

ice organization similar to those the military is apparently experiencing. According to a recent newspaper article:¹⁴

Throughout the Federal service are 66,400 Federal employees who are 55 or older, who have at least 30 years of service, and who are eligible for immediate retirement under civil service.

Informal surveys reveal at least half of them are planning to retire within the year. Their pending retirements constitute a massive personnel problem to Federal agencies.

Hundreds of the eligibles hold key supervisory, management, scientific and professional positions, and they can't be replaced easily. Agencies that look and plan ahead are setting into motion programs to train others to take over their jobs.

But, there are many other agency problems related to retirement; *example*: An agency has about 50 employees eligible to retire, and its officials, for reasons best known to themselves, would be happy if 10 or 12 of them would retire today. The remainder, they feel, are excellent workers who can contribute much more to the public service.

A check showed that perhaps only one of the 10 or 12 so-called unwanted employees had retirement plans, while about 20 of the wanted will retire within the year. The check also showed that a factor contributing to the pending retirements of several wanted employees is the decision of the unwanted to continue working.

The agency has no authority to force the retirement of any employee before that time * * *.

V. EARLY RETIREMENT AND LABOR MOBILITY

The Federal Government has encouraged employers to provide early vesting of pension plans in order that labor mobility not be reduced. Generally unhindered labor mobility is a desirable objective because it permits the efficient allocation of labor resources via the price system; i.e., labor migrates from lower wage, lower marginal product employment to higher wage, higher marginal product employment. However, early vesting of pension plans usually refers to an ultimate, not an immediate, receipt of a pension. A plan may vest after, say 10 years of employment, regardless of age, but payments do not usually begin until the employee achieves a stated normal retirement age. This type of plan is more or less neutral in its effects on labor mobility. In itself, it neither encourages nor discourages the employee to switch employers. This is the desired effect. In theory, the price (wage) system should function without interference to achieve an efficient allocation of labor resources.

A plan which allows early retirement from an employer's work force and immediate availability of an unreduced annuity is a different matter. When the retiree can switch to other employment, the retirement plan is not likely to be neutral in its impact on labor mobility. Rather, at the point where the employee is eligible, it tends to encourage labor mobility and thereby provide a stimulus which may tend to inefficient allocation of labor resources.

To illustrate how an inefficient allocating may occur, consider a hypothetical example. Let us assume a 55-year-old civil servant with

¹⁴ "66,400 Eligible Retirees Pose Personnel Problems," Washington Post, July 11, 1967, p. A18.