Older workers (1956)

Bulletin No. 1199-2
October 1956

Older Workers Under Collective Bargaining

PART II

Health and Insurance Plans
Pension Plans

UNITED STATES DEPARTMENT OF LABOR
James P. Mitchell, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

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Older Workers under Collective Bargaining:
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Preface

As a part of the U. S. Department of Labor's comprehensive program relating to employment problems of older workers, the Bureau of Labor Statistics has analyzed the status of older workers under collective bargaining agreements. The first report (Part I.—Hiring, Retention, and Job Termination) dealt with collective bargaining provisions affecting the employment and job security of older workers. This report covers the ways in which selected aspects of collectively bargained health, insurance, and pension plans affect the status of older workers. The agreements and plans analyzed were selected from the Bureau's current files which are maintained for public and governmental use in accordance with Section 211 of the Labor Management Relations Act of 1947.

The incentive for these studies was provided by the Department's deep concern for the economic well-being of older workers. The purpose of these studies, however, was to investigate, not to influence, collective bargaining provisions relating to older workers.

This study of health and insurance plans and pension plans was conducted in the Bureau's Division of Wages and Industrial Relations by Evan Keith Rowe and Donald M. Irwin, under the direction of Joseph W. Bloch.

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Older Workers Under Collective Bargaining

Introduction

During the past decade, probably no aspect of union-management relations has been of more direct concern to the older worker than the development of health and insurance plans and pension plans. The number of workers covered by these employee welfare plans under collective bargaining which are financed in whole or in part by the employer increased from less than 1 million under either type of plan in 1945 to more than 12 million under health and insurance plans and more than 7 1/2 million under pension plans in late 1955.

The development of private pension plans represents a voluntary movement by employers and unions to provide retirement annuities to supplement those available under the Federal old-age and survivors insurance program and, hence, to provide greater economic security to workers upon retirement. The primary purpose of health and insurance plans is to furnish protection to workers and their dependents against loss of income and expenses incurred as a result of off-the-job injuries, illness, or death. Financial protection against on-the-job disabilities is available to virtually all workers through workmen's compensation legislation.

Although the benefits provided by health and insurance programs and the security afforded by pension programs are valued by workers of all ages, they are of major importance to older workers. Pension plans by their nature take on additional significance as workers grow older and approach retirement. Health and insurance programs, although not related as directly to age as are pension plans, nevertheless, provide valuable and perhaps otherwise unobtainable financial insurance against the health hazards which frequently accompany advanced age.

These programs are particularly beneficial to older workers, but certain plan characteristics may operate to their disadvantage. This study is directed to an examination of selected aspects of health and insurance plans and pension plans which are either especially favorable or unfavorable to the older worker.

The meaning of the phrase "under collective bargaining" as used in this study requires a brief examination. Many employers and unions independently sponsored and financed insurance and pension plans for many years before they came under collective bargaining and a large number of workers are now covered by plans that are not collectively bargained. Many of the programs now under collective bargaining were originally instituted by the employer and subsequently brought within the scope of the agreement with or without change. Similarly, union sponsored and financed programs have been brought within the collective bargaining area, with the employer paying all or part of the cost.[1] In contrast with the long history of union efforts to obtain job security for their members; as reflected in seniority and discharge provisions in union contracts,[2] bargaining on health, insurance, and pension plans is relatively new. Many programs, particularly pensions, have been the subject of union-management negotiations only once or twice since their inception. Moreover, the technical problems inherent in this development are new and formidable. It is important, therefore, to bear in mind the fact that a study of how employee welfare plans now treat the older worker may not reflect the long-term objectives of either unions or management.

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[1] For the purpose of this study, plans under collective bargaining include: (1) Those established for the first time as a result of collective bargaining; and (2) those originally established by either employer or union but since brought within the scope of the agreement, at least to the extent that the agreement establishes employer responsibility to continue or provide certain benefits.

[2] See Older Workers Under Collective Bargaining, Part I.—Hiring, Retention, and Job Termination, BLS Bull. 1199-1.

Part I.—Health and Insurance Plans

Summary

Trade union interest in health and insurance programs has been a major force in the growth of voluntary insurance plans. Although unions have long been concerned with the health and security of their members and have provided some insurance through union-sponsored beneficial programs, the past 10 years have witnessed a phenomenal growth of prepaid group programs established through collective bargaining. It is estimated that over 12 million workers are now covered by health and insurance plans under collective bargaining.[3]

Health and insurance programs are established on a group basis, applying to all workers in the bargaining unit and frequently to employees not under the agreement. These programs assure all covered workers and, in many cases, their dependents, at least partial protection against the financial hazards of illness and death. The scope of coverage, coupled with the mandatory participation provisions in many of these programs, has made this protection available to many workers who could not have otherwise obtained such insurance because of physical or financial reasons or who would not have elected to do so.

Although the importance of these programs to younger workers should not be undervalued, it is obvious that the plans have a special significance to older workers, not only to those in active employment, but to those who have retired.[4]

Group coverage under collectively bargained plans makes available to the older worker protection and benefits, the cost of which would be considerably greater, and almost prohibitive in some cases, if he had to purchase them on an individual basis. Older workers generally can expect to receive the same level of benefits as younger workers under these plans. Moreover, eligibility requirements to participate in the programs are typically the same for all workers regardless of age or physical conditions. Medical examinations are rarely a prerequisite to participation, a fact of special significance to newly hired older workers, although the practice of prehiring physical examinations tends to weed out the poor insurance risks. In a newly established health and insurance program, older workers on the job are automatically covered.

Unlike the prevailing practice with regard to certain fringe benefits—e.g., paid vacations—long-service employees can rarely expect to receive more liberal health and insurance benefits on the strength of their longer service. In some plans, to be sure, the amount of life insurance may be graduated according to length of service, but generally the maximum amount is reached after a relatively short period—usually 10 years of service or less. However, life insurance and accident and sickness benefits are

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[3] For a description of the growth and extent of health and insurance plans under collective bargaining, see Health, Insurance, and Pension Plans in Union Contracts, BLS Bull. 1187.

[4] Albert J. Abrams, Director, New York State Joint Legislative Committee on Problems of the Aging, cited the following reasons why these plans are important to older persons: "(1) Chronic diseases strike particularly, though not solely, at the older persons; (2) they generally attack when income is not at its peak, but has either tapered off or is at an alltime low, that is, in old age; (3) the cost of medical and hospital care is believed to be one of the major factors in the impoverishment of older persons, in thrusting them on old-age assistance rolls; (4) prepayment or employer-paid insurance plans may encourage oldsters to have medical examinations and thereby prevent more serious ailments from developing; and (5) such plans may speed up recovery by easing the ailing worker's worries about his being a burden to his family." Source: New York State Joint Legislative Committee on Problems of the Aging, Legislative Document No. 12, 1951 (p. 136).

commonly graduated according to earnings. This practice would tend to favor the older worker in those industries and occupations where peak skill and earnings levels are reached in later years. On the other hand, if earnings decrease, the graduated-earnings approach would be a disadvantage to the older worker.

The growing movement to extend some type of benefit protection to retirees represents a most desirable aspect of collectively bargained programs, from the older worker's viewpoint, and a practice that has no parallel among other fringe benefits. Benefits for retired employees are being made available on an increasingly comprehensive basis, often including all types of benefits available to active workers with the exception of those dependent upon an employer-employee relationship, e.g., compensation for wage loss due to sickness or accident. Furthermore, the benefits available to retired workers are frequently the same as those provided active workers prior to retirement.

Although the treatment of workers under health and insurance plans is generally not differentiated on the basis of age, some plans have characteristics which are not favorable to active or retired older workers. Employed older workers sometimes face age restrictions which prohibit them from receiving benefits, or find that benefits are discontinued at certain ages. Benefits may also be reduced during the course of their employment solely because of age. As this study shows, such restrictions affecting employed older workers are not common. On the other hand, many plans cease to provide coverage to workers upon retirement, or reduce the level of benefits, or discontinue dependents' coverage, or shift the burden of cost from the employer to the retired worker but permit him to continue his group rate participation.

Scope of Study

To determine the extent and nature of these practices, the Bureau analyzed 300 selected health and insurance plans under collective bargaining. All the plans were in effect in late 1955.[5] These programs included one or more of the following types of health and insurance benefits: Life insurance, accidental death and dismemberment benefits, accident and sickness benefits (excluding sick leave, State workmen's compensation and temporary disability payments), and cash or services covering hospital, surgical, and medical care.[6] All of these benefits may be insured with an underwriter or self-insured by the employer or fund to which he contributes.

The 300 plans studied covered 4,981,000 workers or over 40 percent of all workers covered by health and insurance plans under collective bargaining (table 1). Two-thirds of the plans covering the same proportion of workers were in manufacturing industries. The plans varied in size from those applying to 1,000 workers to those covering well over 100,000. One-third of the plans, covering over two-fifths of the workers, were negotiated by multiemployer groups. The plans included in the study were selected to provide a broadly representative picture of health and insurance benefits under collective bargaining covering 1,000 workers or more. In the selection of the plans, the factors given primary consideration were industry, geographic location, union, type of bargaining unit, and size.

Life insurance benefits are of two major types: A flat amount for all employees, or an amount graduated according to earnings, service, occupation, etc. Each type provides a cash payment in the event of death and frequently in the event of permanent and total disability. Accidental death and dismemberment benefits also provide cash payments and are often linked to the amount of life insurance in effect for the individual. This form of insurance may cover occupational and/or nonoccupational cases. Dismemberment benefits vary with the extent of injury.

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[5] This study of provisions affecting older workers is part of a comprehensive analysis of all aspects of health and insurance plans. A forthcoming BLS bulletin will present the complete results, including additional data relating to older workers.

[6] For details of health and insurance plans, see Digest of 100 Selected Health and Insurance Plans Under Collective Bargaining, 1954, BLS Bull. 1180.

Accident and sickness coverage generally provides payments in the event of illness to compensate for loss of wage income for a certain number of weeks per disability or per year. It applies to nonoccupational and, in an increasing number of plans, occupational cases. This benefit is available only to active workers because it is dependent upon an employment relationship. Paid sick-leave plans and compensation allowable for occupational or nonoccupational cases under provisions of State workmen's compensation laws and temporary disability legislation (effective in four States) are not analyzed in this study, since they are normally not considered part of health and insurance plans.

TABLE 1.—Distribution of health and insurance plans studied by industry division, worker coverage, and type of bargaining unit [1]

Item	Plans	Workers (000's)
Total plans studied	300	4,981
Industry division		
Manufacturing	218	3,397
Nonmanufacturing	82	1,584
Worker coverage		
1,000 - 4,999	148	393
5,000 - 9,999	57	389
10,000 - 14,999	32	374
15,000 - 24,999	25	451
25,000 - 49,999	22	749
50,000 - 99,999	5	329
Over 100,000	11	2,296
Type of bargaining unit		
Single company	200	2,822
Multiemployer	100	2,159

[1] All plans were in effect in late 1955.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

Hospitalization, surgical, and medical benefits are provided by two major types of plans—cash or service. Cash plans provide stipulated amounts for hospital room and board and extra allowances or services and, in the event surgical and medical benefits are provided, a schedule of payments for services rendered. Service-type plans provide no cash payments to the individual, but pay for hospital, surgical, and medical care for specified periods of time and in certain locations.

For this study, attention was focused specifically on the following aspects of health and insurance plans: (1) The availability of benefits to active and retired workers and to dependents of both groups; (2) the effect of hiring age on the availability of benefits; (3) changes in the level of benefits during active employment on the basis of age alone; and (4) the length of time benefits are provided to retired workers and their dependents. In addition, certain characteristics of individual benefits of interest to older workers were analyzed.

Prevalence of Benefits for Active Workers

All but a few of the plans studied provided hospital and surgical benefits and life insurance to active workers (table 2). Four out of 5 plans provided accident and sickness coverage and 2 out of 3 provided medical benefits. About half of the plans included accidental death and dismemberment benefits. Hospital and surgical benefits were extended to dependents in the vast majority of plans; medical benefits were less commonly extended to dependents. A few plans covered dependents with life insurance policies. With the exceptions to be indicated later, all of these benefits were available to all employees regardless of age.

TABLE 2.—Prevalence of benefits under health and insurance plans by groups covered

Group covered	Life insurance		Accidental death and dismemberment benefits		Accident and sickness benefits		Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans studied	300	4,981	300	4,981	300	4,981	300	4,981	300	4,981	300	4,981
With benefits for:												
Active worker	284	4,352	[1]154	2,250	[2]239	3,695	293	4,908	294	4,917	193	3,683
Dependents of active worker	7	215	-	-	-	-	278	4,279	263	4,190	145	2,774
Retired worker	146	3,108	5	58	-	-	67	1,784	58	1,745	35	1,491
Dependents of retired worker	-	-	-	-	-	-	56	1,729	48	1,690	31	1,346

[1] One plan did not provide for accidental death benefit.
[2] Two plans provide occupational accident and sickness benefits only.

TABLE 3.—Maintenance of benefits for active workers under health and insurance plans [1]

Provision	Life insurance		Accidental death and dismemberment benefits		Accident and sickness benefits		Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans providing benefits	284	4,352	154	2,250	[2]237	3,675	293	4,908	294	4,917	193	3,683
Maintained at constant level without regard to age	264	3,588	153	2,243	182	3,257	287	4,665	290	4,711	184	3,520
Reduced at specified age	19	761	-	-	54	414	6	243	3	201	9	163
Age 60	-	-	-	-	53	401	1	1	1	1	8	43
Age 65	17	752	-	-	1	13	2	200	2	200	1	120
Age 66	1	2	-	-	-	-	-	-	-	-	-	-
Age 68	1	7	-	-	-	-	-	-	-	-	-	-
Age 70	-	-	-	-	-	-	3	42	-	-	-	-
Discontinued at specified age	1	3	1	7	1	5	-	-	1	5	-	-
Age 65	1	3	-	-	-	-	-	-	-	-	-	-
Age 68	-	-	1	7	-	-	-	-	-	-	-	-
Age 70	-	-	-	-	1	5	-	-	1	5	-	-

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.
[2] Excludes plans providing only for occupational disability benefits.

Loss or Reduction of Benefits to Older Active Workers

An outstanding characteristic of health and insurance plans under collective bargaining, insofar as the older worker is concerned, is the general absence of provisions barring the participation of older workers, whether newly hired or long employed. Only 3 plans discontinued 1 or more benefits for the employed worker at a certain age and each applied the ban to workers at 65 years or older (table 3). A slightly larger number of plans (11) withheld coverage under 1 or more benefits from workers hired after a specified age (table 4).

Reductions in the level of benefits or other modifications based on age alone were more common. Where such limitations occurred, it was usually at age 60 or 65 (table 3). For example, 17 plans reduced the amount of life insurance in effect for active workers at age 65. Eight plans reduced medical benefits at age 60 by shifting the allowance at that age from a "per disability" basis to a "per year" basis. For example, a plan providing $2 for each office visit and $3 for hospital visits stipulated a maximum of $150 for all visits during any one disability until age 60, after which the total of such payments was limited to $150 in any calendar year.

Reduction of benefits was most frequent for accident and sickness coverage. About one-quarter of the plans covering slightly more than one-tenth of the workers receiving accident and sickness benefits had age restrictions. With one exception, the plans with age restrictions specified age 60 as the time when accident and sickness benefits were reduced. Like medical plans, the change consisted primarily of shifting the allowance from a "per disability" to a "per year" basis. For example, 27 plans which provided benefit payments for 26 weeks per disability prior to age 60 provided payments for 26 weeks per year after that age.

The reductions or limitations applicable to employed older workers also applied to newly hired older workers. In addition, some plans reduced or eliminated coverage for new workers only. The combined effect of the two types of restrictions is shown in table 4. Considering the nature of some of the reductions and the ages at which they were effective, the impact of age differentiation on the newly hired worker seems, on the whole, to be relatively minor.

Loss or Reduction of Benefits Upon Retirement

When the worker retires, he loses much of the protection afforded by these plans while he was active (table 2). Approximately half of the plans continued life insurance coverage after retirement, generally at a reduced level. A substantially lower proportion of plans extended hospital, surgical, and medical benefits to retired workers, and only a few continued accidental death and dismemberment provisions. However, where hospital, surgical, and medical benefits were extended, most plans also covered the retired worker's dependents.

The majority of plans extending hospital, surgical, and medical benefits to retired workers maintained the same provisions that were available to the worker prior to his retirement (table 5).[7] Thus, under such plans the worker faced no reduction in protection when he retired at 65. Most plans, however, reduced the amount of life insurance for the retired worker.

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[7] For this analysis, benefits available to the worker retiring at age 65 were compared with those available to him immediately prior to retirement (i.e., at age 64). It has been previously noted (table 3) that benefits for the active worker may have been reduced as he reached a certain advanced age.

TABLE 4.—Effect of age at hiring on availability or level of benefits under health and insurance plans [1]

Provision	Life insurance		Accidental death and dismemberment benefits		Accident and sickness benefits		Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans providing benefits	284	4,352	154	2,250	[2] 237	3,675	293	4,908	294	4,917	193	3,683
Availability or level of benefit not affected by age at hiring	252	3,330	148	1,803	179	2,770	286	4,628	288	4,673	182	3,482
Reduced benefit provided if hired after age	21	649	4	25	56	866	7	280	4	238	10	200
55	1	35	-	-	-	-	-	-	-	-	-	-
60	3	53	2	16	[3] 54	[3] 438	[3] 2	[3] 38	[3] 2	[3] 38	[3] 9	[3] 80
65	15	552	2	9	2	428	2	200	2	200	1	120
66	1	2	-	-	-	-	-	-	-	-	-	-
68	1	7	-	-	-	-	-	-	-	-	-	-
70	-	-	-	-	-	-	3	42	-	-	-	-
Benefit not available if hired after age	7	225	2	422	2	40	-	-	2	6	1	1
50	1	10	-	-	-	-	-	-	-	-	-	-
55	3	12	-	-	1	35	-	-	1	1	1	1
65	3	203	1	415	-	-	-	-	-	-	-	-
68	-	-	1	7	-	-	-	-	-	-	-	-
70	-	-	-	-	1	5	-	-	1	5	-	-
Other	[4] 4	148	-	-	-	-	-	-	-	-	-	-

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.
[2] Excludes plans providing only for occupational disability benefits.
[3] Includes 1 plan covering 37,000 workers which provides a reduced amount of insurance if hired after age 60 for first 36 months of employment. Thereafter, same benefits are provided as for employee hired prior to age 60.
[4] Includes 2 plans covering 135,000 workers providing a reduced amount of insurance to workers becoming union members after age 55 and 2 plans covering 13,000 workers that do not provide life insurance to workers becoming union members at age 56 or later.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

TABLE 5.—Benefit levels under health and insurance plans for workers retiring at age 65 compared with those provided immediately prior to retirement [1]

Benefit level for retired worker	Life insurance		Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans extending benefits to retired workers	146	3,108	67	1,784	58	1,745	35	1,491
Benefits for retired worker:								
Same as for active worker before retirement	[2] 29	726	39	1,407	39	1,425	25	1,231
Less than for active worker in one or more respects	117	2,383	28	377	19	320	10	260

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.
[2] Includes 6 plans which maintained same level of insurance on retirement for a specified period only, e.g., 1 year.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

The type of protection available under individual benefits may be reduced in a number of ways. Hospitalization benefits are less liberal for retired workers than for active workers when the scheduled benefits (daily room and board, extra allowance, and duration) are available to the active worker for each disability but represent the maximum that the retired worker can receive during his entire retirement period. To illustrate, a plan provides a daily room and board allowance of $10 a day for 70 days with an allowance of $200 for extra hospital expenses. These benefits would be available to the active worker for each separate disability. However, the retired worker would receive these benefits only once during his entire period of retirement. Sometimes the daily room and board allowance is less for retired workers than for active workers. Similar types of reductions may also apply to surgical benefits. Whereas active workers may receive benefits under a plan which sets forth a schedule of maximum allowances for each operation the worker undergoes, a retired worker may find the same maximum applicable not to each operation but to the entire period of retirement. One operation may exhaust this coverage.

Of the 146 plans extending life insurance to retired workers, only 29 did not reduce the amount immediately upon a worker's retirement at 65 and, of these, 6 maintained the same level of insurance for a limited period, e.g., a year. The rest of the plans (117) provided for an immediate reduction upon retirement. About three-fourths of these plans immediately reduced the amount of insurance in effect to a constant level which held throughout the retirement period. For example:

> Upon normal retirement of any employee after 20 years of credited service under the pension plan provided for in this contract, the insurance coverage hereinabove provided for shall be terminated, and such employees shall, thereafter, be covered for the sum of $500 in life insurance, at the expense of the company.

Some plans reduced the amount of life insurance in effect immediately upon retirement and at specified intervals thereafter. A provision of this type states:

> If an insured employee is retired by the company from active service after the effective date of this plan, the amount of his insurance prior to retirement, will be reduced 10 percent on the day of such retirement, and 10 percent each on the first, second, third, and fourth anniversaries thereafter; thus 4 years after retirement, his insurance will be reduced to one-half of the amount which was in effect prior to retirement, and which amount will be continued thereafter.

The amounts of insurance available under the 146 plans to men after retirement at 65 and the amounts still in effect for these men at 70 are shown in table 6, computed for a man earning $4,000 prior to retirement—an arbitrarily selected earnings level. Only two plans discontinued insurance protection between the ages of 65 and 70. For all plans for which the amount of insurance could be computed, the amount available to the newly retired worker at 65 was $1,684, on the average. By 70, this average level had dropped to $1,267, a 25-percent reduction.

Unlike pension annuities, length of service is not an important factor in determining the amount of life insurance a retired worker may receive (table 7). This practice has particular significance for workers hired at an advanced age and unable to accumulate many service credits.

The prevalence of the practice of reducing the amount of life insurance for retired workers may be attributed to several factors. The cost of providing full coverage when payment is a certainty, as it would be in the case of life insurance, may be excessive in comparison with the cost of other benefits that might be obtained. There may be less need to provide income for a surviving dependent. Finally, such

TABLE 6.—Amount of life insurance provided men[1] at ages 65 and 70 who retired at age 65 and earned $4,000 yearly prior to retirement[2]

Amount of insurance for man earning $4,000 a year	Immediately after retiring at age 65		Retired worker at age 70	
	Plans	Workers (000's)	Plans	Workers (000's)
All plans extending life insurance to retired workers at specified age	146	3,108	144	3,079
Amount of insurance based on factors other than earnings alone	29	1,020	29	1,020
Amount of insurance based on earnings alone	117	2,090	115	2,061
Under $500 insurance	1	7	1	7
$500 and less than $1,000	17	541	18	548
$1,000 and less than $1,500	50	992	54	1,003
$1,500 and less than $2,000	7	80	8	160
$2,000 and less than $2,500	17	185	15	219
$2,500 and less than $3,000	2	6	2	6
$3,000 and less than $3,500	2	4	3	16
$3,500 and less than $4,000	6	80	4	40
$4,000 and less than $4,500	3	13	5	39
$4,500 and less than $5,000	1	3	2	8
$5,000 and less than $7,500	7	141	3	15
$7,500 and over	4	38	-	-
Average insurance for $4,000-a-year-man at specified age[3]	$1,684		$1,267	

[1] Five plans covering 53,000 workers provided lower benefits for women.
[2] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.
[3] Arithmetical average; amount of insurance provided to a $4,000-a-year-man by each plan was weighted by total number of workers covered by that insurance plan.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

Length of Time Retired Workers Receive Benefits

Although many workers stand to lose all health and insurance protection upon retirement and others are subject to reduced protection upon retirement, rarely does a plan extended to retired workers discontinue a benefit during the retirement period (table 8). Thus, as long as a worker so covered is in a retired status, which generally means as long as he lives, he need not fear loss of a benefit because of his age.

Benefit Levels for Retired Workers' Dependents

In almost all plans extending coverage to the dependents of retired workers, the level of allowances provided for dependents was the same as that for retired workers (table 9). The few plans which provided lower benefits for retirees' dependents also provided lower benefits for the dependents of active workers. The only beneficiary of dependents' coverage for a retired worker would normally be his wife since children are generally classified as dependents under health and insurance plans up to the age of 18.

TABLE 7.—Effect of length of service on amount of life insurance provided retired workers [1]

Provision	Plans	Workers (000's)
All plans extending life insurance to retired workers	146	3,108
Amount not affected by service	119	2,097
Graduated by service (two or more graduations)	14	872
Smaller amount if service less than specified period	4	12
Other	9	127

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.

TABLE 8.—Length of time benefits available to retired workers [1] under health and insurance plans

Benefits available	Life insurance		Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans extending benefits to retired workers	146	3,108	67	1,784	58	1,745	35	1,491
For duration of retirement	144	3,079	63	1,747	54	1,708	32	1,457
For specified period	2	29	4	.37	4	37	3	34

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.

TABLE 9.—Relationship of hospital, surgical, and medical benefits of retired workers and their dependents [1]

Provision	Hospital benefits		Surgical benefits		Medical benefits	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans extending benefits to retired workers and dependents	56	1,729	48	1,690	31	1,346
Same benefits provided retired worker and dependents	52	1,702	47	1,687	28	1,323
Different benefits provided retired worker and dependents	4	27	1	3	3	23

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.

TABLE 10.—Method of financing benefits for retired workers and their dependents under health and insurance plans [1]

Method of financing benefits	Retired workers								Dependents of retired workers					
	Life		Hospital		Surgical		Medical		Hospital		Surgical		Medical	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans extending benefits to retired workers	146	3,108	67	1,784	58	1,745	35	1,491	56	1,729	48	1,690	31	1,346
Employer only	97	2,295	29	746	22	713	16	744	18	657	15	647	11	559
Employer and retired worker	16	128	14	119	13	118	6	52	11	104	11	104	6	52
Employer and active worker	16	495	1	17	1	17	1	17	1	17	1	17	1	17
Retired worker only	7	94	23	901	22	896	12	678	26	950	21	922	13	717
Other	10	96	-	-	-	-	-	-	-	-	-	-	-	-

[1] Based on a study of 300 health and insurance plans under collective bargaining covering approximately 5 million workers.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

<u>Financing Retired Workers' Benefits</u>

Under most plans extending coverage to retired workers, the employer carried all or part of the cost of providing these benefits to the retired worker and his dependents (table 10). With the exception of life insurance, however, less than half of the plans required the employer to bear the entire cost of the individual benefits. Although a substantial proportion of plans required the retired worker to pay the premiums for hospital, surgical, and medical benefits if he wished to continue his coverage for himself and his dependents, the retiree gained the advantage of group-rate participation which otherwise might not have been available to him because of his age. The extension of life insurance was, in most cases, an employer-financed benefit.

Significantly, under 16 life insurance plans covering almost one-half million workers, the employer and the active worker shared the cost of the insurance which became available to the worker on retirement without additional premium. This provision may reflect an awareness of workers that, if they are to contribute to the cost of health and insurance benefits, it is easier to pay while they are actively employed for the benefits they wish to receive in a retired status.

Part II.—Pension Plans

Summary

More than 13 million workers are covered by private pension plans that supplement the Federal old-age and survivors' insurance program. Of these workers, approximately 60 percent are participants in plans under collective bargaining. The spread of such plans during the past decade undoubtedly has constituted the most significant action of this period on the part of unions and employers directed specifically to the problems of aging workers. This development is important not only because it promises to provide an increasing number of older people with greater economic security on retirement, but because it may provide, for the employer and the union, an equitable solution to the on-the-job difficulties encountered by the superannuated or disabled worker.

The primary purpose of a pension plan is to provide an income for life to the employee on retirement. Under most plans, the worker reaching retirement age qualifies for an annuity if he has fulfilled the stipulated length-of-service requirements. The amount of money he is to receive monthly generally depends on his length of service and, under many plans, his level of earnings. Ordinarily, the retired worker gets the maximum return when he qualifies for normal retirement benefits, that is, he has reached the designated normal retirement age and, if required by the plan, has completed the minimum service requirements.

Although a boon to the worker who reaches retirement age with the necessary qualifications and who wants to retire, a pension plan may present or continue some problems for the older worker who is seeking a job, for the worker who cannot qualify for retirement pay, and for the worker who does not want to retire. For example, an older job applicant may be faced by a hiring-age limitation based on pension cost considerations, whether real or fancied. The newly hired worker may find that he cannot participate in a pension plan because of his age or he may not be able to work long enough to qualify for benefits. The employed older worker may be separated from his job through no fault of his own and lose all of his accrued equity in the pension program. Finally, upon reaching a certain age, a worker may be compelled to retire under plan provisions although he may be economically or psychologically not ready for retirement.

Scope of Study

All aspects of a pension plan are relevant to a discussion of the status of older workers. Three aspects, however, were selected for examination in this report: (1) How the worker qualifies for pension benefits under collectively bargained plans; (2) certain provisions of these plans which affect the older worker before his retirement; and (3) involuntary retirement. Attention is directed, among other matters, to the types of retirement benefits available to older workers and the conditions which must be met in order to qualify for benefits; the extent of and qualifications for vesting benefits; and compulsory and automatic retirement provisions. The problem of pension costs acting as a deterrent to the hiring of older workers is discussed in another U. S. Department of Labor report.[8]

For this study, the Bureau analyzed 75 selected pension plans under collective bargaining, in effect in 1955.[9] These plans covered almost 3 million workers,[10] or

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[8] See Pension Costs in Relation to the Hiring of Older Workers, Department of Labor, Bureau of Employment Security.

[9] For previous studies in this field, see Pension Plans Under Collective Bargaining, BLS Bull. 1147; and Health, Insurance, and Pension Plans in Union Contracts, BLS Bull. 1187.

[10] In many cases, the plans are extended uniformly to cover workers outside the scope of the contract. In every instance, however, the figures represent only the total number of workers under collective bargaining agreements covered by the plan.

somewhat less than 40 percent of the total coverage of pension plans under collective bargaining (table 11). Of the 75 plans, 55 were in effect in manufacturing industries (covering 2,158,000 workers) and 20 in nonmanufacturing industries (775,000 workers). They varied in size from plans covering well over 100,000 workers to plans applying to a minimum of 1,000. Nearly a third of the plans involved multiemployer groups. Four-fifths of the plans, covering almost the same proportion of workers, were financed solely by employer contributions (noncontributory plans). The remainder were contributory, usually with the employer paying the greater share of the cost.[11]

TABLE 11.—Distribution of pension plans studied by industry division, worker coverage, and type of bargaining unit

Item	Plans	Workers (000's)
All plans studied	75	2,932
Industry division		
Manufacturing	55	2,158
Nonmanufacturing	20	775
Worker coverage		
1,000 - 4,999	22	66
5,000 - 24,999	30	394
25,000 - 49,999	10	380
50,000 - 99,999	4	269
Over 100,000	9	1,823
Type of bargaining unit		
Single employer	51	1,726
Multiemployer	24	1,206

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

The 75 plans were so selected as to yield insight into collectively bargained pension arrangements in broad segments of industry. In their selection, the factors given primary consideration were industry, geographic location, union, type of bargaining unit, and size. Since the sample is comparatively small, however, the results should be viewed as indicative rather than conclusive.

Types of Benefits

Under pension plans, workers may qualify for benefits under three types of provisions—normal, early, and disability retirement. Virtually every pension plan contains a normal retirement provision under which the worker becomes entitled to a benefit, having otherwise qualified, upon reaching the normal retirement age specified in the plan. In general, this age is defined as the earliest age at which a worker, having qualified for benefits, may choose to retire and receive the maximum monthly payment to which his length of service or amount of earnings, or both, entitles him under the normal retirement provisions of the plan.

Under an early retirement provision a worker can retire prior to the specified normal retirement age and receive a reduced annuity, since, among other reasons, he would be expected to receive an annuity for a longer period of time. In contrast to normal retirement, however, the right to early retirement may be contingent upon the employer's consent.

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[11] Some plans provided for a basic noncontributory pension and workers were given an opportunity to contribute to a supplementary annuity. In these cases, only the noncontributory plan was analyzed. A few plans were noncontributory for workers earning less than a specified amount, e.g., $3,000 a year, and contributions were required from those earning over that amount. These plans were classified as contributory programs.

The primary purpose of a disability provision is to permit those workers who become permanently and totally disabled and who do not qualify for benefits under other pension plan provisions to retire on an immediate benefit.

Each of the 75 plans studied made provision for normal retirement (table 12). Early retirement was provided for in nearly two-thirds of the plans. A similar proportion provided for disability benefits.

TABLE 12.—Types of pension benefits provided by number of plans and workers

Types of retirement benefits			Plans	Workers
Normal	Early	Disability		(000's)
x	x	x	28	1,173
x	x	-	19	159
x	-	x	20	972
x	-	-	8	628
All plans studied			75	2,932

NOTE: x denotes benefits provided.

Both early and disability provisions are of particular significance to older workers who desire to retire before normal retirement age, or who may lose their jobs at an advanced age for reasons beyond their control, or who become totally disabled. Under these alternative retirement provisions, workers are assured of an immediate income which otherwise would have been deferred until normal retirement or lost entirely. For example, the health of an older worker may be poor but not bad enough to be classified as disabling. An early retirement provision would enable this worker to retire and receive an immediate benefit.

Participation Requirements

Participation in a pension plan may be a condition of employment or a matter of choice for newly hired workers. However, under some plans participation may depend upon the worker having completed a specified period of employment, or having reached a certain minimum age, or being below a specified age. Where minimum participation age requirements exist, they generally range from ages 25 to 35, and, therefore, are not of primary concern to older workers. On the other hand, if a plan stipulates that a worker cannot become a plan member unless hired before a specified age, e.g., 55 years, the older worker is directly affected, since a worker hired after the age specified would be permanently excluded from plan benefits. The effects such a provision may have on employers' hiring practices may differ considerably. It has been claimed by some that the exclusion of older workers from the pension plan may facilitate their hiring since the higher pension cost often attributed to this group would be eliminated. Some employers, in contrast, have indicated a reluctance to hire older workers who cannot qualify for plan benefits upon retirement.[12]

In addition to disqualifying a newly hired older worker through the inclusion of a stipulated maximum participation age, plans may exclude the older worker through the requirements to qualify for benefits. For example, a plan may require that a worker have at least 15 years of service upon retirement, with a further requirement that retirement is automatic at a specified age or that service cannot be credited beyond a specified age. For example:

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[12] For an analysis of these points of view, see Pension Costs in Relation to the Hiring of Older Workers, op. cit.

> On and after the effective date of the plan an employee shall retire from the service of the employing company on his normal retirement date, which shall be the first day of the month following his 65th birthday. . . . No employee who retires for age shall become a pensioner unless he has completed fifteen or more years of continuous service to his normal retirement date.

Under this plan a worker would have to be hired not later than age 50 in order to qualify for any benefits whatsoever.[13] If, in addition, this plan required the worker to be employed for a period of time in order to participate, the age before which he must be hired in order to qualify for benefits would be even lower. For example, if the worker had to be employed 2 years before participating in the plan cited above and service was credited only from the date of participation, he would have to be hired not later than age 48 in order to qualify for benefits.

More than half of the 75 plans studied (41) had a maximum hiring age above which workers cannot qualify for pensions (table 13). Of these, about a third established a definite age for participation and the remaining included benefit eligibility requirements which operated to establish maximum ages in the manner described above. These ages ranged from below 50 under 2 plans to age 65 in 1 plan. The significance of these data lies in their disclosure of the fact that plans covering about 30 percent of all workers in the study established a maximum qualifying age below 60 years.

TABLE 13.—Maximum ages before which workers must be hired to qualify for pension benefits [1]

Maximum age	Plans	Workers (000's)
All plans	41	1,219
Age:		
Less than 50	2	59
50 but less than 55	8	119
55 but less than 60	14	728
60 but less than 65	16	301
65	1	12

[1] Based on a study of 75 pension plans under collective bargaining covering approximately 3 million workers.

Minimum Qualifications for Benefits

Virtually every pension plan has minimum requirements which the worker must meet in order to qualify for retirement benefits. These are usually expressed in terms of age or age and years of service. These qualifications are important to older workers who have been with their employer for a long period of time as well as to those who are seeking employment or have recently changed jobs. In the case of long-service workers, the earliest age at which they may retire and the conditions under which retirement is permitted would be of primary concern since presumably they would have met the minimum service requirements of the plan. The newly hired older workers and those seeking work would be particularly concerned as to whether they would be able to meet the minimum qualifications to receive benefits in the event of voluntary or forced retirement.

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[13] It should be emphasized that the operation of these features relate primarily to a newly hired worker. Where such provisions are included in newly established plans, older workers are usually protected in a number of ways. Credit may be allowed for all or a specified amount of past service credit (that service performed prior to establishment of plan) thus making qualification possible. Special provisions may be made exempting older workers from the minimum service requirements to qualify for benefits. Exceptions to the age limitations on accruing service may be provided thus enabling older workers to qualify.

TABLE 14.—Minimum age and service requirements for normal, early, and disability pension benefits

Minimum service needed to qualify for benefits [1]	All plans		Minimum age at which workers can qualify for benefits [2]													
			None		Age 45		Age 50		Age 55		Age 60		Age 65		Age 70	
	Number	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
	Normal retirement [3]															
All plans	75	2,932	-	-	-	-	-	-	-	-	4	259	70	2,670	1	5
None specified	22	518	-	-	-	-	-	-	-	-	-	-	22	518	-	-
1 - 4.9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - 9.9 years	2	10	-	-	-	-	-	-	-	-	-	-	2	10	-	-
10 - 14.9 years	19	686	-	-	-	-	-	-	-	-	2	7	17	680	-	-
15 - 19.9 years	19	660	-	-	-	-	-	-	-	-	-	-	19	660	-	-
20 - 24.9 years	9	976	-	-	-	-	-	-	-	-	2	252	6	719	1	5
25 - 29.9 years	3	79	-	-	-	-	-	-	-	-	-	-	3	79	-	-
30 years and over	1	4	-	-	-	-	-	-	-	-	-	-	1	4	-	-
	Early retirement [3]															
All plans	47	1,332	5	168	1	4	1	45	22	271	18	844	-	-	-	-
None specified	14	137	2	22	-	-	-	-	12	115	-	-	-	-	-	-
1 - 4.9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - 9.9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 - 14.9 years	16	784	1	23	-	-	1	45	4	23	10	693	-	-	-	-
15 - 19.9 years	6	260	1	120	1	4	-	-	-	-	4	136	-	-	-	-
20 - 24.9 years	9	146	-	-	-	-	-	-	6	133	3	13	-	-	-	-
25 - 29.9 years	1	2	-	-	-	-	-	-	-	-	1	2	-	-	-	-
30 years and over	1	3	1	3	-	-	-	-	-	-	-	-	-	-	-	-
	Disability retirement															
All plans	48	2,145	29	923	2	43	6	601	3	83	8	497	-	-	-	-
None specified	1	4	-	-	-	-	-	-	-	-	1	4	-	-	-	-
1 - 4.9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - 9.9 years	2	7	2	7	-	-	-	-	-	-	-	-	-	-	-	-
10 - 14.9 years	7	105	5	42	-	-	-	-	1	13	1	50	-	-	-	-
15 - 19.9 years	29	1,502	19	739	2	43	6	601	1	35	1	84	-	-	-	-
20 - 24.9 years	7	476	2	117	-	-	-	-	-	-	5	359	-	-	-	-
25 - 29.9 years	2	53	1	18	-	-	-	-	1	35	-	-	-	-	-	-

[1] For those plans which specified a period of employment to be served before participation in the plan could begin, the service requirement includes both the preparticipation period and the required minimum plan membership period.

[2] In a few plans, alternative age and service requirements were specified; in each case, that with the lower age was selected.

[3] Age requirements to qualify for benefits were lower for women than for men in a number of plans. Five plans specified a differential for normal retirement—5 years in all except 1 plan which stipulated 10 years; 3 plans specified a differential of 5 years for early retirement.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

With few exceptions, the plans studied provided that a worker must reach age 65 in order to qualify for normal retirement benefits (table 14). For workers otherwise qualified, this means that in order to realize the maximum benefit to which their service or earnings entitles them they must continue in employment until age 65. In the absence of vesting, early retirement, or disability provisions (discussed below), this also means that workers would lose all of their pension rights should their employment be terminated before age 65.

In addition to age requirements, specific service requirements also had to be met under more than two-thirds (53) of the plans studied in order to qualify for normal pensions. Ten and 15 years of service were the most common requirements. In 51 of the 75 plans, a worker must have been employed for 10 or more years to meet the minimum eligibility requirements for normal retirement benefits. On the other hand, 22 plans did not specify a minimum service requirement. However, maximum age participation requirements under some of these plans had the same effect as the establishment of minimum service requirements.[14]

Early and disability retirement provisions, as pointed out above, are of particular importance to older workers who may desire to retire prior to normal retirement age on a reduced annuity or are compelled to retire because of physical reasons. As in normal retirement, 10 and 15 years' service were common requirements for early retirement. Although the qualifying age most frequently specified was 55 (in 22 out of 47 plans providing for early retirement), more than 60 percent of the workers were under plans which permitted retirement at age 60 at the earliest. An example of an early retirement clause follows:

> On or after June 1, 1955, any employee (not retired prior to such date) who shall make due application therefor after (i) having reached his 60th birthday but not his normal retirement age, and (ii) having 10 or more years of creditable service, may retire at his option, and shall be eligible for an early retirement benefit as provided in Article V, Section 2, of the Plan.

Unlike normal and early retirement provisions, a large proportion (29) of the 48 plans which provided for disability pensions did not establish any age as a basis for qualification. The absence of such a requirement is undoubtedly attributable, in large part, to the fact that total and permanent disability is not a voluntary action on the part of the worker. Furthermore, where the attainment of a specific age was required for disability pensions, it was generally lower than that for early retirement. However, minimum service requirements were more prevalent for disability retirement than for normal and early retirements. All plans except 1 of the 48 with disability provisions made service a prerequisite to qualification for benefits whereas about a third of the plans contained no such requirement for normal or early benefits.

Age requirements to qualify for benefits were lower for women than for men in a number of plans. Five plans specified a differential for normal retirement—5 years in all except for 1 plan which stipulated 10 years; 3 plans specified a differential of 5 years for early retirement.

Joint Survivor Benefits

Pension payments under collectively bargained plans generally cease upon the death of the retired worker. In recent years, however, a number of programs under collective bargaining have been amended to include a provision allowing the worker, before retirement, to choose to have payments continued to a designated beneficiary—usually the surviving spouse. This provision is known as a joint survivor option.

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[14] It is possible that the hiring practices of the companies involved may have likewise made unnecessary a minimum service period in order to qualify for benefits in that workers were not hired above a certain age.

To select this option, the worker is generally required to accept a lower amount than he normally would have been entitled to in order to provide for his surviving beneficiary. The worker must make such a choice usually not later than 5 years prior to retirement. Exception to this preretirement period is sometimes made, but is conditioned upon proof of good health.

The value of this provision to the older worker would, of course, depend upon individual circumstances. A worker in good health with little or no financial responsibilities presumably would not select such an option, preferring rather to obtain the maximum benefit for which he is qualified under the plan. On the other hand, the value of this provision is enhanced to a married worker who is approaching retirement age in poor health. The right to provide an income for his wife would receive serious consideration in view of the possibility that he may live but a few years upon retirement.

Of the 75 plans studied, 32 contained survivor option provisions. The clauses varied considerably, and it was not uncommon to find alternatives presented to plan members. For example, one plan offered the following choice: (1) A reduced pension payable without change in amount during the retired employee's lifetime and, after his death, during the lifetime of his beneficiary, if surviving or (2) a larger pension payable during the retired employee's lifetime and, after his death, payable at the rate of one-half during the lifetime of his beneficiary, if surviving.

Vesting

Management and unions have recently been giving increasing attention to vesting. Vesting may be defined as the guarantee to a worker of an equity in a pension plan (based on the employer's contribution)[15] should his employment be terminated before he becomes eligible for retirement. This equity, of course, would not be as large as if he had worked until his normal retirement age.

Vesting is a valued practice to all workers, but is of special significance to older workers. If workers have vested pension rights and should lose their jobs for any reason after qualifying for vesting, they are guaranteed at least a partial pension, usually deferred until normal retirement age. When seeking employment elsewhere, an older worker may find an employer more favorably inclined to hire him if the employer knows that the applicant already has vested pension rights with another firm.

The inclusion of vesting provisions in pension agreements has become an important issue for collective bargaining. Cost is one of the reasons given against adopting vesting provisions. In addition, vesting privileges may cause greater labor turnover, thus increasing employer costs in other ways. It is also argued that the inclusion of vesting provisions tends to minimize the reasons employers frequently give for establishing pensions—that is, rewards to long service workers and the desire to retain experienced workers. Because of the cost factor, and possibly a preference for other provisions, e.g., higher benefit levels, many unions which may have desired vesting were unable to secure it when they first negotiated pension programs. Yet it is apparent from recent collective bargaining developments that the obtaining of vested rights for their membership is a major goal of many unions.[16]

Over two-fifths of the plans studied provided for vesting (table 15). With one exception, these plans provided for deferred full vesting—a provision under which all rights to future pension payments are deferred until a worker attains a certain age and/or has completed a specified period of employment or participation in the plan.

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[15] Contributions made by an employee under a plan financed by both the company and the employee are almost invariably returned to the worker, with or without interest, should his employment be terminated prior to retirement.

[16] Among the unions which have negotiated vesting provisions during the past 2 or 3 years are the United Steelworkers of America; United Automobile, Aircraft and Agricultural Implement Workers of America; International Union of Electrical, Radio and Machine Workers; and the United Rubber, Cork, Linoleum and Plastic Workers of America. See page 27.

The one exception provided for deferred graded vesting; that is, the employer's contributions were vested on a graduated basis, depending on length of service. Approximately a third of the noncontributory plans were vested; all but one contributory plan was vested.

TABLE 15.—Vested and nonvested pension plans by type of vesting and method of financing

Vesting provision	All plans		Noncontributory plans		Contributory plans	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans studied	75	2,932	59	2,290	16	642
With vesting provisions	33	1,143	18	801	15	342
Deferred full vesting	32	1,111	18	801	14	310
Deferred graded vesting	1	32	-	-	1	32
Without vesting provisions	42	1,790	41	1,490	1	300

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

Both age and service requirements were specified in 19 of the 32 plans with deferred full vesting (table 16). Age 40 and 10 years' service was the provision covering the largest proportion of workers. For example:

> An employee who, on or after August 1, 1955, and on or after his 40th birthday and before his 60th birthday shall have lost his credited service under Article II and who at the time of such loss shall have had 10 or more years of credited service and who not earlier than 90 days prior to his 65th birthday nor later than his 70th birthday shall have filed application therefor with the Board, shall be eligible for a deferred vested retirement benefit; . . .

TABLE 16.—Pension plans providing deferred full vesting by requirements for vesting [1]

Requirements for vesting	Plans	Workers (000's)
All plans with deferred full vesting	32	1,111
Service only	13	265
5 years	4	77
10 years	8	185
15 years	1	3
Age and service	19	846
Age 40 and 10 years' service	6	642
Age 40 and 15 years' service	3	52
Age 45 and 5 years' service	1	5
Age 45 and 10 years' service	1	5
Age 45 and 15 years' service	2	4
Age 50 and 15 years' service	1	15
Age 50 and 20 years' service	3	94
Age 50 and 25 years' service	1	19
Age 52 and 15 years' service	1	10

[1] Based on a study of 75 pension plans under collective bargaining covering approximately 3 million workers.

Also protecting the accrued rights of workers are industry or areawide plans under collective bargaining. These plans generally involve a fund to which a number of employers under contract with a union contribute a specified amount. As long as the worker is employed by one of these employers, he continues to build up credit under the plan. The distinction between this type of pension right protection and that provided by vesting is that under the latter the equity once vested is never lost. The worker can move to another employer not covered by the plan or quit work and still be assured of an eventual benefit. Under a multiemployer plan without a vesting provision, the worker generally must continue in employment with one of the participating employers until he qualifies for retirement benefits.

Although the large majority of multiemployer plans cover only employers within a particular industry area, thus restricting to a degree the movement of workers, a number of programs have been extended across industry lines. A recently established plan of this type is that of the Western Conference of Teamsters. Not only can workers under this plan move from employer to employer within a particular industry without losing their pension rights, but they can also move to employers under contract with the International Brotherhood of Teamsters in many other industries in the West Coast area. Other unions, such as the International Ladies' Garment Workers, have developed reciprocity arrangements between the various segments of the women's and children's apparel industry so that a worker in the cloak and suit branch, for example, may be able to secure employment in the dress segment and not lose his pension rights. Variations such as these have been increasing in number, thus providing greater pension right protection to workers and affording older workers the opportunity to accrue, in effect, a vested right which may facilitate their reemployment.

Compulsory and Automatic Retirement

Compulsory and automatic retirement are two forms of involuntary retirement based on age alone. A compulsory retirement provision stipulates an age at which the worker loses the privilege of deciding whether he should retire or continue on his job. He may, however, be permitted to continue in employment on a year-to-year basis in some cases, subject to passing annual physical examinations or meeting standards of job performance. For example:

> Any member in service who shall have attained age 65 prior to January 1, 1946, shall be retired on a normal retirement allowance on February 1, 1946, and any member in service who shall attain age 65 on or after January 1, 1946, shall be retired on a normal retirement allowance on the first day of the calendar month next following; provided, however, that any member may, upon the request of the company and with the assent of the employee filed with the retirement board, be continued in service after the normal retirement date for a period of 1 year, and upon like request and assent filed as aforesaid, for successive 1-year periods. Notwithstanding the continuation of a member's service after he shall have attained age 65, the member shall be retired during any such continuation on a normal retirement allowance on a date to be fixed by the retirement board not less than 30 nor more than 90 days following receipt by the retirement board of written application therefor by the member or by the company.

An automatic retirement provision, on the other hand, stipulates an age at which a worker must cease his employment with a firm, the plan having irrevocably established this age as a maximum.

Attitudes toward involuntary retirement based on age alone are currently being reexamined in view of changing physical, economic, and social factors. In general, unions presently view the practice of compulsory retirement as one to be discouraged. They cite the improved health of older workers as evidenced by an increasing life expectancy. In addition, unions believe that the right of a man to a job should be protected against barriers such as an arbitrary retirement age. Furthermore, they claim that many workers are not financially able to retire at age 65 even with the benefits of private pension plans and increased social security benefits. The continued employment of older workers, it is maintained, would have certain additional advantages to the economy in general.

Many employers, on the other hand, believe that compulsory retirement provisions are desirable for the following reasons, among others: Most business firms need turnover to encourage the advancement of younger employees. Productivity increases frequently reduce the need for manpower in individual establishments. An inflexible retirement age provision decreases problems presented when there is an excess supply of labor. A compulsory or automatic retirement age, moreover, provides an objective standard which is not subject to favoritism and does not reflect upon the capabilities of the individuals involved.

Of the 75 pension plans analyzed, 43 included compulsory retirement provisions (table 17). Of these 43 plans, 20 also provided for automatic retirement at specified ages. Most multiemployer plans had no compulsory or automatic retirement provisions. Age 65 was the most common compulsory retirement age, followed by age 68 (table 18). The retirement ages specified in all 75 plans studied are shown in table 19.

TABLE 17.—Pension plans with compulsory and automatic retirement provisions by type of employer unit

Provision	All plans		Single-employer plans		Multiemployer plans	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans studied	75	2,932	51	1,726	24	1,206
With compulsory retirement	43	1,413	39	1,331	4	82
With automatic retirement	20	460	16	379	4	82
Without automatic retirement	23	952	23	952	-	-
Without compulsory retirement	32	1,520	12	396	20	1,124

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

TABLE 18.—Pension plans with compulsory retirement provisions by age specified and provision for automatic retirement [1]

Compulsory retirement age	All plans		Without automatic retirement		With automatic retirement	
	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)
All plans with compulsory retirement	43	1,413	23	952	20	460
65 years	25	660	17	511	8	149
66 years	1	21	-	-	1	21
67 years	1	5	-	-	1	5
68 years	15	717	6	442	9	275
70 years	1	10	-	-	1	10

[1] Based on a study of 75 pension plans under collective bargaining, covering approximately 3 million workers.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

Service After Normal Retirement Age

To an older worker approaching normal retirement age and covered by a plan which permits him to continue working beyond that age, the question of whether his service will be credited during the extended period may be extremely important. He may be able to qualify for pension benefits only by being able to receive credit for these years. For example, a plan may require that a worker have 20 years of service upon reaching normal retirement age in order to qualify for benefits. If this worker reaches age 65 (the normal retirement age) with less than 20 years' service, and service cannot be credited beyond that age, he would never qualify for a benefit. On the other hand, the worker may be able to qualify for benefits at a later age if the plan allows him to accumulate service credits beyond age 65. Although the worker who meets the minimum requirements upon reaching normal retirement age is not faced with a problem of qualifying, the ability to accrue additional credit will add to his future pension income, which is also an important consideration.[17]

Full credit for all service beyond normal retirement age was provided in 48 plans, but 23 allowed no credit at all (table 19). Significantly, of the 48 crediting all service, 26 did not have compulsory retirement provisions. Thus, it would be possible for nearly half of the workers covered by this study to remain at work as long as they desired, or were able to, with the assurance that their additional service, if needed, would be credited.

Recent Modifications

Of the 75 plans included in this study, 61 were also analyzed by the Bureau of Labor Statistics in 1952 as part of a larger study of pension plans under collective bargaining.[18] A comparison of these 61 plans, covering 2,730,000 workers, between 1952 and late 1955 gives some indication of the changes companies and unions have made in their pension agreements in recent years which are of special significance to older workers (table 20).

Early retirement provisions were added to 4 plans covering 58,000 workers, and 8 plans covering 285,000 workers were amended by making more liberal the early retirement provisions which were in effect in 1952. Of the changes which were made in early retirement provisions already in effect, almost all related to lowering the service requirement for eligibility. Six plans established 60 years of age and 10 years of service as the eligibility requirement; formerly, 1 plan required 30 years of service, 3 required 25 years, and 2 required 15 years at age 60.

Concerning disability retirement benefits, 6 plans covering 199,000 workers added such clauses, and 8 plans covering 233,000 workers amended existing provisions. Most plan amendments removed a rigid age requirement below which a worker was ineligible to receive disability benefits.

Since 1952, vesting provisions were added to 11 plans covering 773,000 workers and amended in 2 plans, covering 125,000 workers, to liberalize provisions. Of those plans which had vesting added to the agreement, 40 years of age with 10 years of service was the most common requirement for achieving vesting rights.

Fewer changes were made in provisions for compulsory retirement than in other benefits affecting older workers. Under two plans, provisions for compulsory retirement were added; under one plan this provision was deleted. One plan increased the compulsory retirement age from 65 to 67.

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[17] Under some plans, the minimum requirements to qualify for benefits entitle the worker to the maximum benefits possible. Also, some plans set a maximum service requirement for maximum benefits. Any service beyond the stipulated maximum would not increase the worker's pension.

[18] Health, Insurance, and Pension Plans in Union Contracts, op. cit.

TABLE 19.—Distribution of pension plans by specified normal, compulsory, and automatic retirement ages and by amount of service credited after normal retirement age

Specified retirement age[1]			Service credited after normal retirement age								All plans studied	
			None		Until age 68		Until age 72		All service			
Normal	Compulsory	Automatic	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Plans	Workers (000's)	Number	Workers (000's)
60	-	-	-	-	-	-	-	-	[2] 4	259	4	259
65	-	-	5	75	-	-	1	20	21	1,161	27	1,256
70	-	-	-	-	-	-	-	-	1	5	1	5
65	65	-	10	257	-	-	-	-	[3] 7	253	17	510
65	68	-	-	-	3	414	-	-	[4] 3	27	6	441
65	65	65	4	95	-	-	-	-	-	-	4	95
65	65	67	1	32	-	-	-	-	-	-	1	32
65	65	68	-	-	-	-	-	-	1	3	1	3
65	65	70	1	18	-	-	-	-	1	1	2	19
65	66	66	1	21	-	-	-	-	-	-	1	21
65	67	70	1	5	-	-	-	-	-	-	1	5
65	68	68	-	-	-	-	-	-	[5] 8	271	8	271
65	68	72	-	-	-	-	-	-	1	4	1	4
65	70	70	-	-	-	-	-	-	1	10	1	10
All plans			23	503	3	414	1	20	48	1,994	75	2,932

[1] Five plans specified a lower normal retirement age for women than for men. This differential was 5 years in 4 cases, and 10 years in the other.
[2] One of these plans permitted service to be accrued after age 60 until a total of 20 years was accumulated.
[3] One of these plans permitted service to be accrued after normal retirement until a total of 30 years was accumulated.
[4] Two of these plans permitted service to be credited after normal retirement until a total of 30 years was accumulated.
[5] Three of these plans provided that workers may accumulate credited service until age 68 or a stipulated number of years of credited service. The amounts of credited service were 15 years in 1 case, 25 years' service in the other 2 cases.

NOTE: Due to rounding, sums of individual items do not necessarily equal totals.

TABLE 20.—Modifications in 61 selected pension plans, 1952 to late 1955

Modification	Plans	Modification	Plans
All plans	61		
Early retirement:		Vesting:	
Early retirement added	4	Vesting provision added	11
Qualifying age reduced	2	Vesting provision liberalized	2
Qualifying service reduced	6	No change	48
No change	49	Compulsory retirement:	
Disability retirement:[1]		Compulsory retirement provision added	2
Disability retirement added	6	Compulsory retirement provision eliminated	1
Qualifying age reduced	6	Age of compulsory retirement raised	1
Qualifying service reduced	4	No change	57
No change	47		

[1] Figures are nonadditive; 2 plans made 2 changes each.

Three plans in the current study which provided different retirement ages for men and women in 1952 were amended to provide one normal retirement age common to all employees.

This comparison of 1952 and 1955 plans does not, of course, take into account the introduction of vesting and early retirement in the steel industry in August 1956.[19] The U. S. Steel Corp. and the United Steelworkers of America agreed to the inclusion of a vesting provision which enables workers age 40 or over with 15 years of service to qualify for a deferred pension if their service is broken by layoff or permanent shutdown. The early retirement provision permits a worker, at his own volition, to retire at age 60 with 15 years of service and receive either an immediate reduced annuity or a deferred pension at age 65 in the full amount based on his service to date of actual retirement.

The U. S. Steel plan has no provision for compulsory or automatic retirement.

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[19] This summary is based on the text of the U. S. Steel agreement as published by the Bureau of National Affairs, Inc., August 6, 1956.

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