

Notes and Brief Reports

Effect of OASDI Benefit Increase, June 1975*

Social security checks delivered to beneficiaries in the first week of July 1975 reflected the first automatic cost-of-living increase in cash benefits, as authorized by legislation enacted in 1972 and 1973. The 8-percent increase was applicable to benefits of all those on the rolls as May ended except those receiving them under the special minimum PIA provision.¹

BENEFIT AMOUNTS

The average monthly benefit amounts payable at the end of May both before and after the 8-

* Prepared by Barbara A. Lingg, Division of OASDI Statistics, Office of Research and Statistics.

¹ See "Automatic Increases under the Social Security Programs," *Social Security Bulletin*, July 1975, pages 33-36.

TABLE 1.—Monthly cash benefits in current-payment status at end of May 1975 and under new rates effective June 1975 and average increase, by type of beneficiary and reduction status

Type of beneficiary and reduction status	Total number	Total benefit amount (in thousands)		Average benefit amount		Average benefit increase	
		Old rate	New rate	Old rate	New rate	Amount	Percent
All beneficiaries.....	31,312,444	\$5,103,516	\$5,528,195				8.8
Retired workers and dependents.....	19,596,847	3,370,042	3,652,101				8.4
Retired workers.....	16,129,105	3,053,195	3,308,019	\$189 30	\$205 10	\$15 80	8.3
Men.....	8,913,955	1,854,073	2,007,902	208 00	225 25	17 25	8.3
Benefits actuarially reduced.....	4,246,680	800,936	870,323	188 60	204 94	16 34	8.7
Benefits not actuarially reduced ¹	4,667,275	1,053,137	1,137,579	225 64	243 74	18 10	8.0
Women.....	7,215,150	1,199,122	1,300,117	166 20	180 19	13 99	8.4
Benefits actuarially reduced.....	4,717,992	730,551	794,230	154 91	168 34	13 43	8.7
Benefits not actuarially reduced ¹	2,497,158	468,571	505,887	187 52	202 59	15 07	8.0
Wives and husbands.....	2,822,247	271,029	294,606	96 03	104 41	8 38	8.7
Benefits actuarially reduced.....	1,886,963	173,911	189,771	92 16	100 67	8 41	9.1
Benefits not actuarially reduced ¹	935,284	97,119	104,835	103 84	112 15	8 31	8.0
Children.....	645,495	45,818	49,416	70 98	76 68	5 58	7.9
Disabled workers and dependents.....	4,113,801	589,064	636,604				8.1
Disabled workers.....	2,347,391	486,357	525,503	207 19	223 87	16 68	8.0
Men.....	1,617,579	361,507	390,820	223 49	241 48	17 99	8.0
Women.....	729,812	124,850	134,883	171 07	184 82	13 75	8.0
Wives and husbands.....	426,767	26,370	28,578	61 79	66 96	5 17	8.4
Children.....	1,339,643	76,336	82,524	56.98	61.60	4.62	8.1
Survivors of deceased workers.....	7,353,226	1,128,610	1,222,419				8.8
Widowed mothers.....	566,768	75,999	81,749	133.56	144.24	10.68	8.0
Children.....	2,951,696	376,254	406,166	127.46	137.60	10.14	8.0
Widows and widowers, nondisabled.....	3,712,394	660,563	716,929	177.93	189.12	15.19	8.5
Benefits actuarially reduced.....	1,856,287	322,651	351,682	173.76	189.45	15.69	9.0
Benefits not actuarially reduced ¹	1,856,087	338,012	365,247	182.11	196.78	14.67	8.0
Widows and widowers, disabled.....	100,006	12,688	13,790	125.88	137.89	12.01	9.5
Parents.....	22,163	3,506	3,785	158.20	170.80	12.60	8.0
"Special age-72" beneficiaries.....	248,570	15,800	17,071				8.0
Primary.....	244,329	15,664	16,924	64.11	69.27	5.16	8.0
Wives.....	4,241	136	147	32.17	34.76	2.59	8.1

¹ Includes transitionally insured beneficiaries.

percent increase are given in table 1. For the 31.3 million individuals to whom benefits were payable as May ended, the new rates mean an additional \$425 million per month in total benefits.

For retired workers the higher rates brought the average monthly benefit amount to \$225.25 for men (up \$17.25) and to \$180.19 for women (\$13.99 more). Among disabled workers the average amount rose to \$241.48 for men and to \$184.82 for women—increases of \$17.99 and \$13.75, respectively. The average benefit increase for entitled dependents of these workers ranged from \$4.62 for the children of disabled workers to \$8.38 for the spouses of retired workers. Among the survivors of deceased workers, the average benefit increases were highest for nondisabled widows and widowers (\$15.19) and lowest for children (\$10.14).

ACTUARIALLY REDUCED BENEFITS

Although the cost-of-living provision specified an 8-percent across-the-board rise, the actual increase amounted to more than that for persons receiving benefits that had been actuarially re-

duced because they were claimed before age 65. The larger percentage increase for this group of beneficiaries results from the fact that the 8-percent rise was calculated on the beneficiary's "primary" or basic benefit amount before reduction and was then added to the amount of the benefit after reduction. The increase was thus more than 8 percent of the reduced benefit that was payable at the end of May.²

Persons in this group who had reached age 65 by June 1975 received the full amount of the increase, since no reduction for months before age 65 was necessary. Even for those under age 65 and thus requiring a reduction in the increase for the months before they would reach that age, the amount of the increase was actuarially reduced by less than the original percentage reduction and the increase after reduction was still greater than 8 percent of the benefit amount being received under the old rate.

The benefit increases therefore averaged 8.0 percent for retired workers with unreduced benefits and 8.7 percent for those with reduced benefits. Among nondisabled widows and widowers, they averaged 8.0 percent for unreduced benefits and 9.0 percent for reduced benefits. The beneficiary category with the largest percentage increase (9.5 percent) was the group subject to the largest actuarial reduction—disabled widows and widowers. Because so many persons on the

rolls were receiving reduced benefits, their higher percentage increase brought the overall increase in the average benefit for all beneficiaries to 8.3 percent.

PERSONS RECEIVING BENEFITS UNDER SPECIAL MINIMUM PROVISION

The primary insurance amount (PIA) is the amount payable to a retired worker at age 65 or to a disabled worker and serves as the base for computing all types of benefits payable on the worker's earnings record. It is related to the worker's average monthly earnings. The "special minimum" PIA (effective January 1973) is designed to help those who worked in covered employment for many years but with low earnings and is thus related to the number of years of covered employment, not the worker's average monthly earnings. From January 1973 through February 1974, the highest possible special minimum PIA was \$170.³ It was raised to \$180 in March 1974 and has remained at that level since then.

The number of persons receiving benefits based on the special minimum provision reached its

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

² Social Security Administration, *OASDI Digest*, 1974, page 15.

TABLE 2.—Beneficiaries with special minimum PIA, by type of benefit, at end of specified month, 1974-75

Beneficiaries and averages	Total	Retired workers and dependents				Disabled workers and dependents			Survivors		
		Retired workers		Wives and husbands	Children	Disabled workers	Wives and husbands	Children	Widows, widowers and parents	Widowed mothers	Children
		Men	Women								
May 1974											
Number	217,745	77,817	85,456	14,425	7,638	17,389	910	2,034	5,940	1,232	4,904
Average special minimum PIA	\$170.37	\$172.55	\$168.92	\$172.86	\$172.61	\$173.26	\$173.88	\$174.28	\$170.89	\$172.68	\$171.45
Average regular PIA	165.73	165.20	166.04	165.93	165.04	168.13	167.61	167.71	164.63	168.75	167.26
Average monthly amount	148.10	157.95	163.72	69.53	45.38	173.90	46.38	41.66	145.43	100.49	97.30
June 1974											
Number	117,120	42,331	46,242	7,605	4,216	9,230	453	1,029	3,035	623	2,356
Average special minimum PIA	\$175.42	\$175.29	\$175.42	\$175.58	\$175.46	\$175.03	\$176.59	\$177.49	\$173.90	\$175.41	\$175.46
Average regular PIA	167.04	166.82	167.00	167.33	167.00	167.92	168.97	169.20	165.91	167.44	167.50
Average monthly amount	148.43	158.50	163.17	69.31	43.46	175.46	46.30	42.16	147.29	99.31	96.12
May 1975											
Number	125,175	45,387	46,973	8,076	4,411	11,305	600	1,390	3,646	662	2,725
Average special minimum PIA	\$175.52	\$175.41	\$175.46	\$175.67	\$175.55	\$176.14	\$176.58	\$177.58	\$174.17	\$175.54	\$175.60
Average regular PIA	167.21	167.07	167.08	167.53	167.45	167.85	168.77	169.28	166.24	167.45	167.43
Average monthly amount	146.16	157.96	158.35	69.25	44.92	175.32	44.95	40.66	145.90	98.32	98.52
June 1975											
Number	27,803	10,223	10,693	1,702	933	2,468	112	243	745	131	553
Average special minimum PIA	\$176.91	\$176.88	\$176.88	\$177.07	\$177.02	\$177.24	\$177.67	\$178.37	\$175.35	\$177.25	\$177.20
Average regular PIA	170.94	170.70	170.78	171.17	170.95	170.88	171.29	171.48	169.32	170.84	169.92
Average monthly amount	147.21	158.29	157.75	69.96	43.90	176.59	47.63	47.16	146.73	98.10	95.83

peak in May 1974, when 217,745 persons had benefits that were calculated on this basis (table 2). Since the second stage of the 11-percent benefit increase (effective for June 1974) raised the regular PIA for some 100,000 beneficiaries in this group to more than \$180, it was more advantageous to have their benefits based on the regular PIA. The number with benefits based on the special minimum PIA therefore dropped to 117,120 by the end of June 1974.

The June 1975 benefit increase raised the regular PIA for about 97,000 additional "special minimum" beneficiaries above \$180, and the number receiving benefits on that basis declined to 27,803. It is likely that, for most persons coming under this provision, the benefits under the special PIA would be converted to the regular PIA basis by the time of the next cost-of-living increase, unless the \$180 limit on the special minimum PIA is also lifted.

Railroad Unemployment and Sickness Benefit Amendments of 1975*

On August 9, 1975, President Ford signed Public Law 94-92 amending the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits for railroad workers. The legislation was based on joint recommendations from railway, labor, and management.

Under the amended act, the maximum daily benefit for both unemployment and sickness compensation has been raised to \$24.00 from the previous rate of \$12.70 that had been in effect since 1968. This provision will be retroactive to July 1, 1975, and will extend through June 30, 1976, after which the maximum will be raised to \$25 a day. Each beneficiary's daily benefit rate will be figured as 60 percent of his last daily pay rate in the base year, subject to the \$24 or \$25 maximum but with a minimum of \$12.70.

As under previous law, to qualify for unem-

* By Andrea Novotny, Division of Retirement and Survivor Studies, Office of Research and Statistics.

ployment or sickness benefits, a worker must have railroad earnings of at least \$1,000 in the previous calendar year (base period), not counting more than \$400 for any one month. The new law, however, reduces the number of months that a new employee must have worked in the base year to be eligible for benefits from 7 months to 5 months.

The waiting period for payment of sickness benefits has also been liberalized to conform in general with that for unemployment insurance benefits. Under previous law, sickness benefits were payable only when the claimant had more than 7 days of sickness during the first 14-day claim period in a benefit year. Now, the claimant receives benefits after 4 consecutive days of illness. If the illness continues, benefits are to be paid for all days exceeding 4 in subsequent registration periods, as in the previous law.

Normal sickness benefits are available for the same length of time as normal unemployment benefits—up to a maximum of 130 days (26 weeks) but are not to exceed the amount of an employee's creditable wages in the base year. As with unemployment benefits, up to \$775 (previously \$400) a month can be counted toward creditable wages in the base year for purposes of setting the maximum amount of normal benefits that are payable.

The 1959 amendments to the act introduced the concept of paying extended unemployment and sickness benefits to railroad workers with long-term service who have exhausted their rights to normal benefits. Employees with 10-14 years of service could receive up to 65 additional days (13 weeks) of benefits, and employees with 15 or more years of service could receive up to 130 additional days (26 weeks).

The new law includes somewhat comparable provisions of a permanent nature for railroad employees with less than 10 years of service.¹ They are the workers with the lowest seniority who generally would be most subject to layoff and who would be laid off for long periods of time. Now they will be eligible for extended unemployment (but not sickness) benefits up to a maximum of 65 additional days during periods of high unemployment in either the national

¹ In earlier years, special Federal legislation was passed during periods of high unemployment to provide for an extended-benefit period.