitlement to the Employment and Support Allowance, Disability Living Allowance, Attendance Allowance, and Industrial Injuries Scheme Benefit.

<sup>47</sup> However, less face-to-face contact is anticipated at SSA. Current agency goals call for 34 percent of disability applications to be online claims in 2011, and 38 percent in 2012.

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# OASDI AND SSI SNAPSHOT AND SSI MONTHLY STATISTICS

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Each month, the Social Security Administration's Office of Retirement and Disability Policy posts key statistics about various aspects of the Supplemental Security Income (SSI) program at <http://www.socialsecurity.gov/policy>. The statistics include the number of people who receive benefits, eligibility category, and average monthly payment. This issue presents SSI data for December 2010–December 2011.

The Monthly Statistical Snapshot summarizes information about the Social Security and SSI programs and provides a summary table on the trust funds. Data for December 2011 are given on pages 110–111. Trust fund data for December 2011 are given on page 111. The more detailed SSI tables begin on page 112. Persons wanting detailed monthly OASDI information should visit the Office of the Chief Actuary's website at <http://www.socialsecurity.gov/OACT/ProgData/beniesQuery.html>.

## ***Monthly Statistical Snapshot***

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*Table 1. Number of people receiving Social Security, Supplemental Security Income, or both*

*Table 2. Social Security benefits*

*Table 3. Supplemental Security Income recipients*

*Table 4. Operations of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds*

The most current edition of Tables 1–3 will always be available at [http://www.socialsecurity.gov/policy/docs/quickfacts/stat\\_snapshot](http://www.socialsecurity.gov/policy/docs/quickfacts/stat_snapshot). The most current data for the trust funds (Table 4) are available at <http://www.socialsecurity.gov/OACT/ProgData/funds.html>.

**Monthly Statistical Snapshot, December 2011**

**Table 1.**  
**Number of people receiving Social Security, Supplemental Security Income, or both, December 2011**  
**(in thousands)**

Type of beneficiary	Total	Social Security only	SSI only	Both Social Security and SSI
All beneficiaries	60,765	52,652	5,361	2,752
Aged 65 or older	39,191	37,132	899	1,160
Disabled, under age 65 <sup>a</sup>	13,761	7,707	4,462	1,592
Other <sup>b</sup>	7,813	7,813	...	...

SOURCES: Social Security Administration, Master Beneficiary Record, 100 percent data. Social Security Administration, Supplemental Security Record, 100 percent data.

NOTES: Data are for the end of the specified month. Only Social Security beneficiaries in current-payment status are included.

... = not applicable.

a. Includes children receiving SSI on the basis of their own disability.

b. Social Security beneficiaries who are neither aged nor disabled (for example, early retirees, young survivors).

CONTACT: (410) 965-0090 or statistics@ssa.gov.

**Table 2.**  
**Social Security benefits, December 2011**

Type of beneficiary	Beneficiaries		Total monthly benefits (millions of dollars)	Average monthly benefit (dollars)
	Number (thousands)	Percent		
All beneficiaries	55,404	100.0	62,213	1,122.90
Old-Age Insurance				
Retired workers	35,599	64.3	43,736	1,228.60
Spouses	2,292	4.1	1,392	607.50
Children	594	1.1	358	602.70
Survivors Insurance				
Widow(er)s and parents <sup>a</sup>	4,241	7.7	4,903	1,156.10
Widowed mothers and fathers <sup>b</sup>	158	0.3	139	883.50
Children	1,907	3.4	1,494	783.10
Disability Insurance				
Disabled workers	8,576	15.5	9,524	1,110.50
Spouses	164	0.3	49	298.60
Children	1,874	3.4	619	330.20

SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.

NOTES: Data are for the end of the specified month. Only beneficiaries in current-payment status are included.

Some Social Security beneficiaries are entitled to more than one type of benefit. In most cases, they are dually entitled to a worker benefit and a higher spouse or widow(er) benefit. If both benefits are financed from the same trust fund, the beneficiary is usually counted only once in the statistics, as a retired-worker or a disabled-worker beneficiary, and the benefit amount recorded is the larger amount associated with the auxiliary benefit. If the benefits are paid from different trust funds the beneficiary is counted twice, and the respective benefit amounts are recorded for each type of benefit.

a. Includes nondisabled widow(er)s aged 60 or older, disabled widow(er)s aged 50 or older, and dependent parents of deceased workers aged 62 or older.

b. A widow(er) or surviving divorced parent caring for the entitled child of a deceased worker who is under age 16 or is disabled.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

**Table 3.**  
**Supplemental Security Income recipients, December 2011**

Age	Recipients		Total payments <sup>a</sup> (millions of dollars)	Average monthly payment <sup>b</sup> (dollars)
	Number (thousands)	Percent		
All recipients	8,113	100.0	4,390	501.60
Under 18	1,277	15.7	812	601.40
18–64	4,777	58.9	2,744	517.40
65 or older	2,059	25.4	833	403.20

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

a. Includes retroactive payments.

b. Excludes retroactive payments.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

**Trust Fund Data, December 2011**

**Table 4.**  
**Operations of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds,  
December 2011 (in millions of dollars)**

Component	OASI	DI	Combined OASI and DI
<b>Receipts</b>			
Total	92,960	10,496	103,456
Net contributions <sup>a</sup>	33,487	5,689	39,176
Income from taxation of benefits	13	b	14
Net interest	52,295	3,592	55,886
Payments from the general fund <sup>c</sup>	7,165	1,215	8,380
<b>Expenditures</b>			
Total	50,908	11,160	62,068
Benefit payments	50,719	10,972	61,690
Administrative expenses	189	189	378
Transfers to Railroad Retirement	0	0	0
<b>Assets</b>			
At start of month	2,482,022	154,514	2,636,537
Net increase during month	42,052	-664	41,388
At end of month	2,524,075	153,850	2,677,925

SOURCE: Data on the trust funds were accessed on January 31, 2012, on the Social Security Administration's Office of the Chief Actuary's website: <http://www.socialsecurity.gov/OACT/ProgData/funds.html>.

NOTE: Totals may not equal the sum of the components because of rounding.

a. Includes transfers from the general fund of the Treasury under the provisions of the HIRE Act (P.L. 111-147).

b. Between -\$500,000 and \$500,000.

c. Includes reimbursements from the general fund of the Treasury under the provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

## Supplemental Security Income, December 2010–December 2011

The SSI Monthly Statistics are also available at [http://www.socialsecurity.gov/policy/docs/statcomps/ssi\\_monthly/index.html](http://www.socialsecurity.gov/policy/docs/statcomps/ssi_monthly/index.html).

### SSI Federally Administered Payments

Table 1. Recipients (by type of payment), total payments, and average monthly payment

Table 2. Recipients, by eligibility category and age

Table 3. Recipients of federal payment only, by eligibility category and age

Table 4. Recipients of federal payment and state supplementation, by eligibility category and age

Table 5. Recipients of state supplementation only, by eligibility category and age

Table 6. Total payments, by eligibility category, age, and source of payment

Table 7. Average monthly payment, by eligibility category, age, and source of payment

### Awards of SSI Federally Administered Payments

Table 8. All awards, by eligibility category and age of awardee

**Table 1.**  
Recipients (by type of payment), total payments, and average monthly payment,  
December 2010–December 2011

Month	Number of recipients				Total payments <sup>a</sup> (thousands of dollars)	Average monthly payment <sup>b</sup> (dollars)
	Total	Federal payment only	Federal payment and state supplementation	State supplementation only		
2010						
December	7,912,266	5,526,333	2,129,334	256,599	4,273,680	500.70
2011						
January	7,956,362	5,592,029	2,109,226	255,107	4,235,824	499.70
February	8,002,032	5,627,081	2,119,585	255,366	4,342,633	497.60
March	8,001,423	5,628,567	2,118,256	254,600	4,319,855	500.30
April	8,014,930	5,639,114	2,121,078	254,738	4,312,912	500.80
May	8,057,448	5,672,947	2,130,131	254,370	4,399,629	499.80
June	8,056,968	5,673,253	2,129,163	254,552	4,326,804	499.40
July	8,057,787	5,678,767	2,131,881	247,139	4,292,791	499.10
August	8,108,375	5,717,947	2,143,405	247,023	4,402,772	498.80
September	8,095,000	5,706,884	2,140,867	247,249	4,310,542	498.90
October	8,116,250	5,723,525	2,145,561	247,164	4,307,042	499.10
November	8,130,052	5,733,368	2,149,436	247,248	4,317,569	498.30
December	8,112,773	5,723,660	2,142,730	246,383	4,389,872	501.60

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

a. Includes retroactive payments.

b. Excludes retroactive payments.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).

**SSI Federally Administered Payments**

**Table 2.**  
**Recipients, by eligibility category and age, December 2010–December 2011**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2010						
December	7,912,266	1,183,853	6,728,413	1,239,269	4,631,507	2,041,490
2011						
January	7,956,362	1,188,872	6,767,490	1,249,294	4,657,382	2,049,686
February	8,002,032	1,189,858	6,812,174	1,258,533	4,691,651	2,051,848
March	8,001,423	1,186,985	6,814,438	1,257,045	4,695,846	2,048,532
April	8,014,930	1,187,848	6,827,082	1,257,359	4,707,744	2,049,827
May	8,057,448	1,187,588	6,869,860	1,269,853	4,737,116	2,050,479
June	8,056,968	1,186,668	6,870,300	1,268,840	4,738,185	2,049,943
July	8,057,787	1,185,550	6,872,237	1,266,495	4,741,273	2,050,019
August	8,108,375	1,187,881	6,920,494	1,277,109	4,775,507	2,055,759
September	8,095,000	1,187,576	6,907,424	1,268,821	4,769,477	2,056,702
October	8,116,250	1,187,884	6,928,366	1,279,042	4,777,386	2,059,822
November	8,130,052	1,189,695	6,940,357	1,280,341	4,784,690	2,065,021
December	8,112,773	1,182,106	6,930,667	1,277,122	4,777,010	2,058,641

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

**Table 3.**  
**Recipients of federal payment only, by eligibility category and age, December 2010–December 2011**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2010						
December	5,526,333	595,546	4,930,787	990,701	3,401,733	1,133,899
2011						
January	5,592,029	602,169	4,989,860	1,003,631	3,442,049	1,146,349
February	5,627,081	602,354	5,024,727	1,011,085	3,468,989	1,147,007
March	5,628,567	600,628	5,027,939	1,009,961	3,473,468	1,145,138
April	5,639,114	600,780	5,038,334	1,009,818	3,483,783	1,145,513
May	5,672,947	600,406	5,072,541	1,020,116	3,507,222	1,145,609
June	5,673,253	599,687	5,073,566	1,019,432	3,508,722	1,145,099
July	5,678,767	600,361	5,078,406	1,016,992	3,514,277	1,147,498
August	5,717,947	601,403	5,116,544	1,025,435	3,541,759	1,150,753
September	5,706,884	601,053	5,105,831	1,018,213	3,537,525	1,151,146
October	5,723,525	600,768	5,122,757	1,026,735	3,544,200	1,152,590
November	5,733,368	601,716	5,131,652	1,027,626	3,550,053	1,155,689
December	5,723,660	597,588	5,126,072	1,025,120	3,546,247	1,152,293

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

## SSI Federally Administered Payments

**Table 4.**  
**Recipients of federal payment and state supplementation, by eligibility category and age,**  
**December 2010–December 2011**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2010						
December	2,129,334	503,206	1,626,128	246,936	1,100,080	782,318
2011						
January	2,109,226	502,505	1,606,721	244,118	1,085,752	779,356
February	2,119,585	503,286	1,616,299	245,874	1,092,963	780,748
March	2,118,256	502,614	1,615,642	245,595	1,092,856	779,805
April	2,121,078	503,294	1,617,784	246,044	1,094,348	780,686
May	2,130,131	503,737	1,626,394	248,228	1,100,226	781,677
June	2,129,163	503,725	1,625,438	247,800	1,099,542	781,821
July	2,131,881	504,367	1,627,514	247,913	1,100,843	783,125
August	2,143,405	505,695	1,637,710	250,148	1,107,731	785,526
September	2,140,867	505,717	1,635,150	248,948	1,105,945	785,974
October	2,145,561	506,440	1,639,121	250,739	1,107,144	787,678
November	2,149,436	507,307	1,642,129	251,078	1,108,838	789,520
December	2,142,730	503,839	1,638,891	250,425	1,105,867	786,438

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).

**Table 5.**  
**Recipients of state supplementation only, by eligibility category and age,**  
**December 2010–December 2011**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2010						
December	256,599	85,101	171,498	1,632	129,694	125,273
2011						
January	255,107	84,198	170,909	1,545	129,581	123,981
February	255,366	84,218	171,148	1,574	129,699	124,093
March	254,600	83,743	170,857	1,489	129,522	123,589
April	254,738	83,774	170,964	1,497	129,613	123,628
May	254,370	83,445	170,925	1,509	129,668	123,193
June	254,552	83,256	171,296	1,608	129,921	123,023
July	247,139	80,822	166,317	1,590	126,153	119,396
August	247,023	80,783	166,240	1,526	126,017	119,480
September	247,249	80,806	166,443	1,660	126,007	119,582
October	247,164	80,676	166,488	1,568	126,042	119,554
November	247,248	80,672	166,576	1,637	125,799	119,812
December	246,383	80,679	165,704	1,577	124,896	119,910

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).

**SSI Federally Administered Payments**

**Table 6.**  
**Total payments, by eligibility category, age, and source of payment, December 2010–December 2011**  
**(in thousands of dollars)**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
<b>All sources</b>						
2010						
December	4,273,680	474,932	3,798,748	780,109	2,663,101	830,470
2011						
January	4,235,824	474,261	3,761,563	778,155	2,628,084	829,584
February	4,342,633	474,776	3,867,857	792,430	2,718,994	831,209
March	4,319,855	474,564	3,845,290	794,225	2,694,737	830,892
April	4,312,912	474,653	3,838,258	794,140	2,687,773	830,998
May	4,399,629	475,958	3,923,671	808,858	2,757,773	832,999
June	4,326,804	474,311	3,852,493	793,566	2,702,297	830,942
July	4,292,791	470,353	3,822,438	794,632	2,672,452	825,708
August	4,402,772	472,258	3,930,513	813,172	2,759,910	829,690
September	4,310,542	471,167	3,839,376	793,350	2,688,691	828,502
October	4,307,042	470,973	3,836,069	796,666	2,680,977	829,400
November	4,317,569	472,085	3,845,483	794,923	2,690,450	832,195
December	4,389,872	471,847	3,918,025	812,295	2,744,100	833,478
<b>Federal payments</b>						
2010						
December	3,960,438	394,865	3,565,573	766,520	2,488,151	705,767
2011						
January	3,927,074	394,809	3,532,265	764,861	2,456,382	705,830
February	4,028,230	395,072	3,633,159	778,788	2,542,525	706,918
March	4,007,692	395,013	3,612,678	780,683	2,520,109	706,900
April	4,001,584	395,132	3,606,452	780,620	2,513,975	706,989
May	4,083,720	396,268	3,687,452	794,941	2,580,100	708,678
June	4,014,482	394,933	3,619,549	780,001	2,527,457	707,024
July	3,996,318	394,926	3,601,392	781,114	2,507,445	707,759
August	4,101,172	396,512	3,704,661	799,301	2,590,777	711,095
September	4,013,322	395,621	3,617,701	779,836	2,523,297	710,189
October	4,010,102	395,379	3,614,723	783,169	2,515,977	710,956
November	4,019,326	396,275	3,623,051	781,365	2,524,690	713,271
December	4,090,280	396,173	3,694,107	798,660	2,577,066	714,555

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(Continued)

## SSI Federally Administered Payments

**Table 6.**  
**Total payments, by eligibility category, age, and source of payment, December 2010–December 2011**  
**(in thousands of dollars)—Continued**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
<b>State supplementation</b>						
2010						
December	313,242	80,067	233,175	13,588	174,950	124,703
2011						
January	308,749	79,451	229,298	13,294	171,701	123,754
February	314,403	79,704	234,699	13,642	176,469	124,292
March	312,163	79,551	232,612	13,541	174,629	123,993
April	311,327	79,521	231,806	13,520	173,798	124,009
May	315,910	79,690	236,220	13,917	177,673	124,320
June	312,322	79,378	232,944	13,565	174,840	123,918
July	296,473	75,427	221,047	13,518	165,006	117,949
August	301,599	75,747	225,852	13,872	169,133	118,594
September	297,220	75,546	221,674	13,514	165,394	118,313
October	296,940	75,594	221,346	13,497	165,000	118,443
November	298,243	75,810	222,433	13,558	165,760	118,925
December	299,591	75,674	223,917	13,635	167,034	118,923

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month and include retroactive payments.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).

**SSI Federally Administered Payments**

**Table 7.**  
**Average monthly payment, by eligibility category, age, and source of payment,**  
**December 2010–December 2011 (in dollars)**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
<b>All sources</b>						
2010						
December	500.70	399.80	518.50	596.70	517.20	405.10
2011						
January	499.70	398.00	517.60	598.30	515.50	403.70
February	497.60	396.80	515.20	590.80	514.10	402.80
March	500.30	398.30	518.10	599.80	515.70	403.90
April	500.80	398.50	518.60	601.80	516.00	404.00
May	499.80	398.60	517.40	596.20	515.50	404.10
June	499.40	398.50	516.90	595.10	515.10	404.00
July	499.10	395.90	517.00	600.20	514.30	401.70
August	498.80	396.10	516.50	597.60	514.20	401.90
September	498.90	396.20	516.60	597.20	514.80	401.90
October	499.10	395.70	516.90	597.70	514.80	401.70
November	498.30	395.90	515.80	592.60	514.70	401.80
December	501.60	397.60	519.40	601.40	517.40	403.20
<b>Federal payments</b>						
2010						
December	478.70	358.30	498.90	587.30	496.50	367.00
2011						
January	477.90	356.80	498.30	589.00	495.10	365.80
February	475.90	355.50	495.90	581.60	493.60	364.90
March	478.50	356.90	498.80	590.60	495.30	365.90
April	479.00	357.10	499.30	592.50	495.60	366.00
May	478.10	357.20	498.10	587.00	495.10	366.00
June	477.70	357.00	497.60	585.90	494.80	365.90
July	478.80	357.00	498.90	591.00	495.40	365.90
August	478.40	357.10	498.40	588.50	495.20	366.00
September	478.60	357.20	498.60	588.10	495.80	366.10
October	478.80	356.70	498.80	588.50	495.90	365.80
November	477.90	356.80	497.70	583.40	495.70	365.90
December	481.30	358.50	501.30	592.30	498.50	367.30

(Continued)

## SSI Federally Administered Payments

**Table 7.**  
**Average monthly payment, by eligibility category, age, and source of payment,**  
**December 2010–December 2011 (in dollars)—Continued**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
<b>State supplementation</b>						
2010						
December	124.30	134.90	120.80	50.80	130.40	136.20
2011						
January	124.70	134.30	121.60	50.90	131.40	135.90
February	124.50	134.20	121.40	50.80	131.10	135.80
March	124.70	134.30	121.50	50.90	131.30	135.90
April	124.60	134.20	121.50	50.90	131.20	135.90
May	124.50	134.20	121.40	50.90	131.10	135.80
June	124.40	134.10	121.30	50.90	131.00	135.80
July	118.60	127.70	115.60	50.60	124.40	129.50
August	118.50	127.80	115.50	50.50	124.30	129.60
September	118.60	127.80	115.50	50.50	124.30	129.60
October	118.40	127.70	115.40	50.40	124.20	129.40
November	118.40	127.70	115.30	50.30	124.10	129.50
December	118.60	128.00	115.50	50.30	124.30	129.70

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month and exclude retroactive payments.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).

**Awards of SSI Federally Administered Payments**

**Table 8.**  
**All awards, by eligibility category and age of awardee, December 2010–December 2011**

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2010						
December	84,592	8,446	76,146	16,851	59,146	8,595
2011						
January	73,722	8,141	65,581	14,320	51,139	8,263
February	95,679	9,069	86,610	18,895	67,560	9,224
March	84,741	8,319	76,422	16,619	59,648	8,474
April	86,457	9,670	76,787	16,091	60,558	9,808
May	102,897	9,119	93,778	20,197	73,423	9,277
June	84,521	9,092	75,429	16,745	58,558	9,218
July	81,037	9,304	71,733	15,812	55,775	9,450
August	97,369	9,240	88,129	19,128	68,859	9,382
September	83,142	9,819	73,323	16,069	57,114	9,959
October	76,590	9,263	67,327	14,802	52,398	9,390
November <sup>a</sup>	75,871	9,317	66,554	14,927	51,500	9,444
December <sup>a</sup>	90,356	8,928	81,428	17,832	63,451	9,073

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for all awards made during the specified month.

a. Preliminary data. In the first 2 months after their release, numbers may be adjusted to reflect returned checks.

CONTACT: (410) 965-0090 or [statistics@ssa.gov](mailto:statistics@ssa.gov).



## PERSPECTIVES—PAPER SUBMISSION GUIDELINES

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The *Social Security Bulletin* is the quarterly research journal of the Social Security Administration. It has a diverse readership of policymakers, government officials, academics, graduate and undergraduate students, business people, and other interested parties.

To promote the discussion of research questions and policy issues related to Social Security and the economic well being of the aged, the *Bulletin* welcomes submissions from researchers and analysts outside the agency for publication in its Perspectives section.

We are particularly interested in papers that:

- assess the Social Security retirement, survivors, and disability programs and the economic security of the aged;
- evaluate changing economic, demographic, health, and social factors affecting work/retirement decisions and retirement savings;
- consider the uncertainties that individuals and households face in preparing for and during retirement and the tools available to manage such uncertainties; and
- measure the changing characteristics and economic circumstances of SSI beneficiaries.

Papers should be factual and analytical, not polemical. Technical or mathematical exposition is welcome, if relevant, but findings and conclusions must be written in an accessible, nontechnical style. In addition, the relevance of the paper's conclusions to public policy should be explicitly stated.

### ***Submitting a Paper***

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Authors should submit papers for consideration via e-mail to Michael V. Leonesio, Perspectives Editor, at [perspectives@ssa.gov](mailto:perspectives@ssa.gov). To send your paper via regular mail, address it to:

*Social Security Bulletin*  
Perspectives Editor  
Social Security Administration  
Office of Research, Evaluation, and Statistics  
500 E Street, SW, 8th Floor  
Washington, DC 20254-0001

We regard the submission of a paper as your implied commitment not to submit it to another publication while it is under consideration by the *Bulletin*. If you have published a related paper elsewhere, please state that in your cover letter.

**Disclosures**—Authors are expected to disclose in their cover letter any potential conflicts of interest that may arise from their employment, consulting or political activities, financial interests, or other affiliations.

**Copyright**—Authors are responsible for obtaining written permission to publish any material for which they do not own the copyright.

### ***Formatting Guidelines***

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To facilitate the editorial process, papers submitted for publication must be prepared in Microsoft Word (**except for tables and charts—see below**) and be formatted as outlined below.

- **Title Page**—Papers must include a title page with the paper’s title, name(s) of author(s), affiliation(s), address(es), including the name, postal address, e-mail address, telephone and fax numbers of a contact person. Any Acknowledgments paragraph should also be on this page. In the Acknowledgments, reveal the source of any financial or research support received in connection with the preparation of the paper. Because papers undergo blind review, the title page will be removed from referee copies. Eliminate all other identifying information from the rest of the paper before it is submitted. Once papers are accepted for publication, authors are responsible for reinserting self-identifying citations and references during preparation of the paper for final submission.
- **Synopsis**—For the *Bulletin’s* table of contents include a separate synopsis, including the title of the paper along with one to three sentences outlining the research question.
- **Abstract**—Prepare a brief, nontechnical abstract of the paper of not more than 150 words that states the purpose of the research, methodology, and main findings and conclusions. This abstract will be used in the *Bulletin* and, if appropriate, be submitted to the *Journal of Economic Literature* for indexing. Below the abstract supply the JEL classification code and two to six keywords. JEL classification codes can be found at [www.aeaweb.org/journal/jel\\_class\\_system.html](http://www.aeaweb.org/journal/jel_class_system.html).
- **Text**—Papers should average 10,000 words, including the text, the notes, and the references (but excluding the tables and charts). Text is double-spaced, except notes and references, which are double spaced only after each entry. **Do not embed tables or charts into the text. Create separate files (in the formats outlined in “Tables/Charts” below) for the text and statistical material.** Tables should be in one file, with one table per page. Include charts in a separate file, with one chart per page.
- **End Notes**—Number notes consecutively in the text using superscripts. Only use notes for brief substantive comments, not citations. (See the *Chicago Manual of Style* for guidance on the use of citations.) All notes should be grouped together and start on a new page at the end of the paper.
- **References**—Verify each reference carefully; the references must correspond to the citations in the text. The list of references should start on a new page and be listed alphabetically by the last name of the author(s) and then by year, chronologically. Only the first author’s name is inverted. List all authors’ full names and avoid using *et al.* The name of each author and the title of the citation should be exactly as it appears in the original work.
- **Tables/Charts**—Tables must be prepared in Microsoft Excel. Charts or other graphics must be prepared in or exported to Excel or Adobe Illustrator. The spreadsheet with plotting data must be attached to each chart with the final submission. Make sure all tables and charts are referenced in the text. Give each table and chart a title and number consecutive with the order it is mentioned in the text. Notes for tables and charts are independent of Notes in the rest of the paper and should be ordered using lowercase letters, beginning with the letter a (including the Source note, which

should be listed first). The sequence runs from left to right, top to bottom. The order of the notes as they appear below the tables or charts is (1) Source, (2) general notes to the table or chart, if any, and (3) letter notes.

For specific questions on formatting, use the *Chicago Manual of Style* as a guide for notes, citations, references, and table presentation.

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### ***Review Process***

Papers that appear to be suitable for publication in Perspectives are sent anonymously to three reviewers who are subject matter experts. The reviewers assess the paper's technical merits, provide substantive comments, and recommend whether the paper should be published. An editorial review committee appointed and chaired by the Associate Commissioner, Office of Research, Evaluation, and Statistics, makes the final decision on whether the paper is of sufficient quality, importance, and interest to publish, subject to any required revisions that are specified in a letter to the author(s). The entire review process takes approximately 12 weeks.

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### ***Data Availability Policy***

If your paper is accepted for publication, you will be asked to make your data available to others at a reasonable cost for a period of 3 years (starting 6 months after actual publication). Should you want to request an exception from this requirement, you must notify the Perspectives Editor when you submit your paper. For example, the use of confidential or proprietary data sets could prompt an exemption request. If you do not request an exemption, we will assume that you have accepted this requirement.

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### ***Questions***

Questions regarding the mechanics of submitting a paper should be sent to our editorial staff via e-mail at [ssb@ssa.gov](mailto:ssb@ssa.gov). For other questions regarding submissions, please contact Michael V. Leonesio, Perspectives Editor, at [perspectives@ssa.gov](mailto:perspectives@ssa.gov).



## OASDI and SSI Program Rates and Limits, 2012

### Old-Age, Survivors, and Disability Insurance

Tax Rates (percent)	
Social Security (Old-Age, Survivors, and Disability Insurance)	
Employers	6.20
Employees <sup>a,b</sup> (through February 29, 2012)	4.20
(beginning March 1, 2012)	6.20
Medicare (Hospital Insurance)	
Employers and Employees, each <sup>a</sup>	1.45
Maximum Taxable Earnings (dollars)	
Social Security <sup>b</sup>	110,100
Medicare (Hospital Insurance)	No limit
Earnings Required for Work Credits (dollars)	
One Work Credit (One Quarter of Coverage)	1,130
Maximum of Four Credits a Year	4,520
Earnings Test Annual Exempt Amount (dollars)	
Under Full Retirement Age for Entire Year	14,640
For Months Before Reaching Full Retirement Age in Given Year	38,880
Beginning with Month Reaching Full Retirement Age	No limit
Maximum Monthly Social Security Benefit for Workers Retiring at Full Retirement Age (dollars)	
	2,513
Full Retirement Age	66
Cost-of-Living Adjustment (percent)	3.6
a. Self-employed persons pay a total of 13.3 percent (10.4 percent for OASDI and 2.9 percent for Medicare) through February 29, 2012 and 15.3 percent (12.4 percent for OASDI and 2.9 percent for Medicare) beginning March 1, 2012.	
b. See IRS website ( <a href="http://www.irs.gov/newsroom/article/0,,id=251650,00.html">http://www.irs.gov/newsroom/article/0,,id=251650,00.html</a> ) for implementation details.	

### Supplemental Security Income

Monthly Federal Payment Standard (dollars)	
Individual	698
Couple	1,048
Cost-of-Living Adjustment (percent)	3.6
Resource Limits (dollars)	
Individual	2,000
Couple	3,000
Monthly Income Exclusions (dollars)	
Earned Income <sup>a</sup>	65
Unearned Income	20
Substantial Gainful Activity (SGA) Level for the Nonblind Disabled (dollars)	
	1,010
a. The earned income exclusion consists of the first \$65 of monthly earnings, plus one-half of remaining earnings.	

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