

*Older Workers (1952)*

**COMPANY PRACTICES  
REGARDING  
OLDER WORKERS  
and  
RETIREMENT**

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## INTRODUCTION

This study of retirement practices was undertaken to show what is being done by companies in the matter of policies and practices toward the older worker in industry. This is not a study of retirement plans alone since retirement with a pension is merely one part of the larger problem of the older worker in industry. It is the phase of the problem which has received the greatest attention since it results from a major decision and substantial single action by individual companies. Of equal, and perhaps even greater, importance are the decisions and practices resulting from day to day disposition of problems as they arise and which cumulatively tend to develop the policies of any company toward the over-all problem. Thus, the study, rather than being directed toward retirement systems, is concerned with the broader and perhaps more realistic observation of actual and total "Company Practices Regarding Older Workers and Retirement".

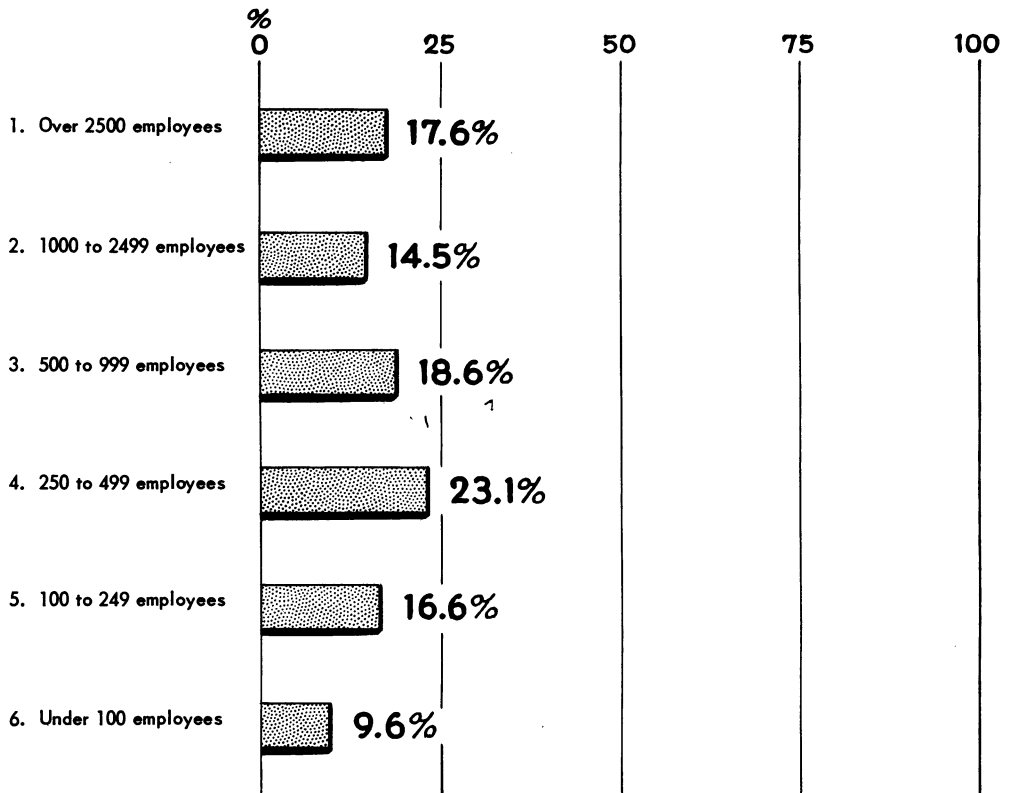
The 657 companies which cooperated in this study are located primarily in the heavily industrialized areas of the East and Middle West. Other industrial areas are also represented, although to a lesser extent. All major industrial classifications are represented, although the selection was made in such a way as to give added weight to the basic manufacturing industries. Compared with the size distribution of American industry as a whole, the sample also over-represents the larger companies to some extent. (See Chart I for the size distribution of this sample.)

The selection made in such a way as to give added weight to the larger companies, and to companies in the basic manufacturing industries, might be called a desirable bias. It is in this way that the greatest number of employees and the industrial relations practices which have the greatest impact upon the nation's working force are well represented.

The 657 companies cooperating in this study represent a total of approximately 2.5 million employees, of whom approximately 2.3 million are covered by retirement benefit plans. This high proportion of employees covered by pension and other types of retirement benefit plans is explained in part by the high percentage (60%) of cooperating companies reporting that they have a retirement plan in effect, and also by the fact that the 258 companies having no plan showed a strong tendency to be the smallest companies in the group. It may be assumed that companies without a retirement plan, and with less definite retirement practices, were less likely to participate in the study.

Bearing in mind that the companies in this study tend to be larger manufacturing concerns, it is hoped that the study which follows will

**Chart I      SIZE OF COMPANIES IN THE STUDY \***



\* percentages shown are based upon the 657 companies

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provide useful descriptive information and some insight into the nature of the various activities and how widespread these activities seem to be in U. S. industry.

Much emphasis has recently been directed toward the economic, social and psychological consequences of retirement. These consequences become the more important because of the fact that the older age groups constitute an increasingly large proportion of our total population. However, there are many questions regarding retirement which are as yet unanswered. One of the most pertinent in the light of present conditions is the question of the advisability of arbitrarily retiring all older persons from the work force at a certain predetermined age.

There are, basically, two aspects of economic cost involved in the practice of retirement. One is the cost of supporting the non-productive retired population by pension or other employee retirement programs, social security, and other forms of old age assistance, either public or private. Regardless of where the responsibility for the distribution of this support may be thought to reside, the cost of this support must come, ultimately, out of production itself. Obviously then, as a greater and greater proportion of the population falls into the age group of 65 and over, if these persons are to be retired into non-productive life, their support must demand an increasing share of production.

The other aspect of economic cost resulting from the practice of retirement is the effect upon total production of the retirement of this increasingly large number of older persons. Since the size of the younger age groups entering the work force is diminishing for several reasons, it becomes apparent that some solution may have to be found lest the nation's production suffer serious decrements. So not only is the financial support of retired persons an important consideration, but so, also, is the replacement of them in the work force. The latter, of course, becomes even more critical in a war emergency or other period of manpower shortage.

In addition to the over-all economic considerations, the psychological effect of premature retirement upon the individual may be such as to cast serious doubt upon some methods of determining retirement. Psychiatrists have repeatedly emphasized the severe emotional stress induced by a premature retirement, especially if there has not been adequate preparation for the change.

Even granting the importance of the problems outlined above, what steps can best be taken to avoid the consequences recognized? Within the structure which characterizes modern mass-production industry it

is not simply a matter of recognizing the problem. A man may be potentially productive, yet unable to perform the particular job he has been performing for years. Retention, in this case entails assignment to a different job for which the individual is known to be equipped. Where no job opportunity exists or can be developed within the employing company, then there still remains the alternative of productive employment elsewhere. Similarly, even though some persons maintain that compulsory retirement practices are economically wasteful and undesirable to the individual, the administrative problem of establishing a satisfactory system of flexible retirement yet remains. Although the transition to an unproductive life may be eased considerably by postponement of the retirement date to an age at which retirement is both desirable and necessary, or by the change to another occupation, some planning and preparation both for the transfer to different employment and the ultimate retirement are still necessary.

This study was undertaken to point out what is being done with respect to these and related problems. The study was designed to bring out the nature and currency of actual industrial practices which are related to the retention of older persons in productive work through reassignment and associated practices, through flexible determination of the retirement date, and through rehiring retired workers. Also of great interest are programs designed to prepare workers for retirement, and programs designed to keep retired workers integrated with the active work force.

In addition to bringing out the nature of predominant practices, it is hoped that the inquiry has uncovered some unusual activities that may well prove to be valuable pilot programs which will bear observation in the future. Since the study is cross-sectional in nature its utility for discovering trends toward specific types of practice is rather limited. However, by comparing the results of this survey with data on industrial pension practices of a few years ago, general inferences might be drawn. Important differences with respect to retirement practices might be seen to obtain under various industrial conditions -- these differences are important in indicating the areas in which certain types of programs are feasible and practicable.

## THE RETENTION OF OLDER WORKERS

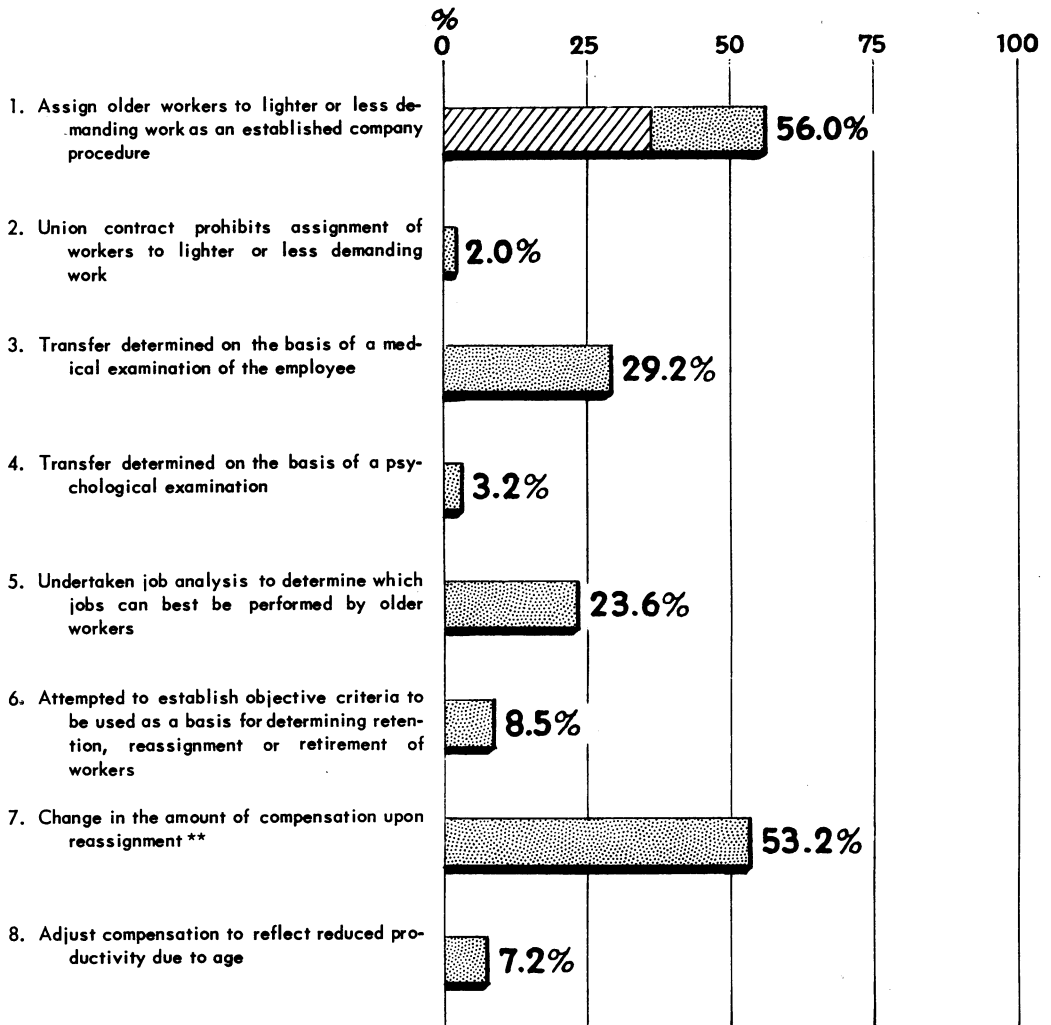
This section of the study is concerned with the retention and re-assignment of older workers, the basis upon which placement is determined, the possible obstacle created by the seniority clause of the union contract, changes in compensation upon reassignment, attempts to measure the efficiency of the older worker, and attempts to reduce compensation to reflect reduced productivity due to age.

Chart II shows that 56% of the 657 participating companies reassign their older workers to lighter or less demanding work as an established and somewhat frequent practice. In most cases the initiative for this action may come from either the employee or the employer. That is, the company may initiate and carry through the transfer, usually with the employee's previous knowledge and approval, or the employee himself may request that he be transferred, with appropriate action then taken by the company. The chart also shows that the reassignment of older workers is prohibited by the union contract in only 2.0% of the reporting companies. It may be well to recognize that ordinarily the seniority clause does not really preclude reassignment. The provision usually is to the effect that if the worker is lacking in the physical abilities requisite to a given job he may then be transferred to other, more suitable, work. In fact, a few of the companies in which the union contract plays an important role added that transfers are not prohibited by the union, but are subject to union approval. Of course, due to the complications which the union contract introduces, it may often be an impediment to the action of reassigning older workers. On the other hand, some of the union agreements expressly provide that older workers shall be given first consideration for such lighter work as is available.

As the chart shows, 29.2% of the companies use medical examinations of the employee as a basis upon which reassignment is determined. Psychological examinations are used as a basis for reassignment in 3.2% of the companies. These tests are usually administered in connection with the medical examinations.

Attempts to develop or adapt job analysis procedures to determine which jobs can best be performed by older workers have been undertaken in 23.6% of the reporting companies. In spite of these above attempts, however, only 8.5% of the companies reported that they have attempted to establish any objective criteria for approaching the basic problem of determining which workers should be retired, which should be retained at different or modified jobs, and which should be retained at the same job. Most of the companies in the 8.5% which reported steps in this direction

## Chart II RETENTION OF OLDER WORKERS \*



shows the portion of those companies which use reassignment as an established practice which also change the compensation of the worker upon reassignment

\* percentages shown are based upon the 657 companies

\*\* includes those companies which reassign older workers only occasionally



had concentrated their attention upon the medical factors alone rather than using these in connection with actual job performance.

Another important consideration in any given reassignment policy is that of changing the worker's compensation upon the transfer. Chart II shows that this is done in 52.3% of the total companies, many of whom reassign older workers only occasionally. Of those companies which reassign their older workers as an established practice, 65% change the rate of the worker's compensation. Perhaps this gives a better indication of the extent to which compensation is changed, showing that often (35% of those companies regularly reassigning) compensation is kept at its former level in spite of the frequency of such transfers. When compensation is changed, it is usually paid at the rate of the job currently being performed, regardless of the former level of compensation. There is some tendency for the compensation of salaried workers to remain constant through reassignment, while it is more likely for the compensation of hourly paid workers to be changed.

Further analysis revealed that to a limited extent, the reassignment of older workers is a more frequent practice among smaller companies than it is among large companies. In view of the tendency for small companies to retain their employees at work until more advanced ages, this result was not unexpected. It was also found that smaller companies are less likely to change the worker's compensation when he is transferred, and these companies make less use of objective methods as a basis for reassignment. The non-manufacturing group of industries (including: construction; banking, insurance and real estate; transportation, communication and public utilities; wholesale and retail trade; and the service industries) also make less use of reassignment.

In addition to reassignment, or rather in place of it, the suggestion has been made that compensation could simply be reduced to reflect reduced productivity due to age. As Chart II shows, only 7.4% of the companies report this as a current practice. Such a system is, of course, difficult to institute in situations where individual productivity is difficult to measure.

The question has often been raised as to whether reassignment, and the effective utilization of the productive capacities of older workers, is in effect limited by the existence of a retirement benefit plan. In this study, the reassignment of older workers is not affected by whether or not the company has a retirement plan in effect. Even in those companies with compulsory retirement provisions, the frequency of reassignment practices drops only slightly.

## DISCUSSION

One alternative to the practice of retiring a worker whose job has become too strenuous in his later years is simply that of assigning him to lighter or less demanding work for which he is suited. In a truly skilled craft occupation the accumulation of knowledge and experience over a long period of service affords a valuable asset to both the employee and his employer. However, in those industries which utilize modern mass-production techniques this is not necessarily nor usually the case. Indeed, long service may, through losses in physical stamina associated with aging, prove to be a serious handicap in actual job performance. Moreover, in many modern industries there may be little lighter work available to which the older worker might be assigned.

The practice of reassigning older workers, especially in modern mass-production industry, seems to require more objective knowledge about the physical and psychological demands of each job and the corresponding abilities of the older worker. Job analysis and other rather definite techniques, when applied directly to the rather special case of the older worker, can aid substantially in making the final decision as to the proper placement of older persons. These techniques, when used in conjunction with objective medical and psychological measures of the capacities of the older worker could do much toward removing the guesswork from reassignment, and might also remove much of the doubt concerning the abilities and the value of the older person in industry.

Although many companies in this study have taken important steps in this direction, relatively few have approached the more basic problem of establishing objective criteria for determining which workers should be retained at their same jobs, which assigned to other productive work and which should be retired. In addition to attempts at refining medical and psychological tests and establishing standards for various jobs, measurements of output, attendance, promptness, morale, and errors, spoilage and complaints in relation to age might lead, ultimately, to the development of more definite and more economical methods of initiating and determining retirement and reassignment.

A problem which is attendant upon the practice of reassignment, especially if the worker's compensation is changed, is that of "downgrading" as it affects the worker's social status. The experience of the companies in this study with respect to this problem was not investigated. An industrial relations executive has suggested that perhaps this problem may well resolve itself when workers come to expect reassignment as a right and natural event in any man's work career.

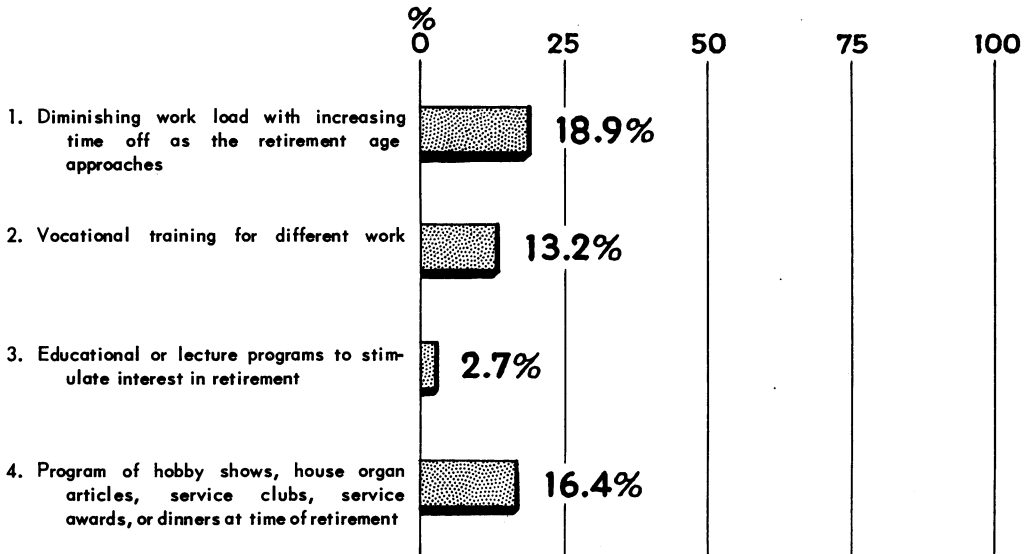
As difficult as the administrative task of selection and placement might appear to be, in view of the success of personnel methods in the original hiring and placement of workers, it would seem that similar methods could be applied with equal success to the placement and retirement problem of the older workers.

## THE PREPARATION OF WORKERS FOR RETIREMENT

There has been much interest recently in different types of programs which have as their ultimate objective facilitating the transition of workers to retirement. Through the various media of employee communication the company may aid and stimulate the employee to plan for his retirement. This study investigated the extent to which companies utilize various methods of communicating ideas about retirement and the use of other methods which may aid in making the transition.

Chart III shows that 18.9% of the companies have some program for diminishing the work load of the employee as the retirement age approaches. One of these companies, a concern of slightly over 600 employees, reported a very good instance of such a program. The practice of this company is to grant shorter daily and weekly working hours at full (40 hours) pay, and to provide 12 weeks paid vacation for its older workers of long service.

**Chart III                      PREPARATION FOR RETIREMENT \***



\* percentages shown are based upon the 657 companies

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While it is not to be supposed that all companies would find such a program practicable or desirable, the illustration may serve to show what form such a program might take, provided the circumstances warrant it. Some companies simply extend the vacation time each year toward the end of a worker's career, thus giving him more opportunity to become accustomed to increased leisure time. This sort of program also adapts itself readily to those industries, such as wholesale and retail trade and the food industry, which are subject to seasonal or other variation in business volume.

Chart III also shows that 13.2% of the companies have vocational training opportunities available to older workers. Such opportunities not only facilitate reassignment, but may also provide a basis for developing abilities which will be of use as a constructive pursuit, possibly as part-time employment, after retirement. Vocational training opportunities might also help to reduce the possible loss in compensation upon reassignment which might occur if a highly paid worker were transferred to a routine task which requires no training whatever.

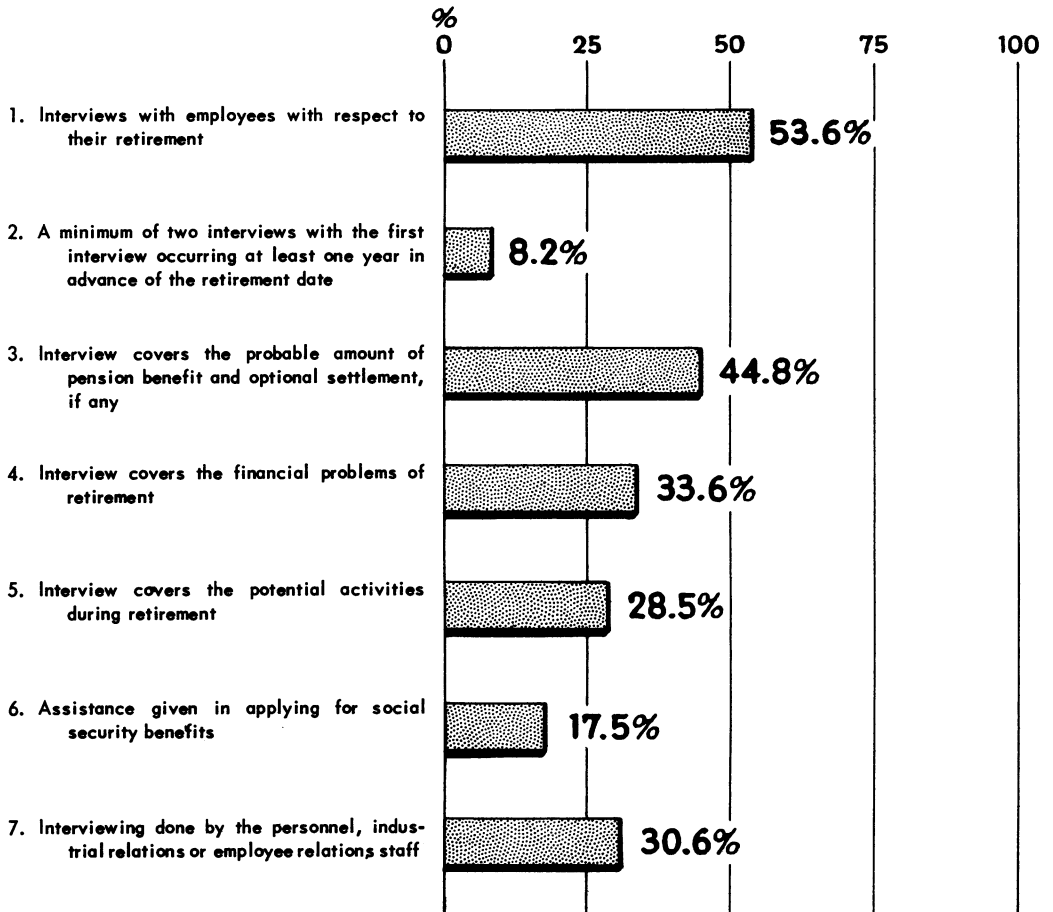
The chart also shows that 2.7% of the companies use educational or lecture programs to communicate ideas about retirement and to stimulate planning for it. Programs of articles on retirement in the house organ, hobby shows, service clubs and awards, or dinners at the time of retirement are in effect in 16.4% of the companies. These programs all tend to be more widely used in the larger companies.

Chart IV shows that 56.3% of the companies have a program of pre-retirement counseling for preparing workers for retirement. This rather large percentage shows a general awareness of the problem, but it tells us little about the extent to which these companies attempt to deal with the problem. The second bar of the chart shows that only 8.2% of the total companies have a counseling program which has at least two interviews for each employee, with the first interview taking place at least one year in advance of the expected retirement date. However, several companies within the 8.2% exceed the arbitrary criterion by far. One small company uses a series of four interviews which begin two years before the probable retirement date with subsequent interviews at 1-1/2 years, 6 months and 3 months before retirement. The fact that retirement age is flexible and is determined largely by the employee's wishes does not seem to prevent a well-planned counseling program in this company.

Two large companies in the food industry both have exemplary pre-retirement counseling programs, one using group meetings, and the other the individual type of interview. The company using the group meeting approach decided upon this because they found that older persons

## Chart IV

## PRE-RETIREMENT COUNSELING \*



\* percentages shown are based upon the 657 companies

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were more prone to speak out concerning the subject of retirement when they found that the problems which they faced were typical of the entire group. The subjects usually covered in these meetings range from mental adjustment to retirement through hobbies, medical care, company pension plan and social security benefits, to the company's medical facilities and employee's store (which are available to retired employees). The use of the group meeting permits various experts (medical, social security, etc.) to be called in to give advice on specific questions. These meetings are so arranged that half of the meeting is on the employee's time and half on the company's time, thus helping to impart the idea that both parties have a stake in the results. Employee response has been so encouraging that the company intends to extend the period of the meetings to begin five years before retirement.

The other company begins its program of periodic individual interviews five years before retirement. The topics covered begin with the worker's present job and whether he finds it overtaxing and would like a different assignment or shorter hours. In subsequent interviews an attempt is made to assist the employee in planning his budget, his tax and insurance problems, explaining his status and entitlements under various company benefit plans, social security, and the like. An attempt is also made to cultivate the employee's interest in leisure activities. If the employee manifests an interest in pursuing any appropriate abilities or interests as a part-time vocation after retirement, the company assists in making the necessary contacts. The company tries to encourage and aid in the placement of workers who have the interests and abilities to do civic welfare or educational work.

In addition to the above, the interviews are supplemented by informal conversations which may well occur "on the job". The company also distributes a series of booklets to these employees on the use of one's time and resources during retirement.

Chart IV also shows the percentage of the total companies which give attention to various subjects in their pre-retirement counseling. In 44.8% of the total companies the interview covers the probable amount of pension benefit and optional settlements, if any, and 33.6% have interviews in which the more general topic of finances during retirement is discussed. Also discussed in 28.5% of the companies is the subject of potential activities during retirement; usually the emphasis here is on hobbies and leisure activities, but sometime includes a discussion of the possibility of part-time or seasonal employment as a source of supplementary income.

A few companies also give some attention to the possible changes in family life, family activities, and family living arrangements which may follow upon retirement.

Also, 17.5% of the companies give assistance to the employee in making application for social security benefits, and also give an explanation of his eligibility for these and other public benefits. In 30.6% of the companies the interviewing is done by a member of the industrial relations, employee relations, or personnel department staff.

These counseling programs tend to be more frequent and more comprehensive in the larger companies. A somewhat better treatment of counseling is given in the non-manufacturing industries than is true of the manufacturing group. As might be expected, pre-retirement counseling programs are very definitely associated with retirement benefit plans. Of those companies with retirement plans, 14% have counseling programs of the extended type suggested above, while of those companies without a retirement plan less than 1% have such a program.

#### DISCUSSION

We have seen that many companies make considerable use of various methods in aiding employees in planning for retirement. Pre-retirement counseling especially is widely used. In these counseling programs, however, seldom do the interviews begin early and occur frequently enough to hope that the objectives of the program are being realized. It should be recognized that a counseling program, if it is to accomplish the objective of facilitating the transition of a previously productive worker into a way of life to which he is unaccustomed, must be of a scope equal to the task. The arbitrary criterion of two interviews beginning at least one year in advance of retirement was employed merely to test the extensiveness of some of these programs.

Much attention is given in these interviews to the financial problems of retirement and to the development of hobbies and other potential leisure activities. There is, however, relatively little effort made to stress the possible economic function of these activities. Of course, some companies do make a definite effort to assist their retiring employees in attempting to find some suitable employment after retirement. Such efforts would seem to warrant emphasis, and perhaps the mere fact of being usefully employed, even if only on a part-time basis, perhaps in civic or educational work, can contribute substantially to the individual's feeling of security.



It seems that the work function becomes so important to most persons, especially those in the more skilled occupations, that abrupt and total suspension of employment is likely to leave an unhealthy void. If preparation for filling this void has not been adequate, sometimes the reaction is one of "emotional shock" and the individual has difficulty in adjusting to retirement. This leads one to construe one of the problems of the transition as more than simply occupying oneself with some leisure activity, and to see the value of emphasizing the constructive and useful side of such activities. Certainly, the long range economic result of developing the constructive, or productive, possibilities of this group could be a very important objective of preparation for retirement. The emphasis, then, is placed upon retiring to another, more appropriate, form of productive occupation, rather than retiring suddenly to a life of ease. Approached in this way, the psychological problems might tend to resolve themselves.

There is yet an important question which was not illustrated in the report: "Should the interviewer necessarily be a trained counselor with emphasis upon the problems of later maturity?" It is obviously desirable that he should have sufficient acquaintance with the problems of old age, but it would seem that other considerations should be prior to that of formal training. While it may be well for us to recognize the nature of some of the important psychological changes which may, and frequently do, occur following retirement, objections may be raised about over-emphasizing these mental or psychological adjustment problems in the actual counseling. While most people stand to benefit greatly from counseling, some do their own planning and do not need counseling assistance. For still another group, although a very small one, too much attention to some of these problems may, instead of leading to constructive planning, produce anxieties about them. Certainly, any program of pre-retirement counseling should avoid this latter possibility. It would seem, therefore, that common sense and discretion, together with personal acceptability to the employees, should be prior considerations to that of formal training.

## POLICIES WITH RESPECT TO RETIRED WORKERS

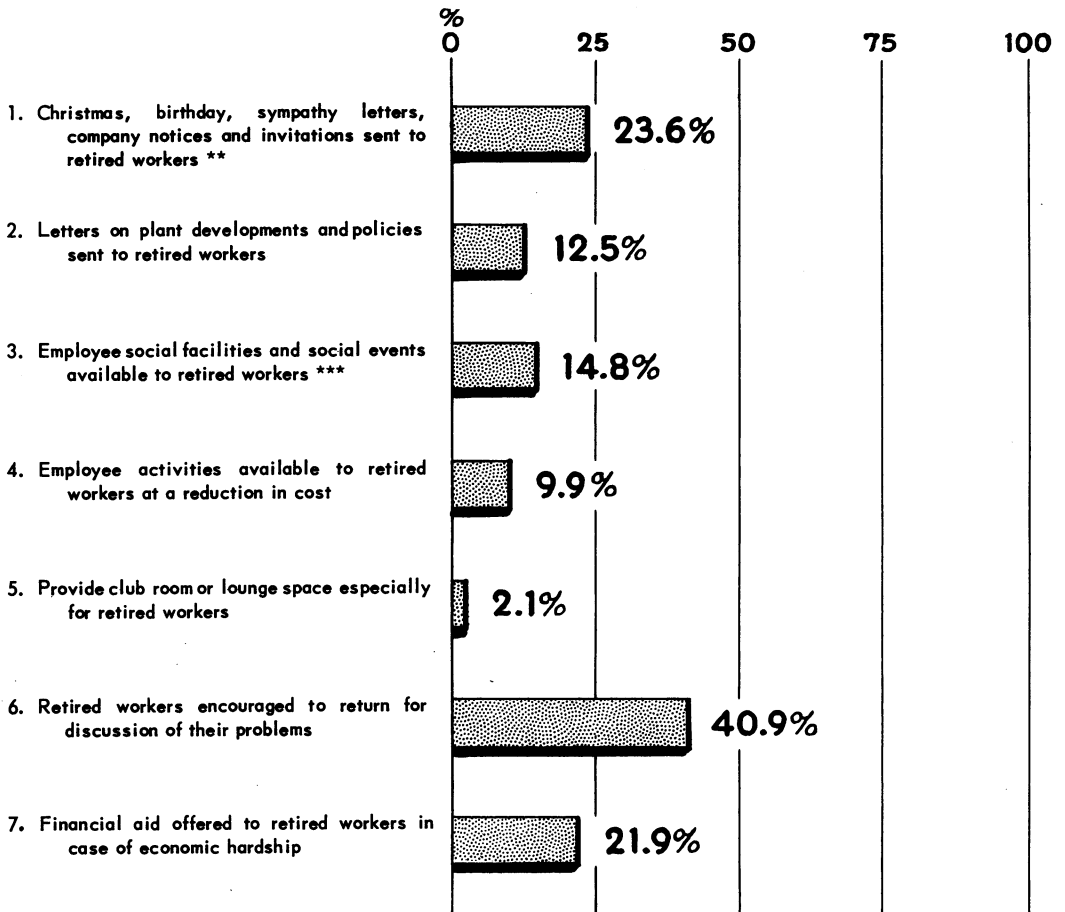
Many, but not all, companies attempt to maintain contact with their retired workers by sending letters and company publications to them, and by inviting them to participate in employee social events and employee clubs. This study investigated some of the ways in which companies maintain such contact, and also investigated policies such as continuing the benefits under company insurance plans to retired workers.

Chart V shows that 23.6% of the companies make a definite attempt to communicate with their retired employees through some program of sending Christmas, birthday, sympathy or congratulatory letters, invitations to company picnics or other employee social events, and company publications or employee notices. Only 12.5% send letters or notices regarding changes in company policy or developments in the plant. Some companies within this group send such notices only when the change directly affects the retired worker.

Almost 15% of the companies permit or encourage retired workers to make use of employee recreational facilities or club rooms at the plant and to participate in employee clubs. Some of these companies also hold annual social gatherings especially for retired workers. In most cases these employee clubs and social events are available to retired workers at a reduction in cost. In 2.1% of the total number of companies club or lounge rooms are provided especially for the use of retired workers who are visiting the plant.

In most pre-retirement counseling programs workers are encouraged to return and discuss any problems that may arise after the retirement date. Chart V shows that such encouragement is given in almost 41% of the companies studied. Sometimes a definite appointment may be scheduled for an interview six months or a year after retirement, regardless of whether any difficulties have arisen or not. Sometimes this contact is effected by a house call by a member of the personnel department staff, but more often it is in the form of a visit to the plant by the retired worker - frequently in connection with a medical examination by the plant doctor.

In the event that the retired worker encounters unusual economic hardship 21.9% of the companies provide financial assistance beyond the usual pension or other benefit payment, if any such benefit plan is in effect. It might be expected that this type of emergency aid would be used primarily by those companies which do not have a retirement plan, but this is definitely not the case. In fact the reverse is true; of the

**Chart V****CONTACT WITH RETIRED WORKERS \***

\* percentages shown are based upon the 657 companies

\*\* This category shows the percentage of companies which have a program of sending out to retired workers Christmas, birthday, sympathy and congratulatory letters, company publications, employee notices and invitations to employee and company social affairs.

\*\*\* This category shows the percentage of companies which permit retired workers to take part in employee clubs, attend company picnics and dinners, use plant club rooms or cafeteria, and those companies holding get-togethers especially for retired workers.

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companies with retirement benefit plans 28% also offer emergency aid, while this is true of only 13% of the companies without a retirement benefit plan.

Another important part of policy toward retired workers is that of the continuation of benefits under company group insurance plans. Benefits may be discontinued entirely upon retirement, or may be available to the retiring worker only at full cost on an individual basis. On the other hand, benefits may be continued in full or in reduced amounts. The cost of maintaining these benefits may be borne entirely by the company, or by a partial payment by the employee (the same as his share of the cost while an active worker), or the employee's share of the cost may be increased somewhat.

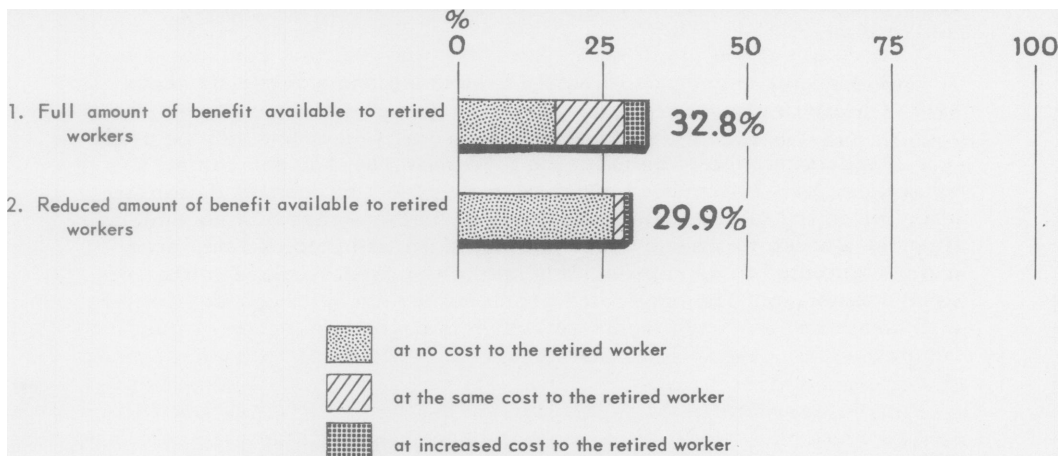
Of the 657 companies in the study, 475 reported that they have group life insurance plans in effect for their active employees. Of these policies 62.7% are continued in either full or reduced amounts of benefit for retired workers. Chart VI shows that 32.8% of these plans are continued in the full amount; usually this is at no cost to the employee or at the same cost to the employee - seldom is the cost increased. An additional 29.9% of the plans are continued with the amount of benefit reduced at retirement; usually this reduced benefit is at no cost to the employee, as the chart shows.

Group health insurance plans (including hospitalization, surgical and medical benefits) were found to be in effect in 476 of the companies studied. In only 18.5% of the 476 cases either full or reduced benefits are available to retired workers. Chart VIa. shows that only 15.2% of these policies are continued in full amount of benefits, with 3.3% continued in reduced amounts. It can be noted that even when these policies are continued there is less tendency for the company to defray the entire cost than is the case with the group life insurance plans.

## DISCUSSION

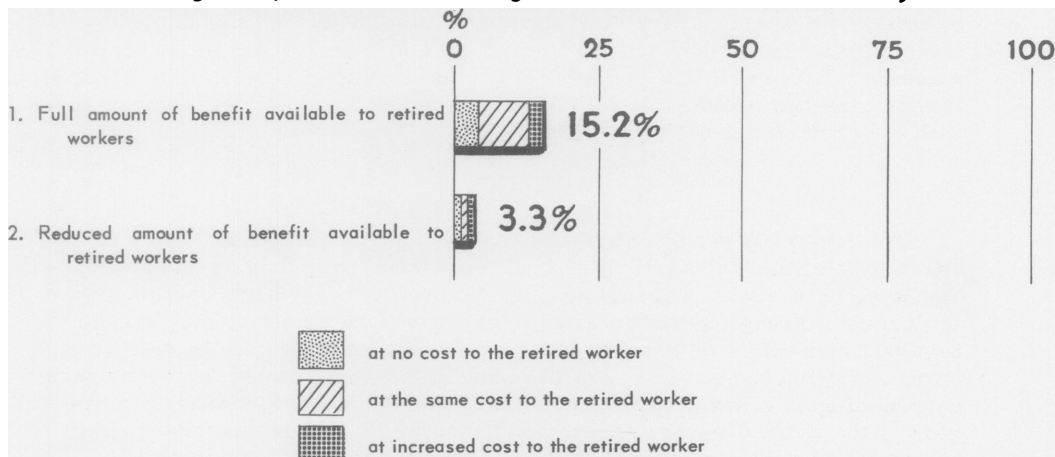
The foregoing results show that many employers make a definite effort to facilitate the participation of retired workers in company and employee activities. Although it is possible that frequently these programs are carried through without a definite objective, there are a few possible results which might be brought about by such a program. Such contacts might aid considerably in easing the transition to retirement for the worker. By reducing or eliminating any potential hostility that might develop on the part of the retired worker, these programs might be considered to serve an important public relations function. This function is particularly

## Chart VI CONTINUATION OF LIFE INSURANCE BENEFITS\*



\* percentages shown are based upon the 475 plans in effect for active workers

## Chart VIa CONTINUATION OF HEALTH INSURANCE BENEFITS\*\* (including hospitalization, surgical and medical benefits)



\*\* percentages shown are based upon the 476 plans in effect for active workers

important to the company which is located in a smaller community, and which depends primarily upon that community for its labor supply.

There are some employers, however, who feel that contacts with retired workers are not necessarily desirable, and are perhaps best kept at a minimum.

The continuation of benefits for retired workers under company insurance plans is a matter which we may expect to receive increasing attention in the future. Since the costs of medical care often become a financial burden to the older person with a limited income, this area has been pointed to as representing one of the greatest needs of the retired population. The particular problems involved, of course, require a separate and thorough treatment which is beyond the scope of this report.

## COMPANY RETIREMENT PROGRAMS

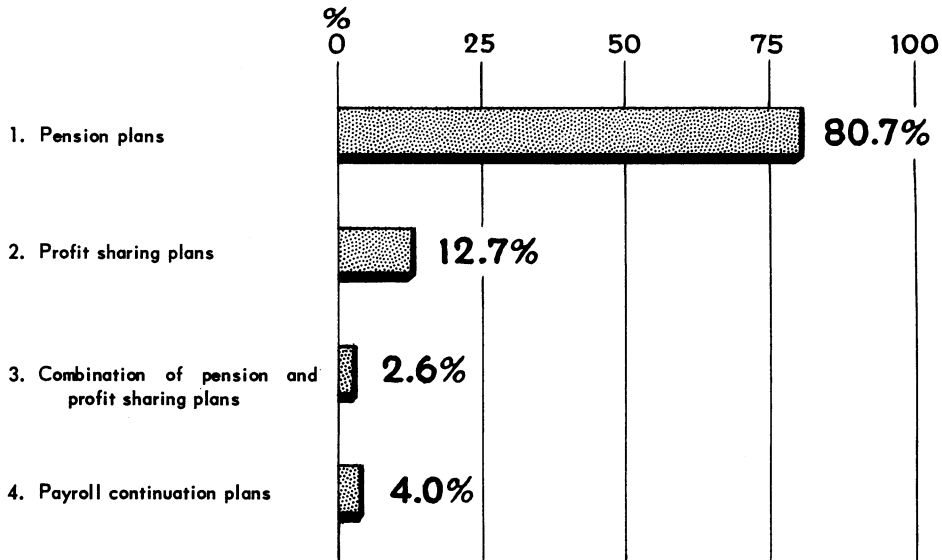
Of the 657 companies studied, 399 (60.7%) have some type of retirement benefit plan in operation. However, since some companies have more than one plan in effect, there is a total of 496 plans included in the study.

As can be readily seen from Chart VII, the pension type of retirement benefit plan is by far the most common of the 496 plans in the study. Profit sharing plans comprise 12.7% of the total, and combinations of both pension and profit sharing features add another 2.6%. The remaining 4% of the plans are of the payroll continuation type, in which there is no advance funding of the benefit payments. The payments to retired workers under this type of plan are charged as current operating costs. An analysis of these plans by the size of the company reveals that retirement plans as a whole are more widely used by the larger companies. The larger companies also show a wider use of the pension type of plan, and the smaller companies show a correspondingly wider use of profit sharing plans.

Some of these plans apply only to certain occupational groups within the company, and where there are two plans in effect they frequently apply to different occupational groups. Following are the occupational groups to which the given percentages of the total plans apply: all employees, 45%; salaried employees, 27%; hourly workers, 12%; both salaried and hourly, 11%; executives, 4%; others, 1%.

Frequently some criteria of age or service are imposed which the employee must meet in order to be eligible. For example, 32% of the plans stipulated that the employee must have been with the company a minimum length of time in order to be eligible for the funding period under a true pension plan. Of the 159 plans (32%) with such a service requirement, in 19 of these plans the service required is only one year, in 19 cases the requirement is two years, in 41 cases three years, in 2 cases four years, in 71 cases five years, and 7 plans require more than five years of service.

A minimum age requirement may be used in the same way as the minimum service requirement. That is, employees must have reached a certain age in order to be eligible for the funding period. This requirement is used in only 16% of the 496 plans. Of these 78 plans (16%) in 22 cases the age used is 25 or under, in 41 cases the age is 30, and in the remaining 15 cases the employee must be 35 or over.

**Chart VII****RETIREMENT BENEFIT PLANS \***

\* percentages shown are based upon the 496 plans in the study

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Sometimes a plan provides that workers who are initially hired after they have attained a certain age shall not be eligible to participate in the plan. Of the 496 plans, 139 (28%) report such a maximum hiring age. In 6 plans the maximum age used is 40, in 15 plans the age is 45, in 37 plans the age is 50, in 35 plans the age is 55, and in the remaining 46 cases the maximum hiring age is 60 or 65. Of course, exclusion from the plan does not necessarily mean that the company will not hire new employees who are over the age stipulated in the plan.

Sometimes these requirements are different for female employees. In this study one company reported a higher minimum age requirement for women than that in effect for men, and three companies reported a lower maximum hiring age for women.



Of the 496 plans, 140 (28%) require employee contributions. The contributory feature does not vary according to the size of the company, but it is used more frequently in non-manufacturing than in manufacturing industries. Plans which apply to salaried or executive personnel are more likely to be of the contributory type.

Although age is the criterion used by the actual terms of pension systems, the age of actual retirement can and does vary in the operation of most systems. In this study "compulsory retirement" refers to a fixed and final retirement age beyond which no employee is permitted to continue to work. In many cases so-called compulsory retirement age is not finally compulsory, since often such provisions permit the continued employment of certain workers at the request of the company. The term "automatic retirement" has been more recently established as that age at which an employee must retire unless he is requested to continue at work by the company. The term "normal retirement age" is the age at or after which an employee may be retired by the company, or may retire at his own option, receiving full benefits upon retirement.

For example, a pension plan may provide the full benefit at the "normal retirement age" of 65. At this age the employee may retire at his own option, or he may be retired at the discretion of the company. If, however, the plan also provides for compulsory retirement at age 65, then the employee must retire upon reaching this age. The compulsory retirement provision may not operate until a more advanced age. In this case the employee would attain the normal retirement age of 65 but he could be permitted to continue to work until the compulsory retirement age - say 68 or 70.

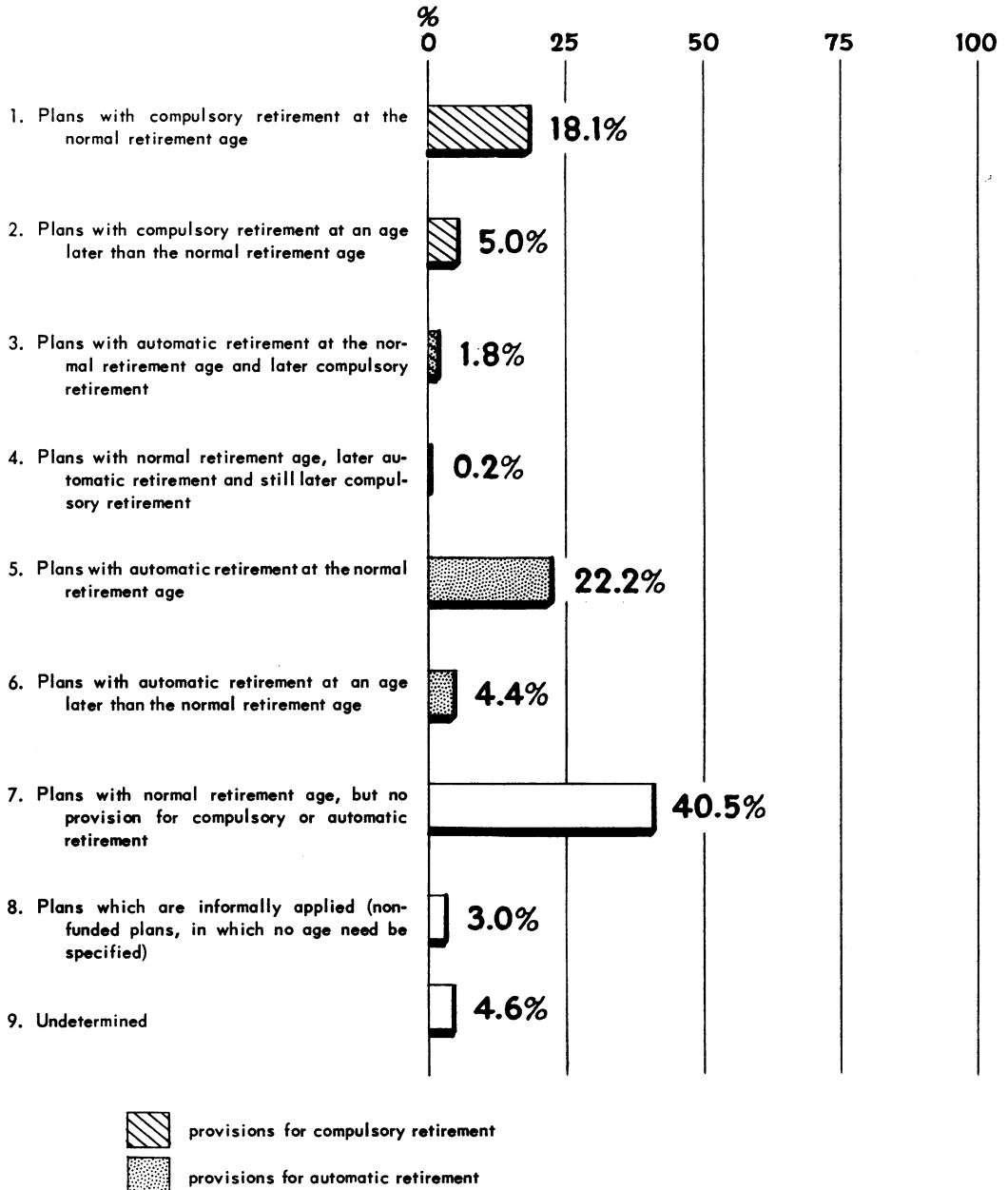
The three concepts may be used in combination and a single plan may employ all three. For example, a given plan may have a normal retirement age of 65, automatic retirement at 68, and compulsory retirement at age 70.

"Early retirement age" is the age after which an employee can retire or be retired with reduced benefits prior to the age at which he could retire with full benefits. Thus, with an early retirement provision and a later normal retirement age without compulsory retirement, considerable flexibility results in the determination of the actual time of retirement.

The first bar of Chart VIII shows that, of the 496 plans, 18.1% (or 90 plans) provide for compulsory retirement upon reaching the age at which the full benefit is available. In one of these plans the compulsory retirement age is 60, in 79 plans the age is 65, in one plan the age is 67, in 6 plans the age is 68, and in the remaining 3 plans the compulsory age used is 70.

## Chart VIII

## DETERMINATION OF RETIREMENT AGE \*



\* percentages shown are based upon the 496 plans in the study

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The second bar of Chart VIII shows that 5% (25 plans) of the total provide for compulsory retirement, but in this case at an age later than the normal retirement age. In five of these 25 plans the compulsory age used is 65, in 13 plans the age is 68, in one plan the age is 69, and in 6 plans the compulsory age is 70. The normal retirement age is age 60 in six of these plans, and age 65 in the other 19.

The third bar of Chart VIII shows that 1.8% (9 plans) provide for automatic retirement at the age at which the full benefit is available, with compulsory retirement at a still later age. The automatic retirement age used in these plans is 65 in eight of the cases and 68 in the other one. The compulsory retirement age used is 68 in three cases, age 70 in five cases, and age 75 in the remaining plan.

The fourth bar of Chart VIII shows only one plan (0.2% of the total) which utilizes all three concepts applied at different ages. This plan provides for normal retirement at age 60, automatic retirement at age 65, and compulsory retirement at age 70.

The fifth bar of Chart VIII shows that 22.2% (110 plans) provide for automatic retirement at the age at which the full benefit is payable. One of these plans provides for such automatic retirement at age 61, one at age 63, 103 at age 65, and five at age 68.

The sixth bar of the chart shows that 4.4% (22 plans) provide for a normal retirement age with a provision for automatic retirement at a later age. Six of these plans use a normal retirement age of 60 and an automatic retirement age of 65. The remaining 16 plans all use the normal retirement age of 65, with automatic retirement at age 68 in five plans, at age 70 in ten plans, and at age 75 in the one remaining plan.

The seventh bar of the chart shows that 40.5% of the plans have no provision for compulsory or automatic retirement. The normal retirement age, at or after which the full benefit is available, in this group of plans is as follows: 12 plans use the normal retirement age of 60, 185 use the age of 65, 3 use age 68, and one uses age 70.

If we treat all of the 125 plans which have a compulsory feature together (bars 1 - 4 of Chart VIII) we find that the compulsory retirement ages used are as follows:

<u>Age</u>	<u>Number of Plans</u>
60	1 *
65	84
67	1
68	22
69	1
70	14
75	2
	<u>125</u>

\* applies only to flight personnel of a commercial airline.

If we summarize the age used under the automatic provisions (bars 3 - 6 of Chart VIII) in similar fashion we find the following distribution:

<u>Age</u>	<u>Number of Plans</u>
61	1
63	1
65	118
68	11
70	10
75	1
	<u>142</u>

Thus, compulsory retirement is provided for in 125 (25.2% of the total) plans, and automatic retirement is required in 142 (28.6% of the total) plans. Since there is some overlap of these provisions (bars 3 and 4 of Chart VIII), we find that a total of 257 (51.8% of the total) plans require either compulsory or automatic retirement or both. By the terms of over half of the plans, then, a worker can be made to retire by the company, with no formal basis for considering an appeal by the worker to remain on the job. The age at which retirement is so determined by compulsory or automatic retirement provisions is as follows:

<u>Age</u>	<u>Number of Plans</u>
60	1
61	1
63	1
65	193
67	1
68	32
69	1
70	25
75	2
	<u>257</u>

The treatment accorded to retirement plans in this study is acknowledged to be rather complex. What this serves to show, however, is that retirement practices are not a simple matter of either compulsory retirement or flexible retirement. We have seen that a number of combinations of these provisions are actually in use, and in addition, there is considerable variation in the actual age at which these provisions are effective. While 25.2% of the plans in the study have a provision for compulsory retirement, only 17.1% (85 plans) are compulsory at the age of 65 or below. However, 39.5% of all plans provide for either compulsory or automatic retirement at age 65 or below.

The compulsory retirement plans are used more widely by the larger companies, thus affecting a greater number of employees than the percentages given would indicate. Compulsory retirement provisions are significantly more common in the non-manufacturing industries, such as insurance, banking and finance, and communication, transportation and public utilities, than in the manufacturing industries.

In those plans with no compulsory retirement, actual retirements may be quite flexible and largely determined upon the abilities and desires of the individual worker. There was an attempt made to gain some notion of how this determination is made under those plans which have no provision for compulsory or automatic retirement. Asked to check the factor or factors which influence this decision, the most commonly noted factor was that of the employee's request to remain at work. The opinion of an officer or executives of the company was noted in only about 1/3 of the cases, and committees to consider the individual cases ranked third in importance. Usually these factors are used in combination, with the employee's request and the opinion of a company executive the most frequent pattern. In some cases three, or even all four, of these factors may play a role in making the decision. One typical pattern involves the following steps: application to remain at work by the employee, consideration of this request and the relevant medical or other information by a committee resulting in a recommendation which is then acted upon by an appropriate officer of the company. Sometimes the foreman is important in initiating such action.

While this study shows a great number of plans in which there is no fixed age of retirement, there is little real evidence of any formal and systematic basis for making the actual retirement determination under the flexible type of plan.

Provisions for early retirement at a reduced benefit prior to the age at which full benefits are available are included in 52% of all the plans. These early retirement provisions are more frequent under the plans which require compulsory retirement, and least frequent under those plans which have no provision for either compulsory or automatic retirement. Also, when the retirement age is high, it is more likely that there will be a provision for early retirement. Usually the early retirement provision is effective either five or ten years in advance of the age at which the full benefit is available. Occasionally, however, early retirement may occur at any time, with benefits reduced according to the length of service.

Retirement due to disability is provided for in 59.3% of the plans. Of the 294 plans providing for disability retirement, 16% provide that this benefit will be payable at any time the disability is incurred - regardless of age or length of service. Another 12% stipulate that an age requirement must be satisfied. This age ranges from 35 to 60 but most often the age used is 55. An additional 47% of these plans require that the disabled person must have fulfilled a stipulated minimum service requirement. This service requirement ranges from five years in some plans to 25 years in others, with 15 years used most commonly. The remaining 25% of the disability provisions use both age and service requirements; typically, 15 years of service and 55 years of age.

## DISCUSSION

Although only 25% of the plans in this study contain a provision for compulsory retirement, the effect of these provisions upon the work force is more significant than this figure alone might indicate. Of the approximately 2.3 million employees in this study who are covered by retirement benefit plans, almost half are covered by compulsory retirement plans. This is due, of course, to the prevalence of compulsory retirement plans in the larger companies.

Of course, those companies which have compulsory retirement provisions in effect do not do so without reason. Some employers claim that in the absence of adequate standards for determining the so-called "functional age" it is best to treat all workers alike on the basis of chronological age. Other employers feel that the retirement of older workers at a fixed age is important to the morale of the younger employees by adding to their opportunities for advancement. Some employers state, also, that knowing the exact retirement age well in advance facilitates developing a sound program of preparation for retirement. In this study those companies which have compulsory retirement provisions do in fact tend to have more extensive pre-retirement counseling programs.

It may be remembered, however, that both compulsory retirement and pre-retirement counseling programs are used most widely by large companies. When the size of the companies is held constant, there is no longer a strong tendency for pre-retirement counseling programs to be associated with compulsory retirement plans.

Some employers who favor a flexible basis for the determination of the retirement age point out that most workers do not wish to retire when they reach age 65, and if they are healthy as well as willing, there is little to be gained by forcing them to retire. Many of these employers state that their work force over age 65 is the most capable and dependable portion of their entire labor force.

The strict adherence to the principle of compulsory retirement allows no variation to accomodate differences in individual capacities and attitudes. It, of course, precludes the possibility of preserving the productive potentialities of workers who might otherwise profitably to themselves, their employers and the general economy, continue in the work force in their accustomed employment.

## REHIRING RETIRED WORKERS

Many persons are known to seek other employment either part-time or full-time after retiring from their regular jobs. We have seen in a previous section that some companies, in their pre-retirement counseling programs, help the individual to plan for this eventuality by encouraging civic welfare work, creative hobbies, and other pursuits which can be pursued as full or part-time employment. Often retired employees seek and find regular productive employment, sometimes even returning to their former employer for such work.

Twenty four percent of the companies in this study reported that their retired employees seek work elsewhere after retirement, and 11% stated that they help retired employees to find such suitable work.

Twelve percent of the companies report that often their retired workers return to the Company asking to be re-employed.

Twenty percent of the companies report that they rehire their retired workers for several reasons. Usually the reason given for rehiring was that of labor shortage, but rush seasons were often noted as well. The practice of rehiring retired workers is more common in the larger companies, especially those in the food industry and in wholesale and retail trade, both of which are strongly affected by seasonal variations in employment. The greatest difference was noted when it was found that 30% of the companies with compulsory retirement plans rehire their workers upon occasion, while this is true of only 15% of the companies with flexible retirement plans.

Of the companies which rehire their retired workers, 50% state that the employee continues to receive his retirement benefit while back on the job, and 20% state that the employee will earn additional benefits through his re-employment. Fifty two (7.9%) companies report that they contemplate rehiring retired workers in the present manpower emergency.

Fifty seven (8.7%) of the companies reported that they had made some study of the factors which influence those workers eligible to retire who continue at work (such factors as job performance, financial circumstances, reluctance to stop work, inadequate replacement, attitude of other employees, or stringent labor market). Several of these companies added that they had found reluctance to stop work to be the most important factor.



## DISCUSSION

It may be thought that the mere fact of rehiring a retired worker in itself demonstrates that the worker might well have been retained at his job instead of being retired. While this may well be true in many cases, in others seasonal or other temporary employment seems to be a reasonably sound practice. Since rehiring is most common in the seasonal industries and in half of the cases the employee receives his pension while back on the job, this practice may be viewed in part as a means of meeting a temporary labor shortage and at the same time supplementing the income of the retired worker. In such cases, it is possible that the retired worker either is not suited for full-time employment, or is not desirous of it. The greater frequency of rehiring practices in companies with compulsory retirement plans, may, however, be an indication that when retirement is determined in this way, valuable production workers are needlessly retired.

## SUMMARY

It is difficult to evaluate or even to summarize the general nature of retirement practices even for this group of companies. The field of retirement practices subsumes such a variety and diversity of activities that a summary statement is hardly possible. Perhaps then, the most significant contribution of this study is the attention it draws to some of the unanswered questions regarding older workers and retirement.

Apparently it is sometimes felt that provision of a pension which enables older employees to retire is a sufficient answer to the problem of the older worker in industry. In view of the emphasis which has been placed upon retirement plans as providing at least a partial solution, it is pertinent to ask whether or not workers actually retire under these plans.

In a sub-sample of companies in which there was no provision for compulsory or automatic retirement, an effort was made to ascertain how many workers usually stayed on beyond the retirement age. Even though in all cases the employee had become eligible for maximum benefits, it was found that 68% of those eligible to retire were still on the job one year after reaching eligibility. In many companies 50% were still at work five years or more after becoming eligible to retire. In all cases the employee could have retired at full benefits or he could have been retired at the option of the company. It would seem, then, that the continuance of workers beyond the retirement age is a mutually satisfactory arrangement, and that the existence of a retirement plan does not mean that retirements actually occur when benefits are available. The continuation of as many as 68% of those eligible to retire also means a great deal in terms of productivity, especially to the company with many employees in the older age groups.

We may well ask ourselves what the effect upon production would be if all persons over 65 were to be arbitrarily retired from the work force. If, on the other hand, these persons are to be kept in gainful employment, what are the best areas of opportunity for such employment? Certainly the obvious and most immediate area is that of the previously employing industry. But, as we have noted previously, such opportunities do not always exist, especially if the older worker is limited in his abilities. Potentially, there may be other areas of employment, outside of the industry in which the individual was previously employed.

The question of the time of retirement has produced an issue on which there has been less consensus in recent years than on any other major question posed by the whole retirement problem. Some of the first retire-

ment systems in general established age 65 as the age of retirement. This was an arbitrary determination and generally became accepted by custom. As retirement from work to a life of leisure became more and more accepted as being an attractive goal, the tendency was to consider age 65 as the maximum age for retirement systems with frequent consideration of the possibility of even earlier retirement. The selection of age 65 under Social Security helped to confirm it as a convenient and desirable retirement age. The practice of insurance companies in writing and advertising endowment policies to mature at 65 also helped to fix that age as the popular age of retirement. At present, however, the entire concept of chronological age is being criticized as being an inadequate and unrealistic criterion for use as the sole determinant of retirement. It is argued that persons vary so greatly in the age at which they should be retired that we need a criterion such as a "functional age" upon which to determine when a person should be retired from full productive life.

It may be, also, that such a criterion should differ markedly for different types of jobs. It may be that retirement should be earlier for executive or higher salaried personnel than for hourly workers due to the difficulty of adjusting the work load of the executive to conform to any decrease in his capacity, and due also to the wider area of responsibility of the older executive. This would also allow for the incentives to promotion among salaried personnel to which we referred earlier.

So there are many questions which we may still raise regarding when a man should retire or be retired, under what conditions a worker's productivity can best be preserved, the effect upon the worker and upon society generally of the transition from employment to retirement, and what opportunities for productive employment exist after a worker has been retired from his regular employment. Of course, when viewed from the standpoint of the individual worker the problems of retirement can be expressed more simply. To the retiring worker the chief concerns are those of maintaining an adequate standard of living, providing for medical care, and perhaps finding something useful to do. In view of this formulation of the problem, perhaps it is pertinent to suggest that the most obvious solution might also be the most adequate - facilitating the continuance of older persons in some appropriate form of productive employment.

Although a study of this type is not in itself conclusive, it is at least indicative of the wide differences of opinion and thought as they are reflected in the administration of retirement programs in American industry. It is not unreasonable to assume that the future will find some profound changes in the structure and administration of the typical pension system which we know today - changes that will be even more significant than

those which have transpired in the last decade. The precise nature of these changes is impossible to predict, but it is likely that one of the most significant will be in the area of determining the conditions under which retirement benefits will be payable. There are many pension or retirement plans in operation today which are administered as if they were disability programs; that is, actual retirements occur when the individual is not able to continue at work. It is likely that funds accumulated to provide retirement benefits could be utilized more effectively in accomplishing the objective of maintaining an efficient, vigorous working force if it were possible to define the conditions under which benefits are payable on some basis other than that of chronological age. Legal requirements and precedents in the industry have resulted in the perpetuation of many features of retirement programs, particularly those relating to the conditions under which benefits are payable, that are at best only mechanical and temporary approaches to the problem of what to do about the "too-old" worker in industry.

Financial support during retirement is but one aspect of the problem, although it is the one which has been the focal point of interest in recent years. The over-all cost of retiring older workers is much greater than the specific amounts paid to fund benefits. It has been estimated that premature retirements are costing the nation in excess of 5 billion dollars annually in lost production alone. It can be expected that this figure will increase perceptibly over future years as more and more people reach retirement age. A continuation of present retirement practices will make it more evident in future years that the greatest cost involved is in terms of lost production. Consequently, cost must be considered not only in terms of the funds necessary to provide benefits under a particular plan, but also in terms of the impact upon the economy of the practice of the retirement of older workers. There is no way to pre-determine the proportion of the national product that can be allocated to retirement, but an awareness of the probable effect of the process should result in a re-appraisal of the objectives and the practices of retirement systems.

The retirement plans and techniques employed today for disposing of the problem of the "too-old" worker are inadequate to fulfill the objectives of the individual, industry and retirement systems in general. Inadequacy is to be expected at this stage of the development of approaches to the over-all problem inasmuch as financial remuneration, which is at best a partial solution, is still the most definitive approach. Before these inadequate techniques prove to be merely temporary expedients, as they undoubtedly will, they are apt to produce an unfortunate by-product - a feeling of complacency about the over-all problem. This can serve to arrest progress toward giving the problem the consideration and studied thought its paramount importance requires.

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