

COMPANY PRACTICES

REGARDING OLDER WORKERS AND RETIREMENT:

Report of a Survey of Members

**NATIONAL
METAL
TRADES
ASSOCIATION**

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NATIONAL METAL TRADES ASSOCIATION

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FOREWORD

In 1951 the National Metal Trades Association distributed a comprehensive 14 page questionnaire to member companies on "Company Practices Regarding Older Workers and Retirement". A total of 349 responses were received. These responses were analyzed and this report prepared by the staff of the Association in co-operation with Edwin Shields Hewitt and Associates of Chicago.

It is hoped that study of this report will be of considerable aid to members in meeting any present or future problems in the areas of the survey. The text and tables of this report are not intended to influence action by members of the Association nor does the Association staff recommend a policy or practice by virtue of its description in these pages.

NATIONAL METAL TRADES ASSOCIATION

COMPANY PRACTICES REGARDING OLDER WORKERS AND RETIREMENT

This report is based upon an investigation of the retirement practices of a large number of National Metal Trades Association member companies. This is not a study of retirement plans alone, but attempts to determine practices among N.M.T.A. companies with respect to the retention and reassignment of older workers, preparing workers for retirement, relationship of companies to workers after retirement, retirement of workers under company retirement programs, and rehiring retired workers.

RETENTION AND REASSIGNMENT OF OLDER WORKERS

Table I shows that 63.9% of the N.M.T.A. member companies reporting in this survey reassign their older workers to lighter or less demanding work as an established and rather frequent practice. In some cases the company initiates the transfer, while in other cases the employee may request that he be transferred.

TABLE I.

	% of 349 reporting companies
Assign older workers to lighter or less demanding work as an established company procedure	63.9%
Transfer determined on the basis of a medical examination of the employee	28.9%
Transfer determined on the basis of a psychological examination	3.4%
Change in the amount of compensation upon reassignment	54.2%
Assignment of workers to lighter or less demanding work prohibited by union contract	1.7%
Undertaken job analysis to deter- mine which jobs can best be performed by older workers	22.1%
Attempted to establish objective criteria or experimented with tests to determine which workers should be retired, which retained at the same job, and which re- tained at a different or modified job	7.4%
Adjust compensation to reflect re- duced productivity due to age	5.7%

As the table shows, 28.9% of the member organizations use medical examinations of the employee as a basis upon which re-assignment may be made. Psychological examinations are used as a basis for reassignment in only 3.4% of the companies. These tests are usually administered in conjunction with the medical examination. Attempts to develop or adapt job analysis procedures in order to determine which jobs can best be performed by older workers have been undertaken in 22.1% of the companies.

However, only 7.4% of the companies reported that they have attempted to establish any objective criteria for determining which workers should be retired, which reassigned and which retained at their present jobs. Most of the 7.4% who reported steps in this direction had concentrated upon the medical factors alone, rather than using them in connection with actual job performance.

A further important consideration involved in any given re-assignment policy is the question of changing the worker's compensation upon the transfer. The table shows that this is done in 54.2% of the total companies, many of whom reassign older workers only upon rare occasions. Perhaps a more stable indication of the extent to which compensation is changed is given by the fact that of those companies which reassign their older workers as an established practice, 56.5% change the compensation of the reassigned worker. It should be noted that there is some tendency for the compensation of salaried personnel to remain constant through reassignment, while it is more likely for the compensation of hourly workers to be changed. In the case of hourly workers, the general practice is to pay them according to the rating of the job that they are currently performing, regardless of their previous hourly rate.

It should also be added that the smaller companies use reassignment slightly more frequently than do the larger companies (which can be accounted for by the tendency of smaller companies to retire their employees at more advanced ages). The small companies make less use of the objective methods as a basis for reassignment.

The question has often been raised as to whether reassignment is limited by the existence of a retirement benefit plan. Among the N.M.T.A. companies, reassignment practices occur in 69.8% of the companies with a retirement plan, and in 62.7% of those companies without such a plan.

PREPARING WORKERS FOR RETIREMENT

There are many ways in which the employer may take action toward preparing workers for retirement. Table II shows that 17.2% of the participating N.M.T.A. member companies have a program of diminishing the work load and granting increasing time off to workers as the retirement age approaches, thus giving the worker an opportunity to gradually accommodate himself to increased leisure time. Most of these companies grant shorter daily and weekly hours, and some increase the vacation time toward the retirement date.

TABLE II.

	% of 349 reporting companies
Diminishing work load with increasing time off as retirement age approaches	17.2%
Vocational training for different work	14.6%
Educational programs or lectures on preparation for retirement	1.2%
Hobby shows to stimulate interest in retirement	1.7%
Articles on retirement in the house organ	21.2%
Service clubs	12.6%
Service awards	35.5%
Dinners at time of retirement	13.5%

Vocational training programs are used in 14.6% of the companies. In addition to aiding in the reassignment problem, these opportunities may increase the range of relatively skilled occupations which are available to the older worker. Formal lecture programs or educational programs are used in 1.2% of the cases, and these companies are among the largest in the study.

Programs of hobby shows, articles on retirement in the house organ, service awards, service clubs, and dinners at the time of retirement may also stimulate employees to think and plan for their own retirement. These programs tend to be more widely used by the larger companies.

TABLE III.

	% of 349 reporting companies
Interviews with employees with respect to their retirement	47.0%
A minimum of two interviews with the first interview occurring at least one year in advance of the retirement date	5.7%
Interview covers the probable amount of pension benefit and optional settlement, if any	38.7%
Interview covers the financial problems of retirement	31.2%
Interview covers potential acti- vities during retirement	26.9%
Interview covers activities intensively	1.2%
Give assistance in applying for social security benefits	13.5%
Interviewing done by the personnel, industrial relations or employee relations staff	26.4%

Table III shows that 47.0% of the companies have some program of pre-retirement counseling to aid the worker in planning for his retirement. The table shows that in 5.7% of the companies these programs are truly extensive - that is, the counseling program includes at least two interviews for each person, and the first interview occurs at least one year in advance of the retirement date. The somewhat arbitrary criterion used to derive the 5.7% seems to give a different picture of the amount of attention given to pre-retirement counseling. However, some companies within that 5.7% exceed the criterion by far. One company begins its counseling program two years before the expected retirement date with subsequent interviews occurring at six month periods until retirement.

Table III also shows the percentage of companies in which attention is given to several subjects relevant to retirement. In 38.7% of the total companies the interview covers the probable amount of benefit and the optional settlements, if any, and 31.2% of the companies have interviews in which the subject of finances during retirement is discussed. Potential activities during retirement are discussed in 26.9% of the companies, and the emphasis here is usually on hobbies and other forms of leisure activities, but sometimes it also includes a discussion of the possibilities of self-employment or part-time employment. Intensive coverage of activities (1.2%) refers to those companies in which the possible changes in family life are discussed.

In 13.5% of the companies assistance is given in making application for social security benefits, and in 26.4% the interviewing is done by a member of the industrial relations, personnel, or employee relations staff. The larger companies are more likely to have counseling programs, and the programs in larger companies are likely to be more comprehensive in their extensiveness and in their coverage of the various subjects.

As might be expected, pre-retirement counseling programs are significantly associated with retirement benefit programs. Of those companies with retirement benefit plans 11% also have interviewing programs of the extended type, while only 0.6% of the companies without plans have comparable pre-retirement counseling programs.

PRACTICES WITH RESPECT TO WORKERS AFTER RETIREMENT

TABLE IV.

	% of 349 reporting companies
Retired workers invited to company social affairs	37.2%
Christmas letters sent to retired workers	16.3%
Birthday letters sent to retired workers	5.7%
Congratulatory letters sent to retired workers	6.9%
Sympathy letters sent to retired workers	17.8%
Letters on plant developments and policies sent to retired workers	10.0%
Employee notices and/or company publications sent to retired workers	23.5%
Retired workers participate in company or employee activities (such as employee clubs)	24.4%
Retired workers participate in company or employee activities at a reduction in cost	8.0%
Retired workers given special re- cognition at company affairs (such as picnics or dinners)	24.1%
Provide get-togethers especially for retired workers	3.4%
Retired workers may use plant facili- ties (such as club rooms, cafeteria, etc.)	22.4%
Provide club room or lounge space especially for retired workers	0.6%
Retired workers encouraged to return for discussion of their problems	36.1%
Financial aid offered to retired workers in case of economic hardship	18.9%

Table IV shows the percentage of the companies which communicate with their retired workers through programs of sending out Christmas, birthday, sympathy and congratulatory letters, invitations to company picnics and other social events, and company publications and employee notices. Only 10% communicate with retired workers about changes in company policy or developments in the plant. Many of this 10% send such notices only when the change affects the retired workers directly. The extent to which other ways of maintaining contact with retired workers are used by N.M.T.A. companies is also shown in the table.

Workers are encouraged to return after retirement for discussion of their problems by 36.1% of the companies. Usually this invitation is extended as part of the pre-retirement counseling program. Sometimes this contact is effected by a house call by a member of the personnel department, or alternatively, in connection with a visit to the plant for a medical check-up.

In the event of economic hardship, 18.9% of the companies offer financial assistance (beyond the usual pension or other benefit payment if a benefit plan is in effect). This sort of assistance is given more frequently by those companies which also have a pension or other type of 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 at the 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.

Of the N.M.T.A. companies studied, 73.6% have group life insurance policies in effect for their active workers. Of these policies, 58.4% are continued after retirement, in either full or reduced amounts of benefit.

Table V shows that 90 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 -- rarely is the cost increased. An additional 60 plans are continued with the amount of benefit reduced at retirement. Usually this type of continuation is at no cost whatever to the employee.

TABLE V. Continuation of Group Life Insurance Plans

Total companies with group life insurance plans in effect for active workers	257
Full amount of benefit continued for retired workers	90
at no cost to the retired worker	50
at the same cost to the retired worker	31
at increased cost to the retired worker	9
Reduced amount of benefit continued for retired workers	60
at no cost to the retired worker	55
at the same cost to the retired worker	4
at increased cost to the retired worker	1
Total with benefits (both full and reduced) available to retired workers	150

Table Va shows that, of the 258 companies with group health insurance (including hospitalization, medical and surgical benefits) for their active workers, only 44 (or 17%) continue either full or reduced amounts of benefits for the retired workers.

TABLE Va Continuation of Group Hospitalization, Medical and Surgical Benefit Plans

Total companies with group hospitalization, medical, surgical benefit plans in effect for active workers	258
Full amount of benefit continued for retired workers	37
at no cost to the retired worker	9
at the same cost to the retired worker	23
at increased cost to the retired worker	5
Reduced amount of benefit continued for retired workers	7
at no cost to the retired worker	4
at the same cost to the retired worker	1
at increased cost to the retired worker	2
Total with benefits (both full and reduced) available to retired workers	44

COMPANY RETIREMENT PROGRAMS

Of the N.M.T.A. companies studied, 172, or 49.3% have some type of retirement benefit plan in operation. Since 28 of these companies have more than one plan in effect (two have three plans in operation), there is a total of 202 plans included in the study. Table VI shows the percentage of these 202 plans which are of the various types.

TABLE VI.

	% of the 202 plans
Pension type of retirement benefit plan	77.2%
Profit sharing retirement plan	15.4%
Combination of pension and profit sharing	3.0%
Payroll continuation	4.4%

Most of the plans, 77.2%, are of the pension type, which is generally recognized as the more common type of benefit plan. Profit sharing retirement plans comprise 15.4% of the total, and combination (having both profit sharing and pension features) represent only 3% of the total. The remaining 4.4% of the plans are of the payroll continuation type, which means that there is no provision for advance funding of the benefit payments. The payments to retired workers under this type of plan are, then, taken out of current operating costs. An analysis of the retirement benefit plans by the size of the company reveals that benefit plans as a whole are used more widely by the larger companies, and the larger companies also show a wider use of the pension type of plan.

Some of these plans apply only to certain occupational groups within the company, and where there is more than one plan in effect in a company the two plans frequently refer to different occupational groups. The 202 plans apply to occupational groups as follows:

all occupational groups	55.4%
salaried employees only	25.2%
salaried above a certain level	
of compensation	7.4%
hourly employees only	11.9%

So-called eligibility requirements of age and service determine the time after which funds shall be contributed from which to provide pension benefits. Such a service requirement as stipulated in 67 of these plans is as follows:

one year	2
two years	10
three years	17
five years	35
more than five years	3
Total	67 or 33% of all plans

Of the 29 plans which have such an age requirement, the age used is as follows:

25 years of age	8
30 years of age	17
35 years of age	4
Total	<u>29</u> or 14.4% of all plans

Sometimes a plan provides that employees who are initially hired after they have attained a stipulated age shall not be eligible for the plan. In the 202 plans in this study, such a maximum hiring age was reported as follows:

40 years of age	2
45 years of age	4
50 years of age	11
55 years of age	14
60 years of age	15
65 years of age	2
Total	<u>48</u> or 23.8% of all plans

Only 22.3% of the plans require employee contributions.

Although age is the criterion used by the actual terms of pension systems, the age of actual retirement may and does vary in the operation of the system. In this study "compulsory retirement" refers to a fixed and final retirement age beyond which no employees are allowed 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 option 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.

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.

TABLE VII.

	% of the 202 plans
Compulsory retirement age (specified age beyond which no employees are allowed to continue to work)	11.4%
Automatic retirement age (age at which an employee must retire unless requested to continue by the company)	27.7%
Plans without provision for either compulsory or automatic retire- ment	53.0%
Provision only for retirement due to disability	3.5%
Informal and undetermined	4.8%
Some provision for retirement due to disability	62.4%

Among the N.M.T.A. companies, only 23 plans (11.4% of the total) are of the compulsory type, as Table VII shows. Of these compulsory plans, the retirement ages used are as follows:

Age 65	-	13
Age 68	-	6
Age 70	-	4
Total		23

Twenty one of these plans have an early retirement provision, allowing for retirement at a reduced benefit prior to the compulsory age. This early retirement age is 5 years in advance of the compulsory age in some cases, and 10 years in advance in others. One plan permits early retirement at any time after admission to the plan - benefits are reduced proportionately in such cases. Compulsory retirement is more widely used in the larger companies, thus affecting a greater number of workers than the number of plans might indicate.

The automatic retirement age determination is somewhat more common, being used in 56 (27.7%) of the plans, as Table VII shows. In these plans the automatic retirement age used is as follows:

Age 65	-	44
Age 68	-	6
Age 70	-	5
Age 75	-	1
Total		56

in 40 of the 56 automatic retirement age plans there is provision also for early retirement. It should be noted that when the automatic (or compulsory) retirement age is high, the early retirement provision is most common.

Of the 107 plans (or 53% of the 202 plans) which have neither a compulsory nor an automatic retirement provision the normal retirement age is as follows:

Age 60	-	13
Age 65	-	90
Age 68	-	3
Age 70	-	1
Total		107

Provisions for early retirement are found in only 43 of these plans.

In 7 plans disability was the only acknowledged means of determining retirement. However, a total of 126 (62.4%) of the plans in all have some provision for retirement due to disability, as Table VII shows. These plans sometimes require that an employee must meet certain criteria of age or service in order to retire on a pension for reasons of disability. These requirements were found to be as follows:

Service	-	60
Age	-	13
Both	-	29
No requirement	-	24
Total		126

Of the remaining 9 plans, 5 are informally applied and have no established age of retirement. These are of the informal payroll continuation type and are used by rather small companies to make payments to employees of long service. In the remaining four plans no information was given as to the method of determining the retirement date.

Where there is no compulsory retirement, actual retirements may be 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 in these companies. Asked to check the factor or factors which influence this decision, the most commonly noted factor was that of the employee's request. The opinion of an officer of the company was noted in only about 1/3 of the cases, committees to consider the individual cases rank third, and the request of the union is an influence in only a very small percentage of the companies. Usually these factors are used in combination with the employee's request and the opinion of an officer or officers of the company the most frequent combination. 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 and other factors by a committee which results in a recommendation which is then acted upon by an appropriate officer of the company. Occasionally the foreman is important in initiating this action.

PRACTICES WITH RESPECT TO REHIRING RETIRED WORKERS

Many persons are known to seek other employment either part-time or full-time after retiring from their regular jobs. In a previous section we saw 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 on a full or part-time basis. Often retired employees seek and find regular productive employment after retiring.

Of the N.M.T.A. companies in this study, 17.2% said that their retired workers seek work elsewhere, and 7.7% report that they assist their employees in finding such work. In spite of the general flexibility of plans (which permit the worker to stay on the job until a more advanced age) in the N.M.T.A., 9.2% of the companies report that their retired workers return to the company asking to be re-employed.

Twenty percent of the companies report that they rehire their retired workers under some conditions. The reason given most frequently for rehiring is that of labor shortage, although a few report this practice in rush seasons.

Of the 71 companies reporting that they rehire retired workers, 24 state that the employee continues to receive his benefit payments while back on the job, and 13 state that he will earn additional benefits by virtue of his re-employment.

Twenty-seven of the 349 companies reported that they have made a study of factors which influence those workers eligible to retire who choose to continue to work (such factors as job performance, financial circumstances, reluctance to stop work, inadequate replacements, attitude of other employees, or stringent labor market).

In those companies with a flexible retirement age a majority report that most workers continue to work beyond the age at which they are eligible for retirement benefits. In few of these companies will the worker increase the amount of his pension through staying on the job.

SUMMARY

It is difficult to summarize the retirement practices of the N.M.T.A. member companies. The field of retirement practices subsumes such a diversity of activities that it is almost impossible to treat all of them together in summary fashion.

As evidence of the fact that a mere review of the provisions of formal retirement plans does not yield a true picture of actual retirement practices, a further investigation was made to ascertain the actual retirement rate under some plans in this study. In some of the companies, of those employees who were eligible to retire, 65% were found to have remained at work for at least one year after becoming eligible. In all these cases the employee could have exercised his option to retire at full benefits, and in every case the amount of retirement benefit had ceased to increase. The company, as well, could have exercised its option to retire these employees. In some companies, 50% of the eligible employees were still at their jobs 5 years after reaching that eligibility.

It is likely that we are in a period when the definiteness of certain of the trends in retirement practices cannot yet be confirmed. Continued observation may serve to reveal the nature of retirement practices as they develop over the next few years.