

## Beneficiaries Affected by the Annual Earnings Test in 1982\*

Beneficiaries younger than age 70 are affected by the earnings test provision of the Social Security Act if they have income from employment or self-employment exceeding certain annual exempt amounts. In 1986, these amounts are \$5,760 for persons younger than age 65 and \$7,800 for persons aged 65-69. Benefits are withheld at the rate of \$1 for every \$2 of earnings above these exempt amounts. Before 1983, the earnings of beneficiaries aged 70 and 71 also were subject to this annual test.

This note presents statistical data about beneficiaries affected by the earnings test in 1982. Most of the data are for retired-worker beneficiaries. Limited data about dependent and survivor beneficiaries who had benefits offset because of their own earnings are also presented. Excluded are disabled beneficiaries, who are subject to a test of "substantial gainful activity," and persons residing in foreign countries, who are subject to a different earnings test. Most of the data are derived on a 100-percent basis from the Social Security Administration's major administrative file, the Master Beneficiary Record.

### Effects of Earnings Test on Benefits

Two exempt amounts were established by the 1977 Amendments to the Social Security Act—one for beneficiaries younger than age 65 and one for beneficiaries aged 65 or older. The latter category includes beneficiaries who attain age 65 before the close of the taxable year involved. In 1982, the exempt amounts were \$4,400 for the younger beneficiaries and \$6,000 for those aged 65-71. The annual exempt amounts for 1978-86 are shown in the tabulation at the top of the next column.

Table 1 shows the effects of the 1982 earnings test on the benefits of a hypothetical 65-year-old beneficiary with annual social security benefits of \$5,000 and various amounts of annual earnings. This beneficiary could earn as much as \$6,000 and still receive the full annual benefit amount and could earn up to \$16,000 before benefits were totally offset.<sup>1</sup>

Before 1978, benefits were payable for any month in which earnings did not exceed certain specified

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<sup>1</sup> For a description of the effects of the earnings test in previous years, see the following *Social Security Bulletin* articles by Barbara A. Lingg: "Beneficiaries Affected by the Annual Earnings Test in 1980," November 1984, pages 16-25; "Beneficiaries Affected by the Annual Earnings Test in 1978," April 1983, pages 23-34; and "Beneficiaries Affected by the Annual Earnings Test in 1977," December 1980, pages 3-15.

Year	Annual exempt amounts for—	
	Beneficiaries younger than age 65	Beneficiaries aged 65 or older <sup>1</sup>
1978.....	\$3,240	\$4,000
1979.....	3,480	4,500
1980.....	3,720	5,000
1981.....	4,080	5,500
1982.....	4,440	6,000
1983.....	4,920	6,600
1984.....	5,160	6,960
1985.....	5,400	7,320
1986.....	5,760	7,800

<sup>1</sup> Earnings test applied to beneficiaries aged 65-71 for years before 1982 and to beneficiaries aged 65-69 beginning with 1983.

amounts or the individual did not render substantial services in self-employment, regardless of total yearly earnings. Beginning with 1978, the monthly earnings test was eliminated except for one year—the first year in which a beneficiary has a month of entitlement in which he or she does not earn more than the monthly exempt amount or does not perform substantial services in self-employment. This one year is referred to as the "grace year" and could have occurred before 1978. Thus, persons who were on the benefit rolls and had a grace year before 1978 were not permitted to use the monthly test in 1978.

Legislation enacted in 1980 provided for other changes in the application of the monthly test. All beneficiaries, including those on the rolls before 1978, were given one year after 1977 to use the monthly test. Also, persons receiving benefits as children, as mothers or fathers, and as wives or husbands who are caring for children were permitted to use the monthly test in the year in which their entitlement ends. Entitlement to a mother's benefit, for example, usually ends when the beneficiary's youngest child attains age 16. Another change was the exclusion of self-employment income received after the year of entitlement that was attributable to services performed before en-

**Table 1.—Examples of net receipts from benefits and earnings for beneficiaries aged 65 or older with annual benefit amount of \$5,000, by annual earnings levels, 1982**

Annual earnings	Amount of benefits		Amount received from earnings and benefits	Economic advantage of working (in dollars)
	Withheld	Payable		
\$1,680.....	0	\$5,000	\$6,680	\$1,680
\$2,280.....	0	5,000	7,280	2,280
\$3,000.....	0	5,000	8,000	3,000
\$4,500.....	0	5,000	9,500	4,500
\$6,000.....	0	5,000	11,000	6,000
\$7,280.....	\$640	4,360	11,640	6,640
\$10,000.....	2,000	3,000	13,000	8,000
\$13,000.....	3,500	1,500	14,500	9,500
\$16,000.....	5,000	0	16,000	11,000
\$20,000.....	5,000	0	20,000	15,000

titlement. All these provisions were retroactive to 1978.

The 1980 legislation also provided for separate applications for hospital insurance (HI) benefits under Medicare and for monthly cash benefits. Previously, a person filing for benefits under Medicare also had to file for monthly benefits. Thus, a person who wished to establish eligibility for HI benefits but who was not retiring could trigger a grace year by an isolated month of low earnings. Therefore, the monthly test would not be available later when the person actually retired. Persons who had already used their grace year were allowed to withdraw their applications for cash benefits and repay all cash benefits they had received so that the monthly test could be used in a later year of retirement.

## Retired-Worker Beneficiaries

### Beneficiaries Affected in 1982

About 1 million retired-worker beneficiaries had some or all of their benefits offset because of their earnings in 1982. They represented about 9 percent of all retired workers aged 62-71 who were on the social security rolls—persons who have filed an application for social security benefits and thus have established entitlement to benefits whether or not they are actual-

ly payable<sup>2</sup>—and about 7 percent of that age group who were eligible for benefits (table 2). An individual is considered to be eligible for benefits if he or she meets the insured-status and age requirements, whether or not he or she has actually filed for them, and whether or not benefits would be payable if he or she did file for them.

When the effects of the earnings test are assessed, it should be noted that the number of beneficiaries on the rolls would be larger if it were not for the earnings limitation. Many persons who are eligible for benefits but who continue to work, particularly those aged 62-64, do not file for benefits because the earnings test would result in either a limitation of their earnings or the withholding of some or all of their benefits. These individuals are affected by the earnings test even though they are not on the social security rolls.

About one-third of the retired workers who had benefits offset because of the earnings test were women. However, women represented almost 45 percent of those aged 62-71 who were on the rolls. Relatively fewer women than men had benefits offset because fewer women worked and those who did work had

<sup>2</sup> After 1980, as indicated, persons filing for benefits under Medicare need not file an application for social security benefits, but some individuals—even those whose benefits would be completely offset by the earnings test—continue to do so.

**Table 2.—Retired-worker beneficiaries younger than age 72, on rolls at end of year and affected by earnings test, by sex and age group, selected years, 1970-82**

Year, sex, and age group	On rolls at end of year		Affected by earnings test							
	Number	Percentage distribution	Number	Percentage distribution	Percent on rolls	Percent eligible for benefits <sup>1</sup>	Amount of benefits (in thousands)		Ratio of benefits withheld to amount before withholding <sup>2</sup>	Percent with all benefits offset <sup>2</sup>
							Withheld <sup>2</sup>	Before withholding <sup>2</sup>		
1982	11,080,973	100.0	1,038,585	100.0	9.4	7.5	\$4,306,849	\$7,312,814	0.59	31
Men	6,141,410	55.4	698,109	67.2	11.4	9.3	3,394,199	5,494,353	.62	37
62-64	1,161,254	10.5	101,878	9.8	8.8	4.4	188,330	525,154	.36	10
65-71	4,980,156	44.9	596,231	57.4	12.0	11.6	3,205,869	4,969,199	.65	42
Women	4,939,563	44.6	340,476	32.8	6.9	5.4	912,650	1,818,461	.50	18
62-64	1,099,784	9.9	75,265	7.2	6.8	3.8	82,445	235,990	.35	5
65-71	3,839,779	34.7	265,211	25.5	6.9	6.2	830,205	1,582,471	.52	21
1980	10,585,624	100.0	1,062,648	100.0	10.0	8.0	3,902,664	5,990,456	.65	36
Men	5,876,561	55.5	739,439	69.6	12.6	10.2	3,102,838	4,599,097	.67	43
Women	4,709,063	44.5	323,209	30.4	6.9	5.4	799,826	1,391,359	.57	21
1978	10,057,261	100.0	1,055,635	100.0	10.5	8.3	3,057,093	4,638,457	.66	38
Men	5,610,497	55.8	746,995	70.8	13.3	10.7	2,439,166	3,571,674	.68	44
Women	4,446,764	44.2	308,640	29.2	6.9	5.5	617,927	1,066,783	.58	23
1975	9,319,297	100.0	1,318,772	100.0	14.2	11.3	2,684,559	4,252,463	.63	34
Men	5,269,351	56.5	921,667	69.9	17.5	14.1	2,080,963	3,210,208	.65	39
Women	4,049,946	43.5	397,105	30.1	9.8	7.7	603,596	1,042,255	.60	21
1970	7,674,438	100.0	1,555,678	100.0	20.3	15.2	1,998,225	2,792,429	.72	(3)
Men	4,455,453	58.1	1,097,672	70.6	24.6	18.5	1,523,994	2,102,706	.72	(3)
Women	3,218,985	41.9	458,006	29.4	14.2	10.6	474,231	689,723	.69	(3)

<sup>1</sup> Percent of those aged 62-71 eligible to receive retired-worker benefits at end of year. Excludes disabled-worker beneficiaries aged 62-64.

<sup>2</sup> Includes benefits for entitled spouses and children.

<sup>3</sup> Data not available.

lower average earnings than men. Among workers with employment covered by the social security program in 1982, median earnings for women were \$6,704 for those aged 62-64, \$4,270 for those aged 65-69, and \$3,144 for those aged 70-71. Median earnings for men in these age groups were \$14,505, \$5,693, and \$4,060, respectively.

## Changes Since 1970

Although relatively fewer women than men have benefits offset due to the earnings test, the actual number of women affected by the test has increased: from 309,000 in 1978 to 323,000 in 1980 and to 340,000 in 1982 (table 2). In each of these years, about 7 percent of all the women retired workers aged 62-71 who were on the rolls had benefits offset due to the earnings test. During the same period, the number of men affected by the earnings test decreased from 747,000 in 1978 to 739,000 in 1980 and to 698,000 in 1982. In 1982, 11 percent of men retired workers aged 62-71 had benefits offset, compared with 13 percent in 1978. These differences can be partly explained by changes in the work activity of persons aged 65 or older during this period. The proportion of men aged 65 or older in the labor force was 20 percent in 1978, 19 percent in 1980, and 18 percent in 1982. The participation rate for women in this age group was 8 percent during the entire period.<sup>3</sup>

From 1970 to 1978, the proportion of retired workers who were affected by the earnings test decreased substantially—from 25 percent to 13 percent for men and from 14 percent to 7 percent for women. This decline was related to the increases in the exempt amount that permitted beneficiaries to earn more and still receive all their benefits. Also, the labor-force participation of persons aged 65 or older decreased. The proportion of men aged 65 or older in the labor force dropped from 27 percent in 1970 to 20 percent in 1978; the labor-force participation of women in this age group decreased from 10 percent to 8 percent in the same period.<sup>4</sup>

## Earnings and Benefits Offset

When a retired-worker beneficiary's earnings during the year exceed the exempt amount, both that person's benefits and the benefits of that person's entitled spouse and children are subject to withholding. In 1982, retired workers and their dependents had \$4.3 billion in benefits offset—59 percent of the \$7.3 billion that would have been payable to that group

<sup>3</sup> *Employment and Training Report of the President, 1981*, Government Printing Office, pages 121-133, and *Employment and Earnings*, Volume 30, No. 1, January 1983, pages 142-143.

<sup>4</sup> *Employment and Training Report of the President, 1981*, op. cit., pages 121-123.

had no deductions been made for earnings (table 2). Among the men, \$3.4 billion, or 62 percent, of their benefits were offset; among the women, \$0.9 billion, or 50 percent, of their benefits were offset. For 37 percent of the men and 18 percent of the women, earnings were high enough in 1982 to result in the offset of all benefits payable to both the workers and their dependents.

Many retired workers who had benefits offset had fairly high earnings. Seventeen percent of the men and 3 percent of the women had earnings of at least \$32,400—the maximum amount taxable and creditable for social security purposes in 1982. Ten percent of the women and 20 percent of the men had earnings of \$20,000 to \$32,399 (table 3). Relatively more women (47 percent) than men (27 percent) had earnings of less than \$10,000.<sup>5</sup>

Among retired workers who were affected by the earnings test, earnings were considerably higher for persons aged 65-71 than for those aged 62-64 because many workers younger than age 65 who have high earnings have not yet applied for benefits. Among men aged 65-71, 31 percent had earnings of \$25,000 or more, compared with 5 percent of men aged 62-64. Among the women, 8 percent of the beneficiaries aged 65-71 and less than 1 percent of those aged 62-64 had earnings at this level. Consequently, only 5 percent of the women and 10 percent of the men aged 62-64 had all their benefits offset due to their earnings, compared with 21 percent of the women and 41 percent of the men aged 65-71 (table 4).

## Earnings and Primary Insurance Amount

Social security benefits are based on a worker's primary insurance amount (PIA). The PIA is based on a worker's earnings in employment covered by the social security program averaged over a working lifetime. The full PIA is payable to a retired worker who begins to receive benefits at age 65. Monthly benefits are payable as early as age 62, but the monthly amount payable is reduced by five-ninths of 1 percent for each month of entitlement before age 65.<sup>6</sup> Retired workers who do not receive benefits for months after the attainment of age 65 and before the attainment of age 70 (age 72 before January 1984), can receive increased monthly benefits based on the delayed retirement credit provision.

<sup>5</sup> For all but 7 percent of the men and 2 percent of the women, the amount of earnings in 1982 was available either from their annual report of earnings or from their social security earnings record.

<sup>6</sup> If a person who has elected to receive benefits before age 65 has earnings high enough to offset benefits for some or all of the months before age 65, the reduction factor is adjusted to account for months in which benefits were not paid. The monthly benefit amount is then recomputed on the basis of the smaller reduction factor.

**Table 3.—Retired-worker beneficiaries affected by earnings test, by sex, age, primary insurance amount, and amount of earnings, 1982**

Sex, age, and primary insurance amount	Number	Percentage distribution by amount of earnings								Average benefit amount		Percent with all benefits offset
		Total <sup>1</sup>	Less than \$10,000	\$10,000–\$14,999	\$15,000–\$19,999	\$20,000–\$24,999	\$25,000–\$32,399	\$32,400 or more	Unknown	Withheld	Before with-holding	
Men .....	698,109	100	27	16	13	10	10	17	7	\$4,862	\$7,870	37
Aged 62–64 .....	101,878	100	66	18	6	3	2	3	2	1,849	5,155	10
Less than \$500.00..	32,162	100	79	12	3	1	1	2	2	1,218	3,523	9
\$500.00 or more...	69,716	100	59	20	8	4	3	4	2	2,112	5,907	10
Aged 65–69 .....	516,181	100	20	16	14	11	12	20	7	5,227	8,078	42
Less than \$500.00..	63,456	100	33	20	12	11	10	9	4	2,303	4,018	43
\$500.00–\$699.90 ..	136,535	100	33	28	18	8	4	5	4	3,108	6,802	21
\$700.00 or more...	316,190	100	11	11	13	13	15	28	9	6,729	9,445	51
Aged 70–71 .....	80,050	100	27	15	11	8	8	18	12	6,342	9,984	39
Less than \$500.00..	9,527	100	46	15	9	9	8	8	6	2,297	4,747	36
\$500.00–\$699.90 ..	18,033	100	58	24	7	2	2	2	4	2,356	7,777	10
\$700.00 or more...	52,490	100	13	12	13	10	11	25	16	8,446	11,693	50
Women .....	340,476	100	47	25	13	6	4	3	2	2,681	5,341	18
Aged 62–64 .....	75,265	100	86	10	2	1	(2)	(2)	1	1,095	3,135	5
Less than \$500.00..	66,416	100	89	8	1	(2)	(2)	(2)	1	1,008	2,886	5
\$500.00 or more...	8,849	100	63	23	7	3	2	1	1	1,748	5,005	6
Aged 65–69 .....	234,556	100	36	29	17	8	5	3	2	3,116	5,819	22
Less than \$500.00..	100,657	100	54	29	9	3	2	1	2	1,706	4,108	19
\$500.00–\$699.90 ..	87,907	100	27	39	21	7	3	2	2	3,128	6,281	16
\$700.00 or more...	45,992	100	10	13	26	21	15	10	5	6,156	8,682	38
Aged 70–71 .....	30,655	100	44	26	13	6	4	4	3	3,274	7,095	17
Less than \$500.00..	9,191	100	71	15	6	3	2	1	2	1,378	4,650	14
\$500.00–\$699.90 ..	11,402	100	50	39	7	1	1	1	1	2,264	6,892	5
\$700.00 or more...	10,062	100	13	20	27	14	9	9	7	6,151	9,561	31

<sup>1</sup> Sum of percentages may not equal 100 due to independent rounding.

<sup>2</sup> Less than 0.5 percent.

Because the PIA is related to an individual's earnings before benefit entitlement, persons with high PIA's should be more likely than those with low PIA's to have high earnings if they continue to work after they are entitled to benefits. Among retired workers affected by the earnings test in 1982, a substantially higher proportion of those with higher PIA's had higher earnings, regardless of age, sex, or race. Among beneficiaries aged 65–69, 43 percent of the men and 25 percent of the women with PIA's of \$700 or more earned at least \$25,000 in 1982, compared with 19 percent of the men and 3 percent of the women with PIA's of less than \$500 (table 3). Two-fifths of the white men and one-fourth of the black men aged 65–71 with PIA's of \$700 or more earned at least \$25,000, compared with one-fifth of the white men and one-tenth of the black men with PIA's of less than \$500 (table 4).

The SSA Continuous Work History Sample (CWHS) contains data for all retired workers, including those who do not work and those who had earnings below the exempt amount.<sup>7</sup> These data indicate

<sup>7</sup> For a description of the sample design and estimates of the sampling variability of the Continuous Work History Sample (CWHS), see Robert H. Finch, Jr., *Sampling Variability in the 1-Percent Continuous Work History Sample*, Social Security Administration, Office of Research and Statistics, 1977. Data from the CWHS are not strictly comparable with the other data presented here. For the CWHS, benefit data are adjusted 6 months after the

that workers with higher earnings before entitlement—as indicated by higher PIA's—not only have higher earnings after entitlement but also are more likely to continue to work. Among retired workers aged 65–71, nearly one-half of the men and two-fifths of the women with PIA's of \$700 or more had some earnings in 1982. In contrast, only about 20 percent of the men and women with PIA's of less than \$700 had some earnings. Among retired workers aged 65–71 who did work, 64 percent of the men and 70 percent of the women with PIA's of \$700 or more had earnings at or exceeding the exempt amount (\$6,000), compared with 27 percent of the men and 29 percent of the women with lower PIA's (table 5).

### Family Status

About three-fourths of the retired-worker beneficiaries affected by the earnings test were classified as "worker-only" beneficiaries. Social security family benefit classifications are based on the number of persons entitled to benefits on a worker's earnings record

close of the calendar year to add and delete beneficiaries who had award and termination actions that were effective for the prior year but were not processed during the year. The CWHS also contains data about a number of beneficiaries with earnings exceeding the exempt amount during their first year of entitlement to benefits who are not shown to be affected by the earnings test because of the use of the monthly test during this grace year.

**Table 4.—Retired-worker beneficiaries affected by earnings test, by sex, age, race, and primary insurance amount, 1982**

Sex, age, race, and primary insurance amount	Number	Total <sup>1</sup>	Percentage distribution by amount of earnings							Average benefit amount		Percent with all benefits offset
			Less than \$10,000	\$10,000-\$14,999	\$15,000-\$19,999	\$20,000-\$24,999	\$25,000-\$32,399	\$32,400 or more	Unknown	Withheld	Before withholding	
Men, aged 62-64 <sup>2</sup> . . .	101,878	100	66	18	6	3	2	3	2	\$1,849	\$5,155	10
White . . . . .	88,839	100	64	18	7	3	3	4	2	1,876	5,240	10
Less than \$500.00	24,187	100	78	12	3	2	1	2	2	1,255	3,485	10
\$500.00 or more . . .	64,652	100	59	20	8	4	3	4	2	2,109	5,897	10
Black . . . . .	10,574	100	73	17	5	2	1	1	1	1,644	4,547	7
Less than \$500.00	6,667	100	81	13	2	1	1	1	1	1,356	3,664	7
\$500.00 or more . . .	3,907	100	59	23	10	3	2	1	1	2,148	6,052	6
Women, aged 62-64 <sup>2</sup> . . .	75,265	100	86	10	2	1	(3)	(3)	1	1,095	3,135	5
White . . . . .	65,982	100	86	10	2	1	(3)	(3)	1	1,099	3,174	5
Less than \$500.00	57,741	100	89	8	1	(3)	(3)	(3)	1	1,009	2,913	5
\$500.00 or more . . .	8,241	100	65	23	7	3	1	1	1	1,731	5,007	6
Black . . . . .	7,440	100	88	8	1	1	(3)	(3)	1	1,061	2,839	6
Less than \$500.00	6,993	100	90	7	1	(3)	(3)	(3)	1	995	2,702	5
\$500.00 or more . . .	447	100	54	26	9	5	2	1	2	2,084	4,978	10
Men, aged 65-71 <sup>2</sup> . . .	596,231	100	21	16	14	11	11	20	8	5,377	8,334	41
White . . . . .	545,960	100	20	16	14	11	11	21	8	5,516	8,449	42
Less than \$500.00	58,400	100	33	19	12	11	10	10	5	2,394	4,100	45
\$500.00-\$699.90 . . .	137,189	100	36	27	17	7	4	5	4	3,089	6,925	20
\$700.00 or more . . .	350,371	100	12	11	13	12	15	28	10	7,003	9,771	51
Black . . . . .	35,130	100	34	25	17	10	7	5	3	3,263	6,716	25
Less than \$500.00	11,166	100	47	21	11	9	6	4	2	1,875	4,184	32
\$500.00-\$699.90 . . .	13,396	100	38	34	16	5	2	2	2	2,702	6,808	15
\$700.00 or more . . .	10,568	100	15	17	23	17	15	10	4	5,438	9,268	31
Women, aged 65-71 <sup>2</sup> . . .	265,211	100	36	29	17	8	5	3	2	3,130	5,967	21
White . . . . .	240,115	100	36	29	17	9	5	3	2	3,189	6,045	21
Less than \$500.00	95,834	100	55	28	9	3	2	1	2	1,695	4,192	19
\$500.00-\$699.90 . . .	91,576	100	30	39	20	6	2	1	2	3,033	6,368	15
\$700.00 or more . . .	52,705	100	10	14	26	20	14	10	5	6,176	8,853	36
Black . . . . .	18,504	100	44	30	14	7	2	2	2	2,418	5,083	20
Less than \$500.00	10,664	100	60	26	7	3	1	1	2	1,519	3,853	20
\$500.00-\$699.90 . . .	5,616	100	29	43	20	5	1	1	1	2,914	6,089	17
\$700.00 or more . . .	2,224	100	9	19	30	20	13	5	4	5,480	8,468	31

<sup>1</sup> Sum of percentages may not equal 100 due to independent rounding.

<sup>3</sup> Less than 0.5 percent.

<sup>2</sup> Includes persons of other and unknown races.

**Table 5.—Retired workers younger than age 72 on rolls at end of 1982 and with earnings in 1982 and percentage distribution by amount of earnings, by sex, age, and primary insurance amount**

[Based on 1-percent Continuous Work History Sample]

Sex, age, and primary insurance amount	Number of retired workers on rolls (in thousands)	Number with earnings (in thousands)	Percentage distribution by amount of earnings								
			Total	Less than \$2,000	\$2,000-\$4,439	\$4,440-\$5,999	\$6,000-\$9,999	\$10,000-\$14,999	\$15,000-\$19,999	\$20,000-\$24,999	\$25,000 or more
Men . . . . .	6,216	1,851	100	22	24	14	13	7	5	4	11
Aged 62-64 . . . . .	1,189	480	100	23	30	10	14	10	6	4	4
Less than \$500.00 . . . . .	444	153	100	31	35	12	15	6	1	1	(1)
\$500.00 or more . . . . .	745	327	100	19	28	9	14	11	8	5	6
Aged 65-71 . . . . .	5,027	1,371	100	22	21	15	12	7	5	4	14
Less than \$500.00 . . . . .	1,684	287	100	37	31	16	11	3	2	(1)	1
\$500.00-\$699.90 . . . . .	2,155	538	100	24	25	19	13	8	6	2	3
\$700.00 or more . . . . .	1,188	546	100	12	13	11	11	7	7	7	32
Women . . . . .	4,959	1,116	100	27	29	15	13	8	4	2	2
Aged 62-64 . . . . .	1,123	338	100	28	37	14	13	6	2	1	(1)
Less than \$500.00 . . . . .	995	296	100	29	38	14	13	4	1	(1)	(1)
\$500.00 or more . . . . .	127	41	100	21	25	9	14	15	11	4	1
Aged 65-71 . . . . .	3,836	778	100	26	26	16	13	9	5	2	2
Less than \$500.00 . . . . .	2,994	527	100	30	31	17	13	6	1	1	(1)
\$500.00-\$699.90 . . . . .	704	193	100	20	17	15	13	18	11	4	2
\$700.00 or more . . . . .	138	58	100	12	9	9	10	9	16	14	21

<sup>1</sup> Less than 0.5 percent.

and their relationship to the worker. The term "worker-only" beneficiary means that no spouse or child is entitled to benefits on the worker's earnings record. The worker may actually be married to someone who qualifies for benefits on his or her own earnings record or to a person not meeting the requirements for entitlement—for example, a woman too young to be entitled to a wife's benefit.

Among men with benefits offset in 1982, 14 percent of those aged 62-64 and 6 percent of those aged 65-71 had children entitled to benefits and 28 percent of those aged 62-64 and 34 percent of those aged 65-71 had an entitled spouse (table 6).<sup>8</sup> Only about 2 percent of the women retired workers had entitled husbands or children. The earnings data shown apply only to the worker's earnings, and the amounts of benefits offset apply only to benefits withheld because of the worker's earnings. Information about spouses and children who had benefits offset because of their own earnings is given in the next section.<sup>9</sup>

About 46 percent of the men aged 65-71 with entitled children had earnings of less than \$15,000, compared with 38 percent with only a wife and 36 percent

who had no dependents. The lower earnings of workers with children were partly responsible for the smaller benefit offsets experienced by these families. Among families with 65-71-year-old men retired workers, 21 percent of the worker-wife-children families and 24 percent of the worker-and-children families had all benefits offset, compared with 34 percent of the worker-and-spouse families and 47 percent of the worker-only beneficiaries. Also related to the proportionately smaller offset were larger benefits for families. Monthly benefits for families with the same PIA tend to be larger than those for worker-only beneficiaries because they include the amounts to which the dependents are entitled. Thus, there are more benefits to which excess earnings can be charged and more of the yearly benefit can be retained.

Among men workers aged 62-64, about three-fourths of those with only a wife entitled to benefits and more than four-fifths of workers with children as well as worker-only beneficiaries had earnings of less than \$15,000. Because so many workers had relatively low earnings, few families had all of their yearly benefits offset.

## Dependent and Survivor Beneficiaries

Spouses and children of retired and disabled workers and survivors of deceased workers may receive monthly cash benefits if they meet certain requirements. In 1982, these beneficiaries were subject to the

<sup>8</sup> The spouse and children of a retired worker may each receive up to 50 percent of the worker's PIA subject to a statutory family maximum, normally ranging from 150 percent to 188 percent of the PIA. If total benefits for all family members exceed this maximum, the benefits for the spouse and children are proportionately reduced.

<sup>9</sup> Data are not available to show earnings of spouses and children and the benefits withheld resulting from such earnings in families in which both the worker and the dependents had earnings.

**Table 6.—Retired-worker beneficiaries affected by earnings test, by type of beneficiary family, sex, age, and primary insurance amount, 1982**

Type of beneficiary family, sex, and primary insurance amount <sup>1</sup>	Number	Percentage distribution by amount of earnings								Average benefit amount		Percent with all benefits offset
		Total <sup>2</sup>	Less than \$10,000	\$10,000-\$14,999	\$15,000-\$19,999	\$20,000-\$24,999	\$25,000-\$32,399	\$32,400 or more	Unknown	Withheld	Before withholding	
Worker only . . . . .	771,506	100	36	20	13	8	7	11	5	\$3,637	\$6,080	31
Men . . . . .	439,093	100	27	16	13	10	10	17	7	4,366	6,654	41
Aged 62-64 . . . . .	65,501	100	69	16	5	3	2	3	2	1,523	4,356	9
Aged 65-71 . . . . .	373,592	100	20	16	14	10	12	20	8	4,864	7,056	47
Women . . . . .	332,413	100	47	24	13	6	4	3	2	2,674	5,322	18
Worker and spouse . . . . .	211,498	100	26	16	13	9	9	19	7	5,909	9,863	32
Men . . . . .	206,745	100	25	16	13	9	10	19	7	5,961	9,935	32
Aged 62-64 . . . . .	21,605	100	55	20	9	5	4	6	2	2,456	6,220	13
Aged 65-71 . . . . .	185,140	100	22	16	14	10	10	20	8	6,371	10,368	34
Women . . . . .	4,753	100	39	24	16	10	6	3	2	3,634	6,757	19
Worker and children . . . . .	28,661	100	40	19	13	8	7	9	3	4,070	8,396	18
Men . . . . .	25,457	100	36	20	13	9	8	10	3	4,337	8,807	19
Aged 62-64 . . . . .	7,510	100	63	20	8	3	2	3	2	2,231	6,478	8
Aged 65-71 . . . . .	17,947	100	26	19	16	12	11	13	4	5,217	9,781	24
Women . . . . .	3,204	100	66	17	8	3	2	2	2	1,949	5,132	9
Worker, spouse, and children . . . . .	26,920	100	36	19	13	9	8	11	4	4,994	10,976	17
Men . . . . .	26,814	100	36	19	13	9	8	11	4	5,002	10,990	17
Aged 62-64 . . . . .	7,262	100	59	21	10	4	2	3	2	2,580	7,823	7
Aged 65-71 . . . . .	19,552	100	28	18	14	11	10	15	4	5,901	12,167	21
Women . . . . .	106	100	51	23	15	6	2	3	1	3,001	7,539	9

<sup>1</sup> Data by age and earnings level not shown for women workers; about 98 percent of women workers are "worker-only" beneficiaries. These data for all

women workers are in tables 3 and 4.

<sup>2</sup> Sum of percentages may not equal 100 due to independent rounding.

same earnings test that applied to retired workers if they had earnings above the exempt amounts—\$4,400 for beneficiaries younger than age 65 and \$6,000 for beneficiaries aged 65-71. Benefits are withheld at the rate of \$1 for every \$2 above these amounts.

Benefits for dependents and survivors are based on the insured worker's PIA, and are subject to proportional reduction to keep total benefits payable to a family within a limit determined by the family maximum provision of the law. Wives, husbands, and children may receive up to 50 percent of the worker's PIA. Surviving children and widowed mothers and fathers entitled to benefits because they are caring for these children may each receive up to 75 percent.

Nondisabled widows and widowers (who must be at least age 60) may receive up to 100 percent of the PIA, plus any amount the deceased worker was entitled to because of delayed retirement credits; dependent surviving parents (who must be at least age 62) may receive up to 82.5 percent. In 1982, 454,000 dependent and survivor beneficiaries—representing about 5 percent of all such beneficiaries younger than age 72 on the rolls—had some or all of their benefits offset due to their own earnings (table 7). More than 70 percent were survivors of deceased workers, and 16 percent were spouses and children of disabled workers.

In addition to the dependent and survivor beneficiaries who had some benefits offset, many other dependent and survivor beneficiaries may also have had earnings exceeding the exempt amount. Sometimes the

benefit for a working dependent or survivor beneficiary continues to be paid because, under the family maximum provision, the total family benefit would remain the same whether or not the withholding is processed.<sup>10</sup> The types of beneficiaries who were most likely to have earnings exceeding the exempt amount, but who were not counted as affected by the earnings test, were wives and husbands younger than age 62 and widowed mothers and fathers.

The number of widowed mothers and fathers who actually had benefits offset in 1982 represented a substantial proportion of all such beneficiaries on the rolls—30 percent and 60 percent, respectively. Also, about one-sixth of the wives of disabled workers had benefits offset because of their earnings. Less than 2 percent of all child beneficiaries had benefits offset. Most of these children were student beneficiaries aged 18-22 with earnings from part-time and summer employment.

The dependent and survivor beneficiaries with benefits offset because of their own earnings had about \$658 million offset—almost one-half of the \$1.4 billion that would have been payable had no withholding been made because of their earnings. About one-fifth

<sup>10</sup> This procedure only applies to families large enough to be affected by the family maximum provision after the benefits of the working dependent or survivor are excluded. If one family member earns enough to necessitate the withholding of his or her benefit, the amount withheld is added, proportionately, to the benefits of other members, bringing the total family benefit once again to the family maximum amount. Since the amount payable to the family remains the same, sometimes no withholding is processed.

**Table 7.—Dependent and survivor beneficiaries younger than age 72 on rolls at end of year and affected by earnings test, by type of beneficiary, 1982**

Type of beneficiary	On rolls at end of year		Affected by earnings test					Ratio of benefits withheld to amount before withholding
	Number	Percentage distribution	Number	Percentage distribution	Percent on rolls	Amount of benefits (in thousands)		
						Withheld	Before withholding	
Total .....	8,341,010	100.0	454,299	100.0	5.4	\$658,027	\$1,354,969	0.49
Spouses and children of retired workers .....	2,426,403	29.1	58,625	12.9	2.4	50,249	94,869	.53
Wives .....	1,942,968	23.3	47,566	10.5	2.4	42,156	78,275	.54
Husbands .....	33,090	.4	1,027	.2	3.1	1,165	1,267	.92
Children <sup>1</sup> .....	450,345	5.4	10,032	2.1	2.2	6,928	15,327	.45
Spouses and children of disabled workers .....	1,424,817	17.1	71,199	15.7	5.0	48,498	115,987	.42
Wives .....	381,010	4.6	60,348	13.3	15.8	42,090	101,035	.42
Husbands .....	2,536	(2)	827	.2	32.6	294	844	.35
Children <sup>1</sup> .....	1,041,271	12.5	10,024	2.2	1.0	6,114	14,108	.43
Survivors of deceased workers <sup>3</sup> .....	4,489,790	53.8	324,475	71.4	7.2	559,280	1,144,113	.49
Widows, nondisabled <sup>4</sup> .....	1,764,248	21.1	96,459	21.2	5.5	170,653	412,340	.41
Widowers, nondisabled <sup>4</sup> .....	20,061	.2	2,156	.5	10.7	3,051	5,438	.56
Widowed mothers .....	564,591	6.8	171,790	37.8	30.4	326,384	600,231	.54
Widowed fathers .....	28,120	.3	17,002	3.7	60.5	28,301	39,726	.71
Children <sup>1</sup> .....	2,112,770	25.3	37,068	8.2	1.8	30,891	86,378	.36

<sup>1</sup> Excludes disabled children.  
<sup>2</sup> Less than 0.1 percent.

<sup>3</sup> Excludes parents.  
<sup>4</sup> Excludes disabled widows and widowers.

of the widowed mothers and the wives of retired and disabled workers who had benefits offset earned \$15,000 or more in 1982 (table 8). About 10 percent of the nondisabled widows had earnings at this level. For nondisabled widows, the proportion who had earnings of \$15,000 or more was lower for those aged

60-64 than for those aged 65-71. Because benefits for widows are reduced for months of entitlement before age 65, many widows with fairly high earnings may not file for benefits until they attain that age. Child beneficiaries had the lowest level of earnings; about 80 percent earned less than \$10,000.

**Table 8.—Dependent and survivor beneficiaries with benefits offset because of own earnings, by type of beneficiary and age, 1982**

Type of beneficiary and age	Number	Percentage distribution by amount of earnings							Average benefit amount		Ratio of benefits withheld to amount before withholding
		Total <sup>1</sup>	Less than \$10,000	\$10,000-\$14,999	\$15,000-\$19,999	\$20,000-\$24,999	\$25,000 or more	Unknown	Withheld	Before withholding	
<b>Spouses and children of retired workers:</b>											
Wives.....	47,566	100	48	22	11	5	4	10	\$886	\$1,646	0.54
Under 50.....	10,219	100	39	26	12	5	4	13	801	1,798	.44
50-61.....	18,183	100	43	26	11	4	4	12	936	1,889	.50
62-64.....	8,815	100	83	8	3	1	1	4	434	863	.50
65-71.....	10,349	100	35	23	16	10	9	6	1,268	1,734	.73
Husbands.....	1,027	100	12	9	12	17	35	15	1,134	1,234	.92
Children.....	10,032	100	80	8	1	1	1	9	691	1,528	.45
Under 18.....	928	100	91	3	1	(2)	(2)	5	515	2,165	.24
18-22.....	9,104	100	78	8	1	1	1	12	709	1,463	.48
<b>Spouses and children of disabled workers:</b>											
Wives.....	60,348	100	39	26	11	4	4	15	697	1,674	.42
Under 35.....	9,567	100	42	26	10	3	4	16	523	1,443	.36
35-49.....	36,512	100	38	27	12	5	4	15	672	1,689	.40
50-61.....	13,741	100	40	26	11	5	3	15	896	1,828	.49
62-71.....	528	100	71	13	5	3	3	6	532	959	.55
Husbands.....	827	100	20	22	16	13	17	11	356	1,020	.35
Children.....	10,024	100	78	7	1	1	1	12	670	1,407	.43
Under 18.....	1,836	100	82	5	2	(2)	(2)	10	566	1,917	.30
18-22.....	8,188	100	76	7	6	1	1	10	620	1,293	.48
<b>Survivors of deceased workers:<sup>3</sup></b>											
<b>Widows, nondisabled.....</b>											
60-61.....	96,459	100	64	21	6	2	2	4	1,769	4,275	.41
62-64.....	21,783	100	79	10	1	2	1	9	1,261	3,462	.36
65-71.....	40,164	100	77	17	3	1	1	1	1,576	4,318	.36
65-71.....	34,512	100	43	31	13	5	4	3	2,315	4,738	.66
<b>Widows, nondisabled.....</b>											
2,156	2,156	100	52	18	7	5	9	9	1,415	2,522	.56
<b>Widowed mothers.....</b>											
Under 35.....	171,790	100	36	25	12	5	3	18	1,899	3,494	.54
35-49.....	26,872	100	41	26	11	3	2	17	1,738	3,361	.52
50-71.....	97,722	100	35	26	13	6	4	17	1,835	3,535	.52
50-71.....	47,196	100	37	24	11	4	4	20	2,103	3,484	.60
<b>Widowed fathers.....</b>											
Under 35.....	17,002	100	11	12	11	10	19	37	1,665	2,337	.71
35-49.....	3,161	100	15	18	12	9	11	36	1,936	2,604	.74
50-71.....	8,538	100	9	11	11	11	23	34	1,629	2,430	.67
50-71.....	5,303	100	10	11	10	9	19	41	1,559	2,025	.77
<b>Children.....</b>											
Under 18.....	37,068	100	81	7	1	1	1	9	833	2,330	.36
Under 18.....	4,990	100	90	5	1	(2)	(2)	3	699	3,475	.20
18-22.....	32,078	100	80	7	1	1	1	10	854	2,151	.40

<sup>1</sup> Sum of percentage may not equal 100 due to independent rounding.

<sup>2</sup> Less than 0.5 percent.

<sup>3</sup> Excludes parents.