

National Average Wage Index

Automatic

Latest index

Determinations

The national average wage index for 2020 is 55,628.60. The index is 2.83 percent higher than the index for 2019.

Cost-of-Living

Adjustment

Indexed earnings used to compute initial benefits

Graph of AWI series

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.

Recent indexed

program amounts

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 2022, for example, then 2022 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 2022, we would index the person's earnings to the average wage index for 2020, or 55,628.60. We would multiply earnings in a year before 2020 by the ratio of 55,628.60 to the average wage index for that year; we would take earnings in 2020 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 flat-rate premiums for PBGC-insured single-employer and multiemployer plans, as required by the Deficit Reduction Act of 2005.

Determination of the National Average Wage Index for 2020

To determine the national average wage index for calendar year 2020, we multiplied the 2019 national average wage index of 54,099.99 by the percentage change in average wages from 2019 to 2020, 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 \$51,916.27 and \$53,383.18 for 2019 and 2020, respectively. To determine the national average wage index for 2020 at a level that is consistent with the national average wage indexing series for prior years, we multiply the 2019 national average wage index of 54,099.99 by the percentage change in average wages from 2019 to 2020 (based on our tabulated wage data). In other words, the

national average wage index for 2020 is 54,099.99 times 53,383.18 divided by 51,916.27, which equals 55,628.60.

The complete average wage indexing series is shown below.

National average wage indexing series, 1951-2020

Year	Index	Year	Index	Year	Index
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		
1972	7,133.80	1997	27,426.00		
1973	7,580.16	1998	28,861.44		
1974	8,030.76	1999	30,469.84		
1975	8,630.92	2000	32,154.82		