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# National Average Wage Index

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Automatic

Determinations

Cost-of-Living

Adjustment

Graph of AWI series

Recent indexed

program amounts

## **Latest index**

The national average wage index for 2023 is 66,621.80. The index is 4.43 percent higher than the index for 2022.

## **Indexed earnings used to compute initial benefits**

When we compute a person's retirement benefit, we use the national average wage indexing series to index that person's earnings. Such indexation ensures that a worker's future benefits reflect the general rise in the standard of living that occurred during his or her working lifetime.

When indexing an individual's earnings for benefit computation purposes, we must first determine the year of first eligibility for benefits. For retirement, eligibility is at age 62. If a person reaches age 62 in 2025, for example, then 2025 is the person's year of eligibility. We always index an individual's earnings to the average wage level two years prior to the year of first eligibility. Thus, for a person retiring at age 62 in 2025, we would index the person's earnings to the average wage index for 2023, or 66,621.80. We would multiply earnings in a year before 2023 by the ratio of 66,621.80 to the average wage index for that year; we would take earnings in 2023 or later at face value. (See two examples of indexed earnings.)

## **Indexed program amounts**

We use the average wage indexing series to update several amounts that are important to the operation of Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program.

- OASDI contribution and benefit base (also known as the taxable maximum)
- Retirement earnings test exempt amounts
- Formulas for a primary insurance amount and maximum family benefits

- Amount of earnings needed to earn a quarter of coverage ("credit")
- "Old-law" contribution and benefit base (as determined under the law as in effect before the 1977 amendments)
- Coverage thresholds for both domestic employees and election workers
- Substantial gainful activity amounts for disabled beneficiaries and earnings that trigger a trial work period

In addition, the Pension Benefit Guaranty Corporation uses the national average wage index to compute premium rates for PBGC-insured plans, as required by section 4006 of ERISA.

### **Determination of the National Average Wage Index for 2023**

To determine the national average wage index for calendar year 2023, we multiplied the 2022 national average wage index of 63,795.13 by the percentage change in average wages from 2022 to 2023, as measured by annual wage data we tabulated. The wage data are based on wages subject to Federal income taxes and contributions to deferred compensation plans.

The average amounts of wages calculated directly from our data were \$61,220.07 and \$63,932.64 for 2022 and 2023, respectively. To determine the national average wage index for 2023 at a level that is consistent with the national average wage indexing series for prior years, we multiply the 2022 national average wage index of 63,795.13 by the percentage change in average wages from 2022 to 2023 (based on our tabulated wage data). In other words, the national average wage index for 2023 is 63,795.13 times 63,932.64 divided by 61,220.07, which equals 66,621.80.

The complete average wage indexing series is shown below.

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#### **National average wage indexing series, 1951-2023**

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
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1951	2,799.16	1976	9,226.48	2001	32,921.92
1952	2,973.32	1977	9,779.44	2002	33,252.09
1953	3,139.44	1978	10,556.03	2003	34,064.95
1954	3,155.64	1979	11,479.46	2004	35,648.55
1955	3,301.44	1980	12,513.46	2005	36,952.94
1956	3,532.36	1981	13,773.10	2006	38,651.41
1957	3,641.72	1982	14,531.34	2007	40,405.48
1958	3,673.80	1983	15,239.24	2008	41,334.97
1959	3,855.80	1984	16,135.07	2009	40,711.61
1960	4,007.12	1985	16,822.51	2010	41,673.83
1961	4,086.76	1986	17,321.82	2011	42,979.61
1962	4,291.40	1987	18,426.51	2012	44,321.67
1963	4,396.64	1988	19,334.04	2013	44,888.16
1964	4,576.32	1989	20,099.55	2014	46,481.52
1965	4,658.72	1990	21,027.98	2015	48,098.63
1966	4,938.36	1991	21,811.60	2016	48,642.15
1967	5,213.44	1992	22,935.42	2017	50,321.89
1968	5,571.76	1993	23,132.67	2018	52,145.80
1969	5,893.76	1994	23,753.53	2019	54,099.99
1970	6,186.24	1995	24,705.66	2020	55,628.60
1971	6,497.08	1996	25,913.90	2021	60,575.07
1972	7,133.80	1997	27,426.00	2022	63,795.13
1973	7,580.16	1998	28,861.44	2023	66,621.80
1974	8,030.76	1999	30,469.84		
1975	8,630.92	2000	32,154.82		