

INCOME FINDINGS FROM THE SOCIAL SECURITY ADMINISTRATION'S SURVEY OF NEW BENEFICIARIES

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Amendments to the Social Security Act effective in 1956 permitted women to become entitled to reduced benefits as retired workers the month they become 62. In 1961, this choice was extended to men. For both men and women the monthly benefit rate is reduced five-ninths of 1 percent for every month of benefits they receive before they are 65. The response to the early entitlement option has been very substantial. Currently, about half of the men awarded retired worker benefits and two-thirds of the women are choosing to become entitled before they reach 65.

To answer questions about the circumstances surrounding the decision to become entitled, and especially the decision to become entitled before age 65, the Social Security Administration has undertaken the Survey of Newly Entitled Beneficiaries (SNEB). This Survey provides a unique opportunity to study a large sample of new social security beneficiaries close to the time they file for benefits and, presumably, make the decision to begin or not to begin the process of retirement. Obviously, the income resources of these older people are a major factor in such a decision.^{1/}

Each month, starting with July 1968, a sample of persons was selected by a random process from awards made during the preceding month. A questionnaire was mailed by the Bureau of the Census, as collection agent for the Social Security Administration, to each person selected. Second and third mailings were made if necessary, and a personal interview follow-up was made to reduce residual nonresponse.

In all, about 75 percent of the questionnaires mailed out were returned and met the minimum acceptance criteria. An additional 5 percent refused to answer, were reported as deceased, were returned as undeliverable, or failed to meet the acceptance criteria. The remaining 20 percent were not returned.

After the personal interview follow-up was completed the response rate rose to 90 percent. The follow-up also resulted in the conversion of a large number of nonresponses into firm refusals when contact was made.

^{1/} Other studies that have dealt with this question include the Social Security Administration's 1963 and 1968 Surveys of the Aged, and Richard Barfield and James Morgan: Early Retirement: The Decision and the Experience (Survey Research Center, The University of Michigan, 1969).

The survey population consists of two distinct groups of persons recently awarded retired worker benefits:

1. Workers with benefits payable at award. About 85 percent of them became entitled before age 65 to reduced benefits.
2. Workers with benefit payments postponed because they have substantial earnings and, therefore, are not eligible to receive social security benefits. These are mostly workers whose main reason for filing was to obtain Medicare coverage. About 85 percent of them became entitled at age 65, and we can assume that in the absence of Medicare, most of them would have delayed filing beyond age 65.

Since the population includes only those persons who were awarded benefits as retired workers during the survey period, it excludes persons who were awarded widow's, children's, wife's or other types of survivor's and dependent's benefits as well as those awarded disability benefits.

The Survey of Newly Entitled Beneficiaries is one of a series of interlocking studies of retirement currently being conducted by the Social Security Administration. Other studies include the Longitudinal Retirement History Survey which follows a sample of persons from pre-retirement to post-retirement, the 1968 Survey of the Demographic and Economic Characteristics of the Aged, a periodic cross-sectional study of persons 65 and over, and additionally some in-depth analyses of social security earnings and benefit records.

The SNEB questionnaire requested a nonmarried beneficiary to fully report on the receipt and amount of each of seventeen separate sources of income. In addition, a married beneficiary was asked to report for his spouse on eleven of these sources. Total income was accumulated from the information reported about each separate source. If a report on even one single source of income was incomplete, after editing, it caused a nonresponse on total income.

Nonresponse on total income was very high for the first year of SNEB, ranging from about 25 to 40 percent depending on marital status, sex and benefit payment status of the new beneficiary (see table 1). Earnings and asset income were the most poorly reported, with nonresponse ranging from 11 to 25 percent. Nonresponse on earnings was higher among married couples where two reports (one for the husband and one for the wife) provided two opportunities for an incomplete

response. The nonresponse rates for the other two major sources of income, social security payments and private pension payments, were also higher among married couples, but not as high as those for earnings and asset income.

In order to reduce the nonresponse rates for total income to the point where information on the size of income could be analyzed, special procedures were developed starting with the July 1969 awards. All questionnaires returned by mail were screened clerically for completeness of income response. The defective cases were followed up by telephone or personal interview.

The reduction in nonresponse on total income for the last six months of 1969 varied between 11 and 20 percentage points, bringing the income response rate for most groups to 80 percent or higher. The only exception was for married women with benefits payable where the response rate was increased from 62 percent to only 76 percent.

There are two types of nonresponse: non-response on receipt (where the beneficiary does not report whether or not he is receiving a specified source of income), and nonresponse on amount (where the beneficiary reports receipt of income from a specified source but does not report the amount of such income). By far, the major reason for the decrease in total nonresponse has been the reduction of nonresponse on receipt of all sources except earnings. Since editing procedures imputed employment status, no nonresponse on receipt of earnings is possible.

The survey was designed to probe some of the economic characteristics and other reasons which probably influence the beneficiary's decision to claim social security benefits. It was reasoned, therefore, that the sources and amount of income that the worker was actually receiving at the time of his award, or would receive in the immediate future, was more likely to affect his decision to claim benefits than the amount of income during the previous calendar year or even in the twelve month period prior to the survey.

For this reason new beneficiaries were asked to report the monthly income they were currently receiving for sources such as private pensions and workmen's compensation payments (which are often paid monthly or weekly), and to report an annual rate for asset income and other sources often paid quarterly or semi-annually. Earnings for the beneficiary's spouse were requested annually, while the earnings of the new beneficiary himself were reported at an hourly, weekly, monthly, or annual rate at his option.

All income information not reported as an annual rate was converted to an annual rate. This process probably yields levels close to the actual amounts for types of income which are received regularly, such as pensions, but may overstate income that is not received every month. On the other hand, income which a beneficiary starts to receive a short time after he responds would be understated.

Preliminary income findings from SNEB confirm conclusions drawn from other studies that only a few types of income contribute prominently to the total income picture of older people (see table 2). As might be expected, earnings dominate the total income of persons with benefits postponed. Among persons with benefits payable at award earnings are also important, but share prominence with social security payments which, although generally providing a lower income than earnings, are received by many more respondents. Income from other pension plans, both public and private, was reported by 15 to 41 percent of the respondents, with married men most likely to receive such income, and unmarried men and women least likely. For those who received income from these sources, the amount was quite substantial. Income from assets, reported by roughly half the respondents, was considerably smaller than the amounts of the other major types of income.

Sources of income often associated with the elderly, such as public assistance and contributions from relatives, were reported by only a very small proportion of respondents.

The social security earnings test allows beneficiaries to earn as much as \$1,680 a year without any loss of benefits. Those who earn over \$1,680 have one dollar withheld from benefits for every two dollars earned between \$1,681 and \$2,880, and one dollar withheld for every dollar earned above \$2,880. However, no benefits are withheld for any month in which the person does not earn \$140 or more or does not render substantial services as a self-employed worker. For this reason a person may receive benefits for part of the year even though his annual earnings are high.

In addition, there may be a considerable interval of time between the date of filing for benefits and the completion of the SNEB questionnaire--as much as six months. During this interval the employment status and earnings of a beneficiary may have changed. Since benefit payment status at award is generally determined from the statements of the beneficiary at filing, when changes do occur there may be some apparent inconsistencies between earnings and benefit payment status.

As stated before, income from earnings is an extremely important component of total income even for workers receiving benefits and presumably "retired." Among persons with benefits payable at award about the same proportion of men and women, approximately one-third, was employed. About half the employed men and slightly more than half the employed women reported earnings of \$1,680 a year or less, thereby suffering no loss of benefits due to the earnings test. Their median annual earnings were about \$1,700 and \$1,600 respectively (see table 3).

On the other hand, most with benefits postponed reported current employment, with median earnings of \$7,400 for men workers and \$5,100 for women. In fact, nearly 30 percent of these employed men workers reported earnings of \$10,000 or more.

Generally the income position of nonmarried persons with benefits payable at award is quite poor. The median annual income reported by such persons, men and women, is about \$2,200. About 40 percent had incomes below the poverty level (see tables 4 and 5). The median total income for those nonmarried beneficiaries who were not currently employed was about \$1,800 for men and \$1,500 for women. About one-third of these nonworkers reported no income other than social security payments. A little less than half of all nonmarried men and women reported some income from assets or from other pension plans.

The income picture for married couples with benefits payable is brighter than for nonmarried persons due mostly to the presence in the family of two potential recipients of income rather than one. Relatively few of these couples reported income below the poverty level--in fact 60 percent of them had income greater than the Labor Department's "moderate" standard of \$4,230 a year.

Since the employment of married persons with benefits payable is subject to the earnings test, the earnings of these persons would tend to be low. Their spouses, on the other hand, do not necessarily have such an inhibition on earnings unless they too happen to be receiving social security benefits. This would favor higher earnings for the couple when the newly entitled beneficiary is a woman rather than a man because a husband, usually having a greater earning capacity, tends to work more frequently even though he is generally older. This is supported by findings that the median earnings for couples is \$3,300 when it is the husband who receives benefits and \$5,400 when it is the wife (see table 2).

About one-third of all these couples reported that they had no asset income and no pension income other than social security benefits. The median annual income from both assets and other pension plans, for those who did receive such income, was about \$2,200 for married men respondents and their wives and about \$1,400 for married women respondents and their husbands.

Persons with benefits postponed at award, two-thirds of whom are married men, reported relatively high incomes. Almost 9 out of 10 had income above the "moderate" standard. This income was composed mainly of earnings. If they stopped working or reduced their earnings, the additional income they might receive from social security and other types of pensions would only partially offset the loss.

The survey did not collect information about the financial assets of beneficiaries, only about their income from such assets. Beneficiaries with substantial assets might deplete them over their remaining lifetime and provide themselves with additional funds for subsistence. However, since roughly half the respondents did not report any income from assets at all it is reasonable to assume that such assets do not exist in great abundance among the beneficiary population.

The income information available at this time from the survey provides further confirmation that a large proportion of our elderly population continues to work even if it is entitled to retired worker benefits. Earnings, not pension or asset income, appear to be the major supplement to social security payments for those receiving benefits at the time of award. As the ability to work declines with age, the total income of beneficiaries will also probably decline and for many of them, without substantial income from assets or other pensions, it will drop even below the poverty level.

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So far the discussion has concerned total income, its distribution, and some of its components. Now factors associated with total income will be briefly examined, using the Automatic Interaction Detector (A.I.D.) program developed at the University of Michigan's Survey Research Center. This program takes total income as the dependent variable, and divides the sample into a series of subgroups that maximize the ability to explain the variation in income.

The analysis was restricted to married men and their wives classified by whether or not they were employed at the time of the survey. Figure 1 describes A.I.D. findings for couples where the husband was employed, and Figure 2 for those where he was not employed. Other groups--married women and their husbands, and nonmarried men and women--will be analyzed in the near future.

Married Men, Currently Employed (Figure 1)

For currently employed married men, benefit payment status, occupation, and employment status of their wives were the most important factors associated with income. The first step splits those whose benefits were postponed at award from those who were receiving benefits but continuing to work: those whose benefits had been postponed had higher average incomes. For both Groups 2 and 3, current occupation was a significant determinant of income: those in the higher-status occupations had higher average incomes than the rest (Groups 5 and 9).^{2/} For respondents in the lower-status occupations (Groups 4 and 8), whether or not their wives were working was a significant factor (Groups 10, 11, 12, and 13). It is interesting that the employment status of wives was not a significant determinant of income where the respondents were in higher-status occupations; perhaps for such couples wives tend to have earnings so much lower than their husbands that their

^{2/} The term "high-status occupations" used throughout this section varies from case to case: Figures 1 and 2 give more precise definitions.

contribution to family income is relatively small. Place of residence was significant only for respondents whose benefits had been postponed and who were in high-status occupations (Group 5): those who resided inside an SMSA had higher incomes than those who resided outside of an SMSA (Groups 6 and 7).

Predictors that did not prove to be significant for currently employed men included: race (because of the small number of Negro men in the sample), region, health-disability status, home ownership, and whether or not the respondent was receiving another pension. Retirement status (whether the respondent considered himself to be retired, partly retired, or not retired at all) also was not significant; this might be due to the close relationship between retirement status and employment status, and since the A.I.D. runs were split according to employment status, the impact of retirement status would tend to disappear. Class of worker among wage and salary workers probably was overshadowed by current occupation, and proved not be significant. Employment-tenure (whether the respondent had been employed more than five years in his current job) also was not significant. This is not to say that these variables did not behave as expected (for instance, workers reporting work limitation due to poor health or disability tended to have lower incomes than those who reported no limitation); what is meant is that these variables did not reduce the total sum of squares by a significant amount.

The predictors isolated in this A.I.D. run explain about one-quarter of the total variation in income. That is, the coefficient of multiple determination, R^2 , is about .25.

Married Men, Not Currently Employed (Figure 2)

The second run was restricted to married men who were not currently employed. This group has a far lower average income than the previous one (nonemployed married men have an average income

of \$5,600 as opposed to the employed married men's average of \$10,300. Again, occupational status (this time the occupation of the respondent in the last job he held) is a significant variable, with those who had been in high-status occupations having an average income of \$9,000 (Group 3), as opposed to the remainder, whose average income was only \$5,100 (Group 2). Following out the low-status occupation branch, last occupation appears again at the end: for respondents in low-status occupations whose wives were not employed, and who were not receiving any pension other than social security, those who were self-employed had a higher average income than the rest (Groups 12 and 13). Also, receipt of a pension other than social security was important only for respondents whose last occupation had been a comparatively low-status one (Groups 6, 7, 10, and 11). Residence in the South was significant for one group (Groups 14 and 15). For respondents in high-status occupations (Group 3), the only significant variable was health limitation (Groups 8 and 9). The probable reason for the shortness of this branch is that the high occupational status group is rather small, and few statistically significant splits can occur.

Predictors that were nowhere significant in this run were: race (again, due to small sample size), home ownership, retirement status, benefit-payment status, class of worker in previous job, and employment-tenure in previous job.

For these nonemployed married men, the predictors isolated by the A.I.D. technique explain approximately one-third of the total variation in income.

The characteristics used as predictors in the A.I.D. process just described by no means exhaust the abundant supply that the survey has produced. Further use of the A.I.D. technique is planned, not only to identify significant income factors for the population as a whole but also to isolate discrete groups of workers for separate analysis.

Table 1.--Nonresponse on total income and selected sources of income: Percent of persons initially entitled to retired-worker benefits by sex, marital status and benefit-payment status, July-December 1969 and July-December 1968 awards

	Benefits payable at award				Benefits Postponed at award			
	Non-married men	Non-married women	Married men and their wives	Married women and their husbands	Non-married men	Non-married women	Married men and their wives	Married women and their husbands
July through December 1969								
Total number (thousands).....	41	68	151	112	16	30	115	14
Nonresponse rate:								
Total income.....	15	19	20	24	15	17	18	19
Earnings.....	6	8	9	12	5	6	10	6
Social security payments....	1	1	3	4	1	*	2	3
Private pensions.....	1	2	4	2	2	1	3	3
Income from assets.....	7	11	7	11	10	12	8	12
July through December 1968								
Total number (thousands).....	44	67	152	108	17	28	112	13
Nonresponse rate:								
Total income.....	28	32	39	38	26	33	33	39
Earnings.....	12	13	18	20	12	11	16	24
Social security payments....	3	4	12	12	6	6	11	10
Private pensions.....	3	4	12	12	7	9	11	10
Income from assets.....	15	20	16	20	15	25	16	23

* Less than 0.5 percent.

Table 2.--Selected sources of income: Percent receiving and median annual rate of persons initially entitled to retired-worker benefits by sex, marital status and benefit-payment status, July-December 1969 awards

	Benefits payable at award				Benefits postponed at award			
	Non-married men	Non-married women	Married men and their wives	Married women and their husbands	Non-married men	Non-married women	Married men and their wives	Married women and their husbands
Total number (thousands).....	41	68	151	112	16	30	115	14
Percent reporting income from specified sources								
Earnings.....	38	44	52	60	77	84	88	83
Social security payments.....	90	85	89	91	32	24	32	66
Private pensions.....	15	11	28	21	14	11	15	22
Assets.....	36	46	51	51	51	57	62	64
Median annual rate (in dollars) for recipients of specified sources								
Earnings.....	1,520	1,640	3,330	5,450	6,400	5,130	8,660	7,470
Social security payments.....	990	1,000	1,520	1,470	1,790	1,620	1,780	1,640
Private pensions.....	1,560	1,110	2,200	1,480	1/	1/	1,800	1,220
Assets.....	490	340	660	500	430	340	650	360

1/ Less than 50 sample cases.

Table 3.--Annual rate of income from earnings: Percentage distribution of persons initially entitled to retired worker benefits by sex and benefit-payment status, July-December 1969 awards

	Benefits payable at award		Benefits postponed at award	
	Men	Women	Men	Women
Total number (thousands).....	192	181	131	44
Number reporting employment (thousands).....	72	60	109	35
Number reporting amount (thousands).....	61	51	101	33
Total percent.....	100	100	100	100
Under \$1,000.....	22	27	1	1
\$1,000 - \$1,999.....	34	35	3	4
\$2,000 - \$2,999.....	10	12	2	3
\$3,000 - \$3,999.....	9	9	6	20
\$4,000 - \$4,999.....	5	5	8	21
\$5,000 - \$5,999.....	4	4	11	16
\$6,000 - \$6,999.....	3	1	14	7
\$7,000 - \$7,999.....	3	1	11	11
\$8,000 - \$8,999.....	3	1	9	5
\$9,000 - \$9,999.....	1	1	6	3
\$10,000 - \$14,999.....	4	2	15	8
\$15,000 and over.....	2	2	14	2
Under \$1,680.....	49	55	3	4
Median annual rate of earnings (dollars).....	1,710	1,570	7,430	5,060

Table 4.--Annual rate of total income: Percentage distribution of persons initially entitled to retired-worker benefits by sex, marital status and benefit-payment status, July-December 1969 awards

	Benefits payable at award				Benefits postponed at award			
	Non-married men	Non-married women	Married men and their wives	Married women and their husbands	Non-married men	Non-married women	Married men and their wives	Married women and their husbands
Number (thousands).....	41	68	151	112	16	30	115	14
Reporting total income (thousands).....	35	55	121	85	14	24	94	11
Total percent.....	100	100	100	100	100	100	100	100
Under \$1,000.....	19	19	2	2	1	1	*	---
\$1,000 - \$1,999.....	28	28	9	5	8	5	3	1
\$2,000 - \$2,999.....	17	19	12	12	7	5	3	6
\$3,000 - \$3,999.....	13	12	13	12	8	17	4	8
\$4,000 - \$4,999.....	9	9	14	12	6	18	5	11
\$5,000 - \$5,999.....	5	5	11	11	13	16	7	6
\$6,000 - \$6,999.....	2	2	8	9	15	9	9	7
\$7,000 - \$7,999.....	3	1	6	8	9	9	8	7
\$8,000 - \$8,999.....	2	2	6	6	7	7	8	11
\$9,000 - \$9,999.....	1	1	4	5	6	3	6	5
\$10,000 - \$14,999.....	1	2	9	14	9	8	23	19
\$15,000 and over.....	1	2	6	6	10	3	22	20
Median annual rate (dollars)...	2,180	2,180	4,930	5,660	6,570	5,320	9,270	8,390

* Less than 0.5 percent.

Table 5.--Annual rate of total income by income level standards: Percentage distributions of persons initially entitled to retired-worker benefits by sex, marital status and benefit-payment status, July-December 1969 awards

	Benefits payable at award				Benefits postponed at award			
	Non-married men	Non-married women	Married men and their wives	Married women and their husbands	Non-married men	Non-married women	Married men and their wives	Married women and their husbands
Income level standards (in dollars)								
Poor (Social Security Administration).....	1,773	1,751	2,217	2,217	1,773	1,751	2,217	2,217
Moderate (Department of Labor).....	2,342	2,314	4,230	4,230	2,342	2,314	4,230	4,230
Percentage distributions								
Total number (thousands).....	41	68	151	112	16	30	115	14
Number reporting income (thousands).....	35	55	121	85	14	24	94	11
Total percent.....	100	100	100	100	100	100	100	100
Poor.....	40	40	14	9	6	4	3	1
Poor to moderate.....	14	13	26	25	5	4	8	16
Above moderate.....	46	47	60	66	89	92	89	82

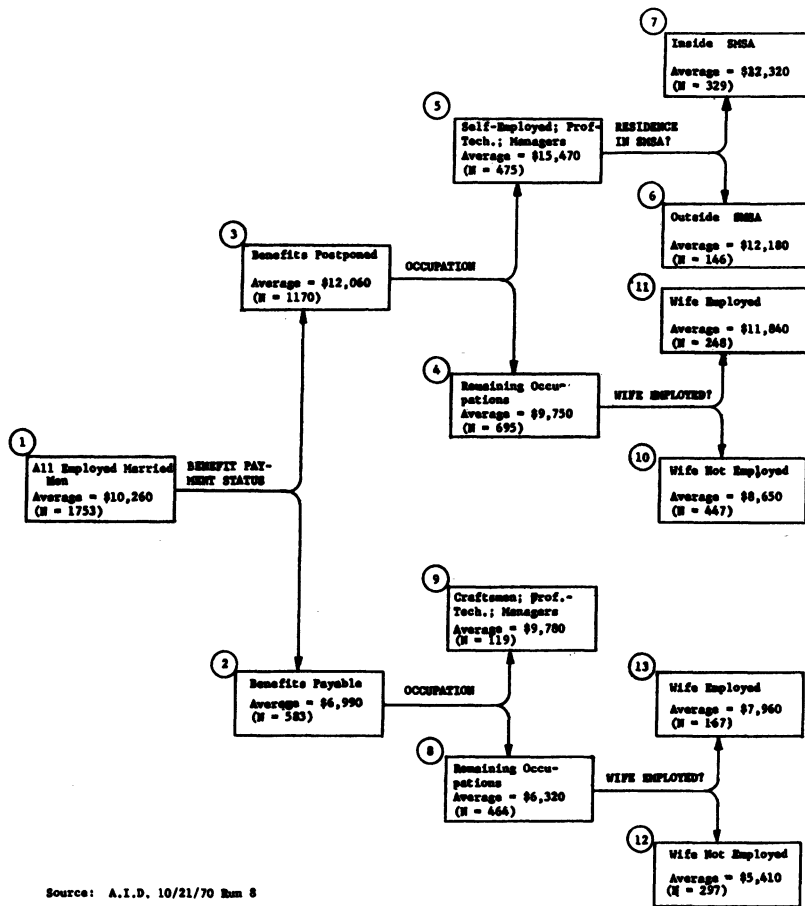


FIGURE 1:
Married Men and their Wives --
Currently Employed

$R^2 = .254$

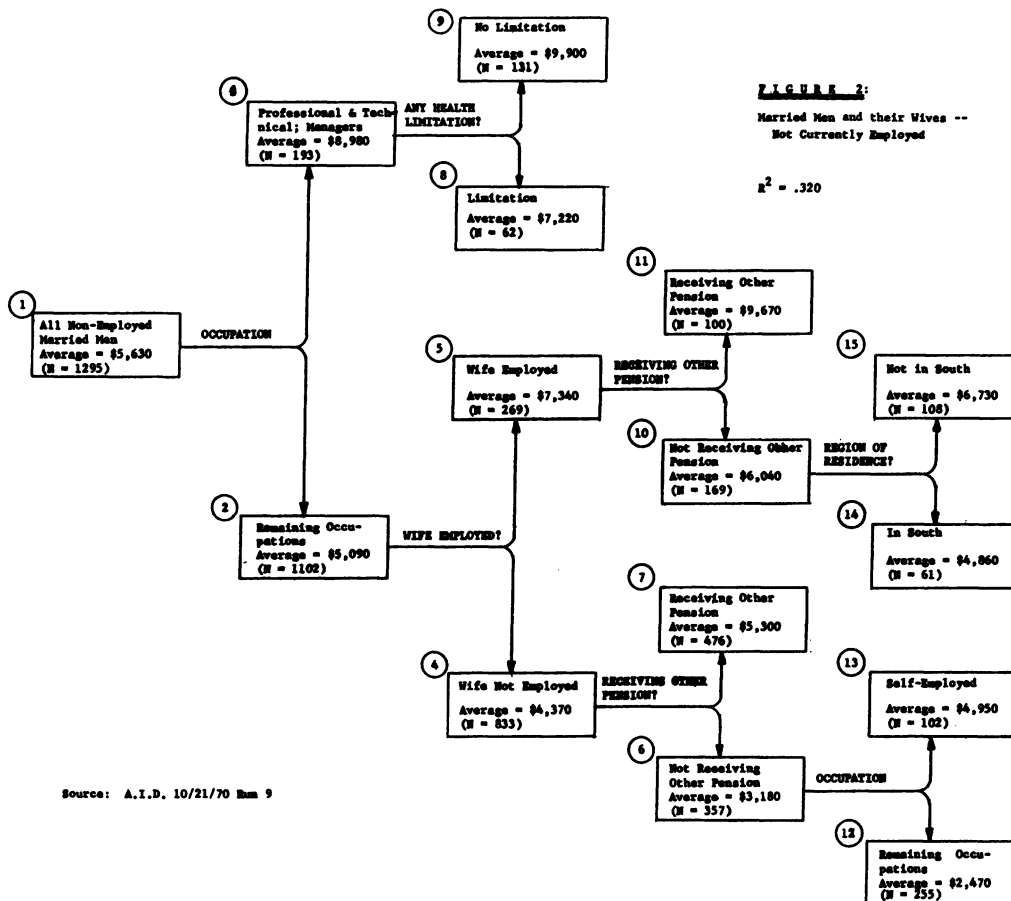


FIGURE 2:
Married Men and their Wives --
Not Currently Employed

$R^2 = .320$