

"EARLY RETIREMENT" TRENDS AND PENSION ELIGIBILITY UNDER SOCIAL SECURITY

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The failure and/or inability of individuals in the past to prepare for an ever-growing number of retirement years through personal or group action has resulted in today's poverty stricken retired aged population. There has now been accumulated enough reliable statistical information to clearly demonstrate the existence of a relatively low economic status for all but a small minority of the current U.S. aged population. The situation is particularly bad for retired individuals and families which must rely upon savings and various forms of nonwork income to maintain their standard of living. Survey data for the United States indicate that these resources are quite small for much of the population currently retired.¹

In recent years, however, significant changes regarding retirement security have taken place in the United States. Improved and broadened social security, mushrooming private pension plans, medicare, and extended economic prosperity should provide better retirement protection in the future. The question, therefore, arises: Will the changes which have occurred and are occurring in the U.S. institutional provisions for retirement security significantly improve the economic circumstances of future generations of older people?

This paper will report on findings which indicate that the future economic circumstances of retired persons relative to the rest of the population will not be significantly improved. It will then discuss the question of "early retirement" and the desirability of reducing the social security eligibility age.

1. SIMULATING THE RETIREMENT PROCESS

In order to investigate the future economic circumstances of the retired aged population, a simulation model¹ has been constructed to incorporate and represent the essential features of the major private and public pension systems existing in the United States. In addition, the model has been designed to take into account relationships among important demographic and work force variables influencing the pension position and savings behavior of individuals in the economy.

Various methodological techniques have been used by researchers for simulating or representing reality.² The technique used in conjunction with the model cited above is stochastic simulation—stochastic in the

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¹ See, for example, Lenore A. Epstein and Janet H. Murray, "The Aged Population of the United States—The 1963 Survey of the Aged," Social Security Administration, Research Report No. 19 (Washington: Government Printing Office, 1967).

² For an elaboration of this point, see "Simulation: a Symposium," *American Economic Review*, vol. 50 (December 1960), pp. 893-932, especially the article by G. Orcutt and M. Shubik.