Private Pension Plans and Manpower Policy

Bulletin No. 1359

UNITED STATES DEPARTMENT OF LABOR
W. Willard Wirtz, *Secretary*

BUREAU OF LABOR STATISTICS
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Preface

In March 1962, President John F. Kennedy established an interagency Committee on Corporate Pension Funds and other Private Retirement and Welfare Programs, under the chairmanship of the Secretary of Labor, "to review legislative and administrative practices relating to these programs." One of the issues to which the Committee's attention was specifically directed was how these programs "may contribute more effectively to efficient manpower utilization and mobility."

The responsibility for compiling the basic information needed for the Committee's consideration of this issue fell to the Department of Labor. In consultation with the Bureau of Labor Statistics, the Department invited Dr. Hugh Folk, of the University of California, to prepare a report analyzing the interaction of private pension plans and manpower utilization and mobility. Dr. Folk's report was prepared during the summer of 1962.

Because of its long-range interest in this subject, the Bureau of Labor Statistics gladly accepted the opportunity to bring Dr. Folk's comprehensive report to the attention of a larger audience. Detailed studies of the patterns of labor mobility and features of pension plans bearing upon mobility, now in progress in the Bureau, promise to add substantially to the data resources available for manpower policy research.

Contents

Private Pension Plans and Manpower Policy

Chapter I. Summary of Findings

This paper reviews the effects of corporate pensions on various aspects of manpower policy, including labor mobility, the employment opportunities of older workers, and retirement and withdrawal from the labor force.[1]

Manpower policy, broadly defined, includes Government programs affecting the size and quality of the labor supply and its allocation among competing demands for labor. Measures which increase or decrease the number of people seeking work, or which introduce or remove obstacles to the movement of workers between jobs may be considered aspects of the Nation's manpower policy. Among the specific parts of the Nation's manpower policy are the operation of the employment service, apprenticeship and training programs, and the requirement for a nondiscrimination policy in performing work on Government contracts.

The goals of manpower programs in the United States are to aid persons who are willing and able to work in finding jobs, to assist employers in meeting their manpower requirements, to facilitate the free movement of workers between jobs, and to assist workers in gaining the education and skills needed in the modern labor market. Manpower programs thereby contribute to the attainment of high levels of employment and to the adjustment of the labor force to the changing patterns of demand for labor.

However, these manpower programs cannot by themselves assure a properly functioning labor market and a high employment economy. Obviously, they cannot create jobs where the demand for labor is insufficient. Thus, the use of other economic instruments, such as monetary and fiscal policy, may be needed to provide an economic environment in which consumers, investors, and Government create adequate demand for labor.

Labor Mobility

A growing economy requires changes in the occupational, industrial, and geographical distribution of labor. In a period of rapid change such as the present when new processes are being introduced, new centers of industry growing up, and other industries declining, the tasks for manpower policy are great. The remarkable increases in labor productivity in industries for whose products demand is limited, such as farming and coal mining, imply sharp reductions in demand for labor in these industries. At the same time, growing industries such as education and health services require an increasing work force. To meet these changing demands, a certain degree of job shifting is needed, but there is little agreement as to how much constitutes the "optimum" or "necessary" level of labor mobility. In recent years, the extent of turnover among factory workers has declined, and some observers believe that present levels are too low. Similarly, the continuing high unemployment rates of workers in some areas and industries of chronic labor surplus are seen by some as evidence of a reluctance of workers to change location or occupation, thus obstructing the achievement of high levels of employment and rapid economic growth.

Despite the apparent low mobility of workers in some depressed areas and industries, there is probably no widespread reluctance of workers to change jobs where good jobs are available. The proportion of workers who change jobs during the year falls off with increasing age and with increasing length of service, but even among workers in their fifties and among workers with 10 years or more of service with a single firm, there is a sizable number of voluntary job shifts. The reasons for

[1] Excerpts from this bulletin appeared in the *Monthly Labor Review*, March 1963, pp. 285-288.

the reluctance of older workers or long-service workers to leave their jobs are obvious. Long familiarity with the work, seniority and job security, and the privileges which come with long service hold workers willingly to their jobs. Moreover, the older worker usually can expect some difficulty in finding another job. The need for an older worker to decide to leave a job seldom arises because the opportunity to change to another job is seldom presented.

It is difficult to determine the effect of pensions as such on mobility. Studies have demonstrated that firms with pensions have lower separation and quit rates than firms without pensions, and this difference is often cited as evidence that pensions reduce labor mobility. However, firms with pension plans frequently have other characteristics which tend to hold older workers on their jobs. The same firms are also likely to be unionized, to pay higher wages and salaries, and to have more effective job-security provisions based on length of service. These other factors probably account for much of the relatively lower mobility in pension firms. No study of mobility has been conducted in such depth as to isolate the effects of these individual factors. The effect of pensions may, however, be significant for certain occupational groups (such as senior white-collar workers and executives), and may also reduce the mobility of older manual workers in some depressed industries and areas.

For older workers with greater seniority the effect of pensions on voluntary job changing depends partly on the extent to which the individual's pension rights are vested. For longer service workers the existence of nonvested pension rights may be, in many cases, a deterrent to voluntary job changing. To the extent that the individual's pension rights are vested (or some degree of portability is provided in other ways) the immobilizing effects of pensions are counteracted. The trend in recent years toward the adoption of vesting provisions and the increasing prevalence of multiemployer plans has acted to limit any adverse effects of pensions.

In summary, the effects of private pensions on mobility are significant but limited and selective. Effects seem to be most important with regard to senior white-collar workers and older workers in some depressed industries and areas. However, there are other more important factors than pensions that lie behind the long-term decline of voluntary job changing. While mobility appears to have decreased in recent years, there is still a substantial amount of job changing, and it does not appear that inadequate job changing is now a general problem in terms of the needs of the economy.

Employment Opportunities of Older Workers

Older workers have long been faced with a lack of job opportunities. While younger workers usually have higher unemployment rates, older workers who become unemployed tend to remain without a job for longer periods of time. It is this fact that gives the older worker problem its special importance.

Firms with private pensions often refuse to hire workers who are older than a certain age. The reasons given by employers for not hiring older workers often relate to the presence of a pension plan. Thus employers appear to be reluctant to hire older workers who are too close to retirement age or whose pension costs are higher than the pension costs of younger workers. Under most definite-benefit pension formulas the pension costs of older workers are likely to be somewhat higher than those of younger workers. While the additional costs in many instances will not be large enough to be a significant factor in the hiring decision, they may be given undue weight by employers.

The reluctance of pension firms to hire older workers is usually not a direct result of the pension plan itself. Rather, it is likely to reflect the same factors that *led* to establishment of a pension program—namely, a desire to keep a balanced age distribution of the work force, to promote from within the organization, and to train as new employees individuals who have a relatively long future working life.

While the difficulties older workers experience in finding jobs are undoubtedly complicated by hiring practices associated with pensions, it cannot be concluded that pension plans are primarily responsible for the older workers' lack of job opportunities. This is supported by studies showing that in spite of age limitations, in practice firms with pensions appear to hire about as many older workers as they separate and have about the same proportion of older employees as do firms without pensions.

Retirement and Withdrawal From the Labor Force

Private pensions, as a major supplement to income from public retirement programs, have served to induce voluntary retirement and withdrawal from the labor force. At the same time, it has been asserted that through the practice of involuntary retirement, private pensions have also had the effect of forcing into retirement many who still wish to work and who remain capable of contributing effectively to the national output.

The attitude of workers toward involuntary retirement is difficult to determine. On the whole, there appears to be little dissatisfaction with retirement among those involuntarily retired, or among those older workers for whom involuntary retirement lies in the near future. From many points of view, however, "automatic" systems of involuntary retirement (which apply without exception to all workers reaching a specified age) are less desirable than flexibly administered "compulsory" systems which permit exceptions.

From the point of view of manpower policy, the desirability of retirement and the resulting reduction in the labor force depends chiefly on the level of demand for labor. In wartime when manpower is severely limited, the appropriate manpower policy is to induce older workers to remain active workers. With unemployment at more normal levels, retirement serves the interest of manpower policy by permitting many aged workers who are partially disabled or for whom work is especially burdensome to withdraw from the labor force, providing retirement income is sufficient, thereby opening greater opportunities for other employed and unemployed workers. In occupations and industries in which unemployment is especially severe, retirement reduces the level of unemployment and facilitates the employment adjustments essential in a rapidly changing economy.

Changes in retirement programs, both public and private, will have manpower effects by making retirement more or less desirable and thus influencing the incentive for aged workers to remain in the labor force. One example of such a change is the recent adoption of early retirement provisions in both public and private programs. It is yet too soon to evaluate the effect of the recent change permitting early retirement at age 62 under the old-age, survivors, and disability insurance program.

The decentralized nature of private pension systems provides an important element of flexibility in meeting manpower problems. The OASDI system does provide flexibility in the regard to the age at which an individual may retire, but it does not include any special provisions applying to the needs of particular industries. These would be difficult to justify in the public system, in which uniformity of retirement age and benefit schedules for all covered workers is a well established principle. On the other hand, private pensions are well suited to meet such problems, since the content of the plans may be varied to meet the special needs of an industry or firm. Illustrative of the flexibility inherent in pensions negotiated through decentralized collective bargaining are provisions for early retirement at employer's request included in certain recent bargaining agreements which provide twice the normal private pension from the time the employee retires until he becomes eligible for OASDI benefits.

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Chapter II. Labor Mobility

Summary

Labor mobility in the United States appears to have decreased in recent years, although it is still considerable. The causes of the decline are by no means certain, and it is impossible to say whether the forces leading to the decline are growing in importance. It is true, however, that some countries exhibit higher mobility and others have lower mobility than the United States. The Soviet Union, for instance, has been plagued by high turnover, and Soviet labor law places heavy penalties on workers who quit without adequate notice. Other countries, such as Japan, the Federal Republic of Germany, and Sweden, typically exhibit low turnover. In Japan, the "lifetime job" is a well-established principle, and workers are very closely bound to the employer. In Sweden and Germany efforts have been made to increase labor mobility. Yet all of these countries have recently exhibited high rates of economic growth, whether faced with high or low turnover. This suggests that labor mobility is only one of the factors contributing to growth and development but not the primary factor, and that other adjustments can adequately offset either high or low labor mobility.

Movement of workers from one job to another is but one of the adjustments which are needed in a growing economy. Judging by the evidence for factory workers, mobility in the United States has decreased, but it does not now appear that inadequate mobility is a general problem of the economy, although in certain occupations and industries more outward movement is desirable. Movement out of these industries and occupations is probably not impeded by unwillingness to change to other jobs, but rather by the shortage of other jobs to which workers might change and by the educational and training qualifications necessary for the jobs which are available. If mobility is generally adequate, then the prevalence of pension plans, which in some instances impede mobility, cannot be criticized from the point of view of economic policy for reducing mobility below desirable levels.

The frequency of job changing commonly is inversely related to age, although length of service, rather than age, may be the dominant influence in the lower mobility of older workers. Between two-thirds and three-fourths of the workers in all age groups who were separated from a sample of firms studied in 1955 had less than 1 year of service. Apparently most of the job changes are performed by the small proportion of workers who are highly mobile. The separation rates of workers in all age groups fall off with increasing length of service, and there are only small differences in the rates of workers all age groups younger then 65 years in the same length of service classes.

Occupational attachment varies widely among occupations, and workers in those occupations which require formal education or lengthy training usually show a high degree of occupational attachment although they may change jobs frequently or move to different industries or areas. Industry attachment appears to be somewhat less important than occupational attachment, and about three-fifths of the job shifts in 1961 involved changes of industry.

Data on mobility trends over time are limited. The quit rate in manufacturing has shown a secular decline on which cyclical variations attributable to fluctuations in the level of unemployment are superimposed. It has been asserted that the downtrend is attributable to the growth of seniority rules and fringe benefits (especially pensions). Doubtless these factors have been important, but the stability of manufacturing employment and somewhat higher levels of unemployment are probably more important influences in recent years.

The available evidence linking the presence of a pension plan with job mobility demonstrates that firms with pensions have lower separation rates and quit rates than firms without pensions. Data from a sample of firms in six major labor market areas give this result even when pension and nonpension firms are grouped by major industry division or by size of firm. The difference in separation and quit rates between pension and nonpension firms is especially marked in the 55–64-year age group.

Lower separation rates in firms with pensions do not prove that pensions are the cause of the lower

turnover. Pension coverage is more common in firms with higher than average wages and in unionized firms, and these firms are likely to have lower turnover regardless of pension status. Firms with pensions also have lower accession rates than firms without pensions. Since most of the workers in all age brackets who are separated have less than 1 year of service, the lower accession rates mean that proportionately fewer of the short-service workers who exhibit high mobility are found in firms with pensions. Finally, separation rates and quit rates are generally lower for workers of all ages in firms with pensions than in firms without pensions. Since the effect of pensions on the mobility of young workers should be small, the lower separation and quit rates of these workers in firms with pensions suggests that factors other than pensions (and seniority) are important in reducing turnover.

Three important trends have mitigated the effect of pensions in reducing mobility. First, vesting has become much more common both in unilateral and in negotiated pensions. Although 10 years or more of service is commonly required for vesting, vesting even on such restrictive terms can do much to reduce the immobilizing effects on the groups of workers for whom pensions are likely to have the most influence. A second important trend is the growing frequency of early retirement provisions. Early retirement serves as a limited kind of vesting for workers who leave their jobs a few years before retirement age. Finally, multi-employer plans have become more common. Such plans provide portability of pension credits to workers who shift to other employers who are members of the plan. Despite the low level of industry attachment observed in national data on job mobility, industry attachment is probably much stronger in many of the industries covered by multiemployer plans.

Introduction

The study of labor mobility has many aspects. In its broadest context, labor mobility may include entry and withdrawal from the labor force; social mobility, in the sense of intergeneration changes in social status; and job changing among industries, occupations, and geographical areas.[2] The analysis of labor mobility here is limited to the analysis of job changing particularly with respect to differences in prevalence of job changing among workers of different ages, industries, and occupations.[3]

This study is not concerned with the equities or inequities of unvested pensions although much concern has centered on this problem. Labor mobility has implications for personal freedom. The worker who is unable to get another job has less choice in directing his life. The worker who refrains from quitting his job because of accumulated unvested pension benefits which he would forfeit if he left in some sense may be deprived of liberty. Pension benefits are compensation and some observers feel that it is unfair to withhold benefits or make receipt of benefits conditional upon completion of lengthy service. On the other hand, voluntary movement is not prohibited by pensions and seniority. Viewed as one of a number of institutional practices which make job changing costly to workers, pensions do not appear to be unique in their effects.

Labor mobility also has important implications for manpower policy and this is the principal concern of this study. Changes in the structure of demand and in the techniques of production call for increased employment in some industries, occupations, and areas and reductions elsewhere. A highly immobile labor force does not adjust rapidly to changing demand for labor. Thus, inadequate mobility may impede the attainment of high levels of employment. Yet mobility may also be excessive. Too frequent job changes are likely to prevent the development of a steady, trained work force, and result in low labor productivity.

Labor mobility is but one of the ways in which labor is allocated to changing demands. Capital mobility is important, and there is some tendency for firms to move into areas of high unemployment or low wages. Firms in declining industries may also shift to new products. These movements decrease the amount of labor mobility required.

[2] The most comprehensive review of labor mobility studies is Herbert S. Parnes, *Research on Labor Mobility* (Social Science Research Council, New York, 1954, Bulletin 65). For studies after this date, see Herbert S. Parnes, "The Labor Force and Labor Markets" in Herbert G. Heneman, Jr., and others (editors), *Employment Relations Research* (IRRA Publication 23), New York, Harper, 1960.

[3] Labor mobility is a characteristic of workers. Hence, most mobility data is based on interviews with workers. Turnover is a characteristic of firms. Most of the available data bearing on the relation of pensions to job changing is establishment data. Nationwide estimates of labor mobility are derived from 1955 and 1961 studies of job mobility of workers conducted by the Census Bureau as part of the Current Population Survey. Most of the relevant turnover data is derived from unpublished tabulations from the Bureau of Employment Security's study of older worker problems in 1955.

Wage flexibility is another way in which the supply of labor is allocated among competing demands for labor. Firms with ample labor supply generally do not have to increase their wages as much as they increase overtime as do firms which must attract additional labor. Local unemployment problems may reflect inadequate capital mobility and price inflexibility as much as they do inadequate labor mobility. Since many workers are reluctant to move from the localities in which they are situated, capital mobility and wage flexibility may meet the wants of the unemployed far better than movement to a new area.[4]

The existence of areas of persistent unemployment or occupations in which unemployment is usually high does not necessarily imply that labor mobility is inadequate. Workers may be willing to change jobs, but the opportunity to change may be lacking. Opportunity depends on the availability of jobs, and availability depends in large part on aggregate demand. In recent years there have been no labor market areas classified as "areas of tight labor supply," in contrast to the periods of World War II and the Korean conflict when there was heavy demand for labor in most areas. Only if there were occupations and areas with persistent labor shortages while elsewhere there were persistent labor surpluses could it be concluded that labor mobility was inadequate. The occupations which show serious shortages (as shown in the public employment service job orders in interstate clearance) are typically jobs requiring a considerable formal education and training or lengthy periods of apprenticeship.

Patterns of Labor Mobility

In 1961, about 8.1 million workers changed jobs, and about 5 million of these were younger than 35 years old. Approximately 11 million job shifts were made by these job changers. An additional 2.3 million jobs were left by workers who did not start a new job during the year. Overall, about one-tenth of the workers who worked during the year changed jobs.[5]

Mobility commonly differs among industries and occupations. Farm laborers are usually quite mobile, but farmers infrequently change jobs. Construction workers frequently work for several employers during the course of the year, but usually retain considerable attachment to the industry over a period of years, at least during the seasons in which construction work is at high levels. These obvious differences in mobility are sometimes concealed in studies of job changing over periods as brief as 1 year. Similarly, the number of industrial and occupational changes involved in the total number of job shifts is understated by the use of broad occupational and industry classifications.

The volume of job changing in a given year also reflects economic conditions. During periods of very high labor demand, few workers are laid off but many workers quit voluntarily for better opportunities elsewhere. Thus, the patterns of labor mobility to some extent reflect general economic conditions as well as propensities of workers with varying personal characteristics and in various industries and occupations to change jobs.

Characteristics related to mobility such as sex, seniority provisions, and region are not treated separately in this section, but obviously they have a bearing on mobility in general.

Age. Youth is the characteristic most highly associated with labor mobility. To many younger workers, job changing is a vital part of choosing a lifetime occupation. It has often been pointed out that workers find it difficult to judge in advance whether or not a job is worth taking. In many instances, the younger worker finds a job worth keeping after trying several jobs, and thereafter he does not move voluntarily. The younger worker loses little from frequent job changes. With little or no seniority or pension benefits to lose, the younger worker is not inhibited from changing jobs until he finds one that suits him well. After age 25, however, the frequency of job changing falls off rapidly. About one-

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[4] Implicit in such legislation as the Area Redevelopment Act of 1961 and the Manpower Training and Development Act of 1962 is the idea that industry should be attracted to areas with unemployment problems and that workers should be retrained to staff industries in which jobs are available, rather than that workers should move to areas where their skills are in demand. The provision of adjustment assistance to firms injured by foreign competition in the Trade Expansion Act of 1962 is directed toward assisting these firms to remain in business producing other goods. The appropriate role of wage flexibility in the sense of slower rates of wage increase in industries with considerable unemployment is suggested in the *Economic Report of the President Transmitted to the Congress, January 1, 1962. Together With the Annual Report of the Council of Economic Advisers*, Washington, 1962, p. 189.

[5] Preliminary data from a forthcoming Bureau of Labor Statistics study of job mobility of workers in 1961.

Table 2.1. Workers Who Changed Jobs[1] as Percent of All Persons Who Worked, 1955 and 1961

Age	1961		1955	
	Male	Female	Male	Female
Total, 14 years and over	11.0	8.6	12.5	8.7
14-17 years	8.9	5.8	12.9	10.8
18-19 years	23.5	22.2	27.4	20.8
20-24 years	24.4	16.3	27.8	14.9
25-34 years	14.9	10.6	16.0	9.3
35-44 years	10.2	7.2	10.2	7.8
45-54 years	7.1	5.2	10.0	5.4
55-64 years	4.0	4.1	5.6	4.3
65 years and over	3.4	1.9	3.4	1.9

[1] Includes workers who changed jobs during 1961 and who never held 2 jobs at the same time.

Source: Bureau of the Census, *Current Population Reports, Labor Force Series* P-50, No. 70, February 1957, and preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

fourth of the men 20 to 24 years old who worked during 1961 changed jobs, but only 1 out of 15 of the men 45 to 54 years old who worked changed jobs, and only one-thirtieth of the men 65 years and older who worked changed jobs during the year (table 2.1).

The number of jobs left voluntarily by workers also decreases with increasing age. About one-third of the jobs left by men 18 to 24 years old were left voluntarily (improvement in status), while about one-fourth of jobs left were left voluntarily by men 45 to 64 years old. The total number of jobs left per 100 men who worked at some time during 1961 falls off rapidly with increasing age regardless of the reason for leaving (table 2.2). Nevertheless, the proportion of jobs left for involuntary reasons is higher for older men.

The Seven City Study conducted in 1955–56 by the Bureau of Employment Security in cooperation with State employment security agencies provides additional data on voluntary job leaving (table 2.3). Quit rates for each of the seven cities showed similar patterns, but the variation in quit rates between cities was substantial. Thus, it appears that local labor market characteristics have major effects on quit rates. In the rapidly expanding labor markets of Los Angeles, Seattle, and Miami, quit rates of workers 45–64 years old were about twice the quit rates in the other cities.

Hire and separation rates are approximately equal for workers 45 to 64 years old, hire rates for younger workers are higher than separation rates, and hire rates for workers 65 years and older are lower than separation rates. The quit rates decline with age much more than do the layoff rates. The separation rates for workers 65 and over are one and one-half times larger than the separation rates for workers 45 to 64, although quit rates and layoff rates for aged workers are less than one-third larger than the corresponding rates of workers 45 to 64. This difference is due to retirement and death. New hires are about four-fifths or five-sixths of the total hires for all age and sex groups, so that rehires cannot be more than one-half of the layoffs, even though the year studied was a period of recovery from recession.

Length of Service. One of the most firmly established findings in labor mobility research is that the probability of a worker leaving a job falls off sharply with increasing length of service. This is true both of voluntary and involuntary job leaving. Voluntary job leaving falls off with increasing length of service because the long-service employee has become well established in the firm, presumably is satisfied with his job, and has gained through accumulated seniority a greater degree of job security as well as other benefits, such as pension credits, longer vacations, and in many cases higher rates of pay. In some firms, workers with high seniority gain considerable prestige and status because of long service. This includes not only "25 Year Clubs," and service pins, but often larger bonuses, better parking facilities, and freedom from punching the timeclock. Voluntary mobility of long-service employees is impeded by

Table 2.2. Number of Jobs Left per 100 Persons Who Worked During 1961, by Reason for Leaving Job, Age, and Sex

Age and sex	Reason for leaving job				
	Total	Economic	Improvement in status	Termination of temporary job	Other reasons
Total, 14 years and over	16.4	5.3	5.3	2.1	3.7
Male, 14 years and over	18.1	6.8	6.1	2.0	3.2
14-17 years	15.2	2.8	3.0	4.7	4.7
18-24 years	42.8	13.0	14.0	5.3	10.4
25-44 years	19.6	7.6	7.9	1.5	2.6
45-64 years	8.9	4.6	2.1	.9	1.3
65 years and over	6.7	2.8	.9	1.4	1.7
Female, 14 years and over	13.7	2.8	4.1	2.3	4.4
14-17 years	9.9	1.4	1.4	3.2	3.9
18-24 years	30.8	5.5	9.4	5.4	10.6
25-44 years	13.3	2.8	4.2	1.8	4.5
45-64 years	7.2	2.1	2.3	1.3	1.6
65 years and over	3.9	.7	.1	2.2	.9

Source: Preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

the worker's recognition that these privileges will be lost and, in a new job, these accompaniments of long service will have to be earned again. The long-service employee is usually an older worker, so that his opportunity to find a new job is often restricted by maximum hiring ages. Thus the attractions of the old job in the form of security and privileges are made even more important by recognition of the difficulty of finding a new job and by the realization that once employed, the worker will have little security in the new job. It seems likely that many workers would not consider substantially higher pay as sufficient compensation for the security and privileges lost by changing jobs.

Involuntary job mobility is also less likely among long-service employees. The protection against layoff provided by formal seniority rules in unionized firms and informal length-of-service considerations in nonunion firms form one of the principal attractions of the long-service worker's present job. They also reduce the chance that the long-service worker will be laid off or discharged and thereby forced to change his job. Once laid off, however, long service in a particular occupation or industry is unlikely to be cast aside lightly, and most displaced long-service employees will probably be reluctant to change occupations or industries, particularly if the change entails accepting considerably lower pay. Long service may also be associated with extreme specialization of work experience, so that the worker is unable to earn as much outside of his firm, industry, or occupation. Such specialization is likely to be a significant cause of the decreasing probability of job change with increasing length of service, especially among managerial and clerical employees whose knowledge of the routine and system in a given firm makes them highly productive, but whose knowledge may not be easily transferable to other firms.

Table 2.3. Annual Turnover Rates, by Age and Sex, Seven Areas, 1955[1]

Age	Number per 100 employed							
	Men				Women			
	Hires		Separations		Hires		Separations	
	Total	New	Total	Quits	Total	New	Total	Quits
Total	60	49	54	21	61	53	54	30
Under 45 years	70	60	61	26	72	63	64	37
45-64 years	39	30	38	10	35	28	32	14
65 years and over	36	27	57	13	26	21	48	18
Detroit	40	34	33	17	50	45	37	21
Under 45 years	52	46	41	23	60	55	43	25
45-64 years	18	14	18	6	20	16	18	9
65 years and over	12	7	50	13	20	17	40	13
Los Angeles	84	71	79	28	77	69	74	39
Under 45 years	93	81	84	33	86	79	83	47
45-64 years	65	52	69	17	52	45	48	19
65 years and over	71	52	82	19	45	33	79	31
Miami	112	76	108	43	123	87	137	62
Under 45 years	117	82	114	48	127	92	118	70
45-64 years	86	50	82	25	96	63	87	38
65 years and over	91	51	102	16	88	51	66	16
Minneapolis-St. Paul	54	47	47	19	52	46	46	30
Under 45 years	59	52	50	23	63	56	54	36
45-64 years	30	25	28	7	26	20	21	11
65 years and over	27	23	47	10	27	14	39	15
Philadelphia	25	18	20	7	35	27	26	15
Under 45 years	30	22	23	10	45	36	35	21
45-64 years	10	7	8	3	14	11	8	4
65 years and over	8	5	22	3	9	5	29	6
Seattle	98	74	89	28	82	60	76	43
Under 45 years	101	75	89	34	91	68	84	52
45-64 years	86	65	81	15	46	30	43	20
65 years and over	79	60	106	15	57	24	68	12
Worcester	44	34	34	15	50	41	45	29
Under 45 years	50	40	38	18	63	53	58	37
45-64 years	21	14	15	6	26	21	22	12
65 years and over	20	11	32	6	20	3	22	7

[1] 12 months ending with March for Los Angeles, December for Seattle, and June for other areas. Data for establishments with 8 or more workers covered by State unemployment insurance laws or by the Railroad Retirement Act.

Source: Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices*, (BES Bulletin R151, 1956), pp. 265-266.

The immobility of long-service employees may be the result of factors which predispose these workers in this direction. The low mobility of long-service employees may simply reflect the fact that they tended toward immobility to begin with. It is known, for instance, that some workers never settle down to a steady job, but remain highly mobile throughout their working lives. The probability that a worker will change jobs in a given year is not independent of his previous job changing experience. In 1951, for instance, 18 percent of a sample of workers covered by OASDI in both 1951 and 1952 changed employers in both years and these highly mobile workers were 51 percent of the workers who changed employers in 1952.[6] Similar results are found in the Seven City Study. About three-fourths of the separations of workers under 25 years old were workers with less than 1 year of service. The ratio decreased slightly with age, but two-thirds of the separated workers 55 to 64 years had less than 1 year of service. Overall, about seven-tenths of the workers separated in 1955 by the firms included in the sample had less than 1 year of

[6] Bureau of Old-Age and Survivors Insurance, Division of Program Analysis, "Incidence of Employer Change," Analytical Note No. 80, April 18, 1956.

TABLE 2.4. SEPARATIONS OF WORKERS BY LENGTH OF SERVICE AND AGE, SEVEN AREAS, 1955

[Percent]

Age	Length of service (in years)					
	Total	Less than 1	1–4	5–9	10–14	15 and over
All ages	100.0	69.8	22.1	4.6	1.6	1.8
Under 25 years	100.0	75.9	22.9	1.2		
25–34 years	100.0	69.4	24.3	5.3	.9	.1
35–44 years	100.0	69.5	22.2	5.4	1.8	1.1
45–54 years	100.0	69.7	19.2	5.9	2.1	3.0
55–64 years	100.0	65.2	18.6	7.1	3.7	5.4
65 years and over	100.0	40.5	13.4	9.2	11.9	25.0

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

service (table 2.4). It may be concluded from these data that most of the workers of all age groups who leave jobs have short service in their last jobs.[7]

Information on separation rates classified both by length of service and by age (table 2.5) suggests that length of service is the most important factor associated with the lower mobility of older longer service workers. The very high separation rates of workers 65 years and older in all length-of-service categories is attributable primarily to retirement. The separation rates for workers with less than 1 year of service include a large proportion of workers in industries where employment is casual or seasonal, and these rates are naturally very high. For these workers, there is a slight tendency for separation rates to increase with increasing age and to reach a peak in the 45- to 54-year age group. In the 1- to 4-year length-of-service group, the differences in separation rates associated with age are small (except for those under 25 years old, or 65 years and older), and the same observation applies to the longer length-of-service groups. Certainly, the figures demonstrate a far more definite pattern of declining separation rates varying with length of service (holding age constant) than with age (holding length of service constant).[8]

Occupation. Most jobseekers confine their search to local labor markets. This geographical limitation of job search often requires that the job changer change either his industry or his occupation or both if he is to find a suitable job. Occupational attachment naturally varies with the amount of specialized training required in the occupation. Occupational mobility of experienced workers into the licensed professions or unionized crafts is likely to be small, and a large proportion of the new recruits for such occupations will come from schools and on-the-job training programs rather than from other occupations. Job changers in such occupations are likely to restrict themselves to changes within the occupational group. Workers highly attached to their occupations may exhibit high geographical mobility, however, as is evidenced by the high frequency of such changes in a sample of scientists studied by the Bureau of Labor Statistics.[9]

Mobility differs among occupations (table 2.6). Only 9 job shifts were completed per 100 workers in professional and technical occupations, but there were 16 job shifts per 100 sales workers, and 27 job shifts per 100 laborers. The rates of job leaving by workers among managers, officials, and proprietors and farmers were quite low. In part, this reflects the high average ages of people in these occupation groups.

Almost half the job shifts involved a change to a different occupation. This varied considerably according to occupation. Shifts by managers, officials and proprietors, laborers and sales workers were more than likely to involve a different occupation while professional workers and craftsmen were less likely to shift to a different occupation.

TABLE 2.5. SEPARATION RATES, BY AGE AND LENGTH OF SERVICE

[Separations per 100 employees]

Age	Length of service (in years)					
	Total	Less than 1	1–4	5–9	10–14	15 and over
All ages	54	150	33	11	8	7
Under 25 years	95	134	48	24		
25–34 years	60	146	31	13	8	7
35–44 years	47	150	28	9	7	4
45–54 years	39	173	25	10	5	4
55–64 years	31	160	27	10	7	4
65 years and over	57	225	39	27	34	36

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

[7] Because the type of separation is not available, it cannot be concluded that all or most of this job changing is voluntary. The decrease in the frequency of voluntary reasons for job changing with increasing age in the survey cited in table 2.2 suggests that a smaller proportion of the separations of older workers with short service is voluntary.

[8] In a similar analysis, Lloyd George Reynolds observed that voluntary separation rates of workers decreased slightly with increasing age when length of service was held constant. *The Structure of Labor Markets* (New York, Harper, 1951), p. 21.

[9] Bureau of Labor Statistics, *Occupational Mobility of Scientists* (BLS Bulletin 1121, 1953), p. 4.

TABLE 2.6. PERCENT OF JOB SHIFTS IN 1961 INVOLVING CHANGE OF MAJOR OCCUPATION GROUP, BY OCCUPATION GROUP OF JOB LEFT

Major occupation group of job left	Job shifts in 1961		Percent of job shifts to different occupation
	Number (thousands)	Percent of persons with work experience	
All occupations	10,869	13.5	47.2
Professional, technical, and kindred workers	811	8.9	30.8
Farmers and farm managers	50	1.8	(1)
Managers, officials, and proprietors, except farm	436	5.5	65.6
Clerical and kindred workers	1,457	12.2	39.1
Sales workers	859	15.6	59.1
Craftsmen, foremen, and kindred workers	1,678	18.1	32.7
Operatives and kindred workers	2,238	16.6	47.5
Private household workers	181	5.3	93.9
Service workers, except private household	1,302	16.2	49.2
Farm laborers and foremen	645	15.0	52.4
Laborers, except farm and mine	1,212	27.3	58.4

[1] Figures not shown where base is less than 100,000.

SOURCE: Preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

Industry. In contrast to occupational moves, movement of workers between industries is seldom the result of career development. Job changes resulting from layoff often lead to industry changes because of the worker's attachment to a locality. Shifts from one industry to a different industry are more common than occupational shifts. About three-fifths of the job shifts in all industries in 1961 were to jobs in a new industry (table 2.7), while only one-half of the job shifts involved changes in major occupation group.

Quit rates for a more detailed classification within manufacturing industries vary inversely with gross hourly earnings. Industries characterized by relatively high earnings generally have low quit rates. Industries with relatively small proportions of production workers and relatively small proportions of female employees also have somewhat lower quit rates on the average.[10]

Trends in Labor Mobility

Recent changes in mobility have been conditioned by changes in economic conditions. Occupational mobility during the depression decade of the 1930's was markedly lower than during the prosperous decade of the 1940's. Manufacturing quit rates were low during the 1930's but high in the prosperous 1920's and 1940's. Judging by these rates, there has been a long-term down-trend in mobility, but it is subject to reversal during periods of marked prosperity.

Most of the discussion of trends in labor mobility has of necessity centered on trends in manufacturing quit rates, which have heretofore been the only statistical series of comparable observations. Evaluation of trends in manufacturing quit rates must include consideration of the level of unemployment. Even when this factor is taken into account, however, it appears that quit rates during the relatively prosperous years of 1951–53 and 1955–57 did not approximate the very high quit rates of the World War II period.

The downtrend in the quit rate has been explained in terms of the following influences:

1. Growth of unions
2. Development of seniority provisions
3. Development of fringe benefits (especially pensions)
4. Government and supplementary unemployment benefits
5. Growth of large corporations
6. Aging of the labor force
7. Stability of manufacturing employment

TABLE 2.7. PERCENT OF JOB SHIFTS IN 1961 INVOLVING CHANGE OF INDUSTRY GROUP, BY INDUSTRY OF JOB LEFT

Industry group of job left	Job shifts in 1961		
	Number	Percent of persons with work experience	Percent of job shifts to different industry
Total	10,869	13.5	61.7
Agriculture	793	10.6	57.2
Wage and salary workers	708	25.5	52.5
Self-employed and unpaid family workers	85	1.8	(1)
Nonagricultural industries	10,076	13.8	62.1
Wage and salary workers	9,729	15.1	61.1
Forestry, fisheries, and mining	159	20.4	62.9
Construction	1,555	38.0	41.0
Manufacturing	2,222	12.2	61.7
Durable goods	1,249	12.4	60.0
Nondurable goods	973	11.8	64.0
Transportation, and public utilities	451	10.0	69.4
Trade	2,512	19.3	60.1
Wholesale	382	15.5	84.8
Retail	2,130	20.1	55.7
Service industries	2,544	12.6	70.2
Finance, insurance, and real estate	391	12.7	70.3
Business and repair services	343	23.3	83.1
Private households [2]	248	6.3	[2] 90.7
Personal services, except private households	433	20.2	66.0
Educational services	356	8.7	62.4
Other services	773	14.4	63.8
Public administration	286	7.7	78.3
Self-employed and unpaid family workers	347	4.2	90.5

[1] Figures not shown where base is less than 100,000.
[2] Domestic service work in private households for several different employers is not counted among the job shifts.

SOURCE: Preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

[10] For an analysis of these relationships in 1956, see Robert M. Shaw, "The Nature of Industries with High and Low Quit Rates," *Employment and Earnings*, September 1957.

TABLE 2.8. TURNOVER RATES IN MANUFACTURING, ANNUAL AVERAGES, 1948–61

Year	Turnover rates per 100 employees in manufacturing [1]				Unemployment rate [2]
	Separations	Quits	Accessions	New hires	
1948	5.4	3.4	5.4	(3)	3.8
1949	5.0	1.9	4.3	(3)	5.9
1950	4.1	2.3	5.3	(3)	5.3
1951	5.3	2.9	5.3	4.1	3.3
1952	4.9	2.8	5.4	4.1	3.1
1953	5.1	2.8	4.8	3.6	2.9
1954	4.1	1.4	3.6	1.9	5.6
1955	3.9	1.9	4.5	3.0	4.4
1956	4.2	1.9	4.2	2.8	4.2
1957	4.2	1.6	3.6	2.2	4.3
1958	4.1	1.1	3.6	1.7	6.8
1959	4.1	1.5	4.2	2.6	5.5
1960	4.3	1.3	3.8	2.2	5.6
1961	4.0	1.2	4.1	2.2	6.7

[1] Bureau of Labor Statistics.
[2] Percent of civilian labor force unemployed.
[3] Not available before 1951.

Each of these factors undoubtedly has played a role in the decline, but no one of the factors explains the downtrend over the entire period for which turnover data is available.[11] During the postwar period, with which this analysis is primarily concerned, it is likely that only the development of fringe benefits, aging of the labor force, and stability of manufacturing employment could have had much influence. Unions, seniority practices, unemployment benefits, and large corporations were prevalent during both the war and immediate prewar period. During the postwar period it can scarcely be said that there has been enough of an increase in prevalence of these factors to have had much influence on the quit rate.

The relative stability of employment in manufacturing over the period 1946–50, and over the period 1953–62 has probably played the major role in the downtrend of the quit rate over this period. When accession rates are low, relatively few highly mobile younger workers and short-service workers enter manufacturing, so that quits of younger workers fall off also, and consequently total quits decrease.

These relationships are shown in turnover data for the period 1948–61 (table 2.8). In years of high unemployment, such as 1949, 1958, and 1961, both the quit rates and the new hire rates are relatively low; while in prosperous years, such as 1951 and 1955, both quit rates and new hire rates are relatively high. Even so, the quit rate in 1949 (a recession year) is as high as the quit rate in any year after 1953. Apparently the quit rate in manufacturing has shown a downtrend in recent years, as has the new hire rate.

Comparison of data on labor mobility in 1961 with data relating to 1955 provides some evidence of the nature of changes in mobility patterns in periods of differing economic conditions. The year 1955 was a year of relatively high prosperity (unemployment rate—4.4 percent) compared with 1961 (unemployment rate—6.7 percent).

As expected, sharp differences are clearly evident in the mobility patterns of the 2 years. In general, voluntary job changing was sharply reduced in the latter year while job shifts for economic reasons were substantially higher. The net effect of these two forces was a drop in overall mobility rates except for women workers 18–34.

In the older age groups, the 1961 data show sharper changes for men than for women. The number of voluntary job shifts in 1961 for "improvement in status" of men 45–64 was only about half the rate of 1955. The decline for women in these age groups was relatively slight (table 2.9).

TABLE 2.9. NUMBER OF VOLUNTARY AND INVOLUNTARY JOB SHIFTS PER 100 PERSONS WHO WORKED, 1955 AND 1961

Age and sex	Reason for leaving job			
	Improvement in status		Economic	
	1961	1955	1961	1955
Male, 14 years and over	6.1	7.8	6.8	5.3
14 to 17 years	3.0	5.7	2.8	2.7
18 to 24 years	14.0	18.6	13.0	11.1
25 to 44 years	7.9	9.1	7.6	5.6
45 to 64 years	2.1	4.1	4.6	4.0
65 years and over	.9	.7	2.8	1.5
Female, 14 years and over	4.1	4.8	2.8	2.3
14 to 17 years	1.4	5.7	1.4	2.3
18 to 24 years	9.4	10.5	5.5	3.0
25 to 44 years	4.2	4.3	2.8	2.3
45 to 64 years	2.3	2.6	2.1	2.1
65 years and over	.1	.8	.7	.3

SOURCE: Bureau of the Census, *Current Population Reports, Labor Force Series* P-50, No. 70, February 1957, and preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

[11] Some of the principal articles discussing the downtrend in mobility are Ewan Clague, "Long-Term Trends in Quit Rates," *Employment and Earnings*, December 1956; Arthur M. Ross, "Do We Have a New Industrial Feudalism," *American Economic Review*, December 1958; Joseph Shister, "Labor Mobility: Some Institutional Aspects," Industrial Relations Research Association, *Proceedings*, 1950; Paul F. Brissenden, "Labor Mobility and Employee Benefits," *Labor Law Journal*, November 1955.

673173—63——3

TABLE 2.10. REASON FOR LEAVING JOB, BY OCCUPATION: DISTRIBUTION OF JOBS LEFT IN 1961 AND 1955, BY MAJOR OCCUPATION GROUP

Major occupation group of job left	Reason for leaving job							
	1961				1955			
	Economic	Improvement in status	Termination of temporary job	Other	Economic	Improvement in status	Termination of temporary job	Other
Total	32.1	32.6	12.9	22.5	23.5	37.6	17.9	20.9
Professional, technical, and kindred workers	21.7	34.8	16.1	27.4	15.9	33.3	18.8	32.0
Farmers and farm managers	(1)	(1)	(1)	(1)	18.5	38.5	30.2	12.7
Managers, officials, and proprietors, except farm	36.0	37.3	6.9	19.8	35.8	41.6	12.1	10.4
Clerical and kindred workers	16.9	36.2	14.9	31.9	15.4	38.3	15.1	31.1
Sales workers	18.4	47.3	14.0	20.3	12.7	51.8	12.0	23.4
Craftsmen, foremen, and kindred workers	56.2	28.7	3.9	11.2	29.2	37.9	17.6	15.2
Operatives and kindred workers	38.5	34.7	7.4	19.4	31.4	40.0	9.9	18.7
Private household workers	27.0	31.0	11.5	30.5	10.1	43.8	18.6	27.6
Service workers, except private household	19.2	33.6	10.8	36.4	17.2	40.0	13.9	28.8
Farm laborers and foremen	13.2	18.4	53.5	15.0	10.0	21.0	52.8	16.1
Laborers, except farm and mine	46.9	23.6	9.2	20.3	33.4	33.9	17.3	15.4

[1] Percent not shown where base is less than 100,000.

SOURCE: Bureau of the Census, *Current Population Reports, Labor Force Series* P-50, No. 70, February 1957, and preliminary data from a forthcoming BLS study of job mobility of workers in 1961.

Changes in the level of economic activity between 1955 and 1961 increased the proportion of job changes due to economic reasons. About 29 percent of craftsmen, foremen, and kindred workers who changed jobs, did so for economic reasons during 1955 compared with 56 percent in 1961. An increase also occurred in the operative group—from 31 percent in 1955 to 38 percent in 1961 (table 2.10). The proportion of job changes for economic reasons among nonfarm laborers also increased from 33 percent to 47 percent during this period.

The lower level of economic activity in 1961 compared to 1955 prevents any conclusion regarding a trend in recent years from being more than suggestive. The decline in job changing for reasons of improvement of status and the increase in job changing for economic reasons between 1955 and 1961 is almost certainly attributable to the relatively high level of unemployment in 1961. While the sharp drop in voluntary job changing for men 45 to 64 points up the difficulties which older workers experience in shifting to better jobs, it is impossible to indicate to what extent the increasing prevalence of pensions may have been responsible.

Effects of Pensions on Mobility

Pensions are only one of the influences which tie workers more closely to their jobs with increasing age and length of service. Identification of the effect attributable to pensions alone, and not to seniority provisions, age composition of the work force, size of firm, wages, or industry is almost impossible because firms with pensions frequently are large firms and often have high wages, strict seniority provisions, and are older firms with relatively large numbers of older workers. The classification of firms into pension and nonpension groups and the comparison of total separation and hire rates therefore throws little light on the independent effect of pensions on turnover.

Despite the paucity of supporting data, many writers assert that pensions do reduce mobility independently of other influences, although they recognize that pensions are closely related to other labor market institutions which reduce labor mobility. Clark Kerr writes:

> Private pension plans, except where they provide full and immediate vesting of both the employee's and firm's contribution, retard such movement. They tend to tie the worker to the company while employed; and hold him in a company-attached labor pool when unemployed.[12]

Robert Tilove writes:

> . . . the conclusion seems inescapable that most private pension plans, in the form in which they commonly exist today, exercise a restraining influence on labor mobility. They often involve forfeiting accrued pension benefits upon any shift in employment; and they inhibit

[12] "Social and Economic Consequences of the Pension Drive," *Handbook on Pensions* (National Industrial Conference Board, Inc., Studies in Personnel Policy No. 103, 1950), p. 85.

hiring in the upper ages, either because pension costs are thought to be greater or because the older worker may be reluctant to take a job on which he may not have a sufficient prospect of accruing pension rights.[13]

The possible effects of pensions on mobility may be summarized briefly:

1. Rigid maximum hiring ages are often found in firms with pension plans; by reducing the opportunity for older workers to change jobs, such practices may inhibit mobility (this problem is dealt with in chapter III).

[13] Robert Tilove, *Pension Funds and Economic Freedom* (Fund for the Republic, New York, 1959), p. 23.

2. The expectation of additional pension benefits to be earned in the future may induce workers to continue their present jobs rather than to change to another firm which does not offer pension coverage. Pensions are but one component of total compensation, and their importance to different workers will vary with the characteristics and attitudes of the workers. Older workers may be especially reluctant to move from a job with pension coverage to an uncovered job, even if benefits earned by completed service are fully vested. The immobilizing effects of benefits to be earned in the future do not appear to differ in substance from the immobilizing effects of higher wages or better working conditions, and therefore should be no more subject to criticism.

TABLE 2.11. HIRE AND SEPARATION RATES, BY INDUSTRY, AGE, AND PENSION COVERAGE, 1955,[1] SIX AREAS[2]

Industry division and pension class	Annual hires and separations per 100 employees						
	All ages	Under 25 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
ALL INDUSTRIES							
Pension:							
Hires	37	91	42	30	18	12	11
Separations	34	74	39	29	18	13	50
No pension:							
Hires	67	115	81	62	53	38	31
Separations	62	92	74	58	51	37	50
CONSTRUCTION							
Pension:							
Hires	97	194	107	108	84	72	48
Separations	98	173	134	104	65	71	99
No pension:							
Hires	146	135	186	143	139	144	157
Separations	136	113	173	136	132	148	170
MANUFACTURING							
Pension:							
Hires	30	83	39	24	15	9	8
Separations	27	64	34	27	14	10	49
No pension:							
Hires	53	115	64	47	34	25	14
Separations	46	81	59	41	30	20	36
TRANSPORTATION, COMMUNICATION, AND UTILITIES							
Pension:							
Hires	25	57	29	28	10	5	7
Separations	25	41	29	29	12	8	70
No pension:							
Hires	34	32	45	50	20	2	3
Separations	22	23	41	40	16	4	1
WHOLESALE AND RETAIL TRADE							
Pension:							
Hires	60	125	63	49	28	21	8
Separations	55	106	62	46	28	15	26
No pension:							
Hires	68	123	86	54	42	34	19
Separations	65	104	81	56	44	36	38
FINANCE, INSURANCE, AND REAL ESTATE							
Pension:							
Hires	29	52	30	18	12	4	7
Separations	29	48	31	25	7	6	79
No pension:							
Hires	96	135	118	91	84	49	34
Separations	83	120	101	76	70	38	49
SERVICES							
Pension:							
Hires	65	179	70	60	34	41	44
Separations	62	157	63	61	36	38	68
No pension:							
Hires	67	111	65	60	78	49	50
Separations	69	106	59	63	84	52	67

[1] In establishments with 50 workers or more covered by State unemployment insurance laws or by the Railroad Retirement Act. Years ending June 1955, except Los Angeles (March 1955) and Seattle (December 1955).

[2] Detroit, Los Angeles, Minneapolis-St. Paul, Philadelphia, Seattle, and Worcester.

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

3. Unvested benefits may be a large part of the employee's wealth, and thereby may make job changing extremely costly to him. The greater the length of service, the larger will the benefits be; hence, unvested pensions tend to reduce the mobility of workers with long service (who are usually older workers) much more than that of short-service workers. Even multiemployer plans which allow workers to keep their benefits while shifting among firms within the plan may tie employees closely to the industry and union which control the pension plan. These plans seldom include vesting (other than early retirement which is often accompanied by restrictions on other employment) and usually require long periods of covered employment for receipt of benefits.

Turnover and Pension Status. There is little data on the effect of pension coverage on labor mobility. Herbert S. Parnes of Ohio State University interviewed matched samples of workers in plants with and without pension plans and concluded that pensions reduce labor mobility slightly, but that seniority provisions are far more important in reducing mobility.[14]

The most comprehensive data dealing in the turnover rates for firms with and without pensions comes from the Seven City Study conducted in 1956 by the Bureau of Employment Security. Annual turnover data for 1955 were collected for establishments of 50 or more employees classified by pension plan coverage. Results are shown below:

Annual turnover rates by pension plan coverage and age of worker (per 100 employed), six areas[1]

	Pension plan		*No pension plan*	
Age	*Hires*	*Separations*	*Hires*	*Separations*
All ages	37	34	67	62
Under 45 years	47	42	80	71
45 years and over	16	18	45	46
45–64 years	16	16	47	46

[1] Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices*, op. cit., p. 66.

Firms with pension plans had lower turnover than other firms and total employment in these firms increased by 3 percent, compared to 5 percent in the nonpension firms. Separation rates for workers 45 years and older were higher than hiring rates in both groups of firms, but the excess was accounted for by the more frequent separations of workers 65 years and older in both groups of firms.

A similar pattern of lower turnover rates in firms with pensions persists when firms are classified by major industry division (table 2.11).

TABLE 2.12. ANNUAL SEPARATION AND HIRE RATES, BY SIZE OF ESTABLISHMENT, AGE, AND PENSION COVERAGE, 1955,[1] SIX AREAS[2]

Pension class and age	Hires and separations per 100 employees					
	Number of employees in establishments					
	50–99	100–499	500–999	1,000–4,999	5,000 and over	Total
Workers under 45 years:						
Pension:						
Hires	55	60	43	44	44	47
Separations	51	53	37	38	40	42
No pension:						
Hires	93	82	75	51	4	80
Separations	86	72	62	52		71
Workers 45–64 years:						
Pension:						
Hires	25	24	16	14	12	16
Separations	25	23	13	15	12	16
No pension:						
Hires	64	48	30	26		47
Separations	66	44	22	32		46

[1] See footnote 1, table 2.11.
[2] See footnote 2, table 2.11.

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

Firms with pensions had lower turnover in most age brackets in all industry divisions. Hiring and separation rates are nearly equal in size for each age, industry, and pension class except for workers 65 years and older. Thus there is no noticeable tendency for firms with pensions to separate more older workers than they hire.

The ratio of the separation rate in nonpension firms to the rate in pension firms appears to increase with increasing age in most industries, being particularly high for workers 45 years and older. For workers 55 to 64 years old, the ratio of separation rates ranges from about 1.4 in services to 6.3 in finance, insurance, and real estate (ignoring transportation, communication, and utilities, in which the ratio is 0.5). The sharper decrease in separation rates in firms with pensions would be expected if pensions made an important contribution to lower turnover.

When firms are classified by number of employees it is found that firms with pensions have lower turnover rates than firms without pensions in each size-of-firm and age class (table 2.12). Turnover rates generally are inversely related to size of firm.

The same patterns prevail in quit rates for pension and nonpension firms classified by industry division (table 2.13). The quit rates are actually higher in pension firms for workers 25 to

[14] Unpublished study to be published in 1962.

44 years old in construction and for workers under 25 years old in service industries and in transportation. On the whole, however, pension firms have lower quit rates than nonpension firms.

Quit rates by age for pension firms classified by size of firm also are lower than the quit rates of similarly classified nonpension firms (table 2.14). The quit rates are inversely related to size of firm.

These data do not prove that pensions reduce mobility, but they clearly demonstrate that firms with pensions have lower turnover and lower quit rates, independently of industry or of size of firm, although the lower mobility of workers in pension firms cannot be laid to pensions alone. There are three major reasons that pensions may not be the principal immobilizing influence in firms with pensions.

First, characteristics other than industry or size of firm which affect mobility may differ between pension and nonpension firms. Pensions are more common in high wage firms; hence, pension firms probably have higher wages than nonpension firms. Pensions are also much more common in unionized firms, and such firms are likely to have strict seniority rules and effective grievance procedures which minimize the necessity of workers changing jobs in order to obtain satisfactory work situations. Firms in seasonal industries are less likely to have pension plans than firms with fairly steady year-round employment; hence, the nonpension firms probably include most of the seasonal firms which characteristically have high labor turnover. In other words, pension firms are likely to offer better compensation, working conditions, and job security than nonpension firms, and might be expected to have lower turnover regardless of the effect of pensions in holding workers.

Second, pension firms have lower accession rates than nonpension firms. It was shown above that about 70 percent of workers separated in 1955 had less than 1 year of service. If the patterns of separation of pension firms and of nonpension firms are similar to those of all firms, then the lower accession rates of pension firms would mean that fewer short-service workers who are prone to quit or are frequently discharged are employed. The lower accession rates of pension firms may be a result of lower separation rates induced by pensions, but they are also related to the lower rate of growth of employment in firms with pensions.

Third, pension firms have lower separation and quit rates in most age groups in all industry and size-of-firm classes although the differences are largest for older age groups. Since the effect of pensions on the mobility of young workers is probably quite small, this finding suggests that it is factors other than pensions which account for

TABLE 2.13. ANNUAL QUIT RATES, BY INDUSTRY, AGE, AND PENSION COVERAGE, 1955,[1] SIX AREAS

Industry division and pension class	Quits per 100 employees						
	Under 25 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older	All ages[2]
All industries: [1]							
Pension	41	22	14	6	3	9	17
No pension	47	34	22	16	12	11	24
Construction:							
Pension	38	36	23	11	5	11	27
No pension	21	24	21	21	18	9	20
Manufacturing:							
Pension	38	21	12	5	2	8	14
No pension	43	34	19	11	9	10	23
Transportation, communication, and public utilities:							
Pension	31	16	15	2	8	6	13
No pension	7	24	12	5	2	-------	9
Wholesale and retail trade:							
Pension	51	30	20	10	4	6	25
No pension	60	47	30	21	17	12	35
Finance, insurance, and real estate:							
Pension	37	24	16	4	3	22	21
No pension	90	59	48	22	19	16	49
Service:							
Pension	70	19	15	6	6	18	18
No pension	46	29	22	28	13	16	26

[1] See footnote 1, table 2.11.
[2] See footnote 2, table 2.11.

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

TABLE 2.14. ANNUAL QUIT RATES, BY SIZE OF ESTABLISHMENT, AGE, AND PENSION COVERAGE, 1955,[1] SIX AREAS[2]

Pension class and age	Quits per 100 employees					
	Number of employees in establishments					
	Total	50–99	100–499	500–999	1,000–4,999	5,000 and over
Workers under 45 years						
Pension	23	29	27	21	20	23
No pension	33	39	33	39	22	---------
Workers 45–64 years:						
Pension	5	6	7	3	4	4
No pension	15	21	14	12	7	---------

[1] See footnote 1, table 2.11.
[2] See footnote 2, table 2.11.

SOURCE: Derived from unpublished tabulations furnished by the Bureau of Employment Security.

much of the lower mobility of workers in firms with pensions.

Turnover among young workers is quite high in pension firms, and quit rates in pension firms in most industries drop below 10 percent only after age 45. The willingness of workers under 45 to quit jobs is probably sufficiently high to accommodate necessary employment shifts even in pension firms. In short, the immobilizing effects of pensions which might be significant for manpower policy are likely to be important principally for older workers who are also likely to be long-service workers; for it is older workers who stand to lose large unvested benefits, are close to retirement, and face special difficulties in finding new jobs.

Pension Trends Affecting Mobility

Three recent developments in pension plans may have had the effect of reducing the immobilizing effects of pensions: (1) vesting has become more common;[15] (2) early retirement and disability retirement are being provided in an increasing number of plans; and (3) collectively bargained multiemployer plans have grown in importance. Whatever effect pension plans have in reducing mobility would be mitigated by any of these three developments.

Vesting. In establishing a pension plan, an employer is likely to concern himself initially with pensioning long-service employees only. Similarly, a collectively bargained plan is likely to serve the organizational goals both of companies and unions if benefits are restricted to workers with long service. In the early years of a pension plan, uncertainties related to the cost and security of the plan will usually dictate a conservative policy in paying benefits. In 1952, when collectively bargained plans were relatively new, only one-fourth of the 300 plans studied by the Bureau of Labor Statistics included vesting provisions, while in late 1958 almost six-tenth of the 300 plans included vesting.[16] Vesting was more common in single-employer plans than in multiemployer plans. The trend toward vesting observed in the Bureau of Labor Statistics study is also shown by Daniel M. Holland's analysis of the likelihood of vesting in 124 large company plans included in four studies of pensions conducted by the Bankers Trust Co.[17] The likelihood of vesting for workers with 10 or more years of service has increased steadily over the 1947–59 period. In the 1956–59 period, for instance, the likelihood of vesting of workers 55 to 59 years old with 20 or more years of service was 55.0 contrasted to 21.3 in the 1947–49 period (table 2.15). The likelihood of vesting is quite small for workers with less than 10 years of service, regardless of age. It is clear from table 2.15 that 10 years is the shortest length of service which is common, and the low likelihood of vesting for workers 30 to 39 years old with 10 years of service suggests that attainment of age 40 is also a common requirement.

Both Holland's sample and the Bureau of Labor Statistics sample show changes in vesting in long-established plans and are, therefore, unlikely to be representative samples of all current plans. An analysis of several surveys of new or amended pension plans showed little evidence of a trend toward more liberal vesting provisions.[18] The trend toward more liberal vesting in established plans and the absence of such a trend in new plans reflects the reluctance of plan authorities to provide liberal vesting initially. It seems likely that once a given vesting provision is established in a plan, any further change will be in the direction of liberalization, except in those plans which face serious financial difficulties. These considerations suggest that vesting provisions will become more liberal and more common as plans mature.

How significant is the trend toward vesting for labor mobility? It was pointed out above that the immobilizing effects of pensions are

[15] If employment earns the employee a right to a future pension or earns a right to a cash refund of both the employee's contribution (if any) and the employer's contributions, the pension is said to be *vested*. Vesting may be *graded* or *full*. If the pension rights are such that the employee receives a pension at retirement which accurately reflects the pension benefit formula, vesting is said to be *full;* if the benefits are less than the actuarial value of the service or earnings, vesting is said to be *graded*. If pension rights are vested as soon as they are earned, vesting is said to be *immediate*. If rights become vested only after a minimum number of years of service or after the attainment of a certain age, vesting is said to be *deferred*.

[16] Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining* (BLS Bulletin 1259, 1959), p. 4.

[17] By likelihood is meant the proportion of workers in these plans with given age and service who would have a vested pension. The likelihood is computed in this instance by weighting the vesting provisions of the plan by the number of workers of all ages and lengths of service included in the plan. Thus if 50 percent of the workers covered by the 124 plans were in plans which provided vesting at age 40 with 10 years of service, the likelihood for this age and service class would be 50.

[18] *Thirty-ninth Annual Report of the National Bureau of Economic Research, Inc.* (New York, 1959), table 22, p. 66.

Table 2.15. Likelihood of Workers of Given Age and Length of Service Having Vested Pension Rights, 124 Large Company Plans

Age	Length of service (in years)	1947–49	1950–52	1953–55	1956–59
Under 30	Less than 5	0.2	0.1	0.02	0.02
	5–9	.8	2.2	1.8	1.9
30–39	Less than 5	.2	.1	.02	.02
	5–9	1.3	2.6	2.3	2.3
	10–14	4.0	6.7	5.7	6.3
40–44	Less than 5	.2	.1	0	0
	5–9	1.3	2.6	2.3	2.3
	10–14	5.4	7.4	25.5	30.6
	15–19	7.5	9.8	26.9	38.4
45–49	Less than 5	.2	.1	.02	.02
	5–9	1.3	2.6	2.3	2.3
	10–14	6.9	8.5	31.0	35.6
	15–19	9.3	11.1	32.6	43.9
	20 or more	13.1	18.4	34.9	47.4
50–54	Less than 5	.2	.1	.02	.02
	5–9	1.4	2.7	2.5	2.6
	10–14	7.2	8.8	31.7	37.2
	15–19	9.8	12.0	34.6	46.7
	20 or more	18.3	20.2	37.8	50.8
55–59	Less than 5	1.0	1.1	.1	.3
	5–9	2.2	3.7	2.6	2.9
	10–14	9.5	12.0	34.2	40.0
	15–19	12.5	15.5	38.2	49.9
	20 or more	21.3	25.0	42.7	55.0
60 and over	Less than 5	10.8	1.5	2.0	1.9
	5–9	12.0	4.1	4.5	4.5
	10–14	20.1	23.1	37.7	42.0
	15–19	25.0	29.5	43.4	59.6
	20 or more	36.1	41.5	51.2	82.3

Source: Daniel M. Holland, "The Pension Structure," in *A Respect for Facts*, Fortieth Annual Report of the National Bureau of Economic Research, Inc. (New York, 1960), p. 45.

likely to be most important for older workers with long service. Workers with vested pensions do not stand to lose benefits, so their reluctance to change jobs is perhaps less than that of similarly situated workers with unvested pensions. The provision of vesting with 10 or more years of required service can probably do much to decrease the immobilizing effects of pensions on the age and service groups for whom pensions are likely to have the most significance. Nevertheless, the propensity of long-service workers to change jobs is quite low even in nonpension firms. It is unlikely, therefore, that even liberal vesting provisions requiring attainment of age 35 or 40 and as little as 5 years of service would do much to increase the total amount of job changing of workers with vested pensions. If the independent effect of pensions in reducing mobility is small, then the effect of vesting in increasing mobility is also likely to be small.

However, the increase in mobility which results from the spread of vesting may be quite significant for senior white-collar workers to whom unvested pensions may be important reasons for not changing jobs, since job-security provisions are uncommon in this group. As pointed out in the section on occupational mobility, managerial and professional workers appear to exhibit low job mobility.

Early Retirement. Many plans which make no other provision for vesting provide for retirement before the normal retirement age (usually age 65) at the option of the employee, sometimes with the employer's approval. In one or two instances, early retirement is at the option of the employer. The service required for early retirement is often lengthy, as much as 30 years. When early retirement provisions are included in pension plans, the minimum age is often 55 years or 60 years. Occasionally, early retirement is accompanied by a larger pension between retirement age and age 65 when the worker becomes eligible for OASDI (or age 62 for women, and for men since 1961), and many plans permit income equalization options.

Early retirement may make an important contribution to decreasing the immobilizing effects of pensions, since early retirement makes it possible for the worker who is only a few years away from normal retirement age to leave his job without forfeiting his pension.

Early retirement provisions have undoubtedly become more common in the past few years. Of 300 collectively bargained plans in force in 1958, 218 included early retirement, and only 71 did not provide for either vesting or early retirement.[19]

Early retirement nearly always results in the worker receiving a smaller pension than he would receive if he worked to the normal retirement age. For some industries, however, the results are favorable to workers as long as retirement is at his option. Early retirement may permit a worker to quit a heavy job and find a new light job at which he may be able to work for several years past the normal retirement age.

Disability retirement provisions are unlikely to have much effect on mobility, since disability standards are usually quite restrictive. The worker who draws a disability pension, however, does have his pension rights protected.

Multiemployer Plans. Most multiemployer pension plans are negotiated by a union with a number of employers or with an employer's

[19] Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining*, op. cit., pp. 11 and 12.

association and cover workers in one industry either nationally or in some area. Such plans provide a limited degree of pension portability. As long as workers shift between employers who are members of such plans, the workers' pension rights are protected. Multiemployer plans include vesting less frequently than do other collectively bargained plans.

It might appear that the relatively high frequency of industry shifts in job changes discussed in the section on industry mobility patterns might limit the pension protection provided by multiemployer plans to a small proportion of job changers who remain in their original industry of attachment. The frequency of industry change in the national data is probably irrelevant for most multiemployer plans, however, since they are concentrated in industries to which workers show strong attachment. In 1960, for instance, about 23 percent of the workers covered under multiemployer plans were employed in apparel and other finished textiles industries; about 20 percent were in contract construction; and 15 percent were in motor transportation.[20] These plans frequently cover a large proportion of the jobs in a given industry. Illustrating this point, the trustees of the Electrical Workers Pension Fund (IBEW) reported:

> The very nature of electrical construction work often makes changing from job to job and traveling from city to city imperative. Thus our National Plan as it is constructed, benefits all workers, since it assures them of a pension no matter where they go nor how often they are called upon to change jobs. The fact that a worker is not restricted to one area because of pension considerations is definitely an advantage to him in job opportunities and it is a boon to the contractors who must have trained electricians on the job wherever they are located.

In industries where workers show high attachment, multiemployer plans can provide substantial protection of pension benefits and such plans need not reduce interfirm or interarea mobility, although they perhaps restrict interindustry and occupational mobility. Even these immobilizing effects are likely to be small if the plans provide that workers can continue membership in the plan by making contributions after ceasing to work in covered employment. Such provisions are not common, although the IBEW plan mentioned above allows workers to continue membership in the fund after leaving covered employment.

There is some tendency for several plans in the same industry which are established by a single international union to provide reciprocal transfer of credits or to merge into a single plan. The coordinated plans or single plans which result naturally provide additional protection of pension benefits for covered workers who change jobs.

The immobillzing effects of multiemployer plans are probably much smaller than the effects of unvested single-employer plans. Nevertheless, portability of pension credits among employers in the same industry is an inferior substitute for vesting in many industries. In others, it provides protection of pension credits which is often superior to vesting. As pointed out above, relatively few single-employer plans provide vesting before age 40 and 10 years of service, but multiemployer plans permit young workers with short service to keep their pension credits when they move to other employers who are members of the plan.

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[20] Bureau of Labor Statistics, *Multiemployer Pension Plans Under Collective Bargaining* (BLS Bulletin 1326, 1962), table 3, p. 99.

Chapter III. Employment Opportunities of Older Workers

Summary

Older workers have long faced difficulties in finding employment, although these problems are less severe during periods of high employment. The growth of seniority rules has strengthened the position of older workers, and relatively few older workers with long service experience unemployment during a given year. Employers usually rate their older workers highly in terms of steadiness and output, and there is no evidence that the output of older workers in general is significantly lower than that of younger workers.

Younger workers usually have higher unemployment rates than do older workers, and larger proportions of younger workers than older workers experience unemployment during a given year. Those older workers who experience unemployment tend to be unemployed for longer periods than younger workers. It is lengthy unemployment of older workers that gives the older worker problem its special importance for public policy. The unemployment rates of older workers are less sensitive to changes in the general level of unemployment than the rates of younger workers, and the unemployment rates of older workers have not worsened relative to the general level of unemployment in recent years; hence the unemployment problem of older workers is probably related more to personal characteristics of unemployed older workers and to discriminatory practices which bar many jobs to older workers than to cyclical influences.

In 1956, unemployed older workers were more frequently skilled and had somewhat higher past earnings than younger jobseekers, but they had less formal education and were more frequently physically handicapped. In 1961, about three-fourths of the unemployed older workers were last employed in industrial occupations. Aged men who are seeking full-time work after being retired from their regular jobs find extreme difficulty in getting jobs.

Many firms impose maximum age limits in hiring and thereby close important parts of the job market to older jobseekers. Studies in 1950 and 1956 showed that the proportion of job orders filed with public employment offices including maximum ages ranged from one-fourth to three-fourths. Restrictions were especially common in professional, managerial, and clerical jobs. Employers frequently mentioned higher pension costs and closeness to involuntary retirement age as reasons for not hiring older workers, but the desire to promote from within (often imposed by seniority rules) and a conscious policy of keeping the work force young are perhaps more important reasons.

The importance of pension costs in the hiring decision depends on the provisions of the pension plan. Multiemployer plans nearly always have fixed contributions, so that there is no additional cost to the employer of hiring an older worker. The additional costs of older workers to firms with fixed benefit plans depend on the mortality and turnover experience of the firm. Fixed benefit per year of service plans probably have higher additional costs for older workers than percentage of compensation plans, but the additional cost for a 45-year-old worker compared to a 35-year-old worker would seldom exceed 1 percent of total compensation for the average employee.

Despite the reluctance of some firms with pension plans to hire older workers, it appears that as a group, firms with pensions hire as many 45- to 64-year-olds as they separate; thus the presence of maximum hiring ages associated with pension plans does not appear to have had unfavorable effects on the employment opportunities of these older workers.

Introduction

Many unemployed older workers have difficulty in finding jobs even during periods of high employment.[21] Corporate pensions are related to the older worker problem because many firms with pensions have maximum hiring ages which are rigidly enforced. It is said that pension costs are higher for older entrants and that firms are reluctant to hire workers who will shortly be retired without a full pension.

Older workers faced serious employment problems long before pensions were common. During the 1920's, few older workers were protected by seniority provisions against layoff; hence many

[21] By "older workers" is meant workers 45 years and older largely as a matter of statistical convenience. Age problems in getting and retaining jobs begin at different ages in different occupations.

Table 3.1. Unemployment Rates of Men, by Age, 1948–61 [1]

[Annual averages]

Year	Percent of civilian labor force unemployed by age in years							
	14 and over	14 to 19	20 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and over
1961	6.5	15.8	10.7	5.7	4.6	4.9	5.7	5.5
1960	5.4	14.0	8.9	4.8	3.8	4.1	4.6	4.2
1959	5.3	13.2	8.7	4.7	3.7	4.1	4.5	4.8
1958	6.8	15.2	12.7	6.5	5.1	5.3	5.5	5.2
1957	3.8	11.3	7.8	3.3	2.8	3.3	3.5	3.4
1956	3.5	9.6	6.3	2.9	2.3	2.7	3.2	3.3
1955	3.9	9.9	7.0	3.0	2.8	3.0	4.1	3.7
1954	4.9	11.2	9.8	4.4	3.7	3.9	4.9	4.2
1953	2.4	6.8	4.3	1.9	1.7	1.9	2.4	2.0
1952	2.4	7.6	4.0	1.8	1.7	1.8	2.1	2.1
1951	2.6	7.0	3.5	2.0	1.7	2.1	2.5	3.3
1950	4.9	11.0	7.7	4.2	3.3	3.9	4.7	4.6
1949	5.5	11.9	9.9	4.7	3.8	3.9	4.9	4.9
1948	3.3	8.3	6.3	2.5	2.1	2.3	2.8	3.0

[1] Old definition of unemployment for 1956 and earlier years.

Source: Bureau of the Census and Bureau of Labor Statistics.

suffered unemployment. The growth of unions and collective bargaining during the 1930's and 1940's led to the more widespread adoption of seniority practices, providing greater security to employed older workers. The job security provided by union-negotiated seniority provisions also spread to nonunion firms.

The unemployment problems of older workers in the 1930's disappeared during the high employment years of World War II and the immediate postwar period. Ewan Clague, writing in 1947, predicted that—

> The problem of the older worker will rise when the first postwar recession in business occurs. A deep and prolonged depression need not be envisaged; the assumption may be made that not more than 5 million persons would be out of work at any one time and that the business setback would not last more than a year or two. Unemployment of that dimension would undoubtedly emphasize the difficulties of the older worker in industry. It would bring to the fore again the issue of adequate old-age retirement benefits and the question of the suitable retirement age. If this were the whole problem, the lessons would be simply that older workers can and do get jobs in full prosperity periods, but they are the chief sufferers in business depressions; and that special legislative considerations, therefore, should be given to them under social security . . .
>
> Meantime, the first business recession will cause deep concern as to the impact of unemployment on the older workers. In succeeding periods of recovery and prosperity this type of unemployment will not disappear, but will remain as an increasingly stubborn and difficult question. The growing numbers of the aged will speedily convert this into a national problem of the greatest importance. The decision will then have to be made between (1) lowering the retirement age and attempting to remove these older workers from the labor market, and (2) taking steps to assure the continued usefulness of these age groups as productive workers.[22]

These predictions have been borne out. The 1948–49 recession gave impetus to the 1950 revisions of the Social Security Act and to the unions' drive for negotiated pensions. During the 1950's, interest in older workers and their problems grew. Research by government and private groups sought solutions to the older worker problem. The three recessions of the post-Korean period brought the problem into prominence. Older jobseekers tended to be unemployed for lengthy periods, frequently exhausted their unemployment benefits, and posed special problems in declining industries and depressed areas.

The older worker problem has two aspects: (1) keeping older workers on the job; and (2) getting older workers jobs if they become unemployed. Most of the recent concern over the older worker problem has concentrated on the problems of getting a job, but obviously this problem would be less severe if older workers were more successful at holding jobs.

Older workers usually have the job security which arises from seniority provisions in collective bargaining, favorable employer attitudes, and satisfactory performance records. Older workers are usually the principal beneficiaries of seniority rules, and collective bargaining provides ways of tailoring jobs to the abilities of older workers, as well as protecting their transfer rights in instances of departmental shutdowns or plant transfers.[23]

A survey of employer attitudes showed that a majority of employers thought that older workers were superior to younger workers in terms of "steadiness" and output, but that older workers were more difficult to train. A majority also thought that older workers were absent less often than younger workers, but that they tended to be absent for longer periods.[24] Bureau of Labor Statistics studies of productivity show that for pieceworkers in four footwear factories and in

[22] "Employment Problems of the Older Worker," *Monthly Labor Review*, December 1947, pp. 661–663.

[23] Unions usually oppose variation in pay rates for older workers, but stress job changes to meet the problems of failing ability. See Melvin K. Bers, *Union Policy and the Older Worker* (Berkeley, Institute of Industrial Relations, University of California, 1957), pp. 34–46. See also, Bureau of Labor Statistics, *Older Workers Under Collective Bargaining, Part I* (BLS Bulletin 1199–1, 1956), pp. 13–25.

[24] "The Older Worker," *Factory Management and Maintenance* (McGraw-Hill, March 1958), pp. 85–96.

four clothing factories, older workers had slightly lower average output.

Older office workers had about the same output as younger workers. A Canadian study showed that older retail sales workers had slightly higher output than younger workers. In all of these studies, however, variability was high in each age class, so that age was not an important variable in explaining differences in worker productivity.[25]

Unemployment of Older Workers

Unemployment rates for men commonly are highest for workers in the younger age groups, decrease sharply and are lowest for men 35 to 44 years old, then increase slowly with increasing age. In 1961, for instance, the unemployment rate was 10.7 percent for men 20 to 24 years old, 4.6 percent for men 35 to 44 years old, and 5.7 for men 55 to 64 years old (table 3.1). The unemployment rate of men 65 years and older is usually little higher than that of men 45 to 54 to 64 years old, but the rate is computed on a labor force made up in large part of farmers and self-employed managers and proprietors whose unemployment rates are very low. Thus the unemployment rates of aged men understate unemployment as a proportion of those who are exposed to unemployment.

The increase in unemployment rates for age groups older than 45 years is related to the greater duration of unemployment among unemployed older men. In 1961, for example, the average duration of unemployment increased regularly with age:

Age	Average duration of unemployment, in weeks, 1961: Men	Women
All ages	16.9	13.5
14 to 17	9.1	6.9
18 to 24	13.1	11.1
25 to 44	16.8	13.8
45 to 64	20.9	16.1
65 and over	30.4	---------

The greater average duration of unemployment of older workers is the principal characteristic of such workers that makes the older worker problem of major public concern. Relatively few older workers are unemployed in the course of the year. In 1960, for instance, the proportion of persons in the labor force at some time during the year who were unemployed at any time during the year decreased with age after age 20:

Age	Percentage of persons in labor force in 1960 with unemployment: Men	Women
All ages	18.4	15.3
14 to 17	19.3	13.7
18 to 19	33.0	29.9
20 to 24	34.8	19.5
25 to 34	20.1	16.2
35 to 44	15.3	14.5
45 to 64	14.4	12.5
65 and over	10.8	8.3

From the foregoing data it may be concluded that relatively few older workers are unemployed during the year, but once employed their unemployment tends to be of longer duration. When older workers are displaced, it is usually because they are laid off or discharged. Older workers tend to be unemployed longer on the average because they are unemployed predominantly because of economic reasons, rather than voluntarily and because fewer opportunities for employment are open to them.

The unemployment rates for men of different ages tend to respond in similar fashion to economic changes. When the unemployment rates of men in various age groups are plotted against the unemployment rate of men 35 to 44 for the period 1948–62, the observations show very close linear relationships [26] (charts 3.1–3.6). Hence, while un-

[25] Bureau of Labor Statistics, *Job Performance and Age: A Study in Measurement* (BLS Bulletin 1203, 1956) and *Comparative Job Performance by Age: Office Workers* (BLS Bulletin 1273, 1960); and *Age and Performance in Retail Trade* (Economics and Research Branch, Department of Labour, Ottawa, Canada, 1959).

[26] In the regression of the unemployment rate of men 55 to 64 years old on the unemployment rate of men 35 to 44 years old, the intercept shows the hypothetical unemployment rate of men 55 to 64 years old which would be associated with the absence of unemployment of men 35 to 44, and the regression coefficient shows the average change in the unemployment rate of men 55 to 64 years old which is associated with a 1 percentage point increase in the unemployment rate of men 35 to 44 years old.

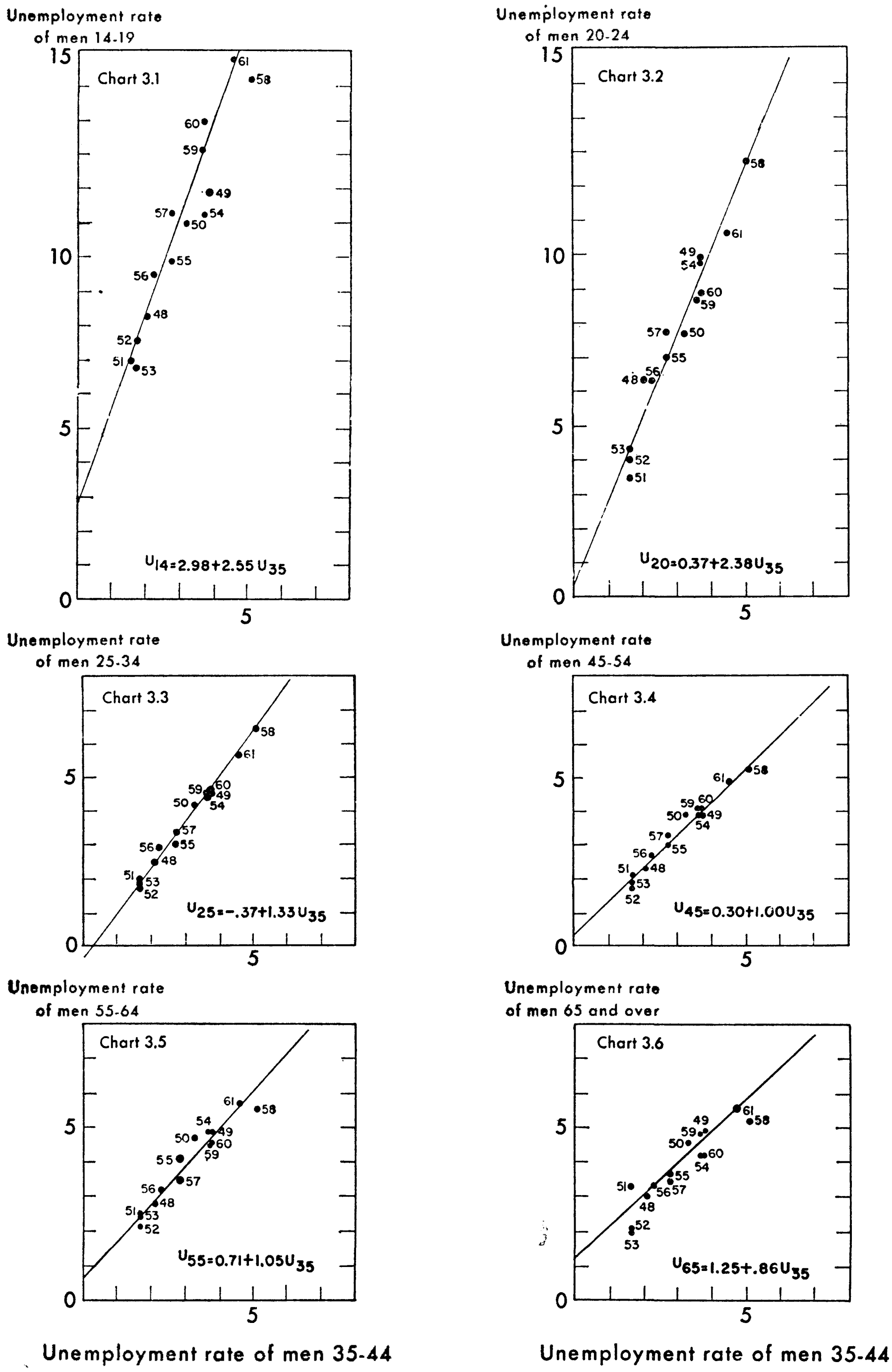
The regression coefficients for the older age groups are close to 1, and this suggests that recessions cause about the same absolute changes in unemployment rates for the older age groups. Since the intercept coefficients for the older age groups are greater than zero, however, the unemployment rates of the older age groups increase proportionately less with recession than does the rate of men 35 to 44 years old.

It may be observed from charts 3.4–3.6 that the observations of more recent years do not fall disproportionately above the regression lines. There is no trend in the unemployment rates of older men once account is taken of the variation in unemployment rates of men 35 to 44 years old.

Regression coefficients are shown below:

Regression age	Intercept coefficient	Regression coefficient	Standard error of regression coefficient
14 to 19	2.98	2.55	0.22
20 to 24	.37	2.38	.15
25 to 34	.37	1.33	.04
45 to 54	.30	1.00	.04
55 to 64	.71	1.05	.08
65 and over	1.25	.86	.10

Relation of Unemployment Rates for Men of Different Ages to Unemployment Rates of Men 35-44



employment of older men has grown more severe as unemployment has increased in recent years, it does not seem to have grown worse *relative to the general level of unemployment*. Unemployment rates of older workers and the rate of workers 35 to 44 years old change by about the same absolute amounts with fluctuations in the level of economic activity. Since unemployment rates of older workers are proportionately higher in years of low unemployment, the unemployment rates are relatively less sensitive to recession and recovery than are the rates of younger workers. Understanding the behavior of unemployment of older workers depends primarily on understanding the reasons that the unemployment of older workers is higher than that of the prime age groups even during periods of prosperity. Two principal reasons are usually mentioned—special characteristics of older workers which disqualify them for the jobs which are available, and discrimination against qualified older workers.

Characteristics of Unemployed Older Workers

Like any other group of people, older jobseekers are diverse. Some older jobseekers are on temporary layoff, and can expect to be recalled when employment increases. These face no special problems, although they may have difficulty in finding temporary work. Seniority systems and pensions are likely to hold these workers closely to the firm even though they are on layoff, especially if other regular jobs are closed to older workers.

The displaced older worker who cannot expect to return to his regular job may face more difficult problems. He often restricts his job search to the local labor market area. If employment in the area or in his industry of attachment is declining, the displaced older worker may not be able to find any job. Workers displaced from high-wage jobs may find it impossible to get comparable jobs even if they are willing to move. Consequently, many displaced workers in their fifties and sixties withdraw from the labor force.

The personal characteristics and work experience of older workers often contribute to their difficulties in finding suitable work. A study of work applicants at public employment offices conducted as part of the Seven City Study in 1956 found that 30 percent of the jobseekers were 45 to 64 years old, while 10 percent were 65 years and older. In contrast, a matched sample of employed workers included 32 percent 45 to 64 years old and only 3 percent 65 years and older. About two-fifths of the older jobseekers were last employed in manufacturing. The older jobseekers had on the average higher skills and higher past earnings than those under 45 years, but had less formal education and were more frequently physically handicapped.[27]

In 1961, 70 percent of the unemployed older men were last employed in industrial occupations (craftsmen and foremen, operatives, nonfarm laborers), compared to 74 percent of the unemployed men 25 to 44 years old. There were only slight differences in the unemployment rates of labor force groups of different ages in various occupations in 1961:

	Unemployed as percent of experienced civilian labor force in occupations group (men)	
Occupation group	*25 to 44 years*	*45 years and older*
All occupations	5. 1	5. 2
Professional and technical	1. 7	2. 0
Farmers and farm managers	. 5	. 4
Managers, officials, and proprietors	1. 6	1. 6
Clerical and kindred workers	3. 4	4. 0
Sales workers	2. 9	3. 6
Craftsmen and foremen	5. 2	7. 3
Operatives	8. 0	7. 6
Service workers	5. 9	6. 4
Farm laborers and foremen	6. 8	7. 7
Laborers, except farm and mine	14. 6	13. 7

SOURCE: *Employment and Earnings*, June 1962, table SA-37, p. 90.

Some aged workers retire while they are still capable of working, and many of these remain attached to the labor force. Retired workers often seek part-time or seasonal jobs in order to keep their earnings under the maximum allowed for OASDI benefits, but some seek full-time jobs at their customary rates of pay. Firms which do not impose rigid age limits in hiring are usually reluctant to hire workers who have retired and are receiving sizable pensions, and with two-fifths of the private work force covered by pensions, relatively few jobs are open to the aged retired workers, even if they are in good health and are fully qualified. Indeed, it may be difficult to justify special efforts to find jobs for pensioners when other qualified unemployed persons are seeking work.

[27] Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices* (BES Bulletin R151, 1956).

Discrimination Against Older Workers

Many firms refuse to hire older workers and impose rigid maximum age limits in hiring and thereby close important parts of the labor market to older workers. In 1950, a study conducted by State employment services found that 72 percent of the job orders placed with the public employment service in Columbus, Ohio, and 52 percent of those in Houston, Tex., specified maximum hiring ages. In Lancaster, Pa., 60 percent of the job openings, and in New York City, 25 percent of the job openings included upper age limits. The proportions of job orders and job openings with age restrictions were commonly higher in professional and managerial and clerical jobs and job orders, and somewhat lower in other occupation groups.[28] Similar results were found in the Seven City Study conducted by State employment security agencies and the Bureau of Employment Security in 1956. More than one-half of the job openings in the seven cities specified upper age limits of less than 55 years, and in 20 percent of the openings, the age specified was less than 35 years. Again, managerial and professional and clerical jobs were more frequently restricted than other occupations, and in this study, unskilled jobs were also more frequently restricted than other kinds of jobs. The frequency of upper age limits appeared to increase with size of establishments. Slightly more than one-half of the job openings in firms with fewer than 20 employees specified maximum ages, and the proportion increased until almost four-fifths of the job openings in establishments with 1,000 or more employees specified age limits. Very often, however, the age limits specified by establishments in the largest size group were higher than those of establishments in the 100- to 999-employee class. Of the largest establishments, 19 percent of the age specifications were for ages above 54 years. According to the Bureau of Employment Security, the greater frequency of age limits in large firms was "presumably due to pension and insurance plans."

The reasons most frequently given for not hiring older workers in the Seven City Study included (1) Inability to maintain normal production standards (22 percent of all reasons); (2) inability to meet physical requirements (21 percent); (3) inflexibility (13 percent); (4) pension and insurance costs (10 percent); (5) too close to compulsory retirement age (in the usage of this report, involuntary retirement age) (7 percent); and (6) simply prefer younger workers (5 percent). No other reason provided more than 4 percent of the responses.[29]

Reasons mentioned by employers for not hiring older workers are not necessarily the most important reasons for such practices. Probably most firms prefer to fill vacancies with qualified workers who are already employed. Indeed, in many firms seniority rules provide that workers may bid on openings in order of seniority. In such firms, job openings are predominately openings at entry grades, usually requiring little experience and carrying relatively low pay. Since many older jobseekers are accustomed to the advantages and pay which came with seniority in the firm they left, jobs at entry grades may not be acceptable, even if the older jobseeker is acceptable to employers.

Finally, many firms have a definite policy of "keeping the firm young" or at least preventing the average age of the work force from rising any more than necessary. Firms which are not expanding rapidly normally will encounter the problem of an aging work force, and pensions are often adopted to induce retirement of aged workers. Under such circumstances, the hiring of older workers goes against the firm's well-defined policy.

Despite the frequency of age limitations, there is evidence that employers are likely to relax age limits if qualified applicants are referred, although employers are especially reluctant to relax age limits associated with pension plans.[30] Age preferences or restrictions are also found much less frequently in States which have enacted legislation to bar hiring discrimination based on age.

As of June 1962, laws prohibiting discrimination against older workers were in force in 15 States, including New York, California, Pennsylvania, Ohio, Massachusetts, and New Jersey. These laws forbid discrimination against workers of specified ages in most industries, although some

[28] Bureau of Employment Security, *Workers are Young Longer*, a report of the Findings and Implications of the Public Employment Service Studies of Older Workers in Five Cities, third printing, 1953.

[29] Bureau of Employment Security, *Counseling and Placement Services for Older Workers* (BES Bulletin E152, 1956), pp. 28–60.

[30] Ibid.

of the State laws exclude small employers and farm, domestic service, and noncommercial employment. Most of the laws apply to workers between the ages of 40 or 45 to 60 or 65 years, although New Jersey's law applies to workers 21 years and older, and New York's law has been interpreted to apply to discrimination based on "overage," regardless of the worker's chronological age. Among the employment practices outlawed are refusal to hire, discrimination in pay or working conditions, and discharge of workers on account of age alone. Employment agencies and labor unions are also restrained from discriminating in referral or service to older workers.[31]

The effectiveness of the State laws against age discrimination is difficult to judge. Enforcement varies between the States, of course, but even in the States with strong laws which are vigorously enforced (such as New York and Pennsylvania), few cases have been sustained against employers. The laws are probably effective in eliminating or reducing the employer's reluctance to consider older workers. In 1956, for instance, age preferences were found in only 24 percent of the job orders in Worcester, Mass. (where age discrimination was prohibited), but age restrictions or preferences in other cities were found in 34 to 79 percent of the job openings.[32]

What relation is there between pension plans and the imposition of maximum hiring ages? It was previously noted that about 10 percent of reasons offered by employers for not hiring older workers were related to higher pension and insurance costs, and 7 percent were due to closeness to involuntary retirement ages. The relationship between pension plans and maximum hiring ages is illustrated by a survey of San Francisco area firms which found—

> Virtually all the firms with rigid upper age limits in hiring had pension plans, all accompanied by compulsory retirement provisions. Most of the companies with less rigid age limitations in hiring had pension plans, but some of the plans were not accompanied by compulsory retirement provisions, and in fact, a majority of these firms did not have compulsory retirement. Some of the firms with no upper age limits in hiring had pension plans, but almost none had compulsory retirement.

In this study, it also appeared that both policies were more often found together in older firms and in firms which were not unionized.[33]

A number of factors tend to operate together. A firm which is willing to pay the higher pension costs which are associated with involuntary retirement probably considers that its aging work force constitutes a serious problem. In such an instance, it would scarcely be rational to hire additional older workers whose involuntary retirement in a few years would only cause higher pension costs. It is true, of course, that a firm with an aging work force is unlikely to hire older workers whether it has a pension plan or not; hence, the independent impact of pension plans on hiring practices is difficult, if not impossible, to determine.

Pension and Insurance Costs and Hiring Practices

Pension and insurance costs have been mentioned as one reason for employers' reluctance to hire older workers. Certain issues need only brief consideration. Insurance costs (including workmen's compensation, group medical and hospital insurance, and life insurance), taken as a whole, are unlikely to differ very much between older entrants and younger entrants. If dependents are covered by hospitalization and medical care, the smaller number of maternity benefits and the smaller number of younger children of the older entrants may offset their slightly higher morbidity. Group life insurance rates reflect the mortality experience of the covered group, so that a marked increase in the average age of the covered group would lead to higher mortality and perforce to higher insurance costs. Unless the number of older workers hired is a substantial fraction of coverage, however, the costs are unlikely to increase significantly with the selective hiring of older workers. Workmen's compensation costs also depend on experience. There is no reason to believe that injuries are either more frequent or more severe for older workers than for younger workers.[34]

Money-purchase pension plans are also free from higher costs for older entrants. In a study of multiemployer plans in 1960, for instance, the Bureau of Labor Statistics found that all but 8 of the 611 plans which required employer con-

[31] Bureau of Labor Standards, Division of State Services, "Brief Summary of State Laws Against Discrimination in Employment: Older Workers," Fact Sheet No. 6-B, June 1962.

[32] Bureau of Employment Security, *Counseling and Placement Services for Older Workers*, op. cit.

[33] Margaret S. Gordon, "The Older Worker and Hiring Practices," *Monthly Labor Review*, November 1959, p. 1201.

[34] For a more detailed discussion of these points, see Bureau of Employment Security, *Pension Costs in Relation to the Hiring of Older Worker* (BES Bulletin E150, 1956), pp. 19–21.

tributions specified contributions as either rates per period of time worked or as percentages of payroll.[35] In multiemployer plans, at least, the age of the worker has no direct effect on the *employer's* pension costs.

It is obvious, however, that the hiring of older workers does increase the cost to the multiemployer plan of providing retirement benefits on either a flat benefit or a flat benefit per year of service formula. If benefits are held constant, then contributions would have to be increased. For the individual employer who is a member of a multiemployer plan and who is faced with the decision to hire an older worker, however, this potential contribution increase is insignificant. Multiemployer plans are commonly found in industries where unions have considerable influence on hiring; hence, the employer may not be able to discriminate between workers of different ages if he wishes.

Single-employer money-purchase plans (in which the contribution rate is fixed and the benefit variable) clearly have employer costs which are no different for new entrants of different ages. For single-employer plans, however, money-purchase plans have probably been becoming less common, because the benefits from such plans weight early years and contributions more heavily, hence benefits sometimes lack a reasonable relationship to the earnings of the years immediately preceding retirement.

The costs of pensions for older entrants are relevant in plans of the definite benefit type in which contributions are variable. In negotiated single-employer plans (pattern plans), there appears to be a trend toward flat benefits for each year of covered service. In the Bankers Trust Co. study of plans adopted or amended in 1956–59, 87 percent of such pattern plans had some form of flat benefit per year of covered service, often $2 or $2.50 benefit per month for each year of covered service.[36] To finance the expected cost of such a benefit, the employer must contribute more for a year close to retirement than for a year more distant from retirement.

An example of the annual charges of a plan providing a benefit of $2.50 per month for each year of covered service is given below under the following assumptions:

(1) Two and one-half percent interest rate (a higher rate would make the annual charges lower and increase the percentage difference between younger and older workers).

(2) 1951 Group Annuity Mortality Table (which assumes decreases in mortality below that experienced by group annuitants in the base period of the study on which the table is based).

(3) No turnover (turnover would increase the relative difference in costs and lower total costs but it is partially offset if the plan is vested).

Annual charges for a flat benefit of $2.50 per month at age 65 for each year of covered service

Age of entry	*Monthly pension*	*Annual charge*
25	$100.00	$158.87
30	87.50	171.92
35	75.00	187.07
40	62.50	197.69
45	50.00	218.92
50	37.50	243.87
55	25.00	269.32
60	12.50	299.58

Obviously there are differences in cost of pensions for new entrants of different ages. However, the additional pension cost of hiring a worker 35 years old compared to a worker 45 years old would be only $32 (in this example), or less than 1 percent of annual compensation for an average factory worker. Considering the wide variation in worker productivity that exists within a single job and the uncertainties attached to hiring new workers, it does not appear that such a difference should be considered very significant. If in the foregoing example a higher interest rate and normal turnover had been assumed, this would increase the proportion which the older worker's costs bear to younger worker's costs. However, turnover savings in the plan might be large enough to reduce the differential costs in absolute terms and so make the difference less as a percentage of total compensation.

In contrast to the flat benefit per year of service benefit formula common in negotiated plans, nonnegotiated plans usually base benefits on compensation, especially compensation during the entire period of credited service. It is impossible to estimate the cost of pensions under such plans without detailed assumptions concerning the worker's future compensation. Never-

[35] Bureau of Labor Statistics, *Multiemployer Pension Plans Under Collective Bargaining* (BLS Bulletin 1326, 1962), p. 11.

[36] *1960 Study of Industrial Retirement Plans* (New York, Bankers Trust Co., 1960), p. 19.

theless, the pension costs accruing from a given month's compensation will be higher for an older worker than for a younger worker, since for the latter, a smaller sum at compound interest will suffice to buy the annuity earned by the credited compensation. Again, interest rates and turnover are important considerations.

Thus, it appears that for an employer in a multiemployer plan the additional pension cost of hiring an older worker is irrelevant, while for most employers with single-employer plans, pension charges will be higher for older entrants than for younger entrants. The specific difference in costs of hiring will vary with the actual mortality and turnover experienced by the plans.

How significant are the additional pension costs of hiring older workers? For most workers in low or middle paid brackets, the additional annual costs are likely to be a very small percentage of annual compensation. Pension costs are but one of the variables which should be considered in the hiring decision. If older workers have lower turnover costs to the firm, these costs should also be considered. It was pointed out in chapter II that older workers generally have lower separation rates than young workers, and this is often thought to be an important offset to their higher pension costs. The lower turnover rates of older workers may or may not be significant, however. Newly hired older workers may have higher turnover rates than newly hired young workers, although this may be a characteristic of the temporary jobs for which they are often hired. The degree to which the older worker has lower turnover costs and other costs (such as insurance or absenteeism) will depend on the experience of the individual firm. In view of the complexity of the problems and the difficulty of generalizing, it does not seem justified to say, as many do, that additional pension costs of older workers are not or should not be significant to employers. It must be remembered, however, that hiring is subject to great uncertainty, and the decision to exclude arbitrarily workers past a certain age because their pensions would cost a cent or so more an hour may rob the firm of the opportunity to hire valuable workers.

Effect of Pension Plans on Hires and Separations of Older Workers

Previous sections have indicated that pension plans may adversely affect employment opportunities for older workers by leading to the establishment of maximum hiring ages and by raising the cost of placing older workers on the payroll.

Almost certainly there are individual situations in which pension plans have had such adverse effects. The problem is to ascertain, if possible, whether these results have been so widespread that total employment opportunities for older workers have been affected.

Only fragmentary evidence is available on this point.

While firms with pensions hire proportionately fewer older workers than do firms without pensions, it is also true that firms with pensions separate proportionately fewer older workers than do firms without pensions. Data from the 1956 study by the Bureau of Employment Security and State employment security agencies show that older worker separation rates are about equal to older worker hiring rates both for firms with pensions and for those without pensions (chapter II). As pointed out in chapter II, no significant conclusions for mobility can be drawn from these facts since the composition of the two groups of firms by industry and by size of firm differs considerably. For present purposes, however, it is important to note that firms with pensions hired 16 workers aged 45 to 64 per hundred workers of the same ages per year, which was the same as the separation rate for the same age group. Thus there was no tendency observable from these data for firms with pensions to force more older people into the labor market than they hired from it. This study considerably weakens any presumption that private pensions are detrimental to older jobseekers as a group.

The following conclusion drawn by the Bureau of Employment Security must be interpreted with care:

> The older worker is more likely to be hired for a job which is not covered by a private pension plan than one in which he will have coverage. Workers 45 years and older account for 25 percent of the hires in employment without pension plans, contrasted to 14 percent in jobs with this advantage.[37]

[37] Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices*, op. cit., p. 4.

The implications of this conclusion are modified considerably, if it is accompanied by the following statement:

> The older worker is more likely to be looking for a job because he was separated from a firm without pension coverage than because he was separated from a firm with pension coverage. Workers 45 years and older account for 27 percent of the separations in employment without pension plans, contrasted with 18 percent in jobs with this advantage.[38]

The conclusion is modified even more if workers 65 years and older are excluded from consideration. There is no difference between hire rates and separation rates of workers 45 to 64 for firms with pension plans. About 3 percent of the separations from firms with pension plans are workers 65 years and older, but only 0.6 percent of the new hires are workers in this age group. In firms without pensions, about 3 percent of both hires and separations consisted of aged workers. Hence, the detrimental effects of pensions on the job opportunities of older workers are concentrated in the 65 years and older group. It is clear that firms with pension plans infrequently hire workers who are 65 years and older.

Additional information bearing on this question is available in the age composition of employment of industries by pension plan coverage in 1956:

	Percent of employees 45 to 64 years old	
Industry	*Pension*	*No pension*
All industries	31	32
Construction	40	32
Manufacturing, total	32	31
Durable	31	30
Nondurable	34	33
Transportation, communication, and public utilities	30	42
Trade	31	31
Finance, insurance, and real estate	26	31
Service	40	32

SOURCE: Bureau of Employment Security, *Older Worker Adjustment to Labor Market Practices*, op. cit., table XXII, p. 255.

Overall, there is little difference between the proportions of older workers employed, and in few industries is there much difference in proportions. In all industries, however, the proportions of workers 65 years and older in firms with pensions were considerably lower than the corresponding proportions in firms without pensions.

The limited evidence available indicates that while pension plans may have contributed to blocking employment opportunities for individual older workers, it does not seem that firms with pension plans are failing to employ their proportionate share of workers 45 to 64 years old. The impact of pension plans on the unemployment of older workers is probably to increase the severity of the problem somewhat, but it cannot be concluded that practices associated with pension plans are a major cause of the older worker problem.

[38] Ibid., p. 68.

Chapter IV. Retirement and Withdrawal From the Labor Force

Summary

The proportion of men 65 years and older in the labor force has been declining steadily since 1890, but the decrease has been particularly sharp since 1950. Less than a third of the aged men were in the labor force in 1961.

Employed aged men are concentrated in certain types of occupations and industries. Occupations in which the employment of all men has expanded greatly over the past decade have also shown increases in employment for aged men, but occupations in which total employment was stable or contracting have been marked by sharp reductions in the number of employed aged men. Employed aged men are heavily concentrated in farming (despite the decline in number of aged farmers) and managerial occupations, where self-employment is common, and are proportionately much less important in the industrial occupations. The trend toward retirement has also been marked by an increasing proportion of all aged men employed at part-time jobs which provide additional income to supplement retirement pensions.

The most important factor in stimulating increased retirement for older workers and reducing their participation in the labor force has been the growth of available retirement income through the public and private systems. The central position of retirement income in inducing retirement is shown by the fact that pensioners with large pensions are more likely to be satisfied with retirement than those with small pensions. The need for income is the usual reason given by older workers who want to continue work beyond age 65.

Private pensions, as a major supplement to income from public retirement programs, have served to induce voluntary retirement and withdrawal from the labor force. At the same time, it has been asserted that through the practice of involuntary retirement, private pensions have also had the effect of forcing into retirement many who still wish to work and who remain capable of contributing effectively to the national output.

Involuntary retirement provisions are included in single employer pension plans covering somewhat more than half of the workers in large negotiated plans and in about four-fifths of the large nonnegotiated plans. Involuntary retirement rules usually apply to workers at age 65 in nonnegotiated plans, but the age is often 68 or 70 years in negotiated plans. Multiemployer plans seldom have involuntary retirement.

Employers who favor involuntary retirement usually stress the usefulness of such rules in removing aging workers whose efficiency is decreasing and in opening opportunities for promotion of younger workers. Employers who oppose involuntary retirement stress either the costs of such provisions or the inappropriateness of age as a criterion for separation. The age composition of their own work forces and the available labor supply are probably influential in disposing employers to favor or to oppose involuntary retirement in their firms.

Union leaders' attitudes toward involuntary retirement are also conditioned by their specific needs. Although usually opposed to involuntary retirement in principle, leaders of unions in industries suffering heavy unemployment often view retirement of aged workers as an equitable way to ease the unemployment problems of the union membership.

Opinions of observers not directly involved in the negotiation or conduct of pension plans usually favor a flexible retirement age or urge that the age of involuntary retirement be raised.

The effect of involuntary retirement is difficult to determine. According to a 1952 study, involuntary retirement rules were the original reason for leaving the labor force of about 13 percent of the retired men in 1952, although few of these men were interested in working. Involuntary retirement is more common as a reason for retirement among men receiving larger pensions. On the whole, there appears to be little dissatisfaction with retirement among those involuntarily retired, or among those older workers for whom involuntary retirement lies in the near future.

From the point of view of manpower policy, the desirability of retirement and the resulting reduction in the labor force depends chiefly on the level of demand for labor. In wartime when manpower is severely limited, the appropriate manpower policy is to induce older workers to remain active workers. With unemployment at more normal

levels, retirement serves the interest of manpower policy by permitting many aged workers who are partially disabled or for whom work is especially burdensome to withdraw from the labor force, thereby opening greater opportunities for other employed and unemployed workers. In occupations and industries in which unemployment is especially severe, retirement reduces the level of unemployment and facilitates the employment adjustments essential in a rapidly changing economy.

Changes in retirement programs, both public and private, will have manpower effects by making retirement more or less desirable and thus influencing the incentive for aged workers to remain in the labor force. One example of such a change is the recent adoption of early retirement provisions in both public and private programs. It is yet too soon to evaluate the effect of the recent change permitting early retirement at age 62 under the OASDI program.

The decentralized nature of private pension systems provides an important element of flexibility in meeting manpower problems. While special provisions applying to the needs of particular industries have been adopted in the public retirement programs of some countries, such measures would be difficult to justify in the OASDI system, in which uniformity of retirement age and benefit schedules for all covered workers is a well-established principle. Private pensions are well suited to meet such problems, since the content of the plans may be varied to meet the special needs of an industry or firm. Illustrative of the flexibility inherent in pensions negotiated through decentralized collective bargaining, are provisions for early retirement at employer's request included in many of the United Automobile Workers agreements which provide twice the normal pension from the time the employee retires until he becomes eligible for OASDI benefits.

Aged Workers in the Labor Force

Nearly all men between the ages of 25 and 64 years work or look for work during the year, but women, young people, and aged people (persons 65 years and older) are less frequently in the labor force. The proportion of aged men in the labor force decreased from about two-thirds in 1890 to less than one-third in 1961. The rate of decrease has been particularly rapid since 1950. Since 1890, the proportion of women in the labor force has increased steadily, while the proportion of young people has fallen off somewhat as high school and college attendance became more common.

Public and private pensions played no part in the decline in labor force participation of aged men before 1940. Most of this earlier decline is attributable to rising levels of income, to the shift from rural to urban patterns of living, and to mass unemployment during the 1930's which caused many aged men to cease looking for work.[39]

Wartime labor demands kept many aged men at work, and their labor force rate increased during the war. With peace, however, labor force participation of aged men resumed its decline (table 4.1). In 1950 when OASDI benefits were being received by 1.8 million retired workers (mostly men), and private pensioners numbered about 450,000, 46 percent of men 65 years and older were in the labor force. By 1960, the number of aged workers receiving OASDI benefits increased to 8.1 million, and approximately 1.8 million people (mostly aged men) received private pensions. The labor force rate of aged men had fallen to 32 percent.

The improvements in OASDI benefits, coverage, and eligibility since 1950 now make retirement income available to practically all workers in private industry reaching age 65. Many men eligible for private pensions or the pensions provided by the Railroad Retirement Act and by Federal, State, and local governments often receive sufficient income to finance a comfortable retirement. The ready availability of retirement income has probably been the most important influence leading to the recent reduction in the labor force participation rate of aged men. The middle or lower income worker receiving OASDI benefits and a supplemental private pension will frequently have a retirement income greater than one-half of his preretirement earnings. Because of the favorable tax treatment of OASDI benefits

[39] For a discussion of labor force trends since 1890, see Gertrude Bancroft, *The American Labor Force* (New York, Wiley, 1958); Clarence D. Long, *The Labor Force Under Changing Income and Employment* (Princeton, Princeton University Press, 1958); and John C. Durand, *The Labor Force in the United States, 1890–1960* (New York, Social Science Research Council, 1948).

TABLE 4.1. PERCENT OF POPULATION IN THE LABOR FORCE, BY SEX AND AGE, 1940–61

[Annual averages]

Years	Male								Female							
	14 years and older	14 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older	14 years and older	14 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
1961	80.3	44.6	89.8	97.6	97.7	95.6	87.3	31.7	36.9	29.9	47.1	36.4	43.8	50.1	37.9	10.7
1960	80.1	46.3	88.9	96.4	96.5	94.5	85.4	32.3	36.4	30.2	46.0	35.9	43.2	49.4	36.8	10.5
1959	80.5	46.7	88.6	96.3	96.6	94.6	85.9	33.4	35.8	29.1	44.9	35.2	43.1	48.6	36.2	9.9
1958	82.1	47.4	89.5	97.3	98.0	96.3	87.8	35.6	36.0	29.1	46.4	35.6	43.4	47.9	35.2	10.3
1957	82.7	49.7	89.8	97.3	97.9	96.4	87.5	37.5	35.9	30.6	46.0	35.6	43.3	46.5	34.5	10.5
1956	83.7	51.4	90.8	97.4	98.0	96.6	88.5	40.0	35.9	31.9	46.4	35.4	43.1	45.5	34.9	10.9
1955	83.6	49.5	90.8	97.7	98.1	96.5	87.9	39.6	34.8	29.9	46.0	34.9	41.6	43.8	32.5	10.6
1954	83.9	49.3	91.5	97.5	98.1	96.5	88.7	40.5	33.7	29.8	45.3	34.5	41.3	41.2	30.1	9.3
1953	84.4	50.9	92.2	97.6	98.2	96.6	87.9	41.6	33.6	30.5	44.5	34.1	41.3	40.4	29.1	10.0
1952	84.6	51.9	92.0	97.7	97.9	96.2	87.5	42.6	33.9	31.5	44.8	35.5	40.5	40.1	28.7	9.1
1951	84.8	53.7	91.0	97.1	97.6	96.0	87.2	44.9	33.8	32.1	46.6	35.4	39.8	39.7	27.6	8.9
1950	84.4	53.2	89.0	96.2	97.6	95.8	87.0	45.8	33.1	31.5	46.1	34.0	39.1	38.0	27.0	9.7
1949	84.5	53.6	87.7	95.9	98.0	95.6	87.5	46.9	32.4	32.5	45.0	33.5	38.1	35.9	25.3	9.6
1948	84.6	54.3	85.6	96.0	98.0	95.8	89.5	46.8	31.9	32.5	45.3	33.2	36.9	35.0	24.3	9.1
1947	84.4	54.2	84.8	95.8	98.0	95.5	89.6	47.8	31.0	31.6	44.9	32.0	36.3	32.7	24.3	8.1
1946	83.7	53.7	82.3	94.2	97.3	96.1	89.6	48.5	31.1	32.3	46.3	32.9	36.2	31.5	23.6	8.4
1945	88.0	64.9	95.5	97.0	98.2	96.6	91.4	52.1	36.2	40.0	54.1	38.9	39.8	35.2	26.5	9.6
1944	89.7	70.0	98.5	99.0	99.0	97.1	92.1	52.2	36.8	42.0	55.0	39.0	40.5	35.8	25.4	9.8
1940	83.9	44.2	96.1	98.1	98.5	95.5	87.2	45.0	28.2	23.3	49.5	35.2	28.8	24.3	18.7	7.4

SOURCE: Bureau of Labor Statistics and Bureau of the Census.

and double exemptions for persons 65 and over, the after-tax income of the retired married worker is sometimes as large as his preretirement income.

The proportion of aged men who remain in the labor force also depends on the opportunity to continue work. Unemployed aged workers who might prefer to work may retire because they are unable to find suitable jobs. The postwar period has been marked by relatively high employment, despite four recessions, and relatively few aged workers have suffered unemployment previous to retirement. Nevertheless, employment opportunities for aged men have been diminishing and undoubtedly this has effected the propensity of aged men to continue seeking work.

The effect of employment opportunity on retirement is also shown by the relation of the changes in the number of aged men employed in various occupations to the changes in the number of all men employed. In professional and technical, managerial, and sales occupations, in which the number of employed men has increased sharply since 1952, the number of aged men has also increased; while in the industrial occupations, more than one-half of the decline in employment of all men is accounted for by the drop in the number of employed aged men (table 4.2).

Employed aged men are concentrated disproportionately in occupations where self-employment is common. In 1961, about two-fifths of the employed aged men were farmers or managers, while only one-fifth were in the industrial occupations (craftsmen and foremen, operatives, and nonfarm laborers). This represents a considerable change from 1952, when larger proportions of the employed aged were in industrial occupations, (table 4.3). Labor force data from a study of aged men conducted in 1952 show considerable variation between different occupation groups. About two-thirds of the aged men, whose lifetime occupation was in professional and technical work, were in the labor force, but only one-third of the aged men whose lifetime industrial occupations were in the labor force.[40]

Labor force participation of aged men is also related to educational attainment. About three-fifths of the aged men with 5 years or more of college were in the labor force in March 1959, while only one-fourth of those with 4 or fewer years of school were in the labor force.[41]

An important labor force trend associated with pensions has been the tendency of retired workers to seek part-time employment to supplement their pensions. The proportion of all aged men who worked primarily at part-time jobs during the year increased from 12 percent in 1950 to 17 percent in 1960, and the proportion of aged men who worked primarily at full-time jobs decreased from 38 percent to 27 percent (table 4.4). Some

[40] Peter O. Steiner and Robert Dorfman, *The Economic Status of the Aged* (Berkeley, University of California Press, 1957), table 4.3, p. 41.

[41] Bureau of Labor Statistics, *Educational Attainment of Workers, 1959*, Special Labor Force Report No. 1, Reprint 2333 (1960) from *Monthly Labor Review*, February 1960, table E, p. A–9.

TABLE 4.2. EMPLOYMENT BY OCCUPATION GROUPS OF AGED MEN AND ALL MEN, AND CHANGES IN EMPLOYMENT, 1952 AND 1961

[Number in thousands]

Occupation group	Men, 14 years and older		Increase or decrease (−)		Men, 65 years and older		Increase or decrease (−)	
	1952	1961	Number	Percent	1952	1961	Number	Percent
Total [1]	42,349	44,318	1,979	4.7	2,351	2,071	−280	−11.9
Professional and technical	3,137	4,955	1,818	58.0	118	185	67	56.8
Farmers	3,688	2,581	−1,107	−30.0	495	423	−72	−14.5
Managers	5,089	6,003	914	18.0	235	399	164	69.8
Clerical	2,798	3,120	322	11.5	118	118	0	0
Sales	2,247	2,737	490	21.8	95	138	43	45.3
Craftsmen	8,478	8,407	−71	−.8	400	259	−141	−35.2
Operatives	8,817	8,441	−376	−4.3	283	165	−118	−41.7
Service	2,585	2,992	407	15.7	259	233	−26	−10.0
Farm laborers	1,780	1,685	−95	−5.3	95	74	−21	−22.1
Other laborers	3,730	3,397	−333	−8.9	259	111	−148	−57.1

[1] Detail will not add to total because of rounding.

SOURCE: Derived from Peter O. Steiner and Robert Dorfman, *The Economic Status of the Aged* (Berkeley, University of California Press, 1957), table 4.4, p. 42; and Bureau of Labor Statistics, *Labor Force and Employment in 1961*, Special Labor Force Report No. 23, Reprint 2395 (1962) from *Monthly Labor Review*, June 1962, tables C-6 and C-8, pp. A-23 and A-25.

of this change is probably attributable to workers who shifted from a full-time schedule to a part-time schedule without changing jobs. Aged men who work part time usually prefer part-time work. In 1961, 35 percent of the aged men at work in the average week in nonagricultural industries worked part time, and four-fifths of these usually worked part time because they did not prefer or could not accept full-time work.[42] The increased importance of voluntary part-time work for aged men underlines the growing importance of pensions as the primary source of income for aged men, and the increasingly supplementary role of earnings.

Relation of Pensions to Retirement

Corporate pensions may induce retirement by two effects: (1) pensions provide income which, together with OASDI benefits, enable some workers to retire voluntarily; and (2) involuntary retirement practices often found in pension plans require some aged workers to retire who would otherwise continue work.

Income. The provision of retirement income by pensions has a major effect on voluntary retirement. A 1951 study of pensioners found that about two-fifths of those with incomes of less than $1,000 regarded retirement as satisfactory, while almost three-fourths of the pensioners with incomes of $5,000 or more found retirement satisfactory.[43] Between 1954 and 1958, almost four-fifths of the men retiring from the Eastman Kodak Co. (which has a generous pension plan) retired at age 65 or earlier, although later retirement was permitted.[44] The need for income appeared to be the principal reason for men 64 years old wanting to continue work after age 65 in a survey of firms which had varying retirement policies.[45] Obviously, corporate pensions play an important role in inducing retirement by providing necessary income.

In most pension plans, 65 is the normal retirement age; i.e., the age at which retiring workers receive full pensions. The selection of this particular age follows the precedent established by the public retirement system—65 is also the normal retirement age for OASDI. Retirement at age 62 for men was adopted in the 1961 social security amendment, following earlier adoption of the same age for women. This amendment was intended to permit unemployed men or partially disabled men to retire earlier by providing retirement income. Similar provisions for earlier retirement are included in many private pension plans. Early retirement clearly increases the flexibility of private pension plans in meeting the needs of aging workers. Many private pension plans provide for retirement before age 62 and allow in-

[42] Bureau of Labor Statistics, *Labor Force and Employment in 1961*, Special Labor Force Report No. 23, Reprint 2395 (1962) from *Monthly Labor Review*, June 1962, tables C-6 and C-8, pp. A-23 and A-25.

[43] John J. Corson and John W. McConnell, *Economic Needs of Older People* (New York, Twentieth Century Fund, 1956), p. 47.

[44] Marion B. Folsom, "Goals in Governmental and Private Plans for Social Security," Address given on the 25th Anniversary of the Social Security Act, Washington, D.C., Aug. 15, 1960, p. 16.

[45] National Committee on the Aging, "Work Attitudes at Age 65" (New York, 1959), p. 5.

come equalization options which provide larger pensions during the period between the worker's retirement from the company and the time at which the worker becomes eligible for OASDI.

Although early retirement is usually at the worker's request, retiring from a company may simply be the beginning of a search for another job. Few private pension plans provide early retirement benefits which are adequate to provide for comfortable retirement, especially if retirement takes place several years before the worker is eligible for OASDI benefits. Although a large, but unknown, number of workers receive early retirement benefits from private pensions, there is little evidence that the spread of private pensions with early retirement has led many men 55 to 64 years old to withdraw from the labor force. The labor force rate of men 60 to 64 years old, for whom early retirement provisions are most significent, has edged down in the past few years, but no steady trend is observable. Nevertheless, the early retirement in OASDI has not yet shown its full effect, and early retirement accompanied by withdrawal from the labor force may become more common in the next few years.

Involuntary Retirement

Many pension plans specify that workers must retire at a given age (often 65, 68, or 70 years) without exception. Such rules are here termed *automatic retirement*, following the practice of the Bureau of Labor Statistics. Whenever exceptions may be made at the discretion of management, the rules will be termed *compulsory retirement*. The frequency with which exceptions to compulsory retirement rules are made varies among firms, of course, and sometimes compulsory retirement may be enforced as rigidly as if the firm had automatic retirement. In many collectively bargained plans, retirements under compulsory retirement rules are made subject to the grievance and arbitration machinery established under the contract. In firms with workers on layoff, even voluntary retirement rules may be virtually automatic in practice because of worker opinion favoring retirement of those who are eligible. If compulsory retirement is administered with latitude and with attention to the desires and abilities of the aged workers, or if there is no involuntary retirement age, the firm will be said to have *flexible retirement*.

The Bureau of Labor Statistics studied 300 collectively bargained pension plans covering 4.9 million workers in late 1958, and found that involuntary retirement provisions were included in 179 plans covering about 2.7 million workers. Among the plans studied, involuntary retirement was found in all of the plans covering the chemical, products of petroleum, and electric and gas utility industries, and in most of the transportation plans. Involuntary retirement was found in none of the plans in construction and apparel and in few of the primary metals industry plans studied.

TABLE 4.3. EMPLOYMENT OF AGED MEN, BY MAJOR OCCUPATION GROUPS, 1952 AND 1961

Occupation group	Percent of employed men			
	14 years and older		65 years and older	
	1952	1961	1952	1961
Total employed	100	100	100	100
Professional and technical	7	11	5	9
Farmers and farm managers	9	6	21	20
Managers and proprietors	12	14	10	19
Clerical and related	6	7	5	6
Sales workers	6	6	4	7
Craftsmen and foremen	19	19	17	13
Operatives	21	19	12	8
Service	6	7	11	11
Farm laborers	4	4	4	4
Other laborers	9	8	11	5

SOURCE: See table 4.2.

TABLE 4.4 PERCENT OF AGED MEN WITH PART-TIME AND FULL-TIME JOBS, 1950–60

Year	Percent of aged men with work during the year	Percent of all aged men with—					
		Part-time jobs			Full-time jobs		
		Total	50–52 weeks	1–49 weeks	Total	50–52 weeks	1–49 weeks
1960	43.1	16.6	6.7	9.9	26.6	16.8	9.8
1959	42.4	14.6	5.8	8.8	27.8	18.0	9.8
1958	43.4	15.0	6.6	8.4	28.4	18.5	9.9
1957	47.3	15.1	6.3	8.8	32.2	21.5	10.7
1956	46.4	14.5	5.9	8.6	31.9	22.5	9.4
1955	48.1	12.7	5.5	7.2	35.4	24.5	10.9
1954	45.9	11.6	4.3	7.3	34.3	23.3	11.0
1953	48.2	14.8	3.8	11.0	33.4	24.6	8.8
1952	50.3	11.3	4.5	6.8	39.0	26.0	13.0
1951	51.1	11.3	4.1	7.2	39.8	28.0	11.8
1950	49.3	11.6	(1)	(1)	37.7	25.8	11.9

[1] Not available.

SOURCE: Derived from Bureau of the Census, *Current Population Reports, Labor Force*, Series P–50, Nos. 43, Mar. 13, 1953; 48, Nov. 30, 1953; 54, Aug. 4, 1954; 68, June 1956; 77, November 1957; 86, September 1958; and 91, June 30, 1959, and Bureau of Labor Statistics, *Work Experience of the Population in 1959*, Special Labor Force Report No. 11, Reprint 2360 (1961) from *Monthly Labor Review*, December 1960; and *Work Experience of the Population in 1960*, Special Labor Force ReportNo. 19, Reprint 2381 (1962) from the *Monthly Labor Review*, December 1961.

Of the 179 plans with involuntary retirement, compulsory retirement was found in 109, automatic retirement (without earlier compulsory retirement) in 52 plans, and compulsory and automatic retirement at different ages in 18 plans.

Involuntary retirement was found in about one-half of the 249 noncontributory plans but in more than nine-tenths of the 51 contributory plans. Of the 231 single-employer plans, about one-half (covering more than two-thirds of the 3 million workers) included involuntary retirement; of the 69 multiemployer plans, about one-seventh (covering one-fourth of the 1.9 million workers) included involuntary retirement.

Compared to a similar study in 1952, there was little evidence of any significant change in the prevalence of involuntary retirement provisions.[46]

The Bankers Trust Co. studies of pension plans found that 83 percent of the large conventional (usually nonnegotiated) plans adopted or amended in 1956–59 included involuntary retirement provisions, while 94 percent of such plans in the 1953–55 period included involuntary retirement. Single-employer negotiated plans showed an opposite trend, with 72 percent of the new or amended plans in the later period having involuntary retirement in contrast to 67 percent of the 1953–55 plans.[47]

Involuntary retirement is found chiefly in single-employer plans, and is more often included in nonnegotiated than in negotiated single-employer plans. Despite the opposition of many union leaders to involuntary retirement, a substantial majority of single-employer negotiated plans include involuntary retirement, and there does not appear to be any significant trend toward elimination of such provisions.

Involuntary retirement is more frequently in large than in small firms. A 1955 study by the National Industrial Conference Board found that 58 percent of the plans of firms with fewer than 1,000 employees had involuntary retirement, while 90 percent of the plans in firms with more than 1,000 employees had such provisions. A study of California pension plans found the following relation between size of firm and the presence of involuntary retirement provisions:[48]

Number of employees	*Percent of firms with involuntary retirement*
100–199	54
200–499	65
500–999	80
1,000 or more	69

Involuntary Retirement Age. The age at which involuntary retirement is required in pension plans varies among firms. In the BLS sample of 300 collectively bargained pension plans in late 1958, it was found that in no instance was involuntary retirement found at an age below 65. About two-thirds of the 127 plans with one-half of the 1.9 million workers subject to compulsory retirement had age 65 as the compulsory retirement age. Age 68 was the next most common, but one fairly small plan had a compulsory retirement age of 75. Almost two-fifths of the 70 plans with automatic retirement (or almost one-half of the 52 plans with automatic retirement and without compulsory retirement at an earlier age) specified age 65 as the automatic retirement age. Of the 70 plans with automatic retirement, 22 plans with almost one-half of the 9 million workers subject to automatic retirement specified age 70 as the automatic retirement age (table 4.5).

It is apparent that relatively few of the workers covered in the plans studied are forced from their jobs at age 65 because of automatic retire-

TABLE 4.5. NORMAL, COMPULSORY, AND AUTOMATIC RETIREMENT AGES IN 300 PENSION PLANS UNDER COLLECTIVE BARGAINING, LATE 1958

[Workers in thousands]

Age [1]	Normal retirement		Compulsory retirement		Automatic retirement	
	Plans	Workers	Plans	Workers	Plans	Workers
All plans with retirement provisions	300	4,909.8	127	1,927.9	70	919.8
Age 55	1	3.0				
Age 60	15	579.6				
Age 65	282	4,289.2	82	1,006.9	24	170.0
Age 66					2	19.7
Age 67					4	21.8
Age 68			35	888.1	17	169.9
Age 69			1	1.0		
Age 70	1	7.8	8	28.0	22	453.4
Age 74					1	85.0
Age 75			1	3.9		
Other [2]	1	30.2				

[1] An earlier normal, compulsory, or automatic retirement age for women was provided in some plans.
[2] Normal retirement benefit provided when age plus years of service equal 80.

SOURCE: Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining* (BLS Bulletin 1259, 1959), p. 23.

[46] Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining* (BLS Bulletin 1259, 1959), p. 20.

[47] *A Study of Industrial Retirement Plans, 1960* (New York, Bankers Trust Company, 1960), pp. 11–12.

[48] Governor's Commission on the Employment and Retirement Problems of Older Workers, *Recommendations and Report of the Employment and Retirement of Older Workers, 1960,* p. 11.

TABLE 4.6. NORMAL AND COMPULSORY RETIREMENT AGES IN CONVENTIONAL PLANS, 1956–59 AND 1953–55

Retirement age (men) [1]		Percent	
Normal	Compulsory	1956–59, new plans	1953–55, new plans
60	None	4	----------
65	None	13	6
65	65	72	74
65	68	2	5
65	70	2	8
67	67	----------	2
68	68	7	3
70	70	----------	2

[1] Retirement ages for women are occasionally lower.

SOURCE: *1960 Study of Industrial Retirement Plans* (New York, Bankers Trust Co., 1960), p. 12.

ment, and if compulsory retirement provisions are administered with much flexibility, relatively few are forced out by these provisions. Involuntary retirement at ages 68 or 70 is clearly of much less importance in compelling retirement than it would be if it were entirely concentrated at age 65.

Nonnegotiated plans typically have compulsory or automatic retirement, and in most instances specify age 65 as the involuntary retirement age (table 4.6). Only 4 percent of the new plans adopted in 1956–59 and studied by the Bankers Trust Co. have a compulsory retirement age higher than the normal retirement age. Conventional plans are much more uniform in their approach to involuntary retirement than are negotiated plans. However, the plans studied by the Bankers Trust are all large plans, and smaller conventional plans probably include involuntary retirement less often than do larger plans.

Employer Attitudes. Opinion concerning the desirability of involuntary or flexible retirement differs among employers. Some firms vigorously resist efforts of unions to remove involuntary provisions from negotiated pension plans, occasionally even accepting a strike rather than giving in, while other firms do not want involuntary retirement.[49] Margaret S. Gordon found in a survey of retirement practices in the San Francisco Bay region that employers frequently gave the following reasons for adopting involuntary retirement:

1. A uniform retirement policy avoids discrimination among employees.
2. An involuntary retirement policy improves employment and promotional opportunities for younger workers.
3. Older workers are less productive or less flexible.
4. An involuntary retirement policy reduces uncertainty and thereby encourages older workers to plan for retirement.[50]

Employers favoring flexible retirement stress the following reasons:

1. Age alone is not an appropriate basis for separation.
2. The firm loses the services of desirable workers if involuntary retirement is practiced.
3. Flexible retirement reduces pension costs since some workers delay receipt of their pensions and continue work.
4. Employee morale is improved by flexible retirement.[51]

The diversity of employer practice in the matter of involuntary retirement is probably related to the kind of work which is performed and to the conditions of labor supply in the industry. During World War II, for instance, some firms abandoned involuntary retirement rules of long standing, but resumed them when the labor shortage subsided.

Attitudes toward retirement practices are strongly influenced by the desire of employers to provide an orderly method of removing aged workers from their payrolls. The operation of seniority rules and the tendency of older employees to stay on the job naturally leads to an increasing proportion of older workers in any firm's work force unless the firm's employment is expanding rapidly. Thus the firm may find itself operating with reduced efficiency both through decreasing efficiency of workers as they age and by losing the more able younger workers whose promotion opportunities have been blocked. A principal advantage of a pension plan is that it provides a way of separating overage employees from employment without facing public disapproval or lengthy grievances. Rapidly expanding firms are unlikely to face these problems, especially if the firm is in an area of rapidly expanding population where the proportion of older jobseekers is low.

Union Attitudes. Union leaders often view the retirement provisions of a pension agreement as one means of meeting the needs of diverse groups of the rank and file. Industries with heavy employment impose special problems for union

[49] For example, see Melvin K. Bers, *Union Policy and the Older Worker*, op. cit., pp. 71–74.

[50] Paraphrased from Margaret S. Gordon, "The Older Worker and Retirement Practices," *Monthly Labor Review*, June 1960, p. 581.

[51] Paraphrased from Governor's Commission, Report, op. cit., p. 119.

leadership, since the older workers usually have high seniority and may be eligible for early retirement, while younger members with low seniority may be on layoff.

As a principle, union leaders have nearly always opposed involuntary retirement, viewing it as an arbitrary limitation on the worker's right to his job. The Steelworkers, for instance, opposed the return to involuntary retirement by the United States Steel Co. after World War II, and in the 1949 pension negotiations won the right to joint determination in instances when the company requests a worker to retire.[52] The United Automobile Workers have opposed involuntary retirement practices, although the automobile pattern includes compulsory retirement at age 68.[53]

Despite union opposition to involuntary retirement as a principle, however, unemployment in particular industries often leads to more receptive attitudes toward involuntary retirement or to efforts to make voluntary retirement more attractive. Pensions have made up a large part of the packages negotiated in many industries during the past decade, and union members who are not near the retirement age may be expected to apply pressure for retirement practices which would reduce the competition for jobs. In some unions this has already occurred. Automatic retirement (for workers eligible for pensions) was included at the union's request in the Pacific Maritime Association–International Longshoremen's and Warehousemen's Union pension plan.[54]

The problems of unemployment in the automobile industry have led unions and management to negotiate a provision for "involuntary early retirement," which provides that workers between ages 60 and 65 retired at the employer's request or under mutually satisfactory conditions shall receive a double retirement benefit of $5.60 per month for each year of service until the worker becomes eligible for OASDI, at which time the benefit reverts to the normal benefit formula of $2.80 per month for each year of service.

Other Opinions. Opposition to involuntary retirement is often found in the recommendations of study groups concerned with the problems of aging. The policy statement on employment security and retirement of the 1961 White House Conference on Aging urged employers to review their retirement policies "for the purpose of finding ways and means of achieving greater flexibility in the range of time of retirement . . ." While urging flexible retirement, however, the Conference opposed legislation ". . . limiting the independent determination of the time of retirement."[55]

The Committee on Economic Needs of Older People, appointed by the Twentieth Century Fund, urged that employers and unions should consider—

> Substituting for requirements that workers retire at a fixed age methods to distinguish those who should be retired because of the decline in their working capacities—physical, mental, or both.[56]

The California commission charged with making recommendations concerning the employment and retirement of older workers criticized involuntary retirement as follows:

> . . . the fact that age 65 has long been regarded as the usual retirement is neither a necessary nor a sufficient reason for perpetuating the practice of compelling retirement at age 65. It is true that a uniform and immutable rule that every employee in a given enterprise must retire at age 65 has the virtue of certainty; but to say that a rule is socially desirable because it avoids discrimination is to oversimplify the facts. We have ample evidence to prove that all persons within a given enterprise who reach the chronological age of 65 are not the same in respect to working abilities, health, or preparation for retirement.

Continuing, and pointing out that especially difficult personnel problems may arise where retirement is completely voluntary, the Commission urged that either flexible retirement policies be adopted or the involuntary retirement age be increased.[57]

The informed consensus appears to urge reconsideration by concerned parties of the practice of involuntary retirement, but few observers urge the intervention of government to prohibit involuntary retirement at age 65 or higher.

Effects of Involuntary Retirement. The effect of involuntary retirement practices associated with

[52] Bers, *Union Policy and the Older Worker*, op. cit., p. 74.
[53] Ibid.
[54] Ibid., p. 80.
[55] Special Staff on Aging, U.S. Department of Health, Education, and Welfare, *The Nation and Its Older People* (Washington, April 1961), pp. 144–145.
[56] Corson and McConnell, op. cit., p. 476.
[57] Governor's Commission, op. cit., pp. 11-1 ;

pension plans in forcing retirement is difficult to assess. In April 1952, a survey of a national sample of the aged found that 13 percent of the aged men who were not in the labor force had been compelled to retire because of involuntary retirement systems. Only 1 percent of aged men were in the labor force after being compelled to retire (12 percent of all men retired under compulsory systems). Of those retired under retirement systems who considered themselves well enough to work and were not working, only one-third were interested in work.[58] In the 1951 survey of pensioners previously referred to, 45 percent of all pensioners were compelled to retire by their employer on account of age. Involuntary retirement appears to be the predominant reason for retirement among those pensioners with incomes of $2,000 a year or more (about 65 percent of all reasons), while it was less important for pensioners with retirement incomes of less than $1,000 (46 percent of reasons).[59] Since the higher income pensioners also tended to be more satisfied with retirement than the lower income pensioners, it seems likely that there is not much resentment of pensioners against firms which practice compulsory retirement. This is supported by two other surveys. A survey of industrial workers in the San Francisco Bay region found that 42 percent of the employed men 50 years and older accepted the idea of a fixed retirement age without qualification, and only 12 percent thought that there should not be a fixed retirement age.[60] A survey of workers 64 years old found that three-fifths of the workers both in firms without automatic retirement and in firms with automatic retirement at age 68 or above wanted to continue work, while only two-fifths of those in firms with automatic retirement at age 65 wanted to continue work.[61]

From this evidence, it appears that although involuntary retirement probably does induce some workers to retire who might otherwise continue work for several years, many workers who are compelled to retire would probably retire shortly anyway. At any point in time, many aged men who originally retired because they were compelled to are no longer willing to work, either because of illness or because they are now satisfied with retirement. The likelihood of the involuntarily retired worker withdrawing from the labor force is enhanced by the fact that he is separated from a job in which he usually has had long tenure, and at the same time is provided a pension which often enables him to maintain his standard of living fairly well.

The spread of involuntary retirement would have fewer consequences for labor force trends if compulsory retirement provisions were administered with considerable latitude, since automatic retirement rules are much less frequent than compulsory retirement rules. There is little information available on this question, but the California pension study suggests in only one-fifth of the plans with compulsory retirement is permission to continue work granted frequently.[62] If this represents practices across the Nation, then in many instances compulsory retirement and automatic retirement have equivalent effects in compelling the vast majority of covered workers to retire at the involuntary retirement age.

Much of the future growth in pension coverage will be concentrated in smaller firms, where coverage is not now very high. Many smaller firms will be included in multiemployer plans, in which involuntary retirement provisions cover only one-fourth of the workers. Small firms with their own plans are less likely to include involuntary retirement than are large firms, perhaps because of the higher pension costs required by involuntary retirement rules. Moreover, those small firms which do include involuntary retirement will probably administer compulsory rules with somewhat more flexibility than can be expected from a large firm.

The foregoing comments suggest that the spread of pension coverage to a larger proportion of the private work force will be accompanied by the spread of involuntary retirement, but that the proportion of older workers subject to involuntary retirement may increase at a somewhat lower rate. The spread of involuntary retirement and the much wider availability of retirement income made possible by private pensions will probably serve to continue the downtrend in labor force participation of aged men in the immediate future.

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[58] Peter O. Steiner and Robert Dorfman, *The Economic Status of the Aged*, op. cit., pp. 48–49.

[59] Corson and McConnell, op. cit., p. 75.

[60] G. Hamilton Crook and Martin Heinstein, *The Older Worker in Industry* (Berkeley, Institute of Industrial Relations, University of California, 1958), p. 50.

[61] National Committee on the Aging, op. cit., p. 4.

[62] Governor's Commission Report, op. cit., p. 115. Permission was granted infrequently in 25 percent, and very rarely in 53 percent.

U.S. GOVERNMENT PRINTING OFFICE:1963