

were not in the labor force in 1966, unable to work because of long-term mental or physical disabilities. The appropriate percentage probably lies somewhere between the Social Security and the Bureau of Labor Statistics findings. Other possible reasons for early retirement include age discrimination and unemployment arising out of cyclical fluctuations or technological change.

The solution to the problem of a rising number of unemployed older workers is not necessarily to force these workers into earlier and earlier retirement with smaller and smaller retirement pensions. This is the solution of the overwhelming bulk of private pension systems in the United States, which drastically cut pension benefits of early retiring workers. There are at least three major costs associated with such a solution. First, by encouraging, and in many cases forcing, workers to retire early with reduced private and public pension benefits, the resulting retirement income may be seriously inadequate. Second, there is the loss in real output arising out of the consequent reduction in the labor force. Third, by institutionalizing age 60 as the initial eligibility age for social security, Congress may, in effect, be setting a guideline which would tend to push the average age of retirement in the United States lower.

TABLE 3.—PROJECTED¹ RATIO OF TOTAL PENSION INCOME² TO PRERETIREMENT EARNINGS³ FOR RETIRED NONAGRICULTURAL MALES⁴

Ratio	Age at retirement		
	Less than 60	60 to 64	65 or over
Less than 0.10.....	16	6	3
0.10 to 0.19.....	50	19	10
0.20 to 0.29.....	23	27	16
0.30 to 0.39.....	5	21	26
0.40 to 0.49.....	3	11	15
0.50 to 0.59.....	1	5	12
0.60 to 0.69.....	1	4	7
0.70 to 0.79.....	0	3	5
0.80 to 0.89.....	0	1	2
1.0 or more.....	1	1	4
Total.....	⁵ 100	100	100

¹ Source: Simulation model.

² Social security, private pension, and/or Government employee pension.

³ Average of 5 years prior to retirement.

⁴ Married males only.

⁵ May not sum to 100 percent due to rounding.

The replacement ratios for men retiring before age 60 were much worse than those for men retiring at the "normal" age of 65 or more. For example, only about 3 percent of those retiring before age 60 are projected to have a replacement of 50 percent or more of their average annual earnings from pension income. In contrast, a little less than one-third of those retiring at age 65 or after are projected to have a replacement above 50 percent.

Social security eligibility (with actuarial reduction) at age 60 or some other age could give greater retirement flexibility to older workers. But this expansion of the worker's freedom of choice regarding retirement planning necessitates an economic environment which allows him to work if he is willing and able. If he is unable to work because of age discrimination or because he lacks an appropriate skill