Older Workers
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Jobs For Older Workers in U.S. Industry: Possibilities and Prospects

Final Report

by

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TABLE OF CONTENTS

I. INTRODUCTION

This report is an attempt to provide some positive examples regarding the use of older workers in U.S. industry. The economic position of older Americans is linked not only to their status as workers, but to questions of retirement income, Social Security, and other social concerns. Their job status naturally is affected by practices of organizations that employ them, and we want here to provide some "models" for the employment of older workers in organizations that may be considered by other companies interested in this topic.

In particular, the study aims to provide a cross-sectional look at present conditions, based on interviews with company officials and others having knowledge in this area. From this review of actual practices, and in the light of on-going economic and social patterns, a number of recommendations are made regarding what may be done to more fully meet the needs of older workers.

The overall economic climate has, in large part, determined labor market conditions affecting older workers. During the three decades since the end of World War II the labor force participation of older men (65 and above) has fallen almost continuously, from 48 percent in 1947 to 22 percent in 1976. For men 55-64, the participation rate has fallen from nearly 90 percent to almost 75 percent. Since the late 1960's, the rate of older women has begun to taper off, too.

While accentuated by periods of general slack, this trend has nonetheless continued even during periods of general recovery. This suggests that other factors than job opportunities are operating to influence the older worker's remaining in or leaving the labor force.

Health is clearly one of those factors,[1] but the declining labor force participation cannot be interpreted as a result of a lowering of the health status of each successive group of workers 55 and older. Recent research also suggests that economic disincentives to remain in the labor force play an important role in the retirement choice.[2]

These disincentives are contained in two provisions of the Social Security Act, the work (or earnings) test and the deferral increment. Under the work test, retirees cannot earn more than $250 per month without losing $1 in benefits for each $2 earned.

By deferring retirement past age 65 and until age 72, an older worker increases basic benefits by one percent annually, far less than the 6 to 7 percent that an actuarially determined deferral would require. Furthermore, it is not certain that most workers approaching age 65 are even aware of the one percent deferral "bonus."

The greater availability of private pensions, along with more generous social security benefits (after allowing for inflation), also accounts for decreased labor force participation among older workers. Thus, voluntary retirement and withdrawal from work appears to be higher than in previous years at the very time that involuntary withdrawal and forced separation are on the rise.[3]

Moreover, the relative importance of each factor seems to vary with economic conditions, although empirical evidence is limited and tentative.[4] During cyclical periods of recession the proportion of involuntary withdrawals by older workers increases. This may account for approximately one-third of older men exiting the labor force. At other times the proportion is lower, perhaps in the 20 - 25% range.

Other economic considerations affect the individual worker's decision to remain active. While longitudinal data do not yet cover the extended time period necessary for substantive analysis, it appears that inflation may be a factor that delays retirement.

This has a bearing on the expected, rather than current, earnings replacement level that older workers receive from the combination of private pension and social security. The fear that retirement income levels, relative to rising costs, may become insufficient over time can operate to offset the declining labor force participation rate of older workers referred to above to the degree that the individual worker has control over his or her retirement decision.

Similarly, economic factors are involved in industry decisions that affect personnel. In part, these decisions are determined by a company's position within its own industry, its long term growth record and practices in related firms. Furthermore, changes in technology, market position, the cost of capital, and basic cyclical conditions are reflected in human resource contexts. In some instances the link between these factors and practices toward long-service employees is explicit and recognized by management.

In many cases, however, company practices regarding older workers unconsciously evolves and becomes operational. The lack of any formal or explicit policy itself may, however, constitute a policy.

The remainder of this report focuses first on industry's attitudes and traditional practices regarding human resources, with particular reference to older workers. This is followed by a lengthy exposition of the range of positive practices observed by the principal investigator in an extended series of contacts with industry and business leaders. It should come as no surprise that most firms do not have well developed programs specifically related to long-service employees.

Furthermore, most of the firms contacted used no more than one of the practices illustrated below. We were unable to find many firms with comprehensive, age-positive programs.[5/]

The study also contains a discussion of federally funded manpower projects that focus on older workers. These programs absorb only a small portion of labor force participants age 55 and above who are seeking employment. Equally important, they are not substitutes for private sector demand for workers.

A number of legislative proposals in the 95th Congress are also reviewed on the basis of their impact on industry and older workers. The study then turns to the difficulty of older workers in the marketplace from the standpoint of legal protection under the Age Discrimination in Employment Act of 1967 (ADEA).[6/] While this report is focused on voluntary and positive industry practices, efforts at prohibiting employer discrimination are also stressed.

Traditional Practices and Stereotypes

Several management practices and assumptions affect the status of older workers in industry. One is that management rights and prerogatives in the area of personnel decision-making are (in the absence of a collective bargaining agreement) virtually absolute. This was even more the case in the past than at present.

Gradually over the years public policy has set limits within which that authority may be exercised. Minimum wages, child labor laws, equal pay and health-safety legislation are examples. Practices are then altered to comply with public policy; the attitudes and beliefs change later in response to the revised conditions found in the workplace.

Second, the general belief -- among people of all walks of life -- that older workers are less capable than their juniors also influences managerial practices. In part, this may be the result of skill obsolescence of middle-aged or older workers due to technological change.

These employees are often viewed as incapable of retraining, or as more costly to retrain than replacing them with already skilled younger workers. There is also a reluctance to hire other older workers, who are perceived as less valuable in terms of standard wage rates for each occupational category.[7/]

Beyond skill obsolescence, the declining capability of older workers (as perceived by industry) is based on physical slowdown associated with age. Whatever validity this position may have had when most jobs required substantial stamina, there are relatively few positions today where healthy older workers cannot adequately perform them.

The interaction of management prerogatives and stereotypes has frequently resulted in staff cutbacks affecting older workers during periods of economic slack. While individual workers are rarely certain if their separation was age-related or purely economic in character, the simultaneous termination of large numbers of persons in the same age range raises the question of age discrimination.

Several cases are pending in the federal courts where this pattern is involved. Some examples of major firms being sued for mass firing of older workers are: Phillips Petroleum Corporation (400-500 salesmen); Chessie System (300 employees); and Pan American Airlines (400 professional and executive employees). These suggest that older workers, in the light of successful actions by women and racial minority groups under Title VII of the 1964 Civil Rights Act, no longer are willing to accept quietly what they perceive to be discriminatory (and impermissible) treatment by employers.

Mandatory Retirement

Some of the reasons for mandatory retirement are reviewed in section III below, in the context of employee displacement practices. Mandatory retirement data, collected primarily by private sources, varies in their availability and detail. Some patterns emerge, however. Large firms adhere to mandatory retirement more frequently than do small ones.[8/] This suggests that administrative convenience may be a factor as organizational size increases.

Type of business activity and industry may also help explain various firms' retirement policies. A study of Denver-area personnel practices in 1975, for example, revealed that a lower proportion of non-manufacturing companies (compared with manufacturing firms) had no mandatory retirement age.[9/]

The difference may, in part, be cost-related. Manufacturing employees' wage rates are more likely to be set by collective bargaining agreement and be more uniform. In non-manufacturing areas the pay of long-service employees more directly reflects their longevity and tends to be higher. Thus, employers might prefer a defined retirement age to reduce average compensation costs.

In Chicago, approximately 52 percent of employers required mandatory retirement at age 65 or below for both men and women.[10/] And while the permissibility of compulsory retirement below age 65 is under litigation, women in office and white collar jobs worked under such arrangements for 2.4% of area employers.

II. POSITIVE PRACTICES AND PROGRAMS

This research concentrated on corporate practices toward older workers without major emphasis on the number of employees affected in all cases, since the primary focus was on the variety and nature of policies and programs now in effect. Where data were available, they were, of course, obtained.

But the frequency of instances where quantitative data on older workers were sketchy or unavailable suggests that a need exists for internal labor force audits on the basis of age. Such data are not necessarily a prerequisite to positive practices toward longer service employees, but improved policies are facilitated when a more detailed age-flow is available.

For example, data on age patterns by occupation and level are needed when hiring, promotion, career development, and retirement decisions are reviewed. In addition, the age distribution of a firm's workers is also needed so that projections of near and intermediate-term changes can be made.

For the past several years, Grumman Aerospace Corp. has conducted extensive age audits of its workforce. The numbers and percentages of workers in major occupational categories are analyzed by age. The U.S. labor force is used as an external norm for comparison purposes. Occupational imbalances or shortages, and concomitant training strategies, may be viewed more clearly when related to age as well as other variables, such as sex, race, and presently trained manpower.

According to Grumman officials, this procedure facilitates clear decision-making and policy review in the human resources area. As a result, the firm's comprehensive older worker policy is integrated into its overall personnel policy, using comparative data analysis as a starting point.

From the general need for better age-related employee data in business firms and the Grumman example, it is possible to proceed to more specific examples and cases of firms wherein older workers are utilized positively. The entire range of personnel practices are discussed in the remainder of this chapter, beginning with hiring and proceeding from there to other areas.

Hiring

Perhaps a prototype or representative industry position was expressed by the personnel director of a Connecticut capital-goods manufacturer.[11/] His firm hires and retains employees without reference to age, but makes no specific effort to accommodate older workers. As he put it, "We're just trying to run a company." Yet that company's willingness to hire mature persons, in conjunction with an age 70 mandatory retirement limit, does provide a degree of older worker protection not available to employees of most companies.

But the experience of other firms surveyed as part of this study indicates that industry can do even more for the older worker, and in some cases already does. The obvious first place to begin is with hiring. Unless a company is willing to respond to job vacancies by considering applicants of all ages, then jobless older workers will remain unemployed or, even worse, become discouraged and drop out of the labor force.

From the discussions with corporate personnel and industrial relations executives, the potential range of jobs available without reference to age at various firms is broad. Pitney-Bowes, manufacturer of postage meters and office equipment, acknowledges its community responsibility as the major employer in Stamford, Connecticut. Older workers are considered whenever they apply and hiring is based solely on qualifications and ability to do the required work. A similar policy is in effect at Bankers Life and Casualty Company in Chicago, and at Polaroid.

Dallas-based Southwestern Life Insurance Co. hires without reluctance applicants for full-time jobs who are in their 50's. But, the personnel vice president pointed out, Southwestern's strong internal promotion policy does not create many vacancies for outside recruitment. The firm's primary criterion, however, is competence.

Similarly, Zale Corp., a Dallas-based drug and retail chain, hires salespersons on their capacity to sell. The company, which has several divisions including jewelry and drug stores, finds older workers perform best in the less-pressured environment of the drug stores.[12/] Zale believes nonpressured work is especially important for older workers.

Ability is the sole criterion at Crouse-Hinds Corporation, a Syracuse, New York, manufacturer. There is no limit on hiring older workers, and almost 2 percent of the company's 4,000 employees are above age 65. (In the total U.S. labor force, 3 percent are 65-plus.) Many of the older workers at Crouse-Hinds are precision machinists and other skilled craftsmen. [13/]

The hiring of older workers is predicated on a presumption that they will perform successfully, which is reinforced by the success of previously hired older workers. Where the dollar value of goods sold is a major, although not exclusive criterion, other retail organizations (like Zale Corporation) are able to assess their salespersons accurately.

On this basis, Field-Schlick Department Stores hires without reference to age, and has no mandatory retirement. Salespersons at Field-Schlick, a small St. Paul chain catering to mature women, are mostly women too. While precise data on employee age distribution were unavailable, about 40 percent were estimated to be age 52 or older.

Some of the best workers, according to the personnel director, are around age 70, emphasizing the lack of relationship between age and productivity. One saleslady who is past 65 was reported to have sold more than $85,000 worth of goods in 1976.

Older workers are also hired in the credit department and other non-sales areas if qualified. For selling, the stores hire some retailing graduates from the University of Minnesota and mix the young and older workers together. In the personnel director's words, the older workers provide "spirit and enthusiasm" to the younger ones.

The sales volume measure of success is also utilized by Texas Refinery, a Fort Worth marketer of roofing and petroleum-based products. Of the company's 1,200 salesmen, about 100 are age 60 and over.

The firm's chairman organized a "sizzling sixties" club, giving recognition to the successful salesmen who range in age up to their 80's. In an interview, he was quoted as being thankful for mandatory retirement - by other firms. "Every time they let someone go because of age, I have another potential salesperson. Good salespeople, like good wines, get better with age." 14/

In contrast to the dollar value of goods sold discussed above, some employers emphasize the reliability and mature judgment of older workers, -- nonquantitative criteria that shoul be considered in the hiring of older workers.
publisher of fifteen Illinois newspapers, specifically recruits persons beyond age 65 as couriers, and has done so for fifteen years. The work is routine but responsible, and the older employees perform without close supervision. Paddock officials also report accidents and damage to company vehicles to be minimal.

The company, expanding continuously over the past 25 years, maintains a no-mandatory-retirement policy. Some employees remain active beyond age 80, especially since a tapered cutback of hours is permitted. At present, between 2 and 3 percent of Paddock's employees are over age 65, including one clerical worker in his 70's who has been with the company for 51 years.

It is difficult to translate loyalty and dedication into quantitative terms for the purpose of employee evaluation. Nevertheless, Paddock believes that its policy of recognizing the needs of individual employees promotes a real, if intangible, return.

The same philosophy is substantially in evidence at Kuempel Chime Clock Works, where the entire company work force is composed of older workers.

Employees of a small, privately owned manufacturer of chime clock kits, Kuempel's staff are mostly skilled craftsmen. Some work part-time to comply with the Social Security earnings limit, but each employee's hours are set in accord with their individual needs and wishes.

Insofar as some work tasks are portable, employees have been permitted to take work home rather than perform it at the plant if circumstances require it. At present, two workers (both with sick spouses) are being accommodated in such a fashion.

The company hires people for specific tasks, but workers generally are able to perform several different jobs and are flexible when vacation schedules, illness or other reasons require shifting. New workers are quickly integrated into the company "family" so that those who find themselves unable to keep pace always terminate voluntarily. No one has ever been fired, according to the company president.

Such practices and conditions may not always be possible in larger organizations. Able older workers have, however, in this instance demonstrated their capacity to fully staff a successful small business.

The hiring of older workers on flexible time schedules provides Northrop with craft skills that would otherwise be unavailable. There is a continuing shortage of skilled craftsmen in the aircraft industry. Thus, hiring of workers in these categories is done without regard to age, up to and beyond 65. Northrop encourages older workers in this group to work 4 or 6 hour shifts if they do not feel they can be fully productive over an 8 hour span.

Northrop has also standardized a procedure for re-hiring retirees for special assignments when particular skills are required. Upon retirement, workers may agree to become part of the On-Call Workforce, now about 300 in number. Members of this group may be assigned to projects lasting from several weeks to several months in duration, located either in California or anywhere in the world that the company's aircraft are sold.[15/]

There is also some re-employment of selected retirees on a more extensive basis, but only where a "deep seated need" is demonstrated, i.e., the total unavailability of employees from other sources. The re-employed retirees are paid at regular wage rates, except for fringe benefit differentials.[16/]

Rehiring terms are especially important to older workers. The Collins Radio Division of Rockwell International Corp. is strongly dependent on defense contracts and the same cyclical factors that affect Northrop. Collins treats long service employees, returning from layoffs induced by economic conditions, as rehires with credit for full previous service. Thus, older workers are able to continue accruing pension credit during the years preceding retirement even if a layoff should occur.

Workers rehired after voluntarily quitting are also subject to rules that benefit older workers. If the employee returns to Collins within 90 days after leaving, he or she does not lose any fringe benefit credit for previous service.

This facilitates older workers leaving an employer to try second careers or options elsewhere. If they are not more satisfied with the alternative, they can come back without penalty.

Collins also has rehired some of its retired salesmen, because of technological change. This is exactly the opposite of the practice of disemploying older workers once technological change is introduced, when they are considered no longer of value to the organization. They are given the title of salesmen emeritus, and assigned to teach the younger salesmen additional knowledge about aircraft radio products and their evolution. They imbue the younger men with more comprehensive background on the field of avionics generally, from the standpoint of "having been there" as the field developed.

Retirees may be rehired for other than technological reasons. At Tektronix, several options are possible. The company is able to accommodate some post-retirees by providing them with work as watchmen and guards on a part-week schedule.[17/] Early retirees are also rehired on a part-time basis if they want to work and jobs are available.[18/] Workers returning on that basis are able both to collect their accrued profit-sharing and to build up credit in a second profit-sharing account.

Retirees may also return to Tektronix on a full-time basis, if appropriate. A woman employee, age 63, recently returned to work after several years of retirement (early) to care for her ill husband. After his death, she was able to resume working.

Even when technology does not play a role in the rehiring or retention of retirees, other considerations do. John Deere Co., manufacturer of farm equipment, has rehired about 50 former employees as tour guides. Deere's plant at Waterloo, Iowa, is visited by 14,000 tourists annually.

A main consideration, according to Deere, is authenticity. Unlike other firms that typically hire vacationing college students to guide visitors, Deere's retirees know all about farm equipment and the manufacturing process, and can better answer visitors' questions.[19/]

On a more empirical level, research indicates that the presence of an actively-retired insurance salesman in an agency setting favorably affects the sales volume of younger agents.[20/] At a major New York-based life insurance company,the older salesmen, all past age 65 and drawing pension benefits, were found to socialize effectively with the newly-hired agents in a way that complemented the agency managers.

The specially-retained retirees also continued selling insurance. They taught new agents their practical experience, as well as encouraged them. Their presence was beneficial to the organization both financially and as informal trainers. Their own incomes increased, and they remained active beyond the company's retirement age of 65.

Some organizations hire their own post-retirees in less demanding capacities, like the watchmen at Tektronix. Other firms will employ post-retirees, but only if their pre-retirement jobs were elsewhere. Most of these jobs are in white-collar occupations.

A third group of firms will employ qualified older workers without reference to the location of their previous employer. Examples of all three types were examined.

Commercial State Bank in St. Paul hires post-retirees as messengers, runners, parking attendants and file clerks. The bank's personnel administrator indicated several reasons for their practice of hiring older workers. One, they are satisfied with their roles, grateful for the jobs, and do not compete against other bank employees for promotion. Two, given the bank's location and customers (an old area of St. Paul, with an elderly clientele), it is favorable for their image to have older employees in public view.

Like Commercial State Bank, Minnesota Abstract & Title Company reserves specific jobs for older workers, so that replacements are always obtained through outside recruitment. These jobs entail the microfilming and filing of records, and the delivery of insurance and title papers.

About 9 percent of the employees are older workers, all of whom are obtained from the State employment service.[21/] They can work either full or part-time, largely by their own choice.

One company that has a specific policy against employing its own retirees is Union Carbide Corporation. The company routinely handles paperwork overload by hiring through several office temporary services, including Mature Temps (an older worker service).

According to a company official, Union Carbide's pension plan provisions and mandatory retirement rules preclude hiring back their own retirees. The official, a pre-retirement planning consultant, knew of cases where Union Carbide retirees sought employment from the agency mentioned above, and obtained jobs with other firms.[22/] From the company's standpoint, they did provide jobs for older workers as secretaries, clerks and typists.

Another firm that recruits older workers from an intermediary service is Connecticut General Life Insurance Company. These temporary employees are primarily white-collar workers supplementing their retirement income. They are hired as needed for peak-period activity.

Is the rehiring of retirees infeasible, as Union Carbide's reasoning suggests, or are "pension plan provisions and mandatory retirement rules" utilized in lieu of legitimate reasons? The experience of a major New York financial institution indicates that flexible and innovative solutions to this problem are possible.

This organization has a normal retirement age of 65, but employees are able to extend their service up to age 70. Those who remain beyond 65 defer pension benefits until they actually retire.

The value of their basic pension is frozen at the level it would have been had they retired. Then the current value of the uncollected difference for the extra years is calculated, with the difference available to the retiree as either a lump sum or an annuity separate from the basic retirement benefit.

From this example, it appears that reluctance to rehire older workers and forced retirement are more a matter of administrative convenience and custom than a necessary "pension plan requirement." Existing plans are subject to modification. Starting with an instruction that plan changes be made to accommodate older workers, actuaries can revise company programs accordingly.

The financial institution referred to above utilizes a pool of its own retirees, some of whom had worked in similar jobs, to handle paper-flow peaks. The work is all clerical, entailing the processing, preparation and mailing of material dealing with proxy statements, underwritings, tender offers and other financial activity.

Another method of utilizing post-retirees has been tried by Dun & Bradstreet, Inc., involving employment contracts with an intermediary organization. To avoid technical difficulties with its retirement plan, D&B did not actually rehire the older workers. An older worker agency, New Life Institute, was the employer of record.

D&B selected employees for this program after pre-retirement interviews, utilizing older workers as messengers, mail clerks and telephone operators. They work as vacation replacements for regular employees and require far less training and supervision than alternate temporary help recruited elsewhere. The program began in 1969 when the company (during the peak period of war-related full employment) was unable to maintain a sufficient number of reliable messengers. When older workers proved to be the solution to that problem, the program was extended to the other occupational categories.

The requirement for flexibility in paper-processing appears to be a major area where older workers can be utilized. Chicago's Continental Illinois Bank and Trust Co. (CIBT) operates continuously around the clock, but with predictably uneven volumes of work.

To cope smoothly with this pattern, CIBT established its own temporary help agency, the Ready Work Force (RWF). The RWF contains workers of all ages, but 115, or 45 percent, are above age 65. RWF members choose one work schedule pattern from the following alternatives:

1. Three 8-hour days per week
2. Flexible short hours, five days per week
3. Twelve 8-hour days per month
4. Flexible hours, Saturday and Sunday only

Work Force members are assigned as needed to check processing, filing and mail distribution. Bank officials indicate that older workers are less concerned about the routine, monotonous tasks, and that per-hour productivity is higher than that of full time employees doing similar work. The RWF group hires from all sources, including previous bank employees.

Similarly, the bank prefers older workers for the job of vault observers, since they are less easily bored and more reliable. Observers spend their entire work day sitting in a subterranean vault, witnessing transactions.

CIBT also employs about 300 persons above age 65 as part of their regular work force, or 3.6 percent of the bank's employees. Most of them are permanent part-time. There is no mandatory retirement age at CIBT.

The public image aspect of hiring older workers was mentioned above in connection with Commercial State Bank. It also is a factor for the large Chicago-area supermarket chain, Jewel Food Stores. Jewel tries to have at least one older worker at each store, as service clerks and parking or shopping-cart attendants.

About 650 employees, 2.8 percent of Jewel's total, are age 60 and above. Older workers are on permanent part-time schedules, primarily during the morning and mid-day hours. This permits Jewel to also hire younger workers after school and evenings, allowing older workers to avoid the less desirable later hours.

Retention

The retention of older workers, past age 65, is widespread enough to permit the conclusion that firms doing otherwise are not acting on the basis of empirical evidence or enlightened judgment. While the contribution of unskilled or semi-skilled workers may be closely linked to physical ability and decline with age, such occupations now constitute a minimal segment of American industry.

In the broad range of white and blue collar occupations, studies indicate older workers to be consistently capable of adequate performance.[23/] Interviews conducted as part of this study reveal a range of firms that do not assume that the attainment of a given age signals the end of an employee's usefulness.

The major criterion is, and remains, job performance. Good health is also important, so that physical exams for post-65 workers are required by most business organizations.[24/]

The relationship between good health and job retention is not a unidimensional phenomenon, however. The loss of health does not always precede job loss, but may result from it.[25/] Moreover, insecurity and stress on the part of older workers facing possible disemployment could cause a deterioration in their health -- and their job performance.

Job environment, stress and health thus appear to be more closely linked to retention than was previously recognized. The degree to which these factors affect retention should be subject to detailed empirical analysis. [26/]

Stress and ill-health can also result from the need of long service employees to change jobs after many years of similar endeavors. To the extent that some firms encourage formal retraining, older workers are aided in their quest of new skills.

Atlantic Richfield Co., for example, maintains and pays for all fringe benefits even for employees choosing up to two years of unpaid educational leave. This benefit continuity is available to workers of all ages, but can be particularly valuable to older workers attempting to prepare for second careers.

Educational leave and other retraining are one means of obsolescence prevention for older workers who choose to remain active in the labor market, either with their present employer or in alternate job situations. From the employer's standpoint, training and educational programs serve to motivate and renew valuable employees.

This especially applies to those who are middle-aged or above. Where diminished older worker performance can be attributed to lack of motivation and the employee revitalized through retraining programs, renewed productivity and continued retention can result.

Adherents of mandatory retirement emphasize management's desire to increase productivity by separating all older workers. According to McGill, "...remove overage employees from the payroll ... to replace them with younger, presumably more efficient workers." [emphasis added]. [27] The tendency for many firms to prefer inflexible retirement options over revitalization and retention of long service employees is counterproductive of employee morale and the productivity that is sought after, to begin with. McGill's assertion that younger workers will be "presumably more efficient" is only that, a presumption.

But, since 65 is so widely regarded as the "normal" time for retirement, employees continuing to work are frequently subject to closer scrutiny and evaluation at and beyond that age. In the words of Zale Corp's personnel vice-president, it is a "checkpoint."

It is also a time when some companies permit older employees to modify their work relationship to compensate for whatever effects the normal aging process may have on work performance. This will be discussed below.

Promotion

The question of job advancement is not one usually associated with older workers. Of major concern is the decision to retain long service employees beyond a chronological point, or whether to accept new employees who are above a given age level.

But promotion is a major motivator to successful performance. Employees deserving of advancement can become dissatisfied if such proper recognition is not forthcoming.

If the promotion is withheld solely on the basis of age, the long service employee's motivation may suffer. This, in turn, is sometimes interpreted as declining ability on the part of the older worker.

What is industry's position regarding the promotion of older workers? At least some of the firms interviewed do not consider age a factor -- beyond a reasonable expectation of tenure in the higher job. Northrop Corp. is one of such firms, as is Polaroid.

Southwestern Life Insurance Co. is another. At Southwestern, the rule-of-thumb is approximately five years. That is, the company believes it can "recoup the value of its investment" in the managerial promotee if that employee does not retire within about five years of assuming the higher level job.

In clerical and other lower level jobs, modest promotions (to first level supervisor) are even made up to age 63. The training costs and learning time are correspondingly less, so that the firm's investment can be more rapidly amortized.

As mentioned above in a prior context, Southwestern Life stresses internal promotion rather than outside recruitment. Applying the amortization of investment concept to promotion decisions, the majority of competent long service employees are regarded as promotable.

In the absence of mandatory retirement, employers would also not feel constrained to bypass mature, long-service employees for advancement simply because they would retire before the firm had "gotten its money's worth" from the promotion. This same judgment would, of course, also apply to hiring experienced older workers for middle to upper-middle range jobs.[28/]

Another point applicable to promotion was also referred to above, i.e., the criteria for employee assessment. Where quantitative measures of performance, especially sales volume, are the basis of a worker's value to the firm, then successful performers may merit advancement irrespective of age.[29/]

Reassignment

The reassignment of older workers is a pragmatic policy that, properly used, can benefit both a company and its long service employees. The frequency with which examples of reassignment policy were mentioned in connection with this study suggests that many firms are flexible in this regard.

For example, at Zale Corp., a 69 year old man recently was reassigned at his request from being a store manager to sales. Based on the store's needs, the man's long experience is being utilized. Moreover, he does not feel that retirement would have been the only alternative to the demands of a managerial role.

Retraining and job redesign can play an important role in the reassignment and retention of older workers. At Paddock Corp., a recent technological change eliminated 45 positions. According to a company official, all but one employee shifted to other jobs that they were already able to perform, or were retrained. Many were older workers above age 55, but were successfully reassigned.

A similar experience occurred when an air freight carrier chose to retrain its entire workforce at a facility that was converted from a traditional freight handling and storage warehouse to a highly automated and computerized container system. Approximately half the workforce was over age 40.

It was first decided that no employee would lose his job unless he was incapable of retraining. While this decision was influenced by collective bargaining provisions, it did provide a workplace setting for researchers to evaluate the proposition that older workers were retrainable.

Before the new facility was completed, a scale model was made available to workers at the old terminal to minimize any unfamiliarity they might feel. The training was task-oriented, and paced to the workers' ability and speed. Simulation methods were used to develop the new skills necessary for the automated equipment, and the training was conducted in small rather than large groups.[30/]

Research studies of the new warehouse operation (after it had been put into operation) indicated that the older workers (those over age 40) learned more slowly at first. Once they became familiar with the new equipment and routine, however, their productivity kept pace with their younger cohorts.

Not all reassignments are the result of technological change or shifts in facilities, product lines and services. Some older workers, such as the 69 year-old store manager at Zale Corp., recognize that their present postions require more effort than they wish to expend at their stage of life.

Similarly, a senior executive interviewed for this study was preparing to shift to a long-range planning role where he could spend several years prior to retirement. His firm, a major corporation, would thus retain his expertise and judgment while he, through reassignment, was able to give up his prior responsibility.

Lateral transfer is also utilized by Northrop Corp., where older workers with long service in the aircraft industry are a scarce and valued resource. The practice, according to the company's industrial relations vice president, is "encouraged, not just tolerated."

An example cited involved a long service employee recently voluntarily reassigned from foreman of aircraft manufacturing to tool and production planning. The latter job entails less responsibility and pressure, but was one that the man knew well, had supervised, and was quite capable of performing.

In some instances, technology assists older workers in remaining productive. Tool machine operators at Northrop have their work pace determined by their machines, and merely have to watch the process to make sure it is running properly. This is less demanding than aircraft parts manufacture; as a result, older workers prefer tool machine jobs so as to work in conjunction with capital-intensive equipment that boosts their productivity.

In most manufacturing plants there are some jobs that, while necessary, are recognized as less strenuous and less demanding. Atlas Powder & Chemical Corp. permits older workers to make such shifts, although it is more of an informal practice, at each plant, rather than a formal policy.

Even with reassignment of long service employees, there is some loss of valuable personnel through voluntary retirement and, in some firms, compulsory retirement. Earlier this year, when interviewed, Jewel Food Stores admitted that this was a problem.

That company plans to form a subsidiary, Jewel Associates, to be staffed by retired food marketing and management experts. Jewel hopes to sell the consulting services of this group, which they see as a second career activity for their older executives (who mostly choose retirement between ages 55 and 60).

As with most innovative practices, reassignment is not without its pitfalls. Some employees do not make a smooth adjustment to positions of reduced authority. And, in some cases, firms may be reluctant to continue an employee at a salary level beyond his or her present contribution. 31/ But, for the most part, the various forms of reassignment can provide a range of employment opportunities for older workers.

Time Schedules

To accommodate older workers' needs, various innovative devices built around a reduced work schedule have been introduced. Northrop's encouragement of certain older aircraft workers to work four hour days was mentioned above. Depending on the volume of work in process, the company may even schedule a short third-shift to accommodate these employees.

At. R.H. Macy & Co., the New York retail chain, supervisors may go from full time to part-time schedules. This is permitted either as an transitional device to prepare for retirement, in lieu of retirement, or after retirement, given that retirement is not mandatory. A significant, although not precisely identified,proportion of Macy's management and supervisory personnel are long-service employees, many above age 55.

A program for half-time work at Polaroid, known as Retirement-Active, permitted workers to remain on permanent post-retirement part-time status. This arrangement, similar to the

Macy's plan, was abolished in 1975. While Polaroid permits and encourages able older workers to remain past age 65, that company has determined that it be on a full-time basis only.

A series of phased time reductions, in sequence, is used by Prentice-Hall, Inc., publishers of books and reference materials. There, long service employees reduce their work schedules on a predetermined basis, sometimes over a several year period. The reduction can be in hours per day or days per week, but at the end of some designated time, the employee retires.

Another pattern is job alternating, or job-sharing, which is not geared to the disengaging pre-retiree, like Prentice-Hall, but to post-retirees wanting to work steadily at a reduced pace. Job alternating is utilized by Minnesota Abstract & Title Co., where a number of white collar jobs are filled by pairs of older workers. Each member of the pair works full time for a month, and is then off for a month while the other post-retiree occupies the job.

Certain tasks or jobs are suited to flex-time, in that they are not linked to other processes or groups of workers. These jobs are especially good for older workers, who are able to select hours agreeable to the employer as well as themselves.

As the personnel manager of Ideal Security Hardware explained, "The work, mainly filing and mailing of orders, needs to be done every day; but not necessarily by noon. We don't care which four hours a day they pick to work."

Similarly, that company put its janitorial jobs on a part-time, flex-hour basis. The only requirement is that the plant be cleaned between the end of the second shift and the start of the first the next morning. "Whether the janitors want to come in at 11 PM or, say, 2:30 AM is up to them."

The plant is unionized, and represented by the United Brotherhood of Teamsters. The union does not object to this company's older worker flex-hour practices, and does not treat it as a bargaining issue.

Another practice at Ideal that affects time schedules and older workers concerns overtime work. The right to refuse overtime is by age, so long as sufficient staff is available to keep the plant operating. The opt-out waiver policy can be invoked from the oldest workers down to those age 40, for those who do not want to work overtime.

The range of private sector alternatives for older workers to adjust their work hours in some form of voluntary adjustment is wide, with examples of many types and variations on record. This could be further expanded to combinations of partial pensions and partial labor market participation, if the recent Swedish innovation were to be considered and implemented [32/] in the United States.

Changing Industry Policy

It is difficult to determine the extent or pace at which companies revise their personnel policies regarding the utilization of older workers. New programs or practices do not always receive public attention.

But to some extent, firms are influenced by the steps adopted by others. An official at Walt Disney Productions indicated that part of the decision to institute mandatory retirement [in 1975] was based "on management's view in 1973 and industry practices at that time." In the light of pending legislation and other retirement-related issues, it was indicated that Disney "may take another look at retirement policy," and rescind the present rule.

Policy changes at Polaroid in 1975 led to more liberal administration of the company's Retirement Extension Program, under which employees beyond age 65 are granted permission to continue working one year at a time. Until then, extensions for one or two years were granted frequently but most workers retired by age 67.

Now, extensions are more commonly granted for a third or fourth year (assuming good health and continued capacity to do the job), although by age 70 almost all employees are retired. Extensions are only granted to full time employees, and part-time work schedules for older workers not permitted.

Every so often a recent change, or a prospective policy shift is made public. IBM has revised its fringe benefit structure to extend retirement educational benefits to employees as much as three years prior to retirement eligibility, or up to two years after retirement.

IBM will pay $2,500 tuition per employee, to cover new job skills for second careers. This increases the employability of older workers leaving IBM who seek jobs elsewhere.[33/]

Another firm, Bendix Corporation, is contemplating a similar plan. Their human resources vice president disclosed the tentative program in testimony before the House Select Committee on Aging. He said:[34/]

> In addition we are considering:
> A retirement educational assistance plan that would provide an opportunity for employees approaching the early retirement age of 55 years to secure financial assistance towards educational expenses associated with the preparation for retirement or the beginning of a second career. Because this plan is in the formation stage, I am afraid I cannot be more specific at this time.

While the "regular" early retirement age at Bendix is 55, retirement is also possible with full pension as early as age 49 with 31 years of service (under a "rule of 80" option, i.e., age and service adding up to at least 80). Thus, a pre-retirement educational allowance could become an integral part of the company's personnel practices.

For the most part, however, changes in corporate older worker policy are not revealed beforehand. The willingness of one large firm to discuss its pending policy changes in connection with this research provides an unusual and detailed picture of comprehensive planning applied to the question of older workers.[35/]

The company's concern initially focused on long service employees whose job performance had deteriorated. An executive task force was formed in 1975 to develop solutions. An early retirement strategy, initially contemplated, was soon recognized as dealing primarily with the symptoms, not the problem.

Deteriorating job performance was, in part, identified as related to a lack of corporate sensitivity to adult human development and change, and the need for a range of flexible practices that take into account both the company and employee's needs.

The task force realized that, unchecked, the minor problem of deteriorating performance would become more serious. The task force's report pointed out:

> The problem of the older, longer-service employee is small today in comparison with what it would be five years from now. Today there are ***** employees age 40 to 59. Based on people working for ***** today, that number will grow by two-thirds in the next five years.

The company's top management and directors have been presented with a proposed corporate statement of philosophy toward older workers, and a series of approaches to implement, in practice, those views. The principal departure of this company's position from traditional industry views on older workers is:

1. Employees shall be guaranteed employment without mandatory retirement as long as they remain healthy and productive. The age at which that guarantee becomes effective depends on a combination of age and service, but extends to persons 65 years old with five years with the company. Thus, older workers hired at age 60 would at age 65 be assured of a job if they chose to continue.

2. The opportunity for training, promotions and merit increases is not to be limited by an employee's age.

3. The company believes that second-career options should be encouraged for employees desiring a change, including firm-sponsored sabbaticals and leaves of absence.

In addition, this one organization has reviewed many of the practices and innovations found to be scattered, singly, among a wide number of companies, as discussed above. If the entire package of options benefitting older workers is, in fact, implemented, this firm would become the ideal model or prototype for American industry.

The possibilities under review include:

1. Part-time employment of older workers.
2. Phased retirement.
3. Career counseling at all ages and stages of development.
4. The concept of a normal career span for specific occupations, varying according to the job or situation. Where the career span ended for employees desiring to continue with the company, retraining or reassignment would be provided.

5. Voluntary early retirement for those ready to stop working as early as age 55.

The task force characterized its report as "...an opportunity for *****to begin in some small ways putting in policies and practices which are in concert with this view of the adult [continuous development] in today's society." Innovation and leadership in this corporation appears to extend to the staff level, and plays a vital role in the development of comprehensive policy change.

At the time this report was prepared, some elements of the company's plan were already being implemented. Other elements were undergoing further study, and additional data on long service employees was being collected. Periodic review by top management and the corporation's directors indicates their recognition of the ongoing necessity to keep abreast of changes in the human resources field related to older workers.

This case has been discussed at some length as illustrative of the process by which a major U.S. industrial firm has examined the possibility of guaranteed employment for long-service employees irrespective of age. It suggests that increased planning efforts on the part of other business organizations may be needed.

III. INTERMEDIARY ORGANIZATIONS

Industry's needs vary with regard to hiring relative to retention of employees. As a result, some employers promote from within almost exclusively, while others seek qualified manpower from all sources, internal and external. Similarly, firm size may be a factor in determining human resource strategy.

But for employers amenable to hiring older workers, questions may arise regarding sources, and the possible effort necessary to obtain workers in this category. In particular, medium sized and small firms may not utilize private employment agencies or their state's employment service. Their method of recruitment may be more informal, such as a "now hiring" sign on the plant gate, or advising present employees of vacancies and obtaining "word-of-mouth" referrals.

An alternative for industry to consider is the network of intermediary non-profit organizations that exist in many large cities for the specific purpose of matching older workers with employers' needs. At no cost to the firm, these organizations provide candidates already categorized by experience and skills.

The size of these organizations and the comprehensiveness of their services vary. While all focus on placement, some also provide counseling and job-search programs to improve the older workers' job-seeking skills.[36/] They do not, as a rule, become involved in training or subsidized work experience programs as do the youth-oriented agencies and organizations.

A review of several of these intermediaries suggests that employers may find them a suitable source of available manpower. Described below in some detail are two of the largest older worker employment services, Retirement Jobs, Inc., and the Senior Employment Committee.

Retirement Jobs, Inc.

Retirement Jobs, Inc. (RJI) operates outreach offices in and around San Francisco, California, serving the adjacent six-county metropolitan area. All persons registered for employment are at least age 55, so that employers using the service do not face a hidden agenda of age. Many of the registrants are well qualified post-retirees both seeking to avoid boredom and earn supplemental income through part-time work. Approximately 80% of employer requests are for part-time workers.

(RJI) serves both large and small employers. An innovative relationship with Lockheed Aircraft Corporation has resulted in the company donating office space at a large facility to RJI, which in turn provides literature and counseling to retiring employees who wish to continue working.

While the majority of job placements are in the service field rather than with business organizations, employers have recently obtained workers for such occupations as security guard, clerk typist, machinist and carpenter from RJI. In a subsequent month the same office supplied paperhangers, sales clerks, drivers, janitors and hotel clerks.

The data provided did not permit detailed analysis by age and occupation of workers placed, but there was obvious variation, month-to-month, within offices in the system, and between offices depending on the specific location in the service area. Nevertheless, it is clear that a majority of workers placed by the San Jose, California office in January, 1977 were past customary retirement age.

Table 1

JOB PLACEMENTS BY AGE, JANUARY 1977

Age	Number	Pct.
55 - 57	32	24.1
58 - 61	7	5.3
62 - 64	15	11.3
65 and above	79	59.3
TOTAL	133	100.0

Source: RJI

The organization counsels applicants as to their prior experience, range of skills, and ability limits, so that employer requirements and registrant skills can be matched. RJI's small headquarters staff is business oriented, so that employer needs are given careful consideration.

The executive director is an ex-business man, fully occupied in a second career. RJI's newsletter is edited by an ex-*Chicago Tribune* writer, while the financial area is directed by the retired controller of FMC Corp. In effect, a corps of ex-industry managers is devoting its time to placing other older workers with business firms.

Similarly, RJI's board of directors includes industry leaders from the San Francisco area fulfilling their civic responsibilities. These leaders function primarily in a fund-raising role, rather than supplying job opportunities with their own firms for older workers.

In sum, RJI's experience suggests that well-run intermediary organizations can assist business hiring of older workers by providing the necessary labor market linkages.

Senior Personnel Employment Committee

In existence for twenty-two years, the Committee's motto is: Ability is Ageless. The organization operates in Westchester County, New York, directly to the north of New York City.

Senior Personnel Employment Committee (SPEC) is called upon by employers primarily to fill temporary or part-time slots, estimated to number about 90 percent of placements. Conversely, most persons obtaining jobs through SPEC do not want to exceed the Social Security earnings limit and accept openings for 15 to 20 hours per week.[37]

In 1976 the occupational categories most frequently filled were sales, clerical, secretarial, typists and security guards. The primacy of placements in sales was the result of a new program initiated last year, called "Senior-Temp." Employers in retailing were contacted and encouraged to hire temporary part-time older workers for seasonal peak periods.

The majority of placements were with smaller employers. According to the executive director, most large companies in the area have mandatory retirement policies so that openings are not available for older workers.

The executive director, a previous corporate personnel manager, remains a member of the county chamber of commerce and attends its luncheon meetings to maintain contacts. Since most members of the chamber are large employers, however, the number of placements generated from such sources is not large.

Westchester County is a growing industrial area. Most younger persons in the county do not enter the labor force directly from high school, but attend college instead. As a result, more part-time jobs become available for older workers through SPEC that would otherwise be shared with younger workers.

A survey conducted by the executive director tried to determine, among other things, the extent to which employers retained workers obtained through SPEC. The survey was directed to persons who had been placed during 1975 but did not come back during 1976. About half of those surveyed responded. Within that group, 53 percent were still employed on the same job and not in need of placement services. The nonrespondents were presumed to have either moved, retired, or died. The main finding was that carefully screened and placed older workers do satisfy employer requirements and are retained.

Other Intermediary Organizations

Other services offering job placement and counseling are available to older workers in many cities.[38/] Some, like Forty Plus, specialize particularly in white collar and executive placement.

Catalyst, in New York City, operates to assist women in furthering their careers. Begun to assist older women reentering the labor market, Catalyst has substantially expanded its services to women of all age ranges in recent years.

Similarly, California was the first state to recognize legislatively that older women may have special problems related to employment. Passed in 1975, the Displaced Homemakers Act set up a pilot center to provide counseling, training and other assistance for women who have either reentered or entered for the first time the world of work after many years as a homemaker.

Another intermediary alternative provides jobs directly (rather than through job referrals) for low-income older workers above age 65. KOPE, Inc. (Keep Older Persons Employed) contracts with industry to perform light, simple tasks in the area of assembly, packaging and shipping.

In two years of operation in the Twin Cities, KOPE has expanded to employ nearly 50 older workers. Industry benefits in that certain routine work is performed for it at far lower costs than use of regular employees would entail, while contributing to the employment of persons who might not otherwise be able to work.

Major corporations utilizing this service include 3M, Thermo-King and Control Data. Only at Onan Corp. was there any overt union objection to work being farmed out rather than performed in-plant by its members. Unions at all other firms contracting with KOPE have not raised complaints, due to the amount and nature of the work, as well as the fact that it was being performed by low-income older workers.

The organization is run by a retired packaging consultant, who founded it to generate jobs for older workers. Industry could contribute managerial expertise and start-up costs, and provide work to similar groups elsewhere, on a consortium basis, to aid job-seekers similar to KOPE's employees in other cities.

Chicago's Project Reentry

There are a number of forms and functions for intermediary organizations designed to meet the employment problems of older workers. In the Chicago area, as an offshoot of a larger project called ABLE (supported in large part by the Chicago Community Trust Foundation), a structure has been developed to overcome a frequently encountered obstacle to meeting such problems. As indicated elsewhere in this report, many employers may find it difficult, for legal, financial, or administrative reasons, to hire older persons, especially former employees now retired but who still seek employment. The staff of Project ABLE -- together with the business community -- developed and created a separate entity, called PROJECT REENTRY.

Essentially, this entity becomes the direct payrolling organization for the individual older worker who then is placed in companies which, in turn, pays PROJECT REENTRY for services rendered. Thus, this payrolling mechanism makes it possible now for corporations to make use of older workers with such diverse skills and occupations as architects, skilled craftsmen, legal secretaries, and salesmen. Employment is not merely for temporary, short-term periods. Contracts for as much as one year are common. PROJECT REENTRY is even used by for-profit employment agencies in their own recruitment efforts.

The Chicago case provides another model for greater involvement of the private sector. The major component in the intermediary organization's comprehensive office skills training program is provided by the Illinois Bell Telephone Company's own staff training personnel, complete with the use of new company equipment, training films, etc. In this particular example, such high-quality training made possible through private sector assistance, addresses the special problems of older women entering the labor force for the first time, or re-entering after many years out of the labor force.

IV. THE FEDERAL GOVERNMENT ROLE

Positive practices toward older workers take many forms. In some cases, as illustrated above, the specific practice may have had motives other than the solution of problems experienced by older workers themselves.

Beyond the efforts by private enterprise, both individually and in the aggregate, is the federal government role in employment and training.

As indicated below, government's efforts vary in that some programs are open to all workers in need of training and/or jobs while others are limited to persons with specific characteristics or meeting stipulated criteria. The experience gained in any direct job-creation program permits and encourages workers to obtain better private sector employment, or otherwise keeps persons economically active who would be unable to find private employment, any concern over substitution is unwarranted.[39]

This section discusses federally funded activities designed to expand job opportunities for older workers, as well as legislative proposals before the 95th Congress that address their employment problems. These programs and proposals do not represent a complete list, but rather focus on those with the potential for having significant impact on the job needs of older workers.

However, most federal programs may be regarded as complementary or parallel to private sector activity, rather than directly integrated with jobs in industry for older workers.

To the extent that persons enrolled in these programs increase (or at least maintain) their job skills, industry has a wider labor pool from which to draw human resources.

The principal federal programs are:

Title IX, Senior Community Service Employment [40/]

Title IX is primarily service oriented, with otherwise unemployed workers age 55 and above hired to perform various tasks of benefit to their communities. Most slots are allocated through five national contractors, but as the total number of authorized positions is increased, a growing number are going directly to state and local governments.[41/]

The types of services provided include nutrition; housing and home rehabilitation; recreation, parks and forests; health and social services, and public works and transportation. A further increase in program activity level for fiscal 1978 will raise enrollment to 37,400 positions.

Title X Job Opportunities Program

Funded by the Economic Development Administration and operated by the Administration on Aging (AOA), the program provides employment for older workers as home health aides, day care workers, preretirement counselors and park aides, among others. Under the 1976 amendments,[42/] funding levels are linked to an area's previous quarter's unemployment rate. Additional jobs are authorized when joblessness exceeds 7 percent of the civilian labor force.

Emergency Jobs Program Extension Act [43/]

The Title VI Emergency Public Jobs program extended through fiscal 1977 the provisions of Title VI of the Comprehensive

Employment and Training Act of 1973 (CETA). Title VI provides for public works as a counter-cyclical device to generate employment, as well as contributing to the infra-structure of our Nation's communities.

Sponsors of the employment programs are directed to give special consideration to alternate, flexible job arrangements, particularly suited for older workers. To the extent that older workers are consistently underrrepresented in CETA programs, however, there is no indication that any innovative methods or techniques are being utilized under Title VI even when specifically called for.

CETA[44/]

CETA was passed in 1973 to serve as the government's primary vehicle for training and employing for workers of all ages who are unable to compete effectively in the labor market without assistance. The revenue-sharing mechanism is utilized, with programs run by a network of prime sponsors at the state and local level.

Title I of CETA is geared primarily to work experience and training of younger workers; Title II to regular public service and Title VI to counter-cyclical public service. Older workers have consistently participated in CETA programs in far less than their proportion of either the labor force or the unemployed.[45/]

Insofar as CETA programs are designed and implemented at the state and local level, they reflect the priorities and concerns of agencies at the "grass roots." In practice, the underrepresentation of older workers has acted as a partial barrier to their successful reintegration into mainstream employment.

In many cases, neglect of older workers by industry stems more from inadvertence and custom than from deliberate exclusion.

Some evidence suggests, however, that the CETA underrepresentation pattern persists with the full awareness of Labor Department administrators responsible for the program. 46/

Legislative Proposals

Several proposals have been introduced that would attack the difficulties older workers face in the labor market through more intensive study of specific problem areas, as well as through training programs. One bill, now H.R. 1171 in the 95th Congress, was enacted by the 92d Congress as Title X of the Older Americans Comprehensive Services Amendments of 1972 (H.R. 15657), only to be pocket vetoed by the President.

That title, and the present bill, is entitled the Middle-Aged and Older Workers Training Act. It also passed the Senate in 1973 (S. 50), but was dropped after the threat of another veto. As H.R. 12375 in the 94th Congress no action was taken.

The proposed act would specifically authorize training to upgrade middle-aged and older workers' skills, and to train specialists to train older workers. It further authorizes the Secretary of Labor, through studies and demonstration projects, to determine how responsive other federal manpower programs (such as CETA) are toward middle-aged and older workers.

This legislation implicitly recognizes that our arsenal of solutions to older workers' problems is not detailed or sufficient enough to prevent the misuse and disuse of some portion of the Nation's mature manpower. Other bills have been introduced to deal with various elements of the overall situation. The most relevant are:

- H.R. 821, which authorizes the Department of Labor to retrain middle-aged and older workers, and to provide special services where plant closings or other workforce reductions will have a particular impact on older workers. (The differential effect of plant closings by age was one of the first indicators twenty years ago that there was such a thing as an older worker problem). 47/

Like H.R. 1171, H.R. 821 calls for a study of the feasibility of providing extended unemployment compensation benefits for older workers who have exhausted their regular benefits. 48/ Such a step would benefit employers as well as the unemployed by helping to maintain experienced but unused human resources in better shape until they can be reallocated.

- H.R. 3072, a plan to set up regional employment councils for the purpose of promoting second careers for middle-aged and older unemployed persons. Also included are provisions to subsidize for three months two-thirds of employer costs connected with the hiring of unemployed older workers. Similar to H.R. 1171, H.R. 3072 was introduced during the 93d and 94th Congresses, but never brought to a vote.

V. DIFFICULTIES AND PROBLEMS

Industry's retention practices, as discussed above, vary with regard to positive programs, age-neutral ones, and overt displacement. This section examines age discrimination which, in the above framework, may be categorized as deliberate non-retention, non-hiring, and non-promotion, and the overt displacement of workers on the basis of age.

The purported reasons for this practice vary. The principal ones may be summarized as:

1. Administrative cost and convenience. It is organizationally simpler to require retirement at a uniform age.[49/] Standard retirement age obviates the need for case-by-case review and the performance standards and data that would have to be developed, collected and analyzed to perform such reviews.

2. Stereotyped attitudes. While public opinion is sympathetic to older workers,[50/] there is an undeniably wide body of popular belief that equates "young" with "vigorous" and "capable," while "older" is associated with "tired-out" and "less productive."

These attitudes and beliefs, however ill-founded and fallacious, underlie thousands of personnel decisions every week across the Nation. Even within organizations, it is not unusual for informal practices at the operating level to be tainted by such practices despite formal corporate policy to the contrary.

3. The need to provide promotion opportunities. The rationale of this argument is that without adequate prospects for upward mobility within the organization, promising young employees will seek job opportunities elsewhere. It assumes that experienced long-service employees should be judged not solely on their performance, but on the basis of the expectations of those junior to them in tenure and position.

4. EEOC affirmative action. By increasing the turnover of older employees, more job slots are opened that can be filled by minority group members or women hired to comply with equal opportunity laws and regulations.

5. Skill obsolescence. Rather than retrain older workers for new jobs, it is simpler to terminate older workers and replace them with persons having the required skills. The cost of retraining is a related factor.[51/] This assumes that the productivity of older workers cannot be raised by retraining, or that it is more cumbersome and time-consuming to do so.

All of these factors contribute to or are cited to justify industry practices that may violate applicable statutes, especially the Age Discrimination in Employment Act of 1967. The Act covers workers from 40 through 64 years of age, prohibiting both the failure to hire and the discharge of employees because of their age, as well as any other practice that would "otherwise adversely affect his status as an employee."

Litigation under the Act may be initiated by private plaintiffs (older workers) or the Secretary of Labor on behalf of such sorkers and the public interest. The number of documented complaints may be regarded as one measure of the incidence of age discrimination, as many violations go unreported or unlitigated.

By that measure, the incidence of reported age discrimination continues to rise to 5,121 cases in fiscal 1976 compared with 1,658 in fiscal 1971, fiver years previous. The jump was more than threefold.[52/] During the most recent fiscal year violations were concentrated in manufacturing, retail trade and service industries. 53/

However rapid the growth of complaints in recent years, few observers would claim that ADEA commands industry attention anywhere near as much as Title VII of the Civil Rights Act of 1964.54/ Discrimination on the basis of race, sex or national origin, i.e., racism or sexism, is more overt and obvious. Ageism is not, and among at least some industry officials is not considered an area where public policy should intrude on business practice.

In defense of age-related employment practices, industry's position is that since all workers become old and will be affected at some time, the practices are not discriminatory. In effect, if everyone is subject to discrimination only during a specified time period (rather than, by analogy, at all times due to characteristics of race or sex), then it is permissible.

As a result, litigation over clarification of age-based standards is before the federal courts. The two areas of most intense dispute involve employer claims that age is a bonafide occupational qualification (BFOQ) both in hiring and separation, and the practice of involuntary retirement under terms of a pension plan of employees less than age 65.

In each instance, U.S. circuit courts of appeal have reached conflicting decisions in cases on these points. Age was found to be a legitimate BFOQ to limit the hiring of bus drivers, but not to permit the firing of an airplane test-pilot.55/

The issue of pension-required mandatory retirement has been granted review by the U.S. Supreme Court, which will hear the case during the Fall 1977 term.56/ Whatever the judicial outcome, industry practices will obviously be affected. In both instances, more detailed and comprehensive documentation on employee performance is likely to be required on the part of business firms.

Performance Assessment Standards

The lack of precise evaluation standards, particularly for use with older workers, underlies the expanding problem. While the language of ADEA implies the need for such standards, industry has, for the most part, been reluctant to develop and implement them.

This might be regarded as analogous to the development of more comprehensive and job-related pre-employment tests, following a 1971 Supreme Court ruling under Title VII of the Civil Rights Act. [57] Industry's reluctance to initiate new standards is largely cost-based. To some extent, however, it may also be seen as limiting management's prerogatives and flexibility in personnel decision-making.

This conflict may best be illustrated by a case awaiting judicial resolution under ADEA. [58] The employer terminated 230 scientists, who allege they were discharged on the basis of age. (Many are below age 45, most below age 50.)

At trial, the company was unable to establish through evidence that (1) there were any job descriptions covering the work of these employees, (2) they had developed any objective performance criteria on which to base a review, (3) the employees had performed in a substandard manner, (4) they had been advised or counseled of any performance deficiencies, or (5) any employees below age 40 [the minimum protected under ADEA] were also affected by the staff reduction.

The law permits discharge "for good cause." [59] It does not allow age to be used as the main criterion, in the absence of performance standards, for the termination of employees. Nor does the law envision job assignment without reference to qualification merely to accommodate older workers. Such a position was recently used by an industry spokesman to justify his opposition to a prohibition of mandatory retirement.[60/]

The research literature on performance standards is limited, uneven, and in some areas not current. Nonetheless, most studies have found that older workers as a group do not compare unfavorably with younger counterparts.[61/] The most relevant conclusion of these studies is that variations <u>within</u> age groups are so great as to make comparisons between age groups meaningless. That is, characteristics <u>other</u> than age <u>per</u> <u>se</u> should be the primary focus in "predicting" job performance.

Jobs that require physical stamina may be one area of exception. But most workers in these occupations have accrued sufficient seniority so as to enable them to voluntarily shift into less demanding yet related areas.[62/]

In general, however, most jobs do not make physical demands beyond the capacities of healthy workers to perform them. To the extent that job performance varies among individuals, there is little to suggest that excluding entire groups of workers on the basis of age is rational or warranted under a sound human resources policy.

Furthermore, experience in several industries suggests that performance standards may be combined with flexible retirement policy without conflict. Employees of the major steel manufacturers are eligible to retire after 30 years of service irrespective of age. Under this agreement with the United Steelworkers union, physical ability and satisfactory performance are the sole criteria.

Most steelworkers, in fact, voluntarily retire soon after becoming eligible. At Inland Steel Co., which employs 18,000 workers, only about 2% are above 60 years of age. Only 31 are over age 65. [63/]

This pattern indicates a number of things. First, that age does not appear to be a factor in satisfactory job performance by steelworkers. Second, the vast majority of workers in this industry retire voluntarily before age 65. A further study of voluntary retirement by age, occupation and industry might shed more light in this area.

VI. DISCUSSION AND REVIEW OF FINDINGS

This study had entailed an examination of industry's practices toward older workers, with a focus on selected companies whose experience might be used elsewhere and expanded on to increase employment opportunity for persons in this age range. As the material above indicates, there is no lack of evidence, in breadth, covering all aspects of the employment relationship.

Instances were observed where older workers are hired, promoted, retained, permitted to work modified schedules, and actively contribute to the economic well-being of our Nation. The number of firms wherein such positive practices exist may not be extensive, but they are enough to dispel any question regarding the efficacy of utilizing older workers. Given the project's limited scope, the lack of depth of numbers serves to reiterate the extent that opportunity to expand older worker participation exists.

The tentative nature of the findings must be stressed for another reason. Many practices and policies are implemented by business firms, without conscious concern for the problems of older workers. That elements or aspects of these practices meet the needs of older workers is, to some extent, incidental. Relatively few firms, certainly in terms of the proportion of U.S. employment they represent, consciously and deliberately favor persons of mature years.

The obverse, unfortunately is not true. The number of cases under ADEA filed annually continues to rise. Whether this represents an increased incidence of violation, or a greater tendency of older workers to file charges, or a combination of both, is uncertain. What is clear, however, is an evolving attitude that age (as an employment-determining status) is a civil right guaranteed by constitutional and moral, as well as statutory safeguards. 64/

Specific Questions

The design of this project focused on a series of questions regarding practices toward older workers, the objective being to provide guidance to employers, policymakers and program officials. To some degree, this was possible. But not all of the questions can be answered without qualification. Both the questions and answers are set forth below.

> Question #1: What are the kinds and varieties of programs or projects to assist older workers? Do these programs enhance the "regular" employment prospects of these workers?

Answer: The "regular" employment prospects of older workers do not appear to be greatly influenced by special assistance projects, such as Title IX Senior Community Service, Title X Job Opportunity, CETA or the nonprofit intermediary organizations. Some private employers do hire program participants, but not in significantly large numbers.

The positive impact of these projects is beyond question, especially insofar as older workers are provided an opportunity to perform useful services for a wage income (although near the legal minimum in most cases). Nonetheless, the distinction between "project" employment and "mainstream" public employment cannot be ignored.

Mainstream employment can be defined as relatively permanent and necessary to the organization, an integral part of its normal and customary operation. In industry, this is further seen as related to the goods and services that generate the firm's profits and continued existence. In the public sector (where roughly 2.2 million older workers (55-plus) are employed) mainstream jobs may be viewed as ongoing rather than as under special budget appropriation and temporary operating authority. [65]

Thus, the mainstream employment prospects of older workers will be more directly affected by aggregated private sector activity than by any other single factor. Our point here is that the private sector has a direct responsibility for sustaining and improving the employment status of older workers, and that it should not rely on large-scale special government programs designed to "pick up the pieces" -- either through direct job-creation or income transfer programs.

> Question #2: What are the types of jobs being developed or found for older workers in such programs or projects? In their post-project experience?

Answer: The types of jobs available to older workers vary, with a necessary distinction between jobs retained and newly-obtained employment. To lump all "new" older worker jobs under the rubric "marginal" may be a slight overstatement, but only one of degree.

With few exceptions, older workers do not have the same prospects for advancement even when they are hired. In some cases, older workers prefer to avoid the higher pressure and responsibility of promotion-track positions. But, more commonly, older workers are hired as messengers, file clerks, mail delivery persons and light-duty aides.

Concerning retention, long-service employees who have proven themselves capable continue to perform tasks at all levels of responsibility and in a wide range of occupations. The prevailing corporate attitude (in the opinion of the researchers) is that all personnel decisions entail a degree of risk, one that increases with age. Thus, the types of jobs that many firms are willing to make available are limited to areas where the effect and cost of a faulty decision can be minimized and quickly overcome.

> Question #3: What is the nature of the obstacles and the "facilitators" that hinder or promote the employment of older workers? What techniques or processes are involved in the successful examples?

Answer: The difficulty in facilitating older worker employment lies in the pervasiveness of negative stereotypes that abound in industry. Even where broad corporate policy proscribes discriminatory treatment of older workers, operating managers frequently follow contrary practices to meet or surpass production or profit goals. While the "Pepsi-generation" philosophy may be tempered by the need for experience and judgment as well as enthusiasm and drive, [66/] concern for older workers frequently rests with a particular key-role corporate executive.

The key-individual problem is not unique to this issue. But where corporate officials with an interest in older workers and authority to effect policy are limited in number, their replacement could easily result in other personnel priorities being established.[67/] This concern, in other words, has not yet become an integral part of ongoing company policy.

The major obstacle appears to be custom, and the generalized reluctance to disrupt existing patterns of operation. Thus, the solutions may be external to individual older workers and linked to institutional changes based on fiscal policy, legal sanction and federal government leadership.

The private sector is sensitive to economic reward, including tax incentives. The legislative proposals discussed above would, among other things, subsidize employer costs connected with the hiring of older unemployed workers and make such persons more employable and attractive to business through federally sponsored retraining.

Another incentive to hire older workers might be variable tax credits for earmarked job-creation, depending on the number of employees added and the local economic environment. An analogous proposal to hire the "disadvantaged" was not acted on by the last Congress.[68/] By defining unemployed older workers as disadvantaged, the precedent for such legislation would be clear.

The private sector also responds to legal sanctions, which may take several forms. An additional review of program allocations by the disbursing officials, i.e., the Secretaries of Commerce and Labor, could be instituted to determine the sufficiency of older worker participation in all federally funded programs. Insufficient participation could be the basis for a determination of noncompliance with program requirements.

The employment service's record of inadequate treatment of older workers has been repeatedly documented.[69] A range of possible actions beyond mere exhortation could be devised. In the private sector, Congress may amend ADEA to make illegal additional employer practices now permitted.[70]

> Question #4: Are certain types of communities and/or industries more conducive to the success of such efforts than other types?

Answer: No factors could be determined on the basis of geographic, industry, or other factors to positively affect older worker programs. A major obstacle can be the rapid advances in science and technology that affect hiring and retention for older workers in certain industries.

But scientific endeavors, *per se*, do not presume that accumulated knowledge and experience are less valuable than recent training. Polaroid, in the forefront of instant-photo technology, routinely hires research personnel in their 50s with needed skills. Furthermore, a corporate policy of recurrent retraining and updating might go far in the prevention of "skill obsolescence."

Another pattern was noted by an official of Levi Strauss, the San-Francisco-based clothing manufacturer. A reduced incentive to hire older workers stems from, or is abetted by, the unusual labor supply excess in that market, and the abundance of especially qualified applicants in all age ranges.[71]

> Question #5: How applicable are proposed solutions -- or solutions developed in demonstration projects -- to implementation on a wider scale?

Answer: As indicated in answer number one above, the mainstream impact of demonstration projects, and their wider implementation, is considered limited under present conditions. This evaluation does not imply that such projects are not valuable or worth pursuing, but suggests that simultaneous efforts to change the institutional environment and structure will be required before the maximum payoff of demonstration projects can be expected.

Question #6: What is the "market" for voluntary part-time employment?

Answer: The market for voluntary part-time employment appears to be generally expanding, especially for older workers. The experience of Continental Illinois Bank and the placement success of the intermediary organizations all point in this direction.

In the aggregate, voluntary part-time employment of older workers has risen from 17.3 percent of those age 55 and above in 1970 to 18.7 percent in 1976. Over this six-year period, 200,000 more older workers were working part-time voluntarily, at the same time that the total number of labor force participants in this age group had declined by 140,000.

As indicated by the data contained in Table 2, voluntary part-time employment in the 55-plus population has gone up steadily and rather uniformly since 1970, at a rate higher than for younger age groups.

Table 2

Part-Time Labor Force as a Proportion of the Civilian Labor Force by Age, Selected Years

Age	Year 1970	1972	1974	1976
45 - 54	8.3	8.7	8.8	9.0
55 and above	17.3	18.0	18.6	18.7
55 - 64	10.6	10.8	11.6	11.7
65 and above	40.6	42.3	45.4	46.3
16 and above	14.1	14.5	15.8	14.7

Source: U.S. Department of Labor, Bureau of Labor Statistics

Question #7: In addition to those projects designed to find new jobs for older persons, are there any deliberate company programs or policies aimed at keeping them employed at their regular places of employment, instead of hiring or retiring them against their own wishes?

Answer: Yes, as discussed in the section on retention above. In fact, it appears that there are many more firms with retention policies that allow incumbent older workers to remain employed than there are companies that hire new workers without reference to age. In our view, retention of older workers should have a higher priority than other possible measures designed to improve their status.

Nevertheless, this impression must be qualified by other market factors and institutional change in U.S. industry. The continuing trend of mergers and consolidations, for example, carries its own implications for older workers. Some examples:

- Corporations have instituted mandatory retirement where none was previously required, after becoming wholly-owned subsidiaries or divisions of larger firms where fixed-age retirement was the existing policy. [72/]

- The merging of organizations frequently creates redundancy in staff and marketing areas, where many long-service employees are found.[73/] In such cases, special financial incentives to induce early retirement are sometimes used,[74/] but termination of some older workers may be unavoidable.

Question #8: In those companies or organizations with no fixed retirement age, how do employers make decisions concerning the retirement of individual employees? What role do unions play in such decisions?

Answer: Where chronological age is not an arbitrary determinant, greater reliance appears to be placed on functional criteria. Sales volume is one quantitative measure suitable for use in this regard, either by the individual, a store under his or her direction, or as manager of a sales organization.

Health status, as mentioned above, plays an important role in the retention process. Medical incapacity thus becomes a more salient cause of retirement.

Health status combined with functional criteria is also used to determine continued employability. Airline pilots, for example, are required to pass both flight proficiency exams and physicals on a periodic basis. Until recently, pilots have been required to retire at age 60 under Federal Aviation Administration (FAA) regulations and judicial rulings.[75/]

In a policy shift that could have important ramifications, the FAA's age-based retirement practice for pilots has been suspended. The combined functional criteria, health and flight proficiency, are at present the sole determinants of pilot retention.

Some companies have a formal procedure as well as precise criteria both for permitting employees to continue beyond age 65 and when they should be retired. At Polaroid, the decision to approve requests under the Retirement Extension Program is made by a committee consisting of the employee's supervisor, a personnel administrator, and a retirement department official.

The commonly recognized criteria, capacity to work and good health, are, of course, considered. In addition, the employee's absence record (as an additional proxy for health and productivity), as well as the financial burden that retirement might create, are taken into account. Polaroid officials expressed the belief that employees who are unwilling to retire at age 65 are psychologically unprepared to do so, but become more aware of the options and alternatives through the annual review process.

Even where precise criteria are not present, some evidence suggests that most workers recognize or heed the signal to step down. Self-assessment and internal norms appear to be operative in many, if not most, long-service employees.

In practice, it may be a combination of "the carrot" and the "stick." At Zale Corp. several decades of expansion have created a substantial profit-sharing fund for long service employees, payable upon retirement (but not termination for cause). Few older workers are asked to retire, and only when their output (objectively measured by sales criteria) declines badly.

According to Zale's personnel vice president, "Most employees [in this situation] recognize it and voluntarily retire since their accrued benefits make the burden minimal. Very few have to be coaxed."

A similar belief was expressed by a Bankers Life & Casualty Company official: "If there is nothing suitable [other appropriate positions] we might have to retire the employee. However, it is very rare when this problem comes up. It seems that the older employee is among the first to realize when the job is suffering. Usually the employee will seek a voluntary retirement about this time." 76/

In smaller organizations, the informal social structure acts as a signal mechanism to notify employees when their performance has deteriorated. The other workers would, of course, be directly affected if a peer became a burden by producing less than required. At Kuempel Chime Clock Works, as was noted above, employees unable to become part of the cohesive work group quit within a short period of time.

This evidence, combined with the fact that most workers retire voluntarily prior to a mandatory age limit set by their employer, suggests that compulsory retirement can be counterproductive. Companies might consider allowing older workers to self-select out of the workforce, particularly if more clear-cut standards were established by which employees could recognize substandard performance and choose to retire.

Unions do not seem to play an important role in this question, at least as far as this study was able to determine. The decision-making process obviously differs where collective bargaining is established, but the decision otherwise seems to be unilateral on the part of the employer. In some instances, accommodation to employee preference may delay the retirement decision, but few unproductive workers are likely to remain for indefinite time periods.

> Question #9: What examples can be found of companies that do not discriminate against older workers (starting at age 60, for example) hiring practices and are there companies which have an "affirmative action" policy and practice favoring older workers?

Answer: Not all companies practice "affirmative action" toward older workers in hiring, even among that group whose personnel practices in other areas are age-neutral. The difference can be illustrated by comparing Kuempel Chime Clock Works, employing older workers almost exclusively, and Continental Illinois, where the Ready Work Force program operates to the benefit of older workers but also is open to others seeking that type schedule.

It may be argued that "affirmative action" hiring of older workers is not more widely practiced simply because it is not called for under federal law, or regulations based on ADEA. In contrast, positive steps to ensure equal employment opportunity for women and minority group members are given priority by industry. This pattern may inadvertently impede the hiring of older workers, since the risk of noncompliance with affirmative action plans for other target groups is generally regarded as greater.

Where companies do hire older workers, the range of occupational categories may be limited. As indicated earlier in this report, firms may set aside jobs for mature persons that specifically require dependable attendance and nonaversion to routine tasks.[77/] Few companies surveyed, however, were willing to consider older workers for more substantial and responsible positions.

VII. RECOMMENDATIONS

The following specific recommendations are made:

Industry Attitudes: Industry practices that have the effect of excluding older workers are, in some cases, inadvertent. Several employers attribute their attitudes to custom, and express a willingness to be more open-minded when made aware of the problem.

A series of seminars for industrial relations executives produced positive results in that "...a number of employers have stated their willingness to consider allocating a certain percentage of their slots for older workers.[78/] The seminar topics included business reluctance to hire older workers, new techniques in performance assessment, and recent court decisions concerning mandatory retirement.

We recommend, therefore, that on a pilot-project basis, EDA sponsor a one-day seminar for industry, to educate employers about the value of older workers. If judged successful, the format could be repeated in major cities throughout the country.

Improved Counseling: Even the customary term "pre-retirement counseling" strongly implies a focus on "how to" retire, rather than the complete range of work-retirement options. Most firms limit pre-retirement counseling to six months or a year, although several companies begin the process a number of years earlier.

Counseling should not be limited to employees immediately prior to their retirement. The desire for mid-career change, or a second career, on the part of long-service employees must also be considered. An *a priori* assumption that counseling and other support services would not be cost-effective for industry is not warranted in the absence of empirical data and analysis on that question. More comprehensive counseling of long-service employees at all ages, on a periodic basis, would appear warranted. A demonstration project might provide for these services in an industry setting, and the comparison over time of long-service workers' career change-retirement patterns after longitudinal counseling with a control group of "traditionally" counseled employees.

Technical Information Center: On the basis of information contained in this report and other sources, it is recommended that the Economic Development Administration establish a technical information center for industry. Such a center would assemble and disseminate information for industry on changing policies and practices of business firms, nationwide.

In addition, technical assistance monographs and guidelines could be prepared that would facilitate corporate involvement in positive older worker policies. A Department of Commerce role in this area is clearly appropriate and desirable, and should be pursued in these terms.

VIII. SUMMARY AND CONCLUSIONS

The immediate prospect for older workers in industry is not markedly different from the present or recent past, which is to say a continued deterioration of older workers' economic status. But this surface extension of the status quo does not reflect the underlying changes that will become visible and pronounced by the turn of the century if these nascent trends remain unchecked.

Longevity. Americans are living longer. Prior to the advent of Social Security, few people could afford to retire, and fewer still spent many years inactively. But by 1975 men reaching age 65 could expect, on the average, to live 13.7 more years. Men surviving to 75 had a life expectancy of 8.6 years.[79/] Recent data indicate that mortality rates of men 45 to 64 years of age who are still in the labor force have declined since 1970, in comparison to men in the same age cohort who are no longer economically active.

Moreover, the healthy lifespan may be extended substantially even within this century.[80/] Medical and scientific advances need not be recounted here in detail, but are regarded as substantial and significant. The prospect is thus growing for increasingly longer periods of retirement for more of our Nation's population.

To some this prospect is welcome.[81/] Others view increasing periods of inactivity less favorably, especially from the economic-burden viewpoint.

The combination of extended longevity and earlier retirement could result in an unprecedented number of economically nonproductive persons among the population, increasing both in the absolute and in comparison with (as a proportion of) the labor force on whom the burden of their support will fall.

These improved mortality rates mean that by 1990, there will be roughly 225,000 more men 55-64 years old than had previously been projected (as late as 1975). Will this mean an increased number of retirees and/or jobseekers unable to keep or secure adequate employment? Or will it constitute a challenge to employers to find ways of retaining and/or hiring older persons? Some of the answers to such questions will depend partly on what new adaptations are made by industry today, with respect to employees 40 and older.

The Labor Force. The size of the U.S. labor force will continue to expand, but primarily due to population change a decade from now and beyond. It is unlikely that the overall participation rate, in the aggregate, will not level off by that time.

Recent projections suggest that older workers aged 55 and above, who constituted about 15 percent of the 1975 labor force, will account for less than 12 percent by the year 2000. In actual numbers the workforce 55 or over is projected to grow to about 14,820,000 another 870,000 beyond present levels. [82/] Since those projections were made, however, new projections for the total population 55 and over reveal a much larger size than that forming the basis for the earlier projections.

The projected labor force is itself based on certain other assumptions, including a fertility rate of 2.1 children per woman, the population replacement level.[83/] At present, national fertility is running at a sub-replacement rate (below 1.8 in 1976) which could be translated into a larger-than-expected rate of younger female labor force participation in the future. Other developments could also cause the projections of labor force participation to be wide of the mark. These developments include biomedical advances affecting health status and lifespan, as well as major changes in retirement policy.

As a result, in two decades the number of younger persons available to enter the labor force will likely be less than previously anticipated. The job situation for mature workers ostensibly should then improve. There will be fewer young workers against whom older workers will have to compete for jobs, and less justification for the argument that "older workers must be removed to make room for younger ones." The opportunity for a more balanced employee age distribution would thus be present.

Harvey Shapiro believes that we, as a Nation, will stop discriminating against older workers only when it becomes too costly to continue to do so. [84/] Combined Social Security taxes (employer and employee contributions) are 11.7 percent of wages, and will rise to 12.1 percent in 1978. If mandatory retirement is not abolished and the trend toward early retirement not reversed (or at least curbed), the entire intergenerational financing system of Social Security could become prohibitive by the turn of the century -- only 23 years from now.[85/]

From the standpoint of the individual worker, spiralling contribution levels for both Social Security and private pensions could lead to more liberal attitudes in support of continued older worker participation and less restrictive retirement rules. More employees are coming to recognize that the support burden of an increasing number of older non-workers could be mitigated by permitting some of them to remain active in the labor force, thereby reducing the dollar outflow from various retirement funds. This, in turn, would reduce the need for present workers to make ever-growing contributions to keep those funds solvent.

But industry may be in a more ambiguous position: increased Social Security contributions are viewed as burdensome, but the steps designed to minimize that problem might, in turn, require substantial changes in personnel policy and systems that industry in general has not yet begun to plan for.

If ADEA is revised to raise the "cap" or upper age limit to 70 from 65, then mandatory retirement would affect few workers. At present, only about 8 percent of persons age 70 and above are in the labor force at all.

With voluntary retirement increasing, however, employers may conclude that the increased difficulty (and legality) of separating existing older workers will make it less feasible to actively recruit some older workers while retiring others. Paradoxically, employed older workers may enjoy greater protection and security at the expense of non-employed persons of similar age who are seeking jobs.

From the standpoint of industry, steps related to the retention of long-service employees are undoubtedly of greatest potential impact. The three-pronged approach mentioned above -- fiscal inducements, increased enforcement of antidiscriminatory statutes and the commitment of the Executive branch to the requirements of older American workers -- can provide a feasible agenda to create the necessary employment opportunity.

ADDENDUM

Subsequent to preparation of this report, on July 29, 1977, Connecticut General Life Insurance Company announced that retirement past age 65 would be determined solely by performance. Hereafter, according to a press report, "the rule for retirement at 65 would no longer be enforced.*"

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*Winston Williams, "Insurance Giant Acts to End Mandatory Retirement at Sixty-Five." New York Times, August 1, 1977.

FOOTNOTES

1. Karen Schwab, "Early Labor-Force Withdrawal of Men: Participants and Non-participants Aged 58-63," Social Security Bulletin, 37, 8, 1974, 24-38.

2. Michael J. Boskin, "Social Security and Retirement Decisions," Economic Inquiry, 15, 1977, 1-25.

3. Where unreduced pension benefits are available after 30 years of service irrespective of age, virtually all workers choose to retire. For the pattern at the Nation's largest industrial firm, General Motors Corporation, see testimony of George B. Morris, Jr., vice president for industrial relations, March 16, 1977, before the Select Committee on Aging, U.S. House of Representatives.

4. Marc Rosenblum, Recession's Continuing Victim: The Older Worker. A working paper for the U.S. Senate Special Committee on Aging, USGPO, 1976; Elizabeth L. Meier, "Over 65: Expectations and Realities of Work and Retirement," Industrial Gerontology, 2, 1975, 95-109.

5. A very small number, like Kuempel Chime Clock Works, [discussed below] stand out by contrast for their conscious and deliberate reliance on older, skilled workers.

6. 29 USC 621 et. seq., as amended by the Fair Labor Standards Amendments of 1974, P.L. 93-259.

7. Irvin Sobel, "Older Worker Utilization Patterns: Human Capital Approach." Industrial Gerontology, 13, 1972, 6-28.

8. Personnel Practices Survey. Denver: Mountain States Employers Council, 1975. Only about half of smaller firms (under 500 employees) have mandatory retirement, compared with 86% of larger firms.

9. Ibid. In particular, production and maintenance employees are treated differently. Only 46% of manufacturing firms, compared with 60% of non-manufacturers, required employee retirement at 65 or below. Almost 36% of non-manufacturing companies had no mandatory retirement age, whereas almost 42% of manufacturing companies did require retirement at a specified age.

10. 1975-76 Personnel Practices and Fringe Benefits Study. Chicago: Chicago Assn. of Commerce and Industry, 1976. The findings were categorized by "office" and "plant" employers, which may not be analogous to the manufacturing and non-manufacturing division in Denver. Thus, differences by type of employer cannot be directly compared.

11. Not all companies were willing to be identified in this study. The names of those who prefer to remain unidentified are replaced by a general description or other reference so that their policies and practices may be discussed without disclosing the firm.

12. A 71 year old lady was hired the week prior to Zale's interview for this study. Some hirees are retired from other jobs, and work in sales on a fixed schedule of hours agreed upon between themselves and the store manager.

13. The company was brought to our attention when one of its employees testified at hearings of a New York State Assembly committee in connection with a bill to abolish mandatory retirement. The employee, 67 years old, first was hired by Crouse-Hinds at age 59. According to him, many of the company's workers are in their 50's with over 30 years of experience, and are uninterested in retirement. Contrast this with employees of the major steel manufacturers who virtually all retire voluntarily by age 60.

14. Dorothy Winter, "The Sizzling Sixties." Manpower, June 1975, 2-3.

15. The need for a reserve pool of skilled older workers stems from several factors. First, aircraft machinists and other similar workers have never been in abundant supply, and the average age and length of service of present workers in those occupations is rising. Second, the industry operates in an environment of periodic and pronounced cycles of hiring and layoff.

16. It is permissible for an employer, under Sec. 4(f)(2) of the Age Discrimination in Employment Act, to contribute like amounts toward the fringe benefits of all newly hired employees regardless of age, even if this results in less benefits for older workers. This section of the law was specifically enacted to encourage the hiring of older workers without forcing employers to choose between absorbing additional fringe costs and not hiring the older worker.

17. The firm's operations are physically dispersed over a 300 acre site in about 25 buildings, with open access to the area. Routine patrols of the grounds (to augment the security force) are performed by the post-retirees.

18. Early retirement is permitted at age 50 (assuming sufficient company service) with accrued profit-sharing only. Reduced pension benefits are available for early retirement at 55.

19. <u>Topic</u>, 83, 1976, 14.

20. Harris Schrank, <u>Organizational Characteristics and Socialization Outcome</u>. Unpublished Ph.D. dissertation, Yale University, 1973.

21. This case illustrates another point mentioned elsewhere in this study, the lack of uniform personnel policy toward older workers within units of the same organization. The office discussed is a branch of a larger firm, headquartered in a neighboring city. The administrator interviewed could offer no information regarding the main office, or other branches of the same company. Through a contact at the employment service, he had begun hiring older workers and was persuaded by their dependability to continue the practice.

22. This illustrates the arbitrary nature of mandatory retirement when employees who wish to remain on the job are forced to do so under less desirable alternative arrangements.

23. Elizabeth L. Meier and Elizabeth Kerr, "Capabilities of Middle-Aged and Older Workers: A Survey of the Literature." <u>Industrial Gerontology</u>, 3, 1976, 147-56; Richard D. Arvey and Stephen J. Mussio, "Test Discrimination, Job Performance and Age." <u>Industrial Gerontology</u>, 16, 1973, 22-29; Matilda White Riley and Anne Foner, <u>Aging and Society</u>. New York: Russell Sage Foundation, 1968; Ross A. McFarland and B.M. O'Dougherty, "Work and Occupational Skills," in James M. Birren, (ed.), <u>Handbook of Aging and the Individual</u>. Chicago: University of Chicago Press, 1959.

24. The frequency of the physical varies. Inland Steel, Tektronix, Polaroid and Collins Radio Division of Rockwell International Corp., among others, require them annually. Bullocks, a Los Angeles department store chain, has its older workers checked semi-annually.

25. Sidney Cobb and Stanislav V. Kasl, "Some Medical Aspects of Unemployment," Industrial Gerontology, 12, 1972, 8-15; Alfred Slote, Termination: The Closing at Baker Plant. New York: Bobbs-Merrill, 1969; Robert N. Butler, Why Survive? Being Old in America. New York: Harper and Row, 1975.

26. The question was reviewed with the corporate medical director of Pitney Bowes which has a work environment where retention is wholly unconnected to employee age. The hypothesis that job performance/retention and health operates both ways was, on the basis of anecdotal and other evidence, considered probably valid.

27. Dan M. McGill, Fundamentals of Private Pensions, 3rd ed. Homewood: R.D. Irwin, 1975.

28. Some firms may be now giving more emphasis to experience in the recruitment process. Roger Ricklefs, "More Firms are Hiring Executives in Their 40s for Slots in the Middle...60 is no Barrier for Some." Wall Street Journal, May 3, 1977; "The Jobhunting Picture for Executives Over 50," Business Week, April 11, 1977.

29. Employers failing to promote older workers of demonstrated competence on the basis of age may be liable for damages under ADEA. See, for example, Christie v. Marston, 551 F.2d 1080 (7th Cir. 1977).

30. For more detail on the retraining techniques used see Meredith Belbin, The Discovery Method. Paris: Organization for Economic Cooperation and Development, 1969.

31. One of the difficulties with workers reentering the labor market after not having sought a job for some years is their initially high reservation wage. That is, the job seeker has in mind a wage below which he or she will not accept a job. At the same time, employers are unwilling to pay that much so no agreement is reached.

32. Kenneth Bratthall, "Flexible Retirement and the New Swedish Partial-Pension Scheme." Industrial Gerontology, 3, 1976, 157-65.

33. Statement of International Business Machines Corp., March 23, 1977. Hearings, Retirement Age Policies, U. S. House of Representatives, Select Committee on Aging.

34. Testimony of W. Allen Moorhead, Vice President, Bendix Corporation, March 16, 1977. Hearings, Retirement Age Policies, U.S. House of Representatives, Select Committee on Aging.

35. No identification of this firm is provided, at their request.

36. The older worker, in turn, may use these skills to seek employment directly as well as through the intermediary organization.

37. Would the supply of available labor expand if the earnings limit without Social Security penalty was raised? Or, put another way, is the desire to work additional hours on the part of retirees dampened by the high effective marginal tax rate in the present Social Security law?

38. Employment Resources for the Middle-Aged and Retired: A National Directory. Port Washington, N.Y.: Clearinghouse on Employment for the Aging, 1976.

39. Public service employment is most frequently criticized for shifting workers from local to federal funds rather than reducing unemployment. See, for example, More Benefits to Jobless can be Attained in Public Service Employment. Report to the Congress by the Comptroller General of the U.S., April 7, 1977.

40. P.L. 93-29.

41. Under fiscal 1977 appropriations, $90.6 million is allocacated for the year ending June 30, 1978. Enrollment is 22,600. Of this, 18,800 jobs are allocated to the contractors and 3,800 to the States.

42. P.L. 94-487.

43. P.L. 94-444. Under the Fiscal 1977 Economic Stimulus Appropriation Act, H.R. 4786, 4,800 persons 50 and over would continue to be employed during Fiscal 1978 on 71 older worker projects.

44. P.L. 93-202.

45. U.S. Department of Labor, Employment and Training Administration. Characteristics of CETA Participants, 1977.

46. Funding of Programs for Older Americans. Report by the Select Committee on Aging, U.S. House of Representatives. USGPO, 1976.

47. See Harold L. Sheppard, Louis A. Ferman and Seymour Faber, Too Old to Work, Too Young to Retire. A study for the U.S. Senate Special Committee on Unemployment. USGPO, 1959; Richard Wilcock and Walter Franke, Unwanted Workers. Glencoe: Free Press, 1963; Felician F. Foltman, White and Blue Collars in A Mill Shutdown. Ithaca: N.Y. State School of Industrial and Labor Relations, 1968.

48. The relationship between age and unemployment duration is positive and strongly correlated, especially when youth unemployment is omitted. The raw data is contained in U.S. Dept. of Labor, Bureau of Labor Statistics, Employment and Earnings. [monthly], Table A-18.

49. Testimony of George B. Morris, Jr., Vice President for Industrial Relations, General Motors Corp., March 16, 1977. Hearings, Retirement Age Policies, U.S. House of Representatives, Select Committee on Aging. Administrative convenience is also portrayed as consideration for those less productive older workers who would not be retained in the absence of mandatory retirement, and therefore somehow stigmatized as superannuated. A similar position was expressed by Robert Thompson, Chairman of the Labor Relations Committee, Chamber of Commerce of the United States, June 2, 1977. Hearings on Age Discrimination in Employment Amendments of 1977. U.S. House of Representatives, Committee on Education and Labor, Subcommittee on Employment Opportunities.

50. Louis Harris & Associates, The Myth and Reality of Aging in America. Washington: National Council on the Aging, 1974.

51. In some industries older workers are protected by union agreements and their jobs are not converted to the new processes until the incumbent retires. See, Nathalie Friedman, What's New in the Composing Room? The Printer's Response to Automation. New York: Columbia University Bureau of Applied Social Research, 1977.

52. U.S. Department of Labor, Employment Standards Administration. A Report Covering Activities Under the Act During 1976. USGPO, 1977, p. 8.

53. Ibid., p. 43

54. 42 USC 2000e et seq.

55. Hodgson v. Greyhound Lines, Inc. 499 F. 2d 859 (7th Cir. 1974), cert. denied sub nom.,Brennan v. Greyhound Lines, Inc., 419 U.S. 1122 (1975); Usery v. Tamiami Trail Tours, Inc., 531 F. 2d 224 (5th Cir. 1976); Houghton v. McDonnell Douglas Corp., 553 F. 2d 561 (8th Cir. 1977), rehearing en banc denied, (June 1, 1977). McDonnell Douglas has indicated that it would seek review by the U.S. Supreme Court of the ruling in favor of test-pilot Houghton.

56. McMann v. United Airlines, Inc., 542 F.2d 217 (4th Cir. 1976), cert.granted, 429 U.S. 1090.

57. Griggs v. Duke Power Co., 401 U.S. 424.

58. Marshall (Secretary of Labor) v. Sandia Corp., No. 75-150, argued, (D. N.Mex. 1977).

59. Sec. 4(f)(3), 29 USC 623(f)(3).

60. Testimony of H.J. Lartigue, Jr., Manager of Employee Relations, Exxon Corp., March 16, 1977. Hearings, Retirement Age Policies. U.S. House of Representatives, Select Committee on Aging. Mr. Lartigue suggested that, absent mandatory retirement, "persons 70, 75 or even older could hold dangerous jobs driving tankers full of gasoline." He did not specify what performance standards are presently used to evaluate drivers.

61. For recent evidence see Donald P. Schwab and Herbert G. Heneman III, "Effects of Age and Experience on Productivity," Industrial Gerontology, 4, 1977, 113-18. See also Elizabeth L. Meier and Elizabeth Kerr, "Capabilities of Middle-aged and Older Workers: A Survey of the Literature," Industrial Gerontology, 3, 1976, 147-55.

62. Edward J. O'Boyle, "Job Tenure: How it Relates to Race and Age," Monthly Labor Review, 92, 9, 1969, 16-23.

63. The average retirement age is 60.7 years. Yearly physical examinations are required for employees above 65 years old who continue working.

64. On June 20, 1977 a three-judge federal court ruled that the compulsory retirement of foreign service officers by the U.S. Department of State at age 60, under Sec. 632 of the Foreign Service Act of 1946, 22 USC 1002, violated the equal protection clause of the Fifth Amendment. Bradley v. Vance (Secretary of State), ____, F.Supp.____ (D.D.C. 1977).

65. CETA, for example, will expire at the end of fiscal 1978 unless renewed.

66. Roger Ricklefs, "More Firms are Hiring..." Op.cit.

67. The Personnel Director of Grumman Aerospace Corp., for example, is an expert on older worker problems and mandatory retirement issues, and has on several occasions testified before committees of the U.S. Congress. Grumman's sensitivity to older worker issues is clearly attributable to this key executive.

68. S. 3397, 94th Cong., 2d Sess., 1976. One economist recently observed: "The term 'wage-subsidy' is out of bounds to some, yet no labor official or businessman objects to the capital subsidy represented by the investment tax credit..." Carolyn Shaw Bell, "Expanding Human Resources." *Society*, 14, 3, 1976, 46-50.

69. Harold L. Sheppard and Harvey Belitsky. *The Job Hunt.* Baltimore: Johns Hopkins Press, 1966; U.S. House of Representatives, Committee on Government Operations. *Finding Jobs for Workers: The Performance of the United States Employment Service and its State Partners.* House Report No. 94-1708. 94th Cong., 2d Session, 1976.

70. On July 14, 1977 the House Committee on Education and Labor reported H.R. 5383, as amended. The bill would, among other things, raise to age 70 from age 65 the upper limit of ADEA coverage for private sector employees.

71. The special attractiveness of San Francisco does not extend to most other areas, where normally (rather than abnormally) high unemployment acts to limit the success of older worker programs.

72. In 1970, Utah International Corp. was acquired by General Electric Co., which, according to a Utah official, is now "rather hard-nosed" about requiring all employees to retire at age 65. Harley-Davidson Motor Co., motorcycle manufacturer, had no fixed retirement age until its acquisition by AMF, Inc. Now, a uniform retirement policy of age 65 has been instituted, although the remaining six workers (out of 800) who are above that age are being permitted to work as long as they remain productive and healthy.

73. Atlantic-Richfield Co., for example, is the result of a merger between Atlantic and Richfield Oil companies, and then another merger with Sinclair Oil Co.

74. Temporary early retirement incentives were also used by Eastman-Kodak Co. and IBM in 1971 to retrench without having to terminate long-service employees, and IBM again in 1975. See J. Roger O'Meara, *Retirement: Reward or Rejection*. New York: Conference Board, 1977.

75. Airline Pilots Association, Int'l. v. Quesada, 286 F.2d 319 (2d Cir. 1961), *cert. denied*, 366 U.S. 962 (1961).

76. Testimony of Gerald L. Maguire, Bankers Life & Casualty Co., March 16, 1977. Hearings, Retirement Age Policies. U.S. House of Representatives, Select Committee on Aging.

77. The Fertl Company, Norwalk, Connecticut, employees mostly post-retirees to prepare seed starting kits for home gardners. While the work is simple, repetitive and low paying, a flexible pace (geared to the worker's ability) is permitted and no limits on the basis of age affect hiring or retention. See testimony of Henry D. Chandler, Director of Compensation Systems, General Foods Corp., March 16, 1977. Hearings, Retirement Age Policies. U.S. House of Representatives, Select Committee on Aging.

78. Report of the Task Force on Older Workers. Chicago: Chicago Manpower Planning Council, 1975.

79. National Center for Health Statistics, Monthly Vital Statistics, February 1977.

80. Harold L. Sheppard and Sara E. Rix. The Graying of Working America: The Coming Crisis in Retirement Age Policy. New York: Free Press, 1977.

81. The trend toward voluntary early retirement, as soon as the employee is eligible, has become more pronounced over the past few years at Collins Radio Division of Rockwell International Corp., according to a company official. A substantial economic cushion also acts to induce voluntary retirement, (at Zale Corp., mentioned above) and at Anderson Clayton Co. The latter's corporate growth, paralleled by enhanced value of its common shares, has been translated into a substantial gain in the employees' profit-sharing fund. Long-service workers not perceiving inflation as a threat, are thus less inclined to work beyond the company's normal retirement age.

82. Marc Rosenblum, The Future Path of Labor Force Participation and its Impact on Retirement Age Policy. Prepared for the AIR project on the Future of Retirement Age Policy, 1976.

83. U.S. Department of Commerce, Bureau of the Census. Projections of the Population of the United States. P-25, No. 601. USGPO, 1975.

84. Harvey D. Shapiro, "Do Not Go Gently...". New York Times Magazine, February 6, 1977.

85. For a detailed exposition of this problem see Sheppard and Rix, The Graying of Working America: The Coming Crisis in Retirement-Age Policy. Op. Cit.

APPENDIX

The following list, arranged in alphabetical order, contains some of the firms or other organizations contacted by the researchers as part of the survey of industry practices toward older workers. In addition, some officials agreed to discuss their company's practices and policies, but preferred not to be identified in any way. The list, then, does not represent a complete log of the project's activity.

Thanks is extended to all who cooperated in this research effort, on behalf of the authors, the Center on Work and Aging, and our Nation's older workers.

American Telephone & Telegraph Co.
Anderson Clayton Co.
Atlantic Richfield Co.
Atlas Power Co.
Bullocks Department Stores
Catalyst, Inc.
Commercial State Bank
Continental Illinois Bank & Trust Co.
Crouse-Hinds, Inc.
Dart Industries
Disney Productions
Dun & Bradstreet
Field-Schick Department Stores
Forty Plus of Washington
General Electric Co.
Grumman Aerospace Corp.
Harley Davidson Motors
Ideal Security Hardware Co.
Inland Steel Co.
International Business Machines Corp.
International Telephone & Telegraph Co.
Jewel Foods
KOPE, Inc.
Kuempel Chime Clock Works
Levi-Strauss, Inc.
Minnesota Abstract & Title Co.
Northrop Corp.
Paddock Corp.
Pitney Bowes, Inc.
Polaroid
Retirement Jobs, Inc.
R.H. Macy & Co.
Rite-Aid Drug Co.
Rockwell International Corp.,
   Collins Radio Division
Scoville, Inc.

Senior Personnel Employment Committee
Southwestern Life Insurance Co.
Tektronix, Inc.
Texas Refinery Co.
TRW, Inc.
Union Carbide Corp.
Utah International Co.
Zale Corp.