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The Older Worker

by B. V. H. Schneider

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The Older Worker



By

B. V. H. SCHNEIDER

Edited by Irving Bernstein

Drawings by Bill Tara

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Foreword

THE INSTITUTE OF INDUSTRIAL RELATIONS of the University of California was created for the purpose, among others, of conducting research in industrial relations. A basic problem is to reach as large an audience as possible. Hence the Institute seeks through this series of popular pamphlets to disseminate research beyond the professional academic group. Pamphlets like this one are designed for the use of labor organizations, management, government officials, schools and universities, and the general public. Those pamphlets already published (a list appears on the preceding page) have achieved a wide distribution among these groups. The Institute research program includes, as well, a substantial number of monographs and journal articles, a list of which is available on request.

The Institute has long been interested in the problems created by age and aging in an industrial society. In 1950 a grant was received from the Rockefeller Foundation for an extensive interdisciplinary research project. Studies were published, over a period of years, on employer and union policies, retirement and Social Security legislation, the economic status of the aged, the politics of the aged, the relationship of physiological and psychological age to chronological age, and the social and psychological aspects of aging and retirement.

In view of growing public concern with the special employment difficulties of middle-aged and elderly workers, the Institute recently decided that a brief, general treatment of this particular topic might be welcome. The present pamphlet is the result. It is hoped that those persons who are interested in, or involved with, older members of the labor force will find here a useful summary of pertinent information.

B. V. H. Schneider is Assistant Research Economist at the Northern Division of the Institute and Assistant Editor of the journal, *Industrial Relations*. Dr. Schneider is also author of three monographs in the Institute's West Coast Collective Bargaining series and of the book, *Clerical Unions in the Civil Service*.

The Institute wishes to express its appreciation to the following persons for their constructive criticism of the manuscript: Dr. Hugh Folk, Dr. Margaret S. Gordon, and Dr. Emily H. Huntington of the University of California; Richard A. Liebes, Bay District Joint Council of Building Service Employees; Dr. Marion Ross, Mills College; Joseph L. Seligman, Jr., San Francisco attorney and pension consultant. The drawings are by Bill Tara. Mrs. Katherine Eardley prepared the charts.

The point of view expressed is that of the author and may not necessarily be that of the Institute of Industrial Relations or the University of California.

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I. Introduction

ALTHOUGH WORKERS 45 years of age and older are a substantial part of the American labor force, they have special, often serious, employment problems.

Discriminatory hiring practices are common and frequently affect workers as young as 40. Once unemployed, the average older worker faces a lengthy period of joblessness. Many able older people must accept jobs below their capabilities or change their occupations in order to get back to work. Others, particularly in the 60 years and over group, retire from the labor market rather than carry on indefinitely what appears to be a fruitless search. Workers whose abilities are reduced by the aging process are in a particularly unfavorable position.

Older workers have trouble regardless of the economic climate. But when unemployment rises, as it has in the past few years, their problems are intensified.

The disadvantages of the older labor force have attracted increasing concern since the end of World War II. Several developments are responsible for this interest:

- 1) The number of older workers in the United States is growing rapidly, and, as a group, they are a larger part of the labor force than ever before. Today, 4 out of 10 workers are 45 or over. Their numbers are expected to increase by

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8 million over the next 15 years. At the same time, there will be a dramatic increase in the numbers of young people entering the labor market and competing for jobs.

2) Long-run occupational shifts are working against the older person. There has been a steady rise in the proportion of clerical, sales, professional, and technical positions. Such jobs normally require training and education which older workers are less likely to have than young workers.

3) Rapid industrial change—resulting in plant closures or relocations, automation, mechanization, etc.—is a growing threat to job security. When the older worker suffers obsolescence of skills, as well as unemployment, his readjustment problems are multiplied.

4) Women of 45 and over are joining the labor force at rates exceeding even those of the war years. Many are in the clerical field where jobs are increasing but where prejudice against older entrants is strong.

5) The spread of private pension plans has brought wider use of age restrictions. Because it is often not possible for an older entrant to earn enough credits for a pension, many employers refuse to hire such workers. Pensions have also encouraged the practice of automatic retirement at a fixed age, usually 65. Furthermore, there has been recent union pressure for even earlier retirement as a partial answer to the problem of general unemployment.

The above trends have drawn attention to the importance and complications of the position of older workers and to the fact that their problems are likely to become considerably more serious and widespread.

In an effort to clarify the issues involved, the federal government and several states and universities have conducted special studies of the older labor force. Much

factual information is now available on the characteristics and abilities of older workers, their position in regard to other workers, and the extent and reasons for age discrimination. The following pages summarize this research, describe current efforts being made on behalf of older workers, and consider some of the implications of the group's status in the American economy.



II. The Older Worker

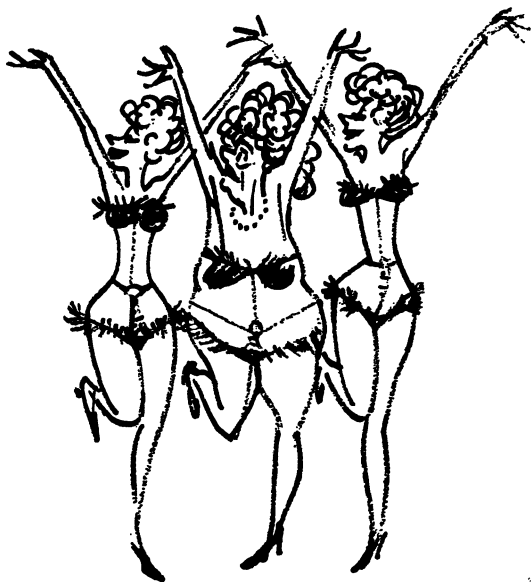
1. WHO IS OLD?

Aging is a complicated process. It involves physical, mental, and emotional changes which occur over a lifetime. The effects of the aging process vary from individual to individual. Aside from the fact that these effects take place with advancing age, it is impossible to tie age changes to a chronological scale.

However, when aging and people in general are considered, it is common practice to use chronological age to divide the population into three groups—young, middle aged, and old. A person is thought of as young until roughly 35 or 40, middle aged to about 60 or 65, and old after 65.

By this arbitrary definition, persons 65 and over are formally accepted as "old persons." *But*, those of 65 and over who work are only a small percentage of the individuals who have come to be considered "older workers."

The first National Conference on the Aging defined the older worker as "one who meets with resistance to employment, continued employment, or re-employment solely because of age." Into such a category fall certain workers still in their thirties as well as a large number in their forties and fifties. One may be an "older worker" and at the same time be chronologically "young" or "middle aged."



When does a worker become “old”—that is, when is he less desirable to an employer than a younger worker? Among some of the more common determinants seem to be: type of occupation or industry, experience and training required for a job, employment patterns established by collective bargaining, employers’ personnel practices, whether the worker is a man or a woman.

For very real, physical reasons, athletes, singers, and

dancers usually are not able to stay in the same occupation until the normal retirement age of 65. On the other hand, farmers, craftsmen, musicians, lawyers, and doctors often work to advanced chronological ages.

A job of a very heavy or hazardous nature (boiler-maker, structural steel worker) or one requiring both speed and endurance (as on a rapidly paced assembly line) may be thought to be inappropriate for a worker over 40 or 50. In a job where skill acquired through long experience and training is important (printer, cabinet-maker), a worker over 70 years may have little trouble finding a job.

The distribution of workers by industry gives an indication of where age may or may not be a handicap. For example, in the manufacture of transportation equipment, a process involving a high proportion of semi-skilled labor and the use of assembly lines, about three-quarters of male workers are under 45 years. In finance, insurance, and real estate only about half of male workers are under 45.

Older industries—anthracite mining, apparel, tobacco, leather—have higher percentages of workers over 45 than do relatively new industries—petroleum and natural gas production, electrical machinery, air transport, communications. A major reason is that when employers hire they tend, where possible, to hire from among the young. Therefore, in newer, growing industries average age has been held down by the influx of younger workers. Average age will tend to be highest in industries and companies which are shrinking and in which few or no new hires are being made.

A strong union may have an influence on average age and attitudes to age in an industry or firm. Contract clauses which specifically prohibit age discrimination in employment are few in number. However, when a union exerts a high degree of control over a labor market the possibilities for age discrimination by an employer tend to be reduced or eliminated. Notable examples of such control are found in the building and maritime trades. For example, apprentice programs in the building trades restrict the number of persons entering the industry. In most maritime trades not only is entry restricted through various devices but available work is commonly shared through rotational hiring schemes. Such employment patterns protect older union members.

The formal personnel practices of employers offer the clearest indication of when chronological age is a handicap. An employer may set an age bar, such as 45 years, and insist that all new employees be younger. Or, different limits may be established for hiring in different occupations. On the other hand, seniority arrangements are common and tend to protect those who grow old in a company's employ.

2. TOO OLD TO WORK

What about the worker who is over 40 or 45 years of age, does not possess a special skill which is in particular demand, is not protected by seniority provisions or union control of the labor market, and who loses his job and seeks re-employment? Is he "too old" to work?

The widespread use of arbitrary age barriers to employment indicates that a great many employers feel that he is "too old." Taking a broad view of the employment picture in the United States, it appears that resistance to employment of a worker begins at about 45 years, nearer 35 for women, and increases as the worker moves up the age scale.

A National Association of Manufacturers and U. S. Chamber of Commerce study showed that 26 per cent of 279 major firms did not hire *any* workers over 45 years. Even more serious age discrimination was indicated in the U. S. Bureau of Employment Security's 1956 survey of public employment offices: of all job openings listed in seven urban areas, 41 per cent specified that applicants should be under 45.

Job openings for women are more likely to have age ceilings. Age discrimination is especially prevalent in the clerical occupations where women are in the majority (6,332,000 women; 2,994,000 men). Hiring age limits of 25, 30, and 35 are common. Although the proportion of older women clerks has increased somewhat in recent years, for reasons which will be mentioned in the next chapter, the average age of women in the clerical group is still the lowest of all occupational categories.

III. Population and Labor Force Changes

1. POPULATION TRENDS

Sixty years ago the United States was a young nation. The birth rate was high, life expectancy was relatively short, and immigration, primarily of young people, was heavy. In 1900, only 18 per cent of the total population was 45 years old or more; 44 per cent was under 20 years.

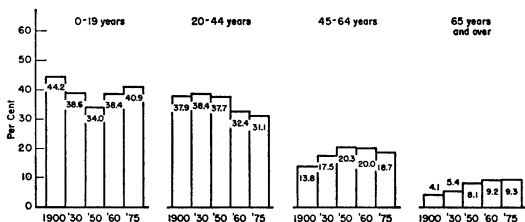
The structure of the population has altered substantially since, owing to three major factors. First, large-scale immigration has ceased. Second, greater longevity has resulted from improvement in living standards and advances in medical science. Larger numbers of people reach 65 and live for longer periods afterward. Today it is estimated that more than two-thirds of the people who survive infancy will live to 65 or more. Third, there was a sharp decline in the birth rate in the 1920's and 1930's, followed by a rapid acceleration from the war years onward.

By 1950, people 45 and over had risen to 28 per cent of the population and people under 20 had dropped to 34 per cent. The proportion in the middle group (20 to 44 years) was about the same as in 1900 (Figure 1).

The pattern had altered again by 1960. The 45 and over group had gained slightly and a soaring birth rate had upped the proportion of the under-20's to 38 per cent. As a result, the relative size of the 20 to 44 group was reduced.

Figure 1

PER CENT OF POPULATION IN EACH AGE GROUP
Selected Years, 1900, 1930, 1950, 1960, 1975 (projected)



Source: U. S. Bureau of the Census

TABLE 1

Numbers of Persons in the Population, by Age, 1900-1975
(Millions)

Age Group	1900	1950	1960	1975 (projected)
Total	76.1	151.7	180.0	235.2
0-19	33.7	51.4	69.1	96.2
20-44	28.8	57.1	58.2	73.4
45-64	10.5	30.9	36.1	43.9
65 and over	3.1	12.3	16.6	21.9

Source: U. S. Bureau of the Census

These changes occurred while all age groups were making large increases in their *numbers* (Table 1). But so far as a share in total population is concerned, the only steady gain between 1900 and 1960 was made by people 45 and over. Over the next 15 years it is expected that the very young will continue to gain at the expense of both the middle and older groups.

2. LABOR FORCE TRENDS

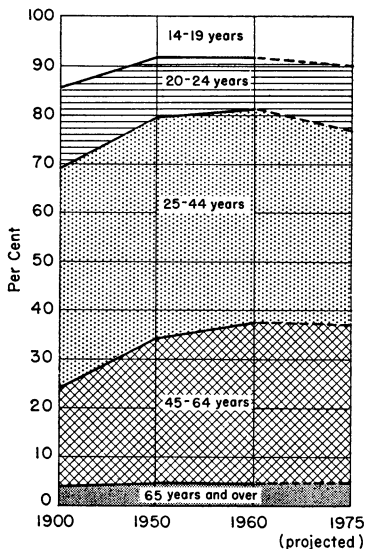
While the population structure of the United States has been changing, important shifts have also been taking place in the labor force (those people who are employed or actively seeking employment). The numbers of workers of all ages have increased, but there have been definite changes in the character of the labor force.

From 1900 to 1960, there was an increase in the relative size of the 45 to 64 years group and a matching loss for young workers. Almost no change occurred in the proportion of workers 25 to 44 or 65 and over (Figure 2).

The most striking change has been the increased labor force participation of women of all ages, but particularly of older women. (Females are presently almost one-third of the labor force, as opposed to under one-fifth in 1900.) As for male age groups, the only important changes in participation have been decreases. Far smaller percentages of very young and elderly men are working today (Figure 3).

Labor force projections to 1975 by the Census Bureau suggest that the middle-aged group will continue to

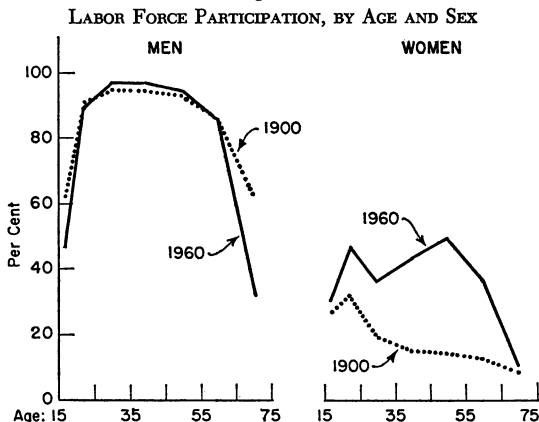
Figure 2
PERCENTAGE DISTRIBUTION OF THE LABOR FORCE BY AGE
1900-1975



Source: John P. Durand, *Labor Force in the United States, 1890-1960* (1948); U. S. Bureau of the Census; U. S. Bureau of Labor Statistics.

grow in relative importance and that the under-25's will undergo a rapid, new increase in relative size. Both developments will take place at the expense of the elderly and the 25 to 44's. Women are expected to go on increasing as a percentage of the total labor force.

Figure 3



Source: Gertrude Bancroft, *The American Labor Force* (1958), and U. S. Bureau of Labor Statistics.

3. REASONS FOR THE CHANGES

a. *The 45 to 64 years group.* As people 45 to 64 have become a greater percentage of total population they have tended naturally to become a larger part of the labor force.

However, the most important reason for the growth of this group has been the increased labor force participation of older women (Figure 3). Along with industrialization and the movement of population to urban

areas over the last half century, there has been a great increase in clerical jobs (Table 2). At the same time, the spread of education has qualified more women to take such positions, while the simplification of household duties and the tendency to have fewer children have freed women, particularly women over 35, for outside employment. The shorter week has also made it easier for women with home responsibilities to work. Finally,

TABLE 2
Percentage Distribution of Workers by
Major Occupational Group

<i>Occupational Groups</i>	<i>1910</i>	<i>1960</i>
All groups	100.0	100.0
White collar workers	21.4	45.4
Manual and service workers	47.7	47.4
Farmworkers	30.9	7.2

Source: Bureau of the Census

in response to the high demand for labor throughout the 1940's and 1950's, large numbers of inexperienced, older females entered and have stayed in the labor force.

b. *Young workers.* Four factors appear to have caused the reduction in the proportion of young workers.

1) Because of the low birth rate of the 1920's and 1930's there were comparatively fewer people from 14 to 24 available to enter the labor force. The situation is now beginning to change, however, owing to the high birth rate since World War II.

2) The extension of secondary school and college education has had the effect of postponing the entrance of young people, particularly men.

3) Although job opportunities are better for women in an urban area, the reverse is true for young people. Not only is part-time, unskilled employment more difficult to find in a city or town but child-labor and school-attendance laws are likely to be more strictly enforced.

4) The trend since 1940 toward earlier marriage and the accompanying rise in the birth rate has tended to keep young women out of the labor market.

c. *Men 65 years and over.* In 1900 about 63 per cent of elderly men were in the labor force. Today only 32 per cent are employed or seeking employment. This drop occurred while the number of men 65 and over increased almost fivefold.

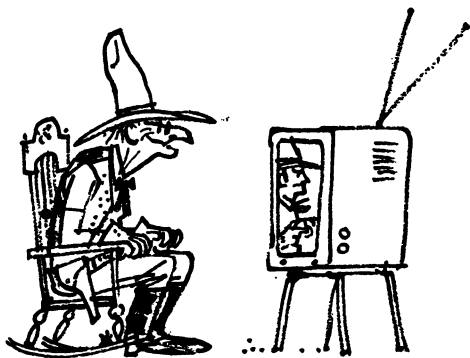
Experts are not agreed on the reasons for the large-scale withdrawal of elderly men, but the followed factors are thought to have had influence:

1) Over recent years there has been considerable improvement in coverage and benefits of both public and private pension systems. Although all eligible persons do not necessarily leave the labor market, pensions have made it possible for great numbers of elderly people who are in poor health or cannot find jobs to withdraw sooner than they might have in the past.

2) Census figures indicate that the more formal education a man of 55 or over has had, the more likely he is to be in the labor force.

Clarence D. Long suggests that this may partly explain the drop in labor force participation of elderly men: they are being replaced by young, better-educated women. The amount of formal education possessed by elderly men has been rising more slowly than that of

younger women (and, of course, younger men). As a result, the women who have been entering the labor force are better equipped to take the increasing numbers of new jobs available in white-collar categories. The elderly man, on the other hand, may find that tech-



nological advance has outmoded the only skills that he has.

The increased participation of women affects older men in another way. The presence of a working wife or daughter in the home may allow many ill or unemployed men to retire.

3) With the movement of population to urban areas, the older group has faced a shrinkage of job opportunities. As is true for young people, a rural setting offers more chances for employment.

4) The larger a firm is, the more likely it is to bar older

workers from employment and to force retirement at a fixed age. It is possible that the increase in the average size of firms has had some effect on participation of elderly men.

4. PROSPECTS FOR THE FUTURE

On the basis of past Census figures we may expect the following developments over the next 15 years:

- 1) an increased supply of middle-aged and very young workers,
- 2) a continued shortage of 25 to 44-year-old workers, and
- 3) a slight increase in the proportion of the population 65 and older.

At the same time, there will most likely be:

- 1) a further increase in the proportion of clerical, sales, professional, and technical jobs, and
- 2) an increased demand for those white-collar skills which normally are acquired by women and college graduates.

While examining the employment problems of older workers it is important to bear these developments in mind and to consider what they imply for individuals, employers, and the community over the long run.

IV. The Employed

I. CHARACTERISTICS

Workers over 45 years differ one from another as do individuals in all groups. However, taken together, employed older persons tend to display certain group characteristics.

For example, as we have seen above, older people are more likely to be found in some industries than in others. Then, too, a certain amount of occupation and industry shifting occurs with age. A worker may improve his job level because he has acquired a high degree of skill through years of experience. Workers 45 and over hold proportionately more jobs than younger workers in skilled, managerial, and proprietary occupations.

But, at the same time, older workers also hold proportionately more jobs in lower paid, unskilled service occupations. The percentage of men employed as service workers increases sharply with age, while the percentage who are operatives in manufacturing, for instance, decreases. Steiner and Dorfman, in their study of older persons, discovered that 64 per cent of men who had ended their careers as service workers spent most of their working lives in other occupations.

Self-employment is more common in the older working groups. This situation primarily reflects the fact that

the self-employed—farmers, small businessmen, professional persons—can control the time of retirement and are therefore *able* to work to greater ages.

Intermittent or part-time employment increases from 45 on. At about 65 years, part-time employment rises sharply.

As workers get older, they tend to stay on the same job longer. A study of employed workers in seven urban areas in 1956 showed that workers over 45 quit their jobs half as often as did younger workers.

The same survey also showed that the older worker is more likely to be hired for a job which is not covered by a private pension plan. Older workers were only 14 per cent of new hires for jobs under pension plans, compared to 25 per cent for jobs without plans.

Finally, small firms employ relatively more older workers than do firms with 1,000 or more employees. Elderly workers, those of 65 and over, are found most frequently in the smallest firms.

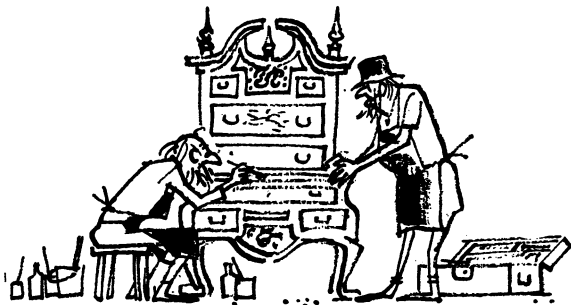
2. JOB SECURITY

Older workers face special employment problems, but in 1960, 91 per cent of men and 45 per cent of women between 45 and 64 were in the labor force. The figures for the 65 and over groups were: men, 32 per cent; women, 10.5 per cent. What factors operate to give these workers of 45 years and over some assurance of job security?

a. *Nature of the job.* Certain types of work and jobs for which there may be a temporary or long-term short-

age of labor often provide conditions favorable to older persons.

An occupation which requires lengthy or expensive training or years of experience will tend to provide security. An older cabinet or instrument maker faces little serious competition from young workers. So long as



his sort of work is in demand, the older, and therefore more skilled, craftsman is sure of employment.

The same will be true for older workers who happen to be in occupations or areas where there is a labor shortage. At present, in many areas, teachers, draftsmen, and certain types of engineers are in heavy demand. Under such circumstances age has less importance to those who hire. A general need for civilian manpower in wartime will cause a similar relaxation of age barriers.

The conditions prevailing in some service industries have made them a good source of jobs for older, particularly elderly, men and women. The generally poor pay,

hours, and conditions of janitors, watchmen, elevator operators, and domestic servants, for example, make such jobs unattractive to most young people. At the same time, skill requirements are low and little training is required. Older workers who have trouble finding new jobs in their normal occupations can often move into the service field with little difficulty.

Finally, the self-employed worker and those persons who participate in family-operated businesses or farms are insulated from most of the forces which either cause involuntary withdrawal from the labor force or make employment hard to find.

b. *Employer practices.* The personnel practices of many employers are designed to encourage and reward long service. Well-defined promotion channels, systems of seniority credit, orderly wage structures, and, finally, pensions all favor the worker who has put in a good many years with his firm.

Employers tend to rely heavily on seniority in making personnel decisions, even when there is no union influence present. In such cases, the long-service employee—who is likely to be in the older age group—is well protected. He need not fear being downgraded in favor of, or superseded by, a new or short-service employee. If layoffs are necessary he will be among the last to go and the first to be recalled.

Where there is no formal pension scheme, as is frequently the case in small companies, it is common practice for a firm to assume a certain amount of responsibility for older employees. Elderly workers may be shifted to lighter work or even kept on long after produc-

tivity has seriously declined. In cases where retirement is finally necessary, the firm may provide a gratuity.

These protections apply to the *long-service* older worker only, however.

c. *Union influence.* Union-negotiated seniority and "no arbitrary discharge" provisions offer the older worker important guarantees of continued employment. When a union exerts control over hiring or entry to a labor market, the security of the older union member is even greater.

Seniority rules have always been a major concern of trade unions. And, on the whole, unions have been quite successful in getting contractual provisions which outline the order in which promotion, assignment, transfer, layoff, etc., shall take place. A recent Bureau of Labor Statistics study showed that of 2,400 contracts examined, nearly all included seniority provisions which linked job security with length of service.

Collective bargaining agreements also usually prohibit arbitrary discharge. Contracts provide that discharge must be for "just and reasonable cause" or "good and substantial reason." In no case studied by the BLS was age mentioned as cause for discharge.

Where unions influence hiring, the unemployed older member is sheltered from discrimination. Union placement procedures typically give first chance at employment to members longest out of work, without regard to age or other individual characteristics not related to competence. The employer's power to make a free choice is limited and therefore so is the opportunity to make a decision based on chronological age.

An advantageous situation also exists where a union or management and unions together control entry to a labor market. In such cases the older person is shielded from much of the competition he would normally face from young workers.

Seniority tends to help the older worker, and discharge provisions and union job control act to eliminate age bias as a factor in selection. These protections are general ones, however. They are not intended to be specific aids to older persons.

Contract clauses designed to increase the security of older workers, as distinct from the membership in general, are rare. Furthermore, clauses prohibiting age discrimination in employment are almost never found in cases where employers retain unrestricted hiring rights.

Sometimes when unions influence hiring unemployed older members are given special consideration. Many maritime unions reserve light jobs for aged workers. Locals of the International Typographical Union often permit elderly printers to work a short week. Some building trades' agreements state that one man over 55 or 60, when available, must be employed in every group of 5 to 10 journeymen; others allow wage adjustments for workers who are aged or handicapped.

Strong unions with job control give older members a certain protection against age discrimination. But, normally, the terms of collective agreements aid only *employed* older workers. Once unemployed, the average union member is at no particular advantage because of his affiliation.

3. JOB INSECURITY

Job insecurity is widespread. Most people, through no fault of their own, are subject to the possibility of unemployment at some time, perhaps many times, in their working lives. Failure of a firm, layoffs, technological displacement, and industrial relocation are all threats to employment security.

In addition to such hazards, against which seniority may offer little or no protection, the aged worker is also vulnerable to the job insecurity caused by impaired abilities, susceptibility to chronic ill health, and compulsory retirement practices.

a. *Narrow scope of seniority.* The worker with a high seniority rating, whether he is young or old, is not necessarily safe even when layoffs are limited. Seniority may be useless if its scope is very narrow. In most cases, seniority rights are not applied throughout a company or plant; generally they are restricted to one department, or even to an occupation within a department.

b. *Technological change.* The effects of technological displacement bear particularly heavily on the older worker, whose problems in the employment market tend to be more intense than those of younger workers even when obsolescence of skills is not involved.

When a skill provides no basis for adaptation to another craft or occupation offering equivalent pay and status, the worker faces the choice of extended unemployment, acceptance of an unskilled or semiskilled job, or complete retraining.

The large-scale displacement of hand weavers and cigarmakers by machines in the 1920's and 1930's are good examples of how highly specialized skills can pass rapidly and almost completely out of demand.

At present, developments in automation are raising new and important questions about the future for many currently held skills.

c. *Industrial relocation.* Industrial relocation is likely to have an adverse effect on job security. Transfer rights may be restricted to long-service employees or to skilled workers only. If a plant merger is involved, transferees' seniority ratings may be scaled below those of persons already employed at the new plant.

d. *No seniority.* Where continued employment is possible in spite of the fact that layoffs are taking place, it is usually because a worker has a high seniority rating. People with the highest seniority are likely to be in the older age groups. However, it is also true that a large sector of the older working population of the United States has *no* substantial protection based on length of service.

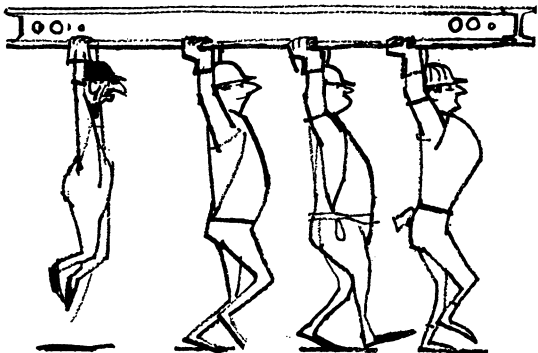
e. *Ill health.* As a worker grows older he is more subject to the insecurities which come with poor health.

After unemployment or layoff, ill health is the major reason for sporadic or part-time employment for all male workers. In 1958, the Census Bureau found that 23 per cent of men 25 to 64 who engaged in part-year employment did so because of illness or disability; in the 65 and over group the percentage rose to 30.

So far as complete withdrawal from the labor force is concerned, Steiner and Dorfman found: of elderly men

who had retired voluntarily almost 80 per cent had done so because of poor health.

f. *The aging process.* Certain effects of age are a source of insecurity for the employed older worker. Individuals vary, but, in general, impairments of vision or hearing, trunk, spinal, or abdominal weaknesses, and cardio-



vascular conditions are associated with advancing years. Over a period of time, reactions and perception may slow somewhat and strength and agility diminish. Where speed, endurance, great strength, or a high degree of precision are required, advancing age may bring a failure to meet minimum standards of performance.

Possibly the worker is then "carried" by his fellow employees or his employer until he retires or is retired. Union controls may protect the older individual's job regardless of a decline in efficiency. Sometimes the older worker is transferred to lighter or easier work at his

former rate of pay. But there are also workers who face the prospect of losing their jobs if their abilities decline.

g. *Compulsory retirement.* Lastly, compulsory retirement is a serious problem for the elderly person who is in good health and wishes to continue working. Thrown into an unfriendly employment market, he is likely to have a difficult time. Even if he finds a new job, it probably will not be at his former pay or skill level.

Mandatory retirement at a specific age is becoming more common all the time. In the past, organized systems for displacing aging workers were rare, as were pension schemes. Infirmary or illness were the principal reasons for a worker's leaving the labor force.

However, in 1940 old age benefits under social security were first payable. Then, during the war and subsequently, private pension plans became popular. Federal Old Age, Survivors, and Disability Insurance today covers about 90 per cent of all persons in the labor force; the remaining 10 per cent are about equally divided between people covered under federal, state, and local government schemes and domestic and farm employees who cannot meet OASDI minimum earnings or service requirements. Furthermore, just since 1950 the number of people covered by private plans has risen from 10 to 22 million.

Provision of more adequate retirement income has brought wide use of the fixed retirement age. The practice is not usually found where there is no private pension plan, but when such a plan is adopted it commonly includes a formal age for retirement. (Forced retirement is also discussed in Chapter IX.)

V. The Unemployed

ONCE AN "older" worker has lost his job, what is his position with regard to the rest of the unemployed labor force and what are his chances for re-employment?

1. CHARACTERISTICS

Among men, the lowest unemployment rate is almost always experienced by the 35 to 44 group. The rate tends to rise steadily through age 64 and then to fall off for elderly men. The pattern of unemployment is different for women. The unemployment rate is high for young girls, as it is for young men, but it tends to fall with increases in age. The lower rates for women and men of 65 and over probably reflects the tendency of individuals in these groups to drop out of the labor force when unemployment is a problem.

Long-term unemployment—15 weeks or more—is more common for workers 45 and over than any other age group, and the older the worker the longer his period of unemployment is likely to be.

Probably the most thorough study of the characteristics of the older unemployed was that published by the U. S. government in 1956. In a survey of applicants to

public employment offices in seven urban areas, the Department of Labor found that:

Older workers tended to be more skilled than younger workers. This was true among the unemployed as well as the employed.

Older job seekers had had somewhat higher weekly earnings on their last jobs than had younger workers.

Older job seekers had completed fewer years of schooling than had younger job seekers.

A larger percentage of unemployed older workers had physical handicaps. Interviews indicated that 1 in 10 workers under 45 had one or more handicaps; from 45 to 54 the proportion was 1 in 7; from 55 to 64 it was 1 in 5.

In spite of the fact that older workers were 40 per cent of job seekers at the time of the survey, they obtained only 22 per cent of the jobs filled.

2. OBSTACLES TO RE-EMPLOYMENT

a. *Employer practices.* The most serious problem facing the older job seeker is the hiring age limit. Many workers, regardless of their qualifications or the requirements of a specific job, are shut off from employment or forced to take jobs below their personal skill levels.

The Department of Labor's urban areas study found that in five of the areas more than half of all orders filed with employment offices during a sample month contained maximum hiring ages. In three cities, 73 to 79 per cent contained such restrictions. The most common

specified maximum age was 45 (41 per cent of the openings in all seven cities), but one-fifth of the openings named maximum ages under 35.

Several state and local surveys, studies by the National Industrial Conference Board, and a national sampling of nearly 300 companies by the National Association of Manufacturers and the U. S. Chamber of Commerce show similar findings.

While only a minority of firms impose rigid maximum age limits, a far greater number follow an informal policy of granting preference to younger workers and normally not hiring above certain definite limits.

Bars are more likely to be applied in big companies than in small, and they are particularly prevalent when labor is plentiful and jobs are scarce.

Some occupations are more apt to be affected by age bars. Restrictions are most common for clerical, unskilled, professional, managerial, and sales jobs and least common for service, semiskilled, and skilled jobs. Clerical openings are particularly subject to limits *below 45*.

Taken by industry, age bars are most frequently used in: finance, insurance, real estate, transportation, communication, utilities, and wholesale and retail trade. The use of bars is less common in manufacturing, government, construction, and service.

Where specific age barriers are not established, certain employer practices may have just as discriminatory an effect. For example, excessively high physical requirements may be set for a job.

Also, many employers hesitate to hire an older worker at lower than his former skill or pay level, regardless of

the applicant's willingness to adjust to such a change.

Finally, employers with pension plans are often reluctant to hire a worker who, because of the requirements of the plan, will have to be retired with a very small pension or none at all.

How do employers justify the use of formal age barriers or the practice of age preference in hiring? The most frequently offered explanations are that older job seekers are less efficient and productive, that the firm follows a policy of hiring young and promoting from within, that older persons are inflexible and difficult to train, and that the employment of older people increases pension and insurance costs.

Because of these views, many employers accept chronological age as *the* critical factor in determination of an individual worker's desirability. The validity of making such judgments about older workers as a group and the effectiveness of the age bar as a personnel policy will be examined in following chapters.

b. *Union influence.* As we have seen, union influence in hiring may restrict an employer's power to discriminate on the basis of age and will, therefore, shield the unemployed *union member* from the competition of nonmembers of all ages. In cases where physical examinations are required a union may prevent the setting of unnecessarily high standards. Negotiated seniority regulations are also an important protection for long-service older workers.

On the whole, however, unions do not give special attention to unemployed older workers. Some union policies may even operate to the disadvantage of older

job applicants. For example, where unions have established practices which are highly protective of older job holders, employers may confine their hiring to the younger group. Or, an apprentice program may effectively preclude the hiring of new workers over a specified low age. Finally, if unemployment is a problem in an industry, a union may discourage work after the normal retirement age or a return to work after retirement has taken place.

c. *The individual.* The unemployed older worker may create his own obstacles to rapid re-employment.

He may not be able or willing to change his geographical location, occupation, or industry. The older worker is likely to have close ties in his community. Friends, relatives, children in school, home ownership, all help to dissuade a worker from uprooting himself and seeking work where opportunities are better.

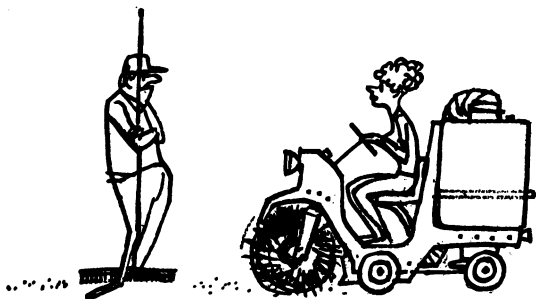
In the middle years financial commitments and responsibility for dependents tend to be somewhat heavier than in other age groups. These factors make it difficult for a worker to contemplate taking a less-skilled or lower paid job.

A change of occupation or industry presents other problems, foremost of which may be reluctance to start at the bottom of an occupational ladder or to undergo lengthy and perhaps costly retraining.

Another point, which has been brought out in studies of older applicants to public employment offices, is that a worker with a long job record with one employer may be handicapped by his inexperience in looking for new work.

Lastly, such a worker may know nothing about state job counseling services, opportunities for vocational training, and other specialized placement services.

d. *Placement services.* Public and private employment services are major sources of job information. For this



reason, the attitudes and practices of placement personnel are of great importance.

The urban areas study in 1956 brought out some of the problems which exist. Staff members of local employment service offices were asked to list the ways in which they felt they were contributing to the difficulties of older applicants. They responded:

1) Sometimes an employer was asked if he had an age range in mind. Staff members thought that if age ceilings were not brought up, many employers might consider qualified older workers.

2) The desire to fill job orders as quickly as possible often led to the by-passing of able older workers.

3) Inept selling techniques were used in discussing older workers with employers. It was suggested that greater emphasis should be placed on the individual's specific qualifications and less on his age.

No doubt the influences which reduce an older worker's chances of employment are at least as prevalent in the private employment agency field. Unfortunately very little information is available.



VI. How Capable Are Older Workers?

EMPLOYER HIRING POLICIES are the main obstacle to re-employment. Many employers prefer, or insist on, employing workers who are below a certain age. Why?

The major reason for such restrictions is the ready acceptance of a group of popular misconceptions regarding age. There is widespread willingness to believe that chronological aging involves a consistent rate of physical and mental deterioration. From this notion follow the generalizations that, compared with younger persons, older workers are absent and ill more often, have more accidents, are unable to meet physical requirements, cannot achieve minimum production standards, have set work habits, lack the flexibility to meet changing job conditions, and do not respond to training.

Obviously, if an employer lumps all older workers together and makes such an assessment of them, he is going to try to maintain a young work force.

But what *facts* are there to draw on? Are older workers as a group less reliable, slower, less productive? The available evidence does not indicate that this is so. In fact, it is often possible to draw the opposite conclusion.

1. DEPENDABILITY

a. *Absenteeism.* The U. S. Bureau of Labor Statistics conducted a study after World War II of the work records of about 18,000 workers in a variety of manufacturing industries. It was found that older workers were, on the whole, *less* likely to be absent from their jobs as frequently as younger workers. The absenteeism rate decreased as age increased. In every five-year age group from 50 to 75 years, workers lost fewer workdays than in any age group below 50.

Other BLS studies in 1955 and 1957 of footwear, clothing, and furniture workers showed such slight attendance differences between age groups that it was concluded there was no appreciable relationship to age.

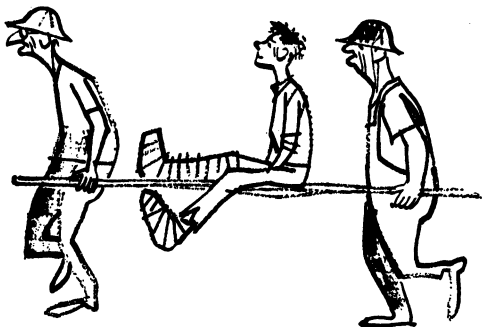
b. *Job stability.* The older the worker, the less likely he is to change jobs.

Data gathered in the seven urban areas study indicated that if an older worker obtains a regular job lasting at least a year, he is more likely than a younger worker to stay with the firm until the age of normal retirement.

In the BLS study of furniture and footwear plants mentioned above, the highest percentage of workers to stay on the job during the survey year was in the 45 to 64 years group.

2. WORK INJURIES

Very little information has been collected on the frequency of work injuries by age. The best available data comes from the BLS's postwar study of 18,000 manufacturing workers. So far as all sorts of injuries on



the job were concerned, workers of 45 years and over had a generally *more favorable* record than had younger workers.

The frequency of *disabling* injuries (permanent impairment or disabled for at least one shift) was highest in the 35 to 44 years group. On the whole, the disablement experience of workers aged 45 or more compared favorably with that of lower age groups.

When *nondisabling* (usually requiring only first aid) injuries were considered, the tendency of older workers

toward fewer accidents was striking. With the highest rate in the 25 to 29 years group, the frequency of these injuries decreased steadily, reaching the lowest point in the 70 to 74 years group.

Because workers of 60 and over tend to be in less hazardous occupations, a second comparison was made leaving this group out. The general picture did not change. Workers between 45 and 59 definitely experienced fewer injuries per million hours worked than those in the 20 through 44 groups.

An added check was made of the frequency of minor disabilities treated in plants, but not related to work accidents—colds, headaches, etc. Here again, the rates were highest among the young and declined fairly steadily, reaching the lowest levels for workers aged 55 years and over.

3. HEALTH

The likelihood of disability, particularly of chronic illness, increases with age. A greater proportion of the aged, for example, are unable to hold jobs because of health problems. However, these are people who are not competing in the labor market. What of the vast number of older persons below normal retirement age who are well enough to work and are working or looking for employment? To what extent are employers justified in thinking that the advance of years brings health handicaps which will affect a worker's effectiveness?

The most common signs of age appear gradually. Individuals are not affected in the same way or at the same

age, but generally, in the long-term process of physiological wear, certain symptoms appear: 1) usually beginning in the thirties there is a decline in the acuteness of vision and hearing; 2) after early adulthood, there is a gradual slowdown of swift, skilled movements of the limbs and speed of reaction, and 3) strength of grip and pull are lessened.

So far as the great majority of workers are concerned, these changes do not lead to incapacity. Among registered unemployed workers studied by the Bureau of Employment Security, the incidence of physical disabilities found to be *real* vocational handicaps among older persons in the work force was no greater than among younger workers.*

Undoubtedly the major reason for the absence of difference by age is that the degenerative processes mentioned above and the chronic diseases associated with aging (heart trouble, arterio-sclerosis, arthritis, etc.) are commonly very slow in their onset and development. The worker adjusts gradually to the impairments his handicap brings and, depending on his occupation, may well find that his ability on the job is not affected.

Although, on the average, older workers take longer to recuperate once they fall ill, they are likely to be ill less frequently than younger workers. As people mature they tend to develop an immunity to the acute infective disorders common among persons below middle age.

* A handicapped worker by BES definition is one who has a physical, mental, or emotional impairment which requires special consideration in choosing, preparing for, or obtaining a suitable job.

4. STRENGTH, SPEED, ACCURACY

An important cause of the employment difficulties of older workers is the widespread opinion that their productive capacity is inferior to that of younger workers.

There has been much recent research into the effect of age on skills and productivity. Probably the most thorough *laboratory tests of skill* (as opposed to studies of on-the-job performance in industry, which will be covered in the next section) have been conducted by the Nuffield Unit for Research into Problems of Aging.

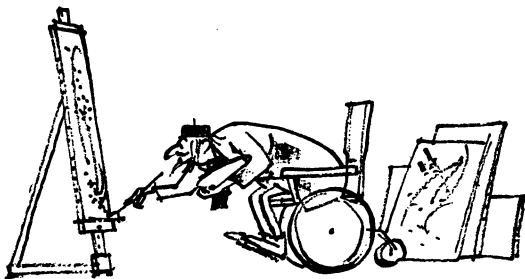
In a 10-year series of studies in Britain, the Nuffield group measured changes of performance from young adulthood through the middle years to the sixties and seventies.

Although there were many exceptions, generally the set tests showed that: 1) there is a slowing of performance with age, starting in the twenties, and 2) as people grow older there are increasing differences between individuals in the same age groups.

The Nuffield group concluded that these trends in achievement tests are probably directly attributable to age changes in the central nervous system. There appears to be a lowering with age of the ability to transmit "information" from one part of the body to another. There also seems to be a reduction in the amount of data that can be held in the mind for simultaneous use.

However, when tests on actual jobs were conducted,

it was found that age differences in performance did not occur when the situation did not involve "overloading" the organism beyond a certain point. Where peak demands occurred, both old and young were to some extent prone to lapses. The study group deduced that in



many tasks all persons are working well within their capacities and that changes of capacity, even in old age, are unimportant.

Information from other sources tends to substantiate the Nuffield view that capacity as measured by laboratory test does not necessarily give a fair picture of the extent to which capacity will be demonstrated on a particular job.

For example, it is generally assumed that heavy work is unsuitable for older people. Nevertheless, researchers both in the United States and Britain have established the fact that the percentage of persons engaged in heavy work (involving the application of bodily strength) increases with advancing years, particularly after 35.

Probably the most important reason why older people can hold heavy jobs is that they tend to have experience and skills which help to reduce the amount of sheer physical exertion necessary.

A similar relationship shows up in tests of speed and motor skills. Older men and women with mechanical experience will normally get much better scores than young adults of equal intelligence and education who do not have experience.

Judgment and reasoning reach their peaks latest of all abilities. In tasks where such qualities are more important than continuous, high-speed reaction, most older adults maintain unaffected productive capacity.

Accuracy is a quality which tests have shown to be increasingly more important with age. Apparently if the physiological changes mentioned above begin to have an effect on pace the worker unconsciously shifts his emphasis toward accuracy in an effort to maximize overall achievement.

Long-term acquisition of skill and experience and increased concentration on accuracy make it possible for the older worker to compensate on most jobs for the physiological effects of age which show up in laboratory tests. On the other hand, serious difficulties arise for some older workers when a job is strenuous in the sense that it demands continuous effort without intermission, as on a rapidly paced assembly line. Often the productive capacity of such a worker can be restored by a shift to a job which may be heavy but which requires less speed.

The Nuffield group found that where age changes

do impinge on performance, minor changes in a job can frequently bring it within the capacity of an older person. It was also noted that modifications—such as changes in the layout of work or tools and improvement in lighting—which affect the chances of success of older people are likely to have the same results for workers of all ages.

5. ON-THE-JOB PERFORMANCE

a. *Measuring productivity.* Of the three more common techniques for collecting information on productive capacity by age group, two have serious defects:

1) Laboratory tests of skills measure physiological changes with age and do not take into account the special factors present on a job.

2) Employer opinion surveys and studies of merit ratings are compilations of subjective evaluations and, therefore, are not reliable measures of productivity.

3) On-the-job studies are by far the best means of comparing workers' production rates, if comparisons are based on large numbers of workers in the same or similar jobs, the jobs selected are jobs in which speed is controlled by the individual worker, and performance records cover a period long enough to permit significant averages.

b. *Productivity on the job.* As part of its long-term investigation of the problems of older workers, the U. S. Bureau of Labor Statistics recently conducted studies of the performance of factory and office workers. The resulting information offers the most illuminating picture to date of the influence of age on productivity.

On the manual side, the footwear and furniture industries were chosen for analysis. These industries show an age and skill distribution of men and women which is similar to that of manufacturing as a whole and, also, they make wide use of incentive payment systems (important for measuring individual output).

1) With respect to output per man hour, the differences between 10-year age groups through 64 were found to be small. The productivity of men and women in both industries rose from the under-25 age group to the 25 to 34 age group and then declined gradually to the 55 to 64 group. With those 35 to 44 equaling 100.0, all other age groups were within 8 percentage points.

However, these conclusions refer to age *groups*. For this reason, the figures have limited value. To get a realistic idea of performance standards by age it is necessary to know how closely *individuals* conformed to the group averages.

2) Within each age group individual differences were found to be great, with many persons performing far above and far below the average. Substantial proportions of workers in the older age groups performed better than the average for younger groups. For example, 47 per cent of the women 45 to 54 had *higher* scores than the average of all workers in the 35 to 44 group. Even in the 55 to 64 group about one-third of men and women performed better than the average for the 35 to 44 group.

The BLS study of office workers was based on data gathered from government agencies and certain companies in private industry which keep production rec-

ords for individuals. The usual clerical occupations were covered and about half the workers studied were under some sort of incentive pay system.

1) The results showed less variation in average output per man hour between age groups than did the study of industrial workers. In fact, differences between the white-collar age groups were described as insignificant.

With the group aged 35 to 44 equaling 100.0, all other groups were within 2 percentage points, except the under-25's who fell 7.6 per cent below the base. The higher age groups (45-54, 55-64) not only maintained output approximately equal to younger groups (25-34, 35-44) but maintained an equal degree of accuracy. Workers of 65 and over generally averaged as high as any other group, perhaps because of schemes which encouraged retirement of the more inefficient. Older groups were found to be *more consistent* in week-to-week performance.

Lack of experience appeared to be the major reason for differences in group averages and the poor showing of young workers. When only experienced workers were considered, all age groups had even closer average rates of output.

2) As in the studies of industrial workers, there was considerable variation in output among workers within the groups. However, proportionately fewer older clerical workers than industrial workers received very low scores.

Another investigation of value was done by the Canadian Department of Labour. Sales performance in two large urban department stores was studied. In general,

it was found that "the older sales employee has as good a record of performance as the younger employee, if not better." The high scores of older workers were not reduced when experience was discounted. Furthermore, workers hired over 40 tended to outperform those hired below 30.

Although additional data are needed, these studies suggest, firstly, that the character of an occupation may have much to do with the pattern of performance by age. From age group to age group there was less variation among clerical than among manual workers.

But, far more important than measures of average performance are the differences which were found in output between individuals within age groups. It seems clear that no simple generalizations can be made regarding the productive capacity of either an older or a younger worker.

6. ADAPTABILITY

Among the generalizations applied to the older worker is that which describes him as the possessor of fixed ideas, habits, and prejudices which in turn render him incapable of undergoing new training and liable to serious maladjustments in the work situation.

a. *Willingness to change.* In Chapter V it was noted that for certain reasons older people are more likely to resist employment changes. Nevertheless, despite the discouragements and anxieties involved, older workers demonstrate a strong determination not only to stay in

the labor force but to stay even when this means downgrading and lower pay.

For example, the survey of employment offices in 1956 showed that 3 in 5 of all workers over 45 placed changed industry, 2 in 5 changed occupation, and half accepted jobs at lower pay.

The movement of workers to service occupations as they grow older is a good example of the job mobility which exists. Of all men in the labor force between 25 and 44 about one quarter are employed as semiskilled operatives and less than 5 per cent are service workers. But, in the 55 to 64 group of male workers the effect of occupational shifting can be seen clearly: only 15 per cent are semiskilled operatives, but 10 per cent are service workers.

b. *Attitudes.* Two major surveys of employer opinion indicate a favorable response to the work attitudes of older people. An NAM poll of 3,000 companies showed 50 per cent rating the attitudes of older workers superior and 49 per cent rating them equal to the attitudes of younger workers. A U. S. Bureau of Employment Security study found that many employers consider older workers a steadying influence and regularly integrate them with younger workers in all operating units.

c. *Ability to learn.* The ease with which a worker can be trained is a matter of great interest to employers, for reasons of cost and efficiency.

Tests of intelligence and learning ability by age are not particularly helpful in providing signposts. Tests of I.Q. are of no use in comparing age groups. Designed for those in or recently out of school, they emphasize spe-

cialized knowledge and put a high premium on speed as opposed to experience and judgment. As near as can be determined, however, an individual experiences *no* decline in intelligence as he ages.

Learning ability tests suggest tentatively that there is a slight decline at most tasks from the teens to the 35 to 60 years group. But, in tests requiring the acceptance of new ideas or the development of new skills, especially if previously acquired habits must be unlearned, the decline seems to be more substantial. On the average, it appears that with a peak learning age of 22, the ability to learn at 50 and 60 equals that at 16 and 14, respectively. At 80 the ability to learn is approximately the same as at 12.

Of course, these tests do not accurately measure the ability to adjust or to learn in a practical situation. Many factors—background, skill, motivation, security—are involved, in addition to a basic aptitude for learning. Investigators believe that the middle aged can learn almost as efficiently as the young. For example, at very advanced ages motivation may more than offset a decline in learning proficiency.

7. CAPABILITIES IN PERSPECTIVE

Probably most employers have had experience with individual older employees whose efficiency has declined or whose failing capacities have interfered with job performance. But does it follow that older workers *generally* will present more problems than younger workers?

The investigations which have been conducted on the capabilities and characteristics of older workers indicate that much popular opinion on the subject is inaccurate or subject to considerable doubt.

Older workers have as good or better attendance records than younger workers. Their turnover rates are lower. They have better injury rate records and are markedly less subject to nondisabling job injuries and minor disabilities of other sorts. Vocational handicaps are no more common among older members of the labor force.

Although many laboratory tests of skills show declines with age, similar experiments on actual jobs indicate that the experience, judgment, reasoning ability, and accuracy of older people tend to compensate in most situations for the physiological effects of age.

Productivity studies show that generally the decline in output per man hour for industrial workers is slight over the normal working age span. For office workers there is hardly any variation from age group to age group.

Furthermore, what evidence there is on willingness to change, work attitudes, adjustability, and ability to learn does not give much basis for a case against older workers.

Judging by the available data it would seem that the *typical* older worker is not the clear inferior of the *typical* younger worker.

The above conclusions are based on averages, of course. Individual differences within age groups are often great. Many older workers are capable of perform-

ing far more productively and efficiently than many younger workers, but the reverse is also true.

For most jobs an employment bar based strictly on age is useless as a method of selecting the capable worker. Individual assessment is essential.



VII. Pension and Insurance Costs

ABSENTEEISM, turnover, and injuries involve costs. In the same way, a particular worker's skill, experience, judgment, adjustability, and learning ability make him more or less expensive to an employer compared with other workers. We have seen that age in itself is an inadequate measure of these qualities and, therefore, of the costs entailed.

However, when employers cite high costs as a reason for not employing older workers they usually mean pension and insurance costs.

Premiums or contributions for pension and welfare plans are normally related to the ages of those covered. If an employer believes that hiring older workers will increase his costs substantially, he may feel quite justified in using an age bar.

1. PENSIONS

a. *Pension coverage.* The Social Security Administration estimates that 21,600,000 people had private pension coverage in 1960; only 4,000,000 were covered in 1940. The recent total represents 43 per cent of all workers in private industry. The magnitude of this

development makes the problem of pension costs and the older worker one of critical importance.

b. *Participation and eligibility requirements.* Originally, private pensions were intended by employers to reduce turnover, reward full-time, long-service employees, and eradicate the stigma attached to releasing superannuated workers without means of support.

Such employer goals undoubtedly have not changed, but the new strength of unions and the emergence of pensions as a popular bargaining issue have given costs an importance that they did not have when pensions were a matter of employer discretion. For this reason, formal and rather strict age and length of service requirements are included in the terms of most plans today.

Under some schemes, the ability to *begin* earning credit for a pension may depend on a worker's having completed a certain period of employment, having attained a certain age (usually around 25 or 30), or having not exceeded a certain age (generally between 55 and 60).

Most pension plans also require a minimum number of years of service as a participant in the program before a worker can qualify for lowest benefits. Five to 15 years are most frequent.

There may also be further stipulation that retirement is automatic at a specified age or that even if a worker is employed beyond the normal retiring age further service may not be credited for a pension.

In most cases, workers must reach 65 before they are eligible to draw normal benefits.

c. *Pension plans and older job seekers.* Where pension plans exist, fewer older workers are hired. Two reasons are given most often for such discrimination. In cases where a worker will not have time to qualify, many employers prefer not to hire rather than to be obliged



eventually to retire employees without a company pension. Secondly, employers resist hiring older workers because of the cost of providing benefits.

The first argument is fairly common, but difficult to support. As most older full-time workers are now covered by social security, there is little likelihood that an employer would be forced to retire a worker to destitution. And if the older worker has time enough to earn a small pension, his ultimate condition is improved by that much.

d. *Pension costs.* Is it necessarily more expensive to give a pension to a worker who joins a firm late in life? Some employers claim that the outlay for a short-service

older worker is exorbitant; therefore, an effort is made to avoid hiring older workers. Others, and many pension experts can be included in this group, have argued that older entrants to a plan need not be much more expensive than younger entrants and that it is possible that they might be cheaper under certain circumstances.

We can dismiss immediately from our discussion the older worker who is not eligible to receive a pension under the terms of a plan. If ten years of service are required and retirement is mandatory at 65, the 57-year-old entrant will involve no pension cost. (Oddly enough, the pension cost argument against hiring is occasionally used even when older workers would not be eligible to participate.)

Much of the confusion and controversy which surround the issue of pension costs and age arise from the fact that the actual pension costs for an individual are impossible to predict. Some workers will die before reaching normal retirement age; others will live into retirement, but for varying lengths of time. Many workers will quit, forfeiting pension credits. A certain number may withdraw before normal retirement age with disability, early, or deferred retirement benefits.

An employer cannot possibly know what each of his employees is eventually going to cost him in pension funds. However, estimates of some sort must be made and money set aside if the employer is to meet his pension obligations without trouble in the future. These estimates and the resulting periodic payments on behalf of active employees are what most employers are referring to when they discuss cost differences by age.

What does this estimation procedure involve? Very simply put, the total sum each worker will receive in retirement depends on how large a benefit he has earned and how long he will be paid it. Starting with a table of mortality rates and the plan's established benefit schedule, the employer can estimate the length of time the average worker of a certain age will live after he attains 65 years and therefore how great his total pension will be.

The employer then calculates how much must be set aside during each year of an individual's employment in order to cover estimated eventual pension payments. The resulting annual charge will be reduced by the amount of interest expected to accumulate on the funds over the period they are invested. A further downward adjustment may be made for anticipated turnover (that is, the annual charge for young entrants may be lowered somewhat on the assumption that they are more likely to quit).

Roughly, this is the way, on the basis of mortality experience (and perhaps turnover rates) and some guesswork about the future, that conclusions are drawn as to the safe amount to reserve regularly for each worker.

What is the connection between hiring age and pension cost? The importance of age is probably best illustrated by simple descriptions of three common noncontributory pension systems.

1) The flat-rate pension. Under this system the same amount, e.g., \$50 or \$100 a month, is paid to all employees who fulfill a basic service requirement.

The employer must set aside higher annual amounts

for those who will be working shorter periods of time. For workers who start at later ages there is less time to accumulate the necessary funds and less gain from interest on investment.

For example, if all workers are to receive \$1,200 a year at 65, the following amounts must be reserved annually for people entering at the specified ages:

TABLE I*
Annual charges for flat-rate pensions of
\$100 a month at 65, by age of entry

<i>Age of Entry</i>	<i>Annual Charges</i>
25.....	\$158.87
30.....	196.49
35.....	249.42
40.....	316.31
45.....	437.84
50.....	650.34

* Based on the Group Annuity Mortality Table for 1951. A 2.5 per cent interest rate is assumed. Turnover is not discounted; the assumption is that all employees remain until retirement or until death or disability prior to retirement.

Flat-rate plans usually involve a rather lengthy minimum qualification period—often 20 or more years. For this reason it is unlikely that the 50-year-old entrant noted on the table above would require any charges on his behalf. However, as can be seen, the cost difference between age 25 and age 45 is substantial.

The cost effect is similar when a benefit is based on earnings alone. Many older plans covering salaried workers give a straight percentage of average or final pay.

There has been a trend away from flat-rate systems in recent years. Most schemes today fall into two general categories, both of which entail far less unfavorable costs for older entrants.

2) Flat sum times years of credited service. Fairly wide use of this formula came with the spread of negotiated plans in the 1950's.

As the system operates, an eligible worker may, at retirement, receive perhaps \$3 a month for every year of credited service. There is usually a minimum benefit, and about half the plans have ceilings on the period which can be credited.

When the flat sum-years formula is used, those who work shorter periods receive smaller pensions. Less need be set aside for the new older worker than would be the case if all were to retire with the same pension.

Whereas in Table I the entrant of 45 costs almost three times as much as the entrant of 25, in Table II the 45-year-old hire costs only 38 per cent more.

When there is no limit to the number of years which can be credited, the cost difference between young and older entrants is lessened, as can be seen in Table II. The reason is that although more interest is earned on funds held for the long-service worker, his higher pension cancels some of the gain. There has been a strong trend over the last five years toward elimination of maximum limits in such plans.

3) Percentage of earnings times years of credited service. The most common pension formulas in use today are those which base the benefit on both pay and years of credited service.

TABLE II*

Annual charges for flat sum times years of service
pensions, by age of entry; \$3 credit a
month at 65 for each year of service

<i>Age of Entry</i>	<i>Monthly Pension</i>	<i>Annual Charge</i>
25.....	\$120	\$190.64
.....	(90)†	(142.98)
30.....	105	206.31
.....	(90)	(176.84)
35.....	90	224.48
40.....	75	237.23
45.....	60	262.71
50.....	45	292.65
55.....	30	323.18
60.....	15	359.50

* Mortality, interest, and turnover assumptions are as in Table I.

† Figures in parentheses represent the effect when only 30 years of service are credited, allowing a maximum pension of \$90 a month as opposed to \$120.

In some plans an average of earnings over the whole period of service is used as a basis for calculation; in others the base might be an average of the 5 or 10 highest years or of the 5 or 10 final years.

The smallest cost differentials by age are likely to be found under systems based on final or highest pay.

A table of possible annual costs under a system based on final pay has been drawn up by H. L. Seal, an actuary and pension consultant of New York (see Table III).

In this particular firm, 40 would be a good age to recruit, assuming pension cost was the only factor considered in hiring. The major reason for the cost pattern here

TABLE III*

Annual charges for final earnings times years of service pensions, by age of entry; 1 per cent of final salary a month at 65 for each year of service

<i>Age of Entry</i>	<i>Annual Charge as a Percentage of Salary</i>
20.....	3.23
25.....	3.19
30.....	3.15
35.....	3.16
40.....	3.10
45.....	3.15
50.....	3.36
55.....	3.98
60.....	5.88

* Assumptions are made regarding interest, mortality, disability and severance prior to 65, a long-term upward movement of final salaries, and intrafirm wage differentials by age and skill.

is that higher final wages for young entrants (and therefore higher pensions) tend to balance out the greater accumulation of compound interest.

e. *Factors influencing cost differentials.* The above examples give an idea of how pension formulas work and a picture of the sort of cost differentials which result in practice when estimates are made of the charges necessary to finance a pension plan.

However, questions have been raised as to whether or not older entrants to firms will, in the end, be as expensive as most annual cost estimates suggest. Many pension experts believe that the usual systems of estimating

are overly conservative in their treatment of the older worker and not conservative enough in gauging the cost of younger entrants.

1) We have seen, for example, how important earnings are in certain plans. Nevertheless, current costs are often set without regard to the probability that the younger worker of today will receive a pension based on inflated compensation.

2) The cost of a pension is based in large part on how long it will be paid. Mortality tables, reflecting death rates at a given time, are used to estimate how many workers will reach retirement age and how long those who do will live afterward.

In the recent past, advances in health and safety measures have resulted in a lengthening of the average life span. Mortality tables used for pension forecasts are usually adjusted for future general improvement, but mortality in the past has improved at a greater rate in the younger group. There is no reason to suppose that this will not continue to be the case. Therefore, mortality forecasts which do not take this improvement difference into account—and most do not—tend to underestimate the pension cost of young people at the expense of the older group.

3) An important aspect of the pension cost question is the emphasis put by employers on labor force turnover.

When a worker quits, he forfeits the contributions made in his behalf (unless he is covered by a plan which includes vesting and has been covered long enough to earn a right to his credits). These forfeited credits are called "turnover savings."

Turnover is usually dealt with in one of two ways. Either annual charges are reduced in the first place to take expected turnover into account, or the surplus which results from turnover remains in the pension fund and is used to reduce future charges or increase future benefits for remaining workers.

Young workers are more likely to change jobs than older workers. Many employers have therefore concluded that pension costs will be less if younger workers are recruited.

However, as a U. S. Bureau of Employment Security committee on pension costs has commented, if an establishment credits turnover "savings," it would seem logical also to relate turnover *costs* to the hiring of young people. The experience of many companies has shown that the extra costs of termination, recruitment, orientation, and training are substantial for jobs which are supposed to be permanent and involve membership in a pension plan. It is highly likely that in many cases these costs more than cancel out the "savings" which are made on young, short-service workers.

4) The cost gap is being narrowed under many plans by provisions which guarantee a worker pension protections if he leaves before normal retirement age. Early retirement and disability benefits are two such conditions. A third is known as "vesting," whereby a worker who has met certain requirements may quit his job and retain the right to a future retirement benefit.

Both early retirement provisions and disability benefits increase the pension cost of younger workers. Almost all plans which include these benefits also call for 10

to 20 years of credited service before eligibility. The employer need set aside no additional funds for the newly hired older worker. However, there will be added charges for all workers who are young enough to anticipate possible use of the benefits. The provision of disability benefits (after 15 years of service) may add up to 10 per cent to the cost of a pension plan.

The spread of vesting provisions may improve the position of the older job applicant in two ways. Increasing numbers of older people will carry vested pension rights with them when they change jobs. Employers will no longer have to decide against a worker simply because he does not have time to earn a "reasonable" pension. Secondly, turnover "savings" created by young workers will be reduced to the extent that such employees are eligible for vested rights. Pension cost differences by age will consequently diminish.

The BLS found in a study of 300 negotiated plans in 1952 that one in four had some sort of vesting; by 1958 the proportion had changed to three in five. A Bankers Trust Company survey showed that 90 per cent of unilateral plans adopted or amended in 1956-1959 included vesting clauses of some sort. At present the qualifications for such a benefit tend to be rather stringent—typically, a minimum age of 40 with at least 10 years of credited service. Sometimes the deferred pension is based on only a percentage of the contributions made for the worker while he was employed. However, the trend is to full vesting at earlier ages with somewhat shorter service requirements.

f. Plans with no cost differences by age. There are two

types of pension systems now in limited use in which the size of employer contributions is not affected by age.

1) One sort is found where plans are negotiated under a multi-employer arrangement in an industry or geographical area. There is a flat-rate benefit for all eligible workers and one fund to which employers contribute. Employers' contributions are generally calculated on the basis of time worked or as a percentage of payroll.

The age of an individual when he is hired has no influence on pension costs. However, the size of benefits which can be purchased from such funds will be affected by the age distribution of the covered work force. If average age is rising and the rate of retirement increases substantially, benefits may have to be lowered. Alternatively, a rise in the contribution rate may be necessary.

Prominent examples of multi-employer plans are those negotiated by industry for coal miners, western teamsters, and west coast maritime workers, and by area for construction, typographical, and garment workers.

2) The "money purchase" type of pension formula does not involve cost differences by age. Contributions are a fixed percentage of the employee's annual pay. The size of benefits depend on how much has been accumulated by retirement age.

g. Summary. The generalized examples given above of how pension costs are commonly estimated indicate that older entrants may be more expensive than young entrants, although the difference may be small under some types of plans. If certain long-term cost factors are

taken into account, differences may be even slighter, if in fact they do not disappear.

Finally, it is appropriate to mention that pension charges can be reduced substantially in any plan by raising the normal retirement age above the traditional 65-year mark. D. M. McGill of the University of Pennsylvania estimates that a one-year increase could reduce costs by 8 per cent. The longer the worker is employed, the shorter the period of retirement will be. It follows that benefits will be paid for a shorter time on the average and, therefore, that lower annual charges will be necessary for all workers. This is generally true even when added pension credit is given for work past 65. Increased probability of mortality combined with the continued interest return on funds held tend to more than balance out the value of additional pension credit.

2. INSURANCE

Sometimes it is said that hiring older workers increases rates for Workmen's Compensation, group life insurance, and health insurance.

a. *Workmen's Compensation.* Workmen's Compensation premiums are determined on a group basis depending on the type of work done and the previous accident experience of the workers covered. Rates are higher for those engaged in hazardous occupations than for clerical workers, for example. Age in itself is not a consideration.

b. *Group life insurance.* Cost of group life insurance is based on the age distribution of the group covered. The individual's age at entry is of no significance; the yearly

premium will depend on the average age of all employees at a given time within that year.

Unless really big changes in age distribution occur, cost variations for this sort of insurance are not great. A rise of three years in average age would probably mean, in most firms, a cost difference of only a few cents a worker a week.

Costs can be considerably higher when insurance is carried over into retirement; but in most cases this problem is met by sharply reducing the size of the benefit.

c. *Health insurance.* The cost of group medical, surgical, and hospital benefits is determined with reference to the group's experience in the past, the ratio of women to men (a high proportion of women workers will raise costs), and the particular benefits which are provided.

In an average group, older individuals would affect price if the greater likelihood of lengthy illness among such workers was not counterbalanced by certain high costs arising in the younger group. For example, coverage of dependents raises costs, and young workers tend to have more dependents. Women are generally more expensive than men, but young women (whether they are workers or dependents) will tend to be far more expensive than older workers of either sex if maternity benefits are included.

As in the case of life insurance, a separate problem arises when health insurance is continued after retirement. Here again the cost situation is often eased by special adjustments. Benefits may be reduced or, as is frequently the case under Blue Cross and Blue Shield plans, benefits may remain the same and the retired

worker be obliged to pay all or most of the cost of his continued membership.

3. THE TOTAL COST PICTURE

The cost of labor is an important matter to employers. The last two chapters have explored some of the areas in which older workers as a group are often thought to be either more costly or less desirable for other reasons.

Comprehensive studies of the relative value of older and younger workers are needed, particularly in the areas of pension costs and work performance, if we are to have a wholly satisfactory picture of characteristics by age group. However, from the information available, two conclusions seem possible:

- 1) Only by a careful examination of conditions within his own firm can an employer make an authoritative judgment about the effects of older employees on pension and insurance costs.

- 2) There is a tendency to treat pensions as if they were the only cost factor of importance. This is, of course, untrue. The dollar value of workers to an employer depends on productivity, absenteeism, turnover, adaptability, as well as on the costs of pension, insurance, and fringe benefits. Evaluations by age, either of individuals or groups, should include consideration of *all* such factors.

VIII. Meeting the Problems

VARIOUS ATTEMPTS have been made—mainly through government activity and legislation—to reduce the special employment problems of older workers. At the same time, certain developments arising from the persistent rate of general unemployment have both created new difficulties and offered new solutions. Although the results so far are limited, what has been done directly or indirectly for the older worker recently gives some indication of the directions in which progress is likely to be made in the future.

I. GOVERNMENT ACTIVITIES

At present, effective inroads on age discrimination are being made by federal and state action on the local level.

Special government interest in the subject dates from the early 1950's when U. S. Bureau of Employment Security studies of employment patterns showed that restrictive hiring practices were adversely affecting a large section of the labor force. In response, the Department of Labor set up a departmental committee whose overall objective was "to improve employment and earning opportunities for older men and women consistent with

their abilities and willingness to work and to increase their contribution to the economy as a whole."

The committee was directed to start a program which would shed light on the employment problems of older workers and improve job services for older people. Large-scale projects of research, direct action through the Employment Service, and public education were instituted and have been carried on since.

a. *Research.* The Department of Labor recognized that research and fact-finding were essential first steps.

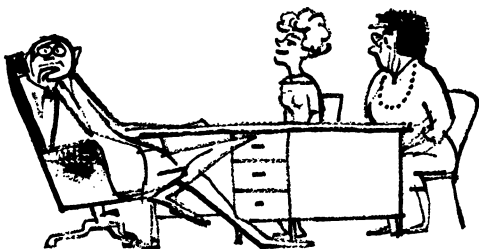
Therefore, starting in 1955, a series of employment analyses were undertaken. As the findings of these studies have already been noted in preceding chapters, there is no need to go into detail here. In summary, substantial employment barriers were found, the barriers appeared to have little justification in fact, older workers as a group were discovered to be in many ways comparable to younger workers, and the studies verified the value of the theory that job seekers should be hired on the basis of individual qualifications.

There has also been a slow increase in the amount of work of this sort being done by the states. A majority now have special commissions, committees, or study groups appointed by the governor or established by the legislature to consider the problems of older workers and the aged. But, generally speaking, more emphasis is given to public education and placement techniques than to basic research. Where research is state-sponsored, it is most often concerned with the very aged.

Only three states have so far initiated research programs on a continuing, large-scale basis—New York,

Pennsylvania, and Rhode Island. Pennsylvania is particularly active; it is presently involved in special investigations of retraining possibilities, placement, and the relationship between hiring older workers and the cost of pensions.

b. *Counseling and placement.* In 1956 the Department of Labor conducted an experiment to find out if older



workers might be given more effective assistance in public employment offices.

Over 7,000 persons of 45 or over were selected at random from workers seeking employment in seven urban areas. Applicants were divided into two groups, one to receive experimental counseling and placement services and the other to receive the services normally given. Special services included: intensified interviewing to determine all possible job qualifications, more counseling, group occupational guidance sessions, use of aptitude and proficiency tests, assistance in preparing background summaries for employers, referral to training facilities, solicitation of jobs, efforts to eliminate or

modify age specifications in job orders, and community promotion campaigns.

The results were impressive. Almost four and a half times as many placements were made in the experimental group as in the group given normal service.

Individual job solicitation proved to be one of the more effective techniques. Almost half the placements in the experimental group resulted from contacts made with employers. By emphasizing a specific older applicant's qualifications, employment officers were often successful in getting an age bar removed. Intensive counseling also played an important role, particularly where workers had to change occupation or industry.

In general, the standard techniques used in local employment service offices were found to be effective for older workers, but when used on an *intensive* basis.

In view of the survey findings, the Department of Labor asked each state employment service to augment and strengthen existing facilities for older workers. Within a few months the states began to act. In 1960, the Council of State Governments noted that 24 states were using Older Worker Specialists or specially trained personnel; furthermore most of the states with special programs were able to report a definite improvement in the proportion of older workers placed. In the same year, the Department of Labor reported a 20 per cent gain since 1958 in annual placement of job seekers 45 years and over.

c. *Education and promotion.* When the Department of Labor recommended state action on the problems of

older workers it particularly emphasized the importance of presenting factual information to the community.

In line with this suggestion, the Department publishes and distributes its own research findings in both technical and popular form. Also, special informational leaflets are prepared for employers, the general public, and the older person who is looking for a job.

However, by far the most promotional work is now being done in the states by employment offices, state boards or commissions concerned with employment and aging, and civic groups. The Pennsylvania Advisory Board on Problems of Older Workers, assisted by a permanent professional staff, probably has the most impressive record. For several years it has sponsored regional and local conferences, demonstration projects, and speeches; distributed information for use on radio and television and in newspapers and magazines; published its own material; and worked closely with PEO's and civic groups.

Interest in the reduction of age discrimination in employment has not been limited to the federal and state governments, of course. Various veterans' groups, fraternal orders, senior citizens' councils, trade associations, philanthropic foundations, and trade unions have long been concerned with the problem.

d. *Government employment practices.* In 1956 maximum age limits for first employment were eliminated in the federal civil service. The change applied to all jobs, even those previously restricted because they were arduous or hazardous or involved long training.

The Civil Service Commission has also instituted on-

the-job adjustments in work schedules and gradual retirement programs for older employees.

After three years' experience, the Commission reported, "no significant complaints from the agencies and no evidence of interference with their operations by not being able to employ maximum-age limits."

Most states do not have quite such liberal regulations, although they are generally less restrictive than private employers.

2. LEGISLATION

a. *State legislation against discrimination.* By the beginning of 1962, twelve states and the Commonwealth of Puerto Rico had passed legislation prohibiting discrimination because of age in private industry. In most cases the age provision is included in general fair employment practice acts, which also cover discrimination based on race, creed, color, and national origin. Under the laws, a state agency has the power to investigate complaints and eliminate unlawful practices by conciliation. In case of failure to conciliate, cease-and-desist orders, enforceable in the courts, may be issued.

There are also two older state laws of a somewhat different character. In Louisiana (1934) it is unlawful for an employer with 25 or more employees to adopt any rule for the discharge of an employee or rejection of a new employee under 50 years because of age. Colorado (1935) has an act which applies only to discharge for age between 18 and 60 years.

In general, the more recent statutes apply to em-

employers, employment agencies, and labor organizations, and prohibit discrimination by age in hiring, discharge, compensation, tenure, or other conditions or privileges of employment, *unless* age can be considered a “*bona fide* occupational qualification” for the job in question.

STATE LAWS AGAINST AGE DISCRIMINATION

<i>Year passed</i>	<i>State</i>	<i>Ages covered</i>
1950	Mass.	45-65
1955	Pa.	40-62
1956	R.I.	45-65
1958	N.Y.	40-65
1959	Conn.	40-65
1959	Ore.	25-65
1959	Wisc.	40-65
1959	Puerto Rico	30-65
1960	Alaska	not specified
1960	Del.	45-65
1961	Calif.	40-64
1961	Ohio	40-65
1961	Wash.	40-65

The purpose of the laws is not to favor older workers, but to allow them equal employment opportunities.

Pension plan rules are not usually subject to age discrimination laws. (The major exception is Massachusetts where employees within the ages specified by the law may not be terminated under the rules of a retirement plan.) For example, an employer may fix a compulsory retirement age below the maximum age covered by a state statute. He may also set an eligibility bar for older entrants. However, an employer may not refuse to hire

an older worker simply because he is over the maximum age for participation in a pension plan.

Most of the statutes have not been in force long enough to have had an observable effect, but in Massachusetts, Pennsylvania, and New York the evidence suggests that age discrimination legislation is having a modest impact. Restrictive advertising, for example, is becoming increasingly rare, and public employment offices have experienced a definite drop in the number of job orders with maximum age specifications. The situation in private companies and agencies is less clear. However, a survey made in 1959 in New York showed that although there was little positive support for the law among representatives of the companies covered, at the same time there was almost no opposition and all had conformed in their application forms, advertisements, and "formal" requests to agencies.

b. *Federal legislation and age discrimination.* A number of proposals for federal legislation on age discrimination have been presented to Congress without success in recent years. The three more common approaches have been: to outlaw age discrimination in hiring generally, to amend the National Labor Relations Act to make age discrimination illegal, and to prohibit such discrimination by firms holding government contracts.

c. *Legislation and retraining opportunities.* For many older workers the only satisfactory alternative to chronic unemployment or occupational downgrading is acquisition of new or improved skills.

Automation and other technical advances, shifts in the geographic centers of some industries, and decline

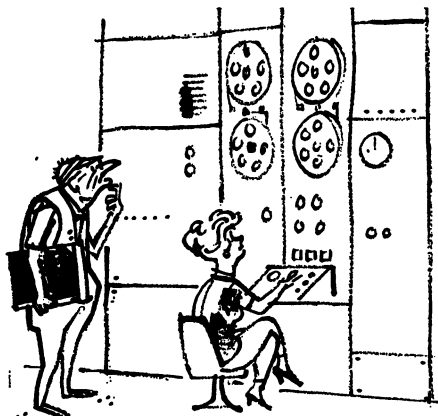
of consumer demand for the products of others are among the forces causing occupational displacement. And such displacement is not restricted to those with skills which are difficult to acquire and hard to readapt. Older office workers and semi- and unskilled manual workers, for instance, often must compete (perhaps in a depressed labor market) with unemployed workers who are not only younger but who on the average have had more years of education and more recent technical training.

Another problem are workers who, because of the effects of the aging process, should shift to lighter or different types of jobs. Training or retraining is also an important consideration for the older women who have been entering or re-entering the labor market.

Local, state, and federal government agencies have been concerned with vocational education for some time. However, attention has turned only recently to retraining as a means of reducing hard-core unemployment. Emphasis has shifted from initial training for the young to programs which will upgrade workers' job qualifications or permit them to exchange outmoded skills for skills which are in demand. Such programs are designed for the long-term unemployed rather than any particular age group, but the benefits to older workers could be substantial. For, as we have seen, among the unemployed it is generally the older person who is most seriously affected.

The Manpower Development and Training Act of 1962 is designed to raise the skill level of the long-term unemployed wherever located and to promote their

employment in areas which need them. Over \$400 million will be spent on the project over a three-year period. Priority is to be given to heads of households who are unemployed and likely to remain so and who have had at least three years of employment experience. If quali-



fied for retraining in skills for which there is a demand, applicants are eligible for up to a year of training, plus subsistence and travel payments. Training will be carried out by vocational schools and in on-the-job programs.

A more limited retraining provision is contained in the Area Redevelopment Act of 1961 which aims to revive economic activity in specific rural depressed areas or urban centers of chronic unemployment.

The Trade Expansion Act, signed in October 1962,

contains features—readjustment and retraining allowances for displaced workers—which are designed to ease the adverse effects of increased imports. Workers who lose their jobs will receive 65 per cent of average wages for up to 52 weeks (up to 78 weeks for those in retraining programs). Provision is also made for 13 added weeks of allowances for workers over 60 and not in training.

The proposed Adult Basic Education Bill, if passed, would be likely to have a favorable influence on older people. It would assist the states in providing basic education, as opposed to vocational training. The benefits of this bill would be seen in the long run. Experience so far under Area Redevelopment training and in certain local projects indicates that there is a distinct relationship between years of formal schooling and both the desire and the ability to retrain. The bill aims to increase literacy, thereby removing for many individuals a major block to steady employment.

On the state level there has been a definite trend toward encouraging the unemployed to undergo retraining. Previously most state unemployment insurance laws required that a claimant be “available for work” in order to receive benefits. This provision made it difficult for an unemployed worker to take a full-time training course. By 1962, 14 states and the District of Columbia had adjusted their laws to allow payment of benefits while a recipient attends an approved vocational course.

Several states with severe unemployment problems (such as Ohio, West Virginia, Pennsylvania, Michigan, and Massachusetts) have been operating their own train-

ing courses for the unemployed over the last few years. Frequently the courses are carried on in cooperation with labor, management, and civic groups.

It is too early to know if some of the problems of older workers will be eased by such training programs. Undoubtedly the *numbers* of older workers who participate will be determined in large part by the kinds of selection techniques used and the types of training offered.

3. EMPLOYERS AND UNIONS

The chapters above have indicated the extent of discrimination practiced by employers, the reasons for it, the evidence in favor of removal of age bars, and the desirability of hiring on the basis of individual merit. Government activities and legislation may reduce the difficulties of the older unemployed group, but, obviously, major progress will depend on changes in practices in private employment.

The outlook for such changes is not promising in many areas of the economy at the moment. The situation of the older worker—particularly if he is unemployed—has been seriously complicated by the recent trend toward a persistently high level of general unemployment. And considering some of the apparent causes of this trend—technological displacement and the steadily rising number of young entrants to the labor force—an early improvement seems unlikely. The result, of course, is stiffened competition for jobs and all that this implies when age discrimination is widely practiced.

Employed older workers are in a different position. In

general, the union response to the unemployment problem has been to concentrate on the employed labor force; attention is on improving job security and lay-off benefits. Increasingly, negotiated agreements have included stronger seniority and transfer systems, higher layoff pay, and arrangements to guarantee rehiring of laid-off workers. Campaigns are also under way to spread work by means of a shorter week and to reduce technological displacement by on-the-job training.

Also of importance is the new trend toward adoption of more liberal retirement provisions. This has taken place primarily in industries where unemployment is a problem, such as automobiles, rubber, steel, aluminum, glass, and aircraft. Normal and early retirement benefits have been increased and eligibility ages and years of service required have been reduced.

In some cases, special early retirement provisions have been added for long-service workers who have been laid off with little hope of recall or dismissed because of technological change or plant shutdown. Such a benefit is usually at least as high as the normal retirement pension and is often available at 55. Another variation is apparently designed to compel older workers with sufficient credited service to leave the labor market. Certain automobile and rubber contracts now allow employers to force early retirement, but they must pay approximately double the normal benefit.

These provisions are helpful to the older worker who wishes to retire or who is laid off. However, they indicate that even the long-service older worker is subject to special pressures when joblessness is a problem.

IX. Over 65 or Handicapped

THIS PAMPHLET has dealt almost exclusively with workers who range from early middle age to 65 years. Before concluding, mention must be made of two smaller groups: 1) people over 65 who wish to work, and 2) older workers who have physical handicaps and find it inadvisable or impossible to continue working at their former jobs.

Although these groups overlap they are by no means the same. While one man of 70 may be healthy and capable of working a productive 40-hour week, another of 55 may find that failing strength seriously impairs his effectiveness on the job. But regardless of individual differences and whether such persons are working or seeking work they share one thing in common—serious employment problems.

1. THE UNEMPLOYED

a. *Group characteristics.* In 1960, according to the Census Bureau, workers of 65 and older represented 4.5 per cent of the labor force and 3.1 per cent of persons unemployed during the year. The latter low figure is due mainly to the tendency of elderly workers who lose jobs to withdraw from the labor force.

For unemployed aged workers the situation was diffi-

cult: on the average, unemployment of males lasted 24 weeks, the longest average period of any age group and almost twice the average for all unemployed workers. In the first quarter of 1962, 46 per cent of unemployed male workers over 65 had been out of work for at least 15 weeks.

b. *Aids to employment.* As in the case of older workers in general, the lead in assistance to the over-65's has been taken by the states and the federal government. Certain parts of the new counseling-testing-placement programs are designed to handle the kinds of employment problems which are most common among the elderly.

Special assistance is also available in many communities from private agencies which operate sheltered workshops, such as the Goodwill Industries, or which provide job placement services, such as Forty Plus Clubs, Senior Citizens Councils, local affiliates of the National Urban League, etc.

When training, retraining, or vocational rehabilitation of some sort is called for the worker may sometimes make use of state services which are directed primarily toward increasing employability rather than finding jobs. For example, under the Federal Vocational Education Acts, a few local boards of education, in cooperation with their state boards of vocational education, have provided occupational training classes for the elderly.

For the seriously disabled person who has a reasonable chance of being restored to productive employment, state vocational rehabilitation agencies offer services such as examination and treatment, vocational

counseling, training and retraining, personal adjustment counseling, and assistance in finding employment. Since World War II the federal Office of Vocational Rehabilitation and state agencies have been increasing their efforts on behalf of older disabled workers. Almost one-third of persons rehabilitated in 1960 were over 45 years, as compared with only 18 per cent in 1945.

c. *Retirement as a solution.* For the elderly worker who cannot find new employment, there is an alternative—withdrawal from the labor force.

The recent spread and improvement of public and private retirement programs have made this possible for many of the aged who in the past had to rely on employment for income. As shown in Chapter III there appears to have been a connection between the increase in availability of retirement income and the sharp reduction in the percentage of people continuing to work after 65. (The provision in 1961 for payment of actuarially reduced OASDI benefits to men 62 to 64 years may encourage more retirements among the unemployed in this younger group.)

Apparently, however, levels of retirement income are not high enough at present to attract workers who are in good health, hold steady jobs, and are not subject to compulsory retirement. For example, average retirement age under OASDI has tended to be a few years above 65, even though benefits may be drawn earlier.

Opinion surveys have regularly shown that retired workers and those near retiring age do not normally favor retirement for its own sake. Undoubtedly the sharp drop in income which retirement brings has a good deal

to do with his response. It seems likely that most people who retire voluntarily do so not because they prefer leisure but because they are physically unable to work or see no other alternative to chronic unemployment.

The disability benefit program instituted by Congress in 1956 has also had an important bearing on the employment status of older workers. Failing health is the principal cause of economic distress in middle and old age, as well as the major reason for voluntary withdrawal from the labor force. Benefits are now available through OASDI to all insured workers under 65 who are totally and permanently disabled.

About 1.4 million workers and dependents were receiving such benefits by March 1962. Approximately 70 per cent of the workers on the rolls were 50 years or over, and the vast majority of this group were disabled as a result of chronic and progressive conditions associated with age, such as heart ailments, diseases of the blood vessels and nervous system, and impaired vision and hearing. The size of the eligible group suggests that many seriously handicapped workers were previously trying to support themselves in the labor market.

Evaluation of disability has been closely tied in with vocational rehabilitation. If rehabilitation seems possible, an effort is made to place the worker in his state's vocational rehabilitation program.

The problem of disability has also been recognized in the private pension field. About three-quarters of covered employees have some protection in case of total and permanent disability before the age of normal retirement.

A related development in the steel and auto industries is worthy of note. Several agreements made in 1960 and 1961 include special early retirement payments for workers with disabilities severe enough to affect performance but not serious enough to qualify them for standard disability pensions. Usually, the benefits are equal to normal benefits and the workers must be at least 55 years and have 15 or 20 years of credited service.

2. THE EMPLOYED

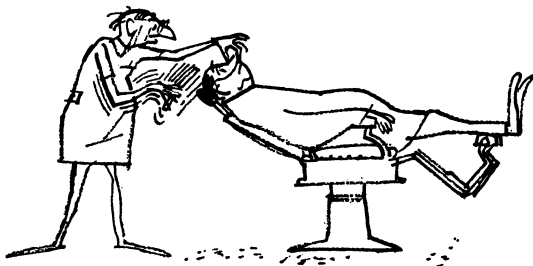
a. *Group characteristics.* Of people 65 and over who work, more than half are 65 to 69 years.

As age increases, part-time and intermittent employment become more common. There has been a marked rise in recent years in the proportion of aged workers who fall into these employment categories. Among male workers 65 to 69, 19 per cent worked part time in 1953 and 30 per cent worked part time in 1960. Those who worked full time for only part of the year rose from 24 to 27 per cent over the same period.

The industries and occupations where aged persons are most frequently found are those in which it is possible to carry on a normal job past conventional retiring age or in which part-time, unskilled jobs are available for older people who seek new employment. The industries employing the highest proportions of men over 65 are railroads, construction, and service; women over 65 are most common in service. The occupations in which the highest proportions of aged men are found are farmer and farm manager, manager, official, and pro-

prietor other than farm, and service worker (except private household); the highest proportions of aged women are employed as service and household workers.

b. *Incentives to work.* In spite of increased opportunities to retire, approximately three million persons, a fifth of all people 65 and over, continue to work.



Census income figures suggest one reason why this is so. Average income drops with advancing age, but the reduction is by far the sharpest for those who stop working. For example, for men 65 and over who worked year round on full-time jobs in 1960, median income was \$4,100. The median for men over 65 who did not work (but received income from some source) was \$1,300. Data also showed that over half of *all* people 65 and over had incomes of less than \$1,000.

Incomes from such sources as social security, public assistance, and private pensions are generally substantially lower than are earnings from employment. OASDI benefits are the most common source of retirement income; out of 17.1 million people 65 and over, 11.3 million

were receiving such benefits in 1961. But only a minority are eligible for maximum benefits. For example, the maximum primary benefit was \$127 in 1961, but, on the average, male beneficiaries were receiving \$75 a month.

Because of the inadequacy of most retirement incomes there has been public questioning of the terms of the retirement test which restricts the amount OASDI recipients may earn while receiving benefits. At present a beneficiary is entitled to his full social security check for any month in which he does not earn more than \$100 in wages (there is no limit for people 72 and over). For each \$2 earned between \$1,200 and \$1,700 a year, \$1 in benefits is withheld; for each \$1 over \$1,700, \$1 in benefits is withheld. The loss of benefits is not critical to a worker who has high annual earnings. But for those with moderate earning power (\$1,700–3,000), the effect is to discourage working beyond a certain point because of the reduction in the value of income gained.

c. *The problem of forced retirement.* Workers subject to involuntary retirement are still in the minority, in spite of the rapid spread of private pension plans which contain such provisions. But for those covered by plans the proportion subject to involuntary retirement is high. For example, in 1960 the Bankers Trust survey (approximately four million workers) showed that about 80 per cent of the plans included involuntary retirement at a specific age. The percentage is lower when only collectively bargained plans are considered. In a BLS study in 1958 of 300 plans covering five million workers it was found that 60 per cent of the plans called for retirement

based on age; a 1961 interim study showed no change. The usual involuntary retirement age is 65.

If the present trend continues, the future will bring both increases in pension coverage and increases in the number of workers affected by retirement policies based on age. Even if the percentage of plans with involuntary retirement should not increase, the maturation of present plans would result in a growing number of people who are separated for this reason.

Most unions have, in the past, been opposed to fixed retirement on the grounds that retirement because of age is a discharge without sufficient cause. As a result, negotiated pension schemes are more likely to include somewhat flexible retirement rules. However, recent unemployment levels have led to a definite change in attitudes. There is presently a widespread movement in favor both of introducing involuntary retirement and of setting as low an age as possible.

The majority of employers, on the other hand, have consistently favored fixed retirement where retirement income is available. The most common reasons given are that the system: allows superannuated workers to be dealt with without the need for individual judgments, allows orderly replacement of older workers with young workers, and forces older workers to plan realistically for old age.

A limited flexibility is often written into plans which include involuntary retirement: for instance, normal retirement at 65 and automatic retirement at a later age. Most often, however, continued employment is dependent on employer permission. In cases where more flexible

retirement is practiced it is usually because employers believe that by forcing retirement they lose valuable services, that pension costs are reduced when able workers choose to work past normal retiring age, and that employee morale is improved if withdrawal is not automatic at a specific age.

The importance of these factors as well as the need to consider the interests of older workers were recognized by the 1961 White House Conference on Aging. Delegates recommended that, "Employers and employee representatives should be encouraged to study ways of granting greatest flexibility in the range of time . . . during which workers may exercise their option to retire . . ."

Of course, when retirement age is flexible the parties are faced with the complicated questions of *when* an individual should retire and *how* this time can be most satisfactorily determined. A pertinent observation was made by the Retirement Committee of the New York State Conference on the Aging:

It is very probable that the employing establishments where selectivity has been successful are those in which progressive personnel practices are in use—particularly . . . practices which attempt determination of the worker's physical ability to perform the physical demands of the job, and regular employee ratings.

d. *The problem of declining abilities.* There is a further group of workers, not necessarily over 65 years of age, whose problems arise from the fact that they are no longer capable of performing efficiently at the jobs they hold. What happens when age or injury affects a

worker in this way? If he is eligible for a private pension or OASDI benefit he will probably be released. If no pension is available or the worker does not qualify, he may be "carried" by a benevolent employer or his fellow workers. On the other hand, the employer may arrange a transfer or an adjustment of hours or pay.

The few surveys of employer policy which have been made show that transfers are the most common adjustment when impaired workers are not released. There tends to be considerable variation in wage policies when transfer is practiced. In the Institute of Industrial Relations' study of firms in the San Francisco area it was found that about half the firms who used transfers adjusted the worker's wage downward if the rate on the new assignment was lower, while the others continued to pay the employee's old rate. In most of the latter cases, there were union objections to downward adjustment. Some firms reported that transfers were difficult or impossible because of rigid seniority systems or because of a scarcity of suitable light jobs.

How the impaired older worker is to be dealt with can provide a source of conflict between employers and unions. There is strong resistance on the part of labor organizations to practices which weaken the wage structure. Downgrading, with a lower but standard rate of pay is often acceptable, but rarely will a union permit an aged worker to accept lower pay while remaining on the same job.

Many employers, on the other hand, are reluctant to pay scale wages to workers whose efficiency has fallen below minimum levels. When transfer is impossible and

a union prevents either dismissal or wage reduction the older worker is well protected. But this state of affairs may have an unfortunate side effect: employers are likely to react with a determination to confine new hiring to young workers.

Efficient use of the infirm employee depends on recognizing what the person can do and on thoughtful reassignment. In an ideal situation the worker's condition and capacity are measured periodically. When performance deteriorates, the tests will probably indicate the cause. With a fairly clear idea of the nature of a worker's deficiency, an employer is then in a position to make job adjustments which maximize use of unaffected skills and abilities.

Such a procedure is impossible, however, unless enough job content analysis has been done so that the employer knows the particular demands made by a specific job. Testing the individual, analyzing the job, and matching the man and the job—these are, in fact, the same methods recommended by personnel experts for hiring and placement in general.

Scientific personnel techniques are still in the experimental stages. The work which is being done promises to have a profound, positive effect on the employment of the impaired and the handicapped. However, much research lies ahead, particularly in the area of measurement and evaluation of individual capacities.

X. Conclusion

OLDER WORKERS have two kinds of employment difficulty: those which are imposed on them by others, such as age bars in hiring, and those which arise from individual deficiencies, such as insufficient job skills or declining capabilities.

The preceding pages are mainly concerned with externally imposed problems. We have examined the reasons for arbitrary age limits in hiring and retiring, the ways in which such limits appear to be both unjust to the older worker and disadvantageous to the employer, and the attempts which have been made to obtain equal employment opportunity.

This emphasis is a reflection of the kind of work being done in the field rather than a deliberate plan of the author. It was the question of equal rights in employment which first drew public attention to the problems of older workers. Government studies in the late 1940's showed an unexpectedly high incidence of discrimination by age. Subsequently, a number of public and private bodies sponsored studies to determine the extent of, and reasons for, such discrimination and whether or not it was justified. Practical efforts were also made to provide equal employment opportunity for workers whose only drawback seemed to be age. However, pro-

portionately little work was done on the complicated issue created by older workers whose employment problems were connected not with discrimination but with skill or physical handicaps.

The existence and importance of real deficiencies cannot be ignored in any general consideration of employment problems among the older group. Nevertheless, the initial concentration on the arbitrary aspects of discrimination was an appropriate first step. Large numbers of older workers are in difficulty *only* because of chronological age; their problems are solved when age discrimination ends. But if age bars are common, retraining, special counseling, and the like, are of little use.

Arbitrary age discrimination has been studied intensively over the last 15 years and its drawbacks have been well demonstrated. Although much remains to be done, the work of interested groups and individuals on the federal, state, and local levels has started to bring results. Good examples are passage of several state laws on the subject and the placement work being done by public employment offices.

Now would seem the time to give more thought to the older workers whose position in the labor market would *not* be improved by a lowering of age bars. The problems of this group are rapidly becoming more serious. Technological change is having a particularly disturbing influence. Rapid and far-reaching developments are eliminating the need for many skills, increasing the value of recent education, and reducing the importance of blue-collar, as opposed to white-collar, occupations.

As we have seen, such changes tend to have an acute effect on the older group.

But while the demand for certain kinds of labor has decreased, the need for other sorts of skilled, experienced manpower is increasing. Such needs have traditionally been met from the 25- to 44-year-old group. However, this is the group that is now shrinking as a percentage of total labor force and which will continue to shrink for the next 15 or 20 years. Labor force increases will be among the very young, who will not have had the time to become skilled or experienced, and among persons 45 years and over, most of whom will have had considerable experience of some sort.

What is the next step? Will we, in an effort to achieve our productive potential, take full advantage of the older manpower which is available?

Much would need to be done even if the problems of age bars in hiring and retirement were solved immediately. Success undoubtedly depends on a coordinated effort by government, employers, unions, educational institutions, and interested private agencies. Only a start has been made in the development and use of scientific selection and placement techniques and practical retraining programs. However, it is safe to say that such an approach, if made on a wide scale, could accomplish far more than simply to increase the productive capacity of members of the older group. Many of the problems of older workers would not arise if systematic refresher training and occupation shifting were possible in the middle years. Furthermore, most of the techniques

which would exploit the potential of older workers are those which would make for a generally more efficient and productive labor force.

Many older individuals will no doubt benefit over the next few years from the new government-sponsored retraining programs for the hard-core unemployed. In the long run, however, it is possible that these projects will have far more widespread and important consequences for the older group. Under both the Manpower Development and Area Redevelopment Acts considerable attention is being given to the particular characteristics of the unemployed and to the most efficient methods of providing displaced workers with skills which are in demand. The information and experience gained should prove of great practical value to those concerned with finding ways to solve the special problems of older workers. In addition, training facilities of various types are currently being developed across the country. Hopefully, such facilities will provide the foundation for permanent local retraining programs.

Older workers are often pictured as a special-interest group whose problems can be solved only at the expense of young workers or the general unemployed. This is a view which has become increasingly more popular as unemployment has risen; however, it is extremely short-sighted. The problems of older workers are serious problems both of the economy, which needs manpower to ensure a high rate of economic growth during a time of population expansion and world crisis, and of each individual who expects to be, or to be supported by, an older worker at some time.

The young workers of 1962 will be the older workers of thirty and forty years from now. Industrial processes will undergo even more radical changes over the coming decades. It seems reasonable to suppose that present difficulties will be multiplied many times over unless we are prepared to seek solutions now.



XI. Suggestions for Further Reading

FOR THOSE WHO wish to read more widely on the subject of the older worker a good start might be made with the published papers of the Senate Committee on Labor and Public Welfare. A first series was issued in 1956 and 1957 under the title, *Studies of the Aged and Aging*, and includes various documents selected from public and private sources. The second group, issued from 1959 to 1961, contains collected documents, testimony, and reports of the McNamara Subcommittee on Problems of the Aged and Aging. A similarly broad but far briefer collection of information is contained in the *Background Papers* prepared by the National Advisory Committee for the White House Conference on Aging of 1961.

An interesting early work is Solomon Barkin's, "The Older Worker in Industry," issued as part of the *Report of the Joint Legislative Committee (New York State) on Unemployment* in 1933. A recent general reference, containing several chapters on employment and retirement problems, is the *Handbook of Social Gerontology* (Chicago: University of Chicago Press, 1960).

For detailed information on the characteristics of older workers and their position in the labor market, the

best source is *Older Worker Adjustment to Labor Market Practices: An Analysis of Experience in Seven Major Labor Markets*, U. S. Bureau of Employment Security Report R-151 (1956).

Technical information on older workers and population and labor force trends would best be obtained from Gertrude Bancroft, *American Labor Force* (New York: Wiley, 1958), or Clarence D. Long, *Labor Force Under Changing Income and Employment* (Princeton, N.J.: Princeton University Press, 1958).

The relationship of age to productivity and general ability is treated in: U. S. Bureau of Labor Statistics studies of job performance and adjustments to office automation, Bulletins 1203 (1956), 1223 (1957), 1273 (1960), and 1276 (1960); Max D. Kossoris, "Absenteeism and Injury Experience of Older Workers," *Monthly Labor Review*, LXVII (July, 1948), 16-19; *Age and Performance in Retail Trade*, Canadian Department of Labour (1959); A. T. Welford, *Ageing and Human Skill* (Oxford: Nuffield Foundation, 1958).

There is no one publication which covers satisfactorily the problems and costs connected with insurance and pension schemes; however, the following sources would be useful to the reader who wishes to improve his understanding of the issues involved:

Melvin K. Bers, *Union Policy and the Older Worker* (Berkeley: Institute of Industrial Relations, 1957); F. Beatrice Brower's studies for the National Industrial Conference Board: *Pensions* (1950), *Retirement of Employees* (1955), and *Pension Plans and Their Administration* (1955); James A. Hamilton and D. C. Bronson, *Pen-*

sions (N.Y.: McGraw-Hill, 1958); Lane Kirkland, *Pension Plans Under Collective Bargaining* (Washington, D.C.: American Federation of Labor, 1953); D. M. McGill, *Fundamentals of Private Pensions* (Homewood, Ill.: Irwin, 1955); 1960 *Study of Industrial Retirement Plans* (N.Y.: Bankers Trust Co., 1960); *Older Workers Under Collective Bargaining: Part II*, U. S. Bureau of Labor Statistics Bulletin 1199-2 (1956); *Pension Plans Under Collective Bargaining*, U. S. BLS Bulletins 1259 (1958) and 1284 (1961); "Recent Changes in Negotiated Pension Plans," *Monthly Labor Review*, LXXXV (May, 1962), 528-532.



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