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INCREASING THE AGE OF MANDATORY RETIREMENT AND THE IMPACTS ON JOB MOBILITY IN RHODE ISLAND

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INCREASING THE AGE OF MANDATORY RETIREMENT
AND THE IMPACTS ON JOB MOBILITY
IN RHODE ISLAND

BY
THOMAS H. MITCHELL

A RESEARCH PROJECT SUBMITTED
IN
PARTIAL FULFILLMENT
OF THE REQUIREMENTS
FOR THE DEGREE OF
MASTER OF COMMUNITY PLANNING

UNIVERSITY OF RHODE ISLAND

1981

MASTER OF COMMUNITY PLANNING RESEARCH PROJECT
OF
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ABSTRACT

State economic development planning involves a complex series of interrelationships among many different areas. While land uses, transportation networks and economic conditions receive the majority of attention in most economic development planning, human resources are an important and often underestimated resource.

In 1978, the Age Discrimination in Employment Act of 1967 was amended to allow workers to retire at age 70. Since worker retirements have historically created many job opportunities for younger workers, including both internal promotions and employment opportunities for workers entering the labor force for the first time, serious questions have been raised as to the impact of this legislation on the job mobility opportunities for younger workers, women and minorities. It has been speculated that a decrease in the job mobility opportunities for these groups will accelerate out-migration from Rhode Island, a development that will negatively affect the economic health and vitality of the state.

This research project will examine the impact of raising the age of mandatory retirement on the above mentioned groups of workers within the Rhode Island manufacturing community. In order to accurately assess the impacts, a mail survey of 107 manufacturing firms located in Rhode Island was conducted, which provided a 79 percent return of all questionnaires.

The results of this survey indicate that job mobility for younger workers will be impaired by allowing older workers to work for longer periods of time. In addition, employers predict that under continuing high rates of inflation, the trend toward early retirement before age 65 will be completely reversed.

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CHAPTER I

INTRODUCTION

Historically, work in America has been characterized by competition among the various groups comprising the labor force. The nature and extent of this competition has characterized the context of many public policy decisions. For example, legislation by the Federal government to restrict imports or the implementation of immigration laws that limit the number of foreign born allowed to emigrate to this country are instances of overt uses of public policy to mollify external forces affecting the degree of competition for work within the economy.

In addition to the use of public policy as an instrument to exert direct control over external forces that affect the nature and degree of competition in the workplace public policy has also been used as a vehicle to influence indirectly the forces that affect those currently competing for work. Thus, policies designed to increase employment for the handicapped, women, minorities or the unemployed as well as policies designed to regulate the minimum wages, maximum hours and other standards of work can be viewed as public policy attempts to mediate between the competing interests within the workforce.

It is within this framework of competition for work that the issues of job opportunity and occupational mobility can be viewed. Numerous examples exist of public policies designed to increase the opportunity of workers to compete in the labor force. Perhaps the best example of a comprehensive public policy designed to assure all Americans the right to equal opportunity in the workforce has been the Civil Rights Act of 1964, which under Title VII outlawed discrimination in employment based on sex, race, color, religion and national origin.

While the question of increasing the opportunity to compete for work in the labor market has been addressed through legislation such as the Civil Rights Act of 1964, occupational mobility has never been the subject of any comprehensive legislation. Although occupational or job mobility has a variety of facets, it is most commonly associated with the ability of workers to advance along the occupational ladder through increases in skill, responsibility, independence and income. Attempts to address the issue of occupational or job mobility through public policy would be particularly problematic, as internal mobility tends to be a function of worker skill and employer demand.

However, recent federal legislation has taken a dramatic step toward increasing the right of older workers to postpone retirement until age 70. This policy raises serious questions as to the impacts of this legislation on

the job mobility for younger workers, women, and minorities. In 1978, the Age Discrimination in Employment Act (ADEA) of 1967 was amended to allow workers to remain in the labor force until age 70, an action the Congressional Quarterly Almanac regarded as "probably the most far reaching social measure enacted by the 95th Congress."¹

The implications of this public policy change for the state of Rhode Island, where labor force participation is approximately 2 percent higher than the rest of the country and increasing, and where we have an aging labor force, suggest that job mobility for younger workers, women and minorities may be impaired, driving many of these workers from the state. Such a development would be contrary to state economic development goals, which seek a population distribution that will contain fewer proportional members of the dependent population groups, namely young children and retired adults, who must be supported by those in the labor force. Thus, societal trends, like those foreshadowed by increasing the age of mandatory retirement, have serious implications for the economic health and vitality of the state.

This research project will examine the impact of the 1978 amendment to the ADEA of 1967, focusing specifically on the question of the potential impact on job mobility for younger workers, women and minorities. This project will concentrate on these impacts for manufacturing firms located in Rhode Island and will use the employer as the unit of analysis. The principal research objectives are:

1. To determine the short-term impact of the legislation for younger workers, women and minorities.
2. To determine the probable impact on worker retirement decisions under continued rates of high inflation.

To achieve these objectives, it was necessary to conduct extensive original research, including a survey of 107 manufacturing firms currently located in Rhode Island.

The second chapter traces the relevant legislation concerning the increase in the age of mandatory retirement. The third chapter examines the historical trends toward early retirement and the fourth chapter discusses the research findings of other authors. The fifth chapter examines the results of the survey and the final chapter discusses the implications for Rhode Island.

CHAPTER II

LEGISLATIVE HISTORY

Perhaps the most salient characteristic of social legislation passed during the 1960's has been the expansion of opportunity for all Americans. One of the least controversial, and possibly one of the most profound in terms of its impact on all workers, was the passage of the Age Discrimination in Employment Act of 1967 which proscribed discrimination in employment on the basis of age against persons between the ages of 40 and 65. The Age Discrimination in Employment Act (ADEA) added another group of protected employees to those delineated in other civil rights legislation, most notably Title VII of the Civil Rights Act of 1964, which prohibited discrimination in employment based on sex, race, color, religion and national origin.

Historically, different categories of discrimination have displayed distinctive characteristics both as to the nature of the discrimination itself and the history of legal responses to it. Although the ADEA is historically linked to Title VII of the Civil Rights Act of 1964, it has followed its own separate and distinct path. Section 715 of the 1964 Civil Rights Act directed the Secretary

of Labor to study the problem of age discrimination and report his findings to Congress.

The Department of Labor completed this report in 1965 and found that approximately half of all private sector job openings were limited to applicants below age 55; similarly, persons above age 45 would not be considered for about one-fourth of all job openings. The Secretary of Labor, Willard Wirtz, concluded that age discrimination was widespread, and presented serious consequences for older workers as individuals and the Nation's economy. After careful study, the Secretary concluded that nonstatutory methods of dealing with age discrimination would not prove fruitful, and that Congressional action was warranted.

In January, 1967, President Johnson issued a call for action to prohibit age discrimination in employment during his Message on Older Americans. Less than one month later, a bill was introduced to combat age discrimination and on June 12, 1968, the Age Discrimination in Employment Act of 1967 (P.L. 90-202, 29 U.S.C. 621) became law.

Although President Johnson displayed concern for the welfare of older Americans in many areas, his specific concern over the employment prospects for older Americans was prompted by the unemployment rate for older workers. Historically, unemployment rates are highest for workers younger than 25 years of age for many reasons. For example, younger workers lack both seniority and the skills of

many older workers. Unemployment rates for workers throughout the United States steadily decreases until workers reach the age of forty-five, at which point employment rates again begin to increase. This trend has been evident since 1948 and is generally accurate for all workers. Perhaps more important than the rate of unemployment is the trend relative to the duration of unemployment for older workers. In 1967, nearly 25 percent of all unemployed male workers older than 45 years of age were unemployed longer than fifteen (15) weeks.² By contrast, the 1976 duration of unemployment for all workers was nearly 16 weeks, but the duration of unemployment for workers 55 years and older was more than 23 weeks.³ It is important to note that statistics relating to unemployment for older workers must be considered conservative estimates as many older workers faced with the prospect of long-term unemployment will simply retire or drop out of the labor force. In addition, recent nationwide studies conducted in 1977 and 1978 at the National Opinion Research Center clearly show that while few workers older than 50 years of age expected to lose their job within the next year, over 50 percent thought they would experience difficulty in securing another job with commensurate pay and benefits.⁴

The distribution and severity of the unemployment burden and the programs appropriate to deal with it are

of obvious concern to policy makers and it is within this context that the Congress considered the Age Discrimination in Employment Act of 1967. Generally, the act was designed to reduce two distinct elements in the unfairness of prevailing hiring and firing practices. First, it attempted to end the discrimination that resulted from a misunderstanding of the relationship between age and job performance. Second, it attempted to end the discrimination that resulted from a deliberate desire or willingness to take advantage of a chronological fact. Although originally passed in 1967, the act has been amended in 1974 and 1978.

Among the original statement of findings and purpose, Congress declared that older workers faced difficulty in retaining jobs, securing employment once unemployed, were subjected to arbitrary age limits in employment that worked to the disadvantage of older workers; and in industries affecting commerce, were subject to arbitrary discrimination in employment, burdening commerce and the free flow of goods in commerce. (ADEA, Section 2(a)). The purpose of the act was to:

"promote employment of older persons based on their ability rather than age; to prohibit arbitrary age discrimination in employment; to help employers and workers find ways of meeting problems arising from the impact of age on employment."
(ADEA, Section 2(b)).

Generally, the 1967 act made it illegal to fire or to refuse to hire applicants solely because of age. Em-

ployment agencies were forbidden to refuse to refer applicants to job openings because of age. The act all but prohibited placing want ads specifying age preferences and it forbade labor unions to exclude or expel people from membership because of age. However, under Section 4(f) the act did not prohibit hiring on the basis of age when age was "a bona fide occupational qualification reasonably necessary to the normal operation of the particular business", or where the differentiation "is based on reasonable factors other than age." (1967 ADEA Section 4(f)(1)). As an example of a bona fide occupational qualification, a job advertisement calling for a child actor for a youthful role in a movie or play would be a legitimate advertisement. Also, a differentiation based on reasonable factors other than age might involve an occupation where physical strength or other physical ability is important to the health and safety of the worker, as in the case of air traffic controllers or law enforcement officials. Section 4(f) of the original act outlined the exceptions to the extent of coverage intended under the act, and as might be expected, proved to be a source of confusion between employees and employers, ultimately resulting in a number of court cases and necessitating amendments to the act. One of the three exceptions provided under Section 4(f) allowed employers to observe the terms of a "bona fide seniority system or any bona fide employee benefit plan",

such as a retirement or insurance plan, which is not "a subterfuge to evade the purposes of this Act, except that no such employee benefit plan shall excuse the failure to hire any individual." (ADEA, Section 4(f)(2). Generally, this provision, initiated by New York Senator Jacob Javits, was intended to allow for differential fringe benefits for newly hired older workers. Javits' concern was prompted by his belief that in the absence of this provision, "employers might actually have been discouraged from hiring older workers because of the increased costs involved in providing certain types of benefits to them."⁵ Finally, the least controversial exception, Section 4(f)(3), did not make it unlawful for employees to be discharged or otherwise disciplined for good cause.

The original Age Discrimination in Employment Act of 1967 also called for a study of the institutional and other arrangements which encourage involuntary retirement, to be conducted by either the Department of Labor or by contract. This study has not been completed, but is currently in progress.

Originally, enforcement responsibility was given to the U.S. Department of Labor, Employment Standards Administration. Aggrieved individuals were able to bring a civil action in court against employers, as long as the employer had twenty-five or more employees for each working day in each of twenty or more calendar weeks in the current or preceding calendar year. The act also covered employment

agencies and labor organizations. As originally passed, the Act's coverage was extended to individuals at least forty (40) years of age but less than sixty-five (65) years of age.

Since its passage, the Act has been amended in 1974 and 1978. The 1974 amendments (P.L. 93-259) expanded the number of employees covered under the Act by including employees of a State or a political subdivision of a state. In addition, the 1974 amendments also covered nondiscrimination on account of age in Federal government employment and authorized the Civil Service Commission to enforce the provisions in the act relating to Federal Civil Service employment. Significantly, the coverage of the Act was revised to include employers of twenty (20) or more employees, consistent with changes in the Fair Labor Standards Amendments of 1974 (P.L. 93-259, Section 28, enacted April 8, 1974).

Enforcement procedures are essentially similar to those of the Fair Labor Standards Act, with the most significant difference relating to the requirement that the Secretary of Labor attempt to "eliminate discriminatory practices through informal methods of conference, conciliation and persuasion before instituting any legal proceedings."⁶ All covered employers, employment agencies and labor organizations are required to post, in a conspicuous place on the premises, official notices outlining the rights of individuals covered by the Act.

The 1978 Amendments to the Act (P.L. 95-256) contained a number of provisions extending the age group of employees who are protected by the provisions of the Act. Generally, the act prohibited the mandatory retirement of workers under age 70 solely on the basis of age. Two significant exemptions were, however, allowed. First, it permitted the compulsory retirement of "bona fide executives" or those in "high policymaking positions at age 65 where such executives have maintained their positions for at least two years prior to retirement" and are entitled to an "immediate, nonforfeitable retirement benefit from their current employer's plan or plans of at least \$27,000 annually, exclusive of their own contributions and Social Security." (ADEA, Section 12(c)). Second, it allowed, until June 30, 1982, the involuntary retirement of teachers at age 65 where such individuals serve under contracts of unlimited tenure at institutions of higher education, as defined by Section 1201 of the Higher Education Act of 1965. (ADEA, Section 12(d)).

At this point it should be noted that the ADEA does not preempt state law (Section 14(a)). For example, mandatorily retiring workers at age 70, although permitted under the ADEA may violate a particular state's law prohibiting mandatory retirement at any age. In fact, a number of states - Alaska, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Michigan, Montana, Nevada, New Jersey, North Carolina, and West Virginia - place no upper age limit on the retirement of older workers. In addition, Alaska and Montana do

not permit the bona fide pension plan exemption.

In Maine, public sector employees may not be forced to retire solely because of age and Florida law contains similar coverage for state employees. Similar coverage was extended to city workers by the cities of Los Angeles, California and Seattle, Washington.

As a result of the Section 14(a) provision, the impact of the 1978 amendments on companies which operate in the above mentioned states is academic as state law supersedes federal law when the state law allows a more liberal definition of retirement age. In addition, companies that operate in several states may be forced to abandon mandatory retirement as a matter of corporate policy.

In summary, the ADEA of 1967, as amended through 1978, covers workers age 40 to 70. The act covers all firms employing 20 or more persons and protects these workers from arbitrary age discrimination in hiring, discharge, pay, promotions, fringe benefits and other aspects of employment. In addition, the Act's provisions also extend coverage to labor organizations of 25 or more members, Federal, state, and local government, and employment agencies that serve covered employers. Enforcement responsibility for the ADEA was transferred to the Equal Employment Opportunity Commission from the U. S. Department of Labor on July 1, 1979 as part of President Carter's Reorganization Plan No. 1.

The law prohibits the involuntary retirement of workers before age 70 in all but two cases. First, employees of at

least 65 years of age serving in a bona fide executive or high policy-making position and entitled to an annual benefit of \$27,000 or more on retirement may be involuntarily retired. In general, the definition of a bona fide executive or high policy-making employee is intended to cover the head of a significant and substantial local or regional operation of a corporation, such as a major production facility or retail establishment, but not the head of a minor branch, warehouse or store.⁷ In addition, the head of a division such as finance, marketing, or production and manufacturing at a corporate headquarters would be included, as would top-level employees without supervisory responsibilities such as chief economists or chief research scientists of corporations.⁸

The second exemption from the prohibition on mandatory retirement permits, until July 1, 1982, the compulsory retirement of teachers between the ages of 65 and 70 who have unlimited tenure at institutions of higher education, as defined by Section 1201(a) of the Higher Education Act of 1965. Effective September 30, 1978, the upper age limit on the coverage of the Act for Federal employees was removed.

Exemptions to the age requirement or limit fall essentially into three broad categories. First, where age is a bona fide job qualification, such as actors required for youthful roles. Second, where the age requirement is part of a bona fide seniority system or employee benefit

plan, except that mandatory retirement based on age is prohibited until age 70. Generally, this exemption was intended to allow age to be considered in funding a retirement benefit plan and to determine the level of benefits to be paid. It also permits an employer to exclude a newly hired older worker from certain limited fringe benefit plans where it would be too costly to fund his or her anticipated benefit in the short time before he or she reaches the upper age limit of the Act. Nothing in the Act is designed to force employees to remain in the workforce longer than they want to remain. For example, pension plans which call for retirement based on a years of service formula, such as the "thirty years and out" retirement system found in many manufacturing industries are not directly affected by the Act. Significantly, the Act does not deal with the issue of voluntary retirement, but is concerned with the issue of involuntary or mandatory retirement. Forced retirements before age 70 are illegal, except for the previously noted exemptions. Voluntary separation from the labor force before age 70, for health or other personal reasons, is not affected by the Act.

Complaints are currently investigated by Equal Employment Opportunity Commission (EEOC) specialists who attempt to reconcile such cases administratively. Where such attempts prove unsuccessful, the EEOC may file court action. Under Federal law, any person age forty years and older, discriminated against on account of age by any em-

employer of 20 or more persons, labor organizations of 25 or more members, employment agencies serving covered employers or Federal, state and local governments may bring a civil action in any Federal district court, and must file a charge of unlawful discrimination with the EEOC and, in states with an age discrimination law, with the state agency responsible for the enforcement of that law. This charge must be filed not less than 60 days before taking court action and within 180 days of the alleged violation. If the state takes action under its own discrimination law, the 180 day restriction is increased to 300 days.

In 1979, the U.S. Supreme Court resolved an important procedural question of the ADEA which had created a conflict among the circuit courts of appeal. In *Oscar Meyer v. Evans*, the Court ruled that alleged victims of discrimination under the Act must first resort to State Administrative agencies, where available, before pursuing a claim to the Federal level. These Federal claims can only be filed after 60 days following the commencement of State proceedings. The Court also resolved the issue of what rights a claimant has if State jurisdictional requirements, such as a time limit, cannot be met. In such cases, the Court reasoned, an individual's Federal rights remain intact, but the individual must make the potentially futile act of filing a State claim.

The significance of this ruling lies in the fact that enforcement of the ADEA rests, at least initially, with the

designated State agency. Until 1978, that responsibility was charged to the R. I. State Department of Labor. However, under President Carter's Reorganization Plan No. 1, administrative responsibility for the ADEA is now the domain of the State EEOC, located in Rhode Island under the Commission for Human Rights, as of September 30, 1980.

Under Rhode Island state law, age discrimination in employment is covered under Title 28, Labor and Labor Relations, generally referred to as the State Fair Employment Practices Act (FEPA) of 1956, as amended. In 1979, Chapter 28-5 of that Act was amended to include age in the protected categories of race or color, religion, sex, physical handicap or country of ancestral origin. Consistent with the Federal definition, the protected age groups were constructed to include anyone between the ages of forty (40) and seventy (70), inclusive. (Section 28-5-6, (I)). In addition, state law, as set forth under the Fair Employment Practices Act, includes all employers of four (4) or more individuals, (Section 28-5-6 (B)) thereby extending coverage of the age discrimination provisions to a greater number of workers than covered under Federal law. Although employers of firms that employ four (4) or more persons but fewer than twenty (20) persons, who believe they have been discriminated against on the basis of age, may bring their complaint to the State Commission for Human Rights, they would be precluded from filing a complaint to a Federal court. Rhode Island State law also provides a more

liberal definition of a labor organization, as there is no provision specifically stating the size of the labor organization.

In 1976, the U. S. Department of Labor estimated that about 70 percent of all workers in the United States between the ages of 40 and 65 were covered under provisions of the ADEA.⁹ Despite Rhode Island's more liberal coverage, the age discrimination provisions under state law are conservatively estimated to cover over 40 percent or approximately 80,000 men and women employed in Rhode Island businesses and industries. Coverage under the provisions of Federal law is conservatively estimated to extend to approximately 12 percent of all employees or 12,000 workers. These estimates are considered conservative as they assume that all workers employed in businesses or industries with fewer than 4 employees are in the protected age range of 40 to 70, an assumption that undoubtedly deflates the actual number of workers covered under the legislation. Specific breakdowns on the age of workers employed by firm size was not available, and in the absence of these data, the preceding estimates must be considered to represent the lower boundary for the number of workers covered under age discrimination legislation.

In attempting to assess the impact of the Act since its passage, the U. S. Department of Labor released figures on the age discrimination complaints from 1969 to 1976. The number of complaints received each year by the Secretary

rose from approximately 1,000 in 1969 to over 5,121 by 1976.¹⁰ This rise in complaints can be attributed to the increase in the number of workers covered, a greater awareness of the ADEA by workers, and insufficient economic growth in recent years to provide full employment and its lingering effect on the older worker.

Generally, Rhode Island followed a similar trend with respect to workers filing age discrimination cases. The Rhode Island Department of Labor, which had jurisdiction for employment of the law until September, 1979, reported the following cases:

TABLE II-1
AGE DISCRIMINATION CASES FILED IN RHODE ISLAND

Fiscal Year	Complaints
1974-75	5
1975-76	6
1976-77	1
1977-78	22
1978-79	22
1979-80*	24
1980-81 (to Sept. 9, 1980)	9

*Enforcement transferred to State Commission for Human Rights
Source: R. I. Department of Labor, personal letter from
Armand DiOrio, Legal Officer

According to the Annual Report filed by the State Commission for Human Rights, the agency has experienced a significant number of charges filed on the basis of age.¹¹ In addition, manufacturing industries accounted for almost half of all age discrimination charges.

During Congressional testimony concerning the impacts of raising the age of mandatory retirement to age 70, a variety of witnesses representing both the public and private sector raised a number of arguments either in favor of or in opposition to increasing the age of mandatory retirement. While a lengthy analysis of the testimony is unwarranted, a discussion of the major arguments would be useful in understanding the concerns of many witnesses.

Advocates in favor of leaving the age of mandatory retirement at 65 offered the following major arguments:

- (1) older workers are, as a group, less suited for some jobs because they typically have less education, declining physical and mental capacity, are more resistant to change and do not learn new skills as easily as do younger workers.
- (2) medical science has yet to develop an effective technique or set of techniques to gauge the physical and mental health of employees.
- (3) mandatory retirement for all employees is even-handed and treats all employees uniformly, sparing unproductive older workers from the embarrassment of being fired or laid off.
- (4) management is better able to plan its workforce needs if it knows that workers will retire at a certain age.
- (5) older workers represent a more expensive workforce as employers must pay higher premiums for health insurance, life insurance, pensions and other fringe benefits.
- (6) mandatory retirement creates new job opportunities as well as advancement opportunities for younger workers.
- (7) older workers can receive social security or other retirement income, while younger workers do not have any other income.

- (8) compulsory retirement is easiest for management as it precludes the need for extensive employee appraisal systems and reduces the likelihood that workers will bring suit against the company for age discrimination.
- (9) affirmative action goals will be more difficult to achieve as workers will delay retirement, thereby creating fewer employment opportunities.

Advocates in favor of increasing the age of mandatory retirement from age 65 to age 70 or beyond, offered the following arguments in their testimony to Congressional subcommittees:

- (1) mandatory retirement based solely on age is discriminatory, contrary to equal employment opportunity and a violation of constitutional rights concerning equal protection of the law.
- (2) chronological age alone is a poor indicator of the ability of a person to be productive on the job.
- (3) enforced idleness brought about as a result of retirement can have adverse psychological and physical effects on older workers.
- (4) mandatory retirement is based on misconceptions about the ability of older workers to perform on the job.
- (5) mandatory retirement can cause financial hardships for older persons, particularly those older workers who would like to continue working in order to pay certain financial obligations usually considered common for younger people, such as a home mortgage, installment payments on cars and their children's college tuition.
- (6) forced retirement discriminates against many women who have exhibited a discontinuous work pattern, interrupted by home or child care responsibilities, and who have not had the opportunity to become vested for pension benefits.
- (7) compulsory retirement increases the drain on the social security system and private pensions by forcing workers to participate in these systems prematurely.

- (8) mandatory retirement is based on the myth that older workers must make room for younger workers.
- (9) forced retirement causes a reduced gross national product through the loss of skills and experience possessed by older workers.
- (10) employer pension costs for older workers can be reduced by restructuring or negotiating changes in pension plans for older workers who work past the "normal retirement age."

Thus, the arguments both for and against mandatory retirement, to a large extent, seem to be reverse images of each other. As a case in point, pension and fringe benefit costs for older workers are undeniably higher than are these same costs for younger workers. Proponents of eliminating mandatory retirement would argue that this need not be the case, as the pension and fringe benefit package available to workers is a negotiable issue. Congressional testimony by representatives of the national AFL-CIO claimed that in fact the issue of retirement age is one which should be left to union and management. Similarly, but for different reasons, businesses supported the position that retirement age not be increased legislatively from age 65 to age 70, as business was wary of the increased costs to their overall employee benefit plan programs,

Generally, it can be concluded that allowing workers to remain on the job longer will reduce the real cost of a pension. However, if pension plans are to differentiate between younger and older workers, the issue of where these distinctions occur may lead to questions of a test of equal benefits, a situation that may cause employees to press for equal benefits at any age. Pensions, thrift plans or profit-

sharing plans that give credit for service after age 65 in determining the amount of retirement income would only result in modest overall increases to the cost of pension plans. Significant costs to pension plans would result when the plans provide hospital, surgical, medical, and dental insurance, disability benefits and death benefits for older workers as the costs of these insurance programs invariably escalate when a worker reaches age 65. Costs of such insurance dramatically increase for older employees as the older worker is more likely to need the service, and in the case of death benefit insurance, a claim is a certainty at some point.¹²

Thus businesses would inevitably be faced with the difficulty of restructuring their employee benefit plans, enforcing their employee appraisal systems more rigorously and providing for effective employment planning, all without the assistance of mandatory retirement.

CHAPTER III

WHY FEWER OLDER PEOPLE WORK

The job market status of older workers is becoming an increasingly important issue in our society. The older population continues to grow in both number and proportion; in part, because of longer average life spans and lower birth rates. As the proportion of the retired population increases relative to the labor force, pressures will continue to mount on the resources of the two major retirement systems: Social Security, already strained under a sharp rise in both benefits and eligible persons; and private pensions, which have been diminished by high rates of inflation. Eventually, as the nation experiences a drop in the rate of labor force growth, more older workers may be required to remain in the labor force easing the pressures on the nation's retirement resources.¹³

The labor force participation rates for older men have decreased sharply during the past thirty years, with the rate of decline increasing in recent years. The following table shows the national civilian labor force participation rates for men age 55 to 64 and 65 years of age and older, in percent:

TABLE III-1
CIVILIAN LABOR FORCE PARTICIPATIONS RATES:
ANNUAL AVERAGES¹

<u>Year</u>	<u>Age 55-64</u>	<u>Age 65 and Older</u>
1950	86.9	45.8%
1960	86.8	33.1
1970	83.0	26.8
1978	73.5	20.5

¹Percent of civilian noninstitutional population in the civilian labor force.

Source: U.S. Department of Labor, Employment and Training Report of the President, 1979, Table A-4, p. 240.

As the preceding table illustrates, there has been a long-term decline in the participation rate of older males, particularly among males age 65 and older. The participation rate for men has fallen dramatically since 1961 when it became possible for men to retire early with actuarially reduced Social Security benefits. In 1961, the Social Security laws were amended to allow men to retire at age 62 with permanently reduced benefits, an option that had been available to women since 1956. The formula used in computing this reduction in the monthly benefit amount is a reduction of 5/9 of 1 percent for each month of retirement before age 65. This means that if an individual retires and elects to receive Social Security benefits as soon as he reaches age 62, he will receive a monthly benefit amount that is 20 percent less than he would have received if he had waited until age 65. In an attempt to reverse the trend toward early retirement, Congress added, in 1976, an

additional provision in the Social Security legislation for an increase in the monthly benefit amount of 1/12 of 1 percent for each month between ages 65 and 72 for which an individual defers retirement. For those attaining age 62 after 1978, this increment will be increased to 1/4 of 1 percent.¹⁴

Liberalized Social Security provisions have contributed to a decline in labor force participation for many workers, particularly those age 62 and older. The following table displays the significant decrease in labor force participation at age 62, when Social Security benefits first become available to workers:

TABLE III-2
LABOR FORCE PARTICIPATION RATES BY AGE GROUPS

Year	Men			Women	
	55-64	62-64	65+	55-64	65+
1957	87.5	82.9	37.5	34.5	10.5
1960	86.8	81.1	33.1	37.2	10.8
1970	83.0	72.2	26.8	43.0	9.7
1975	75.8	59.7	21.7	41.0	8.3

Source: Federal Reserve Bank of Boston, "Raising the Mandatory Retirement Age: Its Effect on the Employment of Older Workers," June 1978, p. 24.

Since 1960, males have left the labor force in sizeable numbers beginning at age 62, when the previously mentioned Social Security benefits first become available. This trend is clearly to be expected, as Social Security serves as a disincentive to work.

When Social Security legislation was first considered in the early 1930's, prior to the passage of the Social Security Act of 1935, the country was in the depths of the Great Depression and Congress was grappling with the dual issues of increasing job opportunities for unemployed young workers, as well as with the issue of providing a retirement income for older, unemployed workers. In searching for an appropriate model for an income maintenance program, the Congress looked to the retirement programs then available in Germany.

Nearly 100 years ago, Otto Von Bismarck, then First Chancellor of the German Empire, introduced legislation which ultimately led to the first comprehensive plan of social insurance in the Western world. Beginning in 1881, German workers were covered under a national plan of workmen's accident insurance. In 1883, a comprehensive insurance program against illness was added, followed in 1884 by the passage of a comprehensive accident insurance program for all citizens. Finally, in 1889, a comprehensive invalidity and old-age insurance program was passed. These programs raised the need, for the first time, to define "old age".¹⁵ Under the advice of his actuaries, Bismarck selected the age of 65, under the assumption that since the average life expectancy in the 1880's was between 40 and 45 years of age, few people would actually live to claim benefits. Great Britain passed similar legislation in 1908, initially restricting its benefit programs to workers age

70 or over, but later reducing the age of eligibility to 65.

Like the social insurance programs developed in Germany, the United States Social Security programs have developed in a piecemeal fashion, influenced by political, economic and social considerations. The Social Security Act of 1935 was the Federal government's first attempt at income maintenance on a sustained basis.¹⁶ The Act established retirement benefits for workers in commerce and industry (except railroads). Initially, only retired workers age 65 and older were eligible. The basis for selecting age 65 as the age of eligibility for retirement benefits was clearly an arbitrary one. In fact, former Secretary of Health, Education and Welfare, Wilbur Cohen, one of the staff who helped draft the 1935 Act has written:

"(T)his brief account of how age 65 was selected in the old age insurance program in the United States indicates that there was no scientific, social or gerontological basis for the selection. Rather, it may be said that it was the general consensus that age 65 was the most acceptable age."^{17/}

In 1939, the Social Security program was amended to include a 50 percent benefit for spouses, and in 1940, compulsory coverage under the Act was extended to farm and domestic workers, farmers and other self-employed workers.

By 1956, women aged 62 to 64 became eligible for reduced retirement benefits and similar coverage was extended to men by 1961. The principal group not included in the Social Security system today are employees of the Federal

government. State or local government employees have the option of participating in the system.

Since 1940, Social Security coverage has increased from approximately 60 percent of the workforce to 90 percent of all workers, as illustrated in the following table:

TABLE III-3
SOCIAL SECURITY COVERAGE

<u>Year</u>	<u>Annual average total paid employment (in thousands)</u>	<u>Employees covered by Social Security (in thousands)</u>	<u>Coverage as a percent of employment</u>
1940	46,400	26,800	57.8%
1950	60,000	38,700	64.5
1960	67,500	59,400	88.0
1970	80,600	72,100	89.5
1975	86,200	77,600	90.0

Source: Social Security Bulletin: Annual Statistical Supplement, 1975. HEW Publication No. 77-11700, table 35, p. 68 (Washington, D.C.: U.S. Government Printing Office, 1977).

The dramatic rise in the number of employees covered by the Social Security Act is further complicated by a concomitant rise in the percent of eligible workers electing to retire at the earliest possible age. Simply stated, the total numbers eligible to retire at 62 is not significant in and of itself. However, since nearly half of all workers today are electing to retire when Social Security benefits first become available, the financial burden placed on the Social Security becomes readily apparent. The following table shows the dramatic increase in the percent of eligible workers electing to take advantage of Old Age Survivors Insurance (OASI)

at the minimum age of eligibility.

TABLE III-4

PERCENTAGE OF INSURED WORKERS AGED 62 to 64
RECEIVING OASI BENEFITS, SELECTED YEARS
1957-1976

<u>BEGINNING OF YEAR</u>	<u>Men</u>	<u>Women</u>
1957	N/A	16%
1962	20%	41%
1963	29%	45%
1970	34%	46%
1974	44%	54%
1975	46%	55%
1976	49%	56%

Source: Social Security Bulletin, Annual Statistical Supplement, 1975, Table 52, p. 85.

Nearly all retirement studies confirm the proposition that higher Social Security benefits reduce labor force participation and the rapid growth and development of the system has given early retirement a powerful impetus.¹⁸

Since Social Security benefits were originally intended to replace earnings lost through retirement and were not intended to be an old-age annuity, recipients have always been subjected to an "earnings test". In fact, the 1935 legislation denied benefits to those with any earnings. However, subsequent amendments altered the earnings test requirements. For example, in 1950 beneficiaries 75 years and older were excluded from the earnings test. In 1954, the exemption was lowered to 72 and the 1977 amendments will remove, effective 1982, the earnings test for everyone over age 70. Currently, the earnings test reduces benefits by one dollar for

each two dollars of earnings above an exempt base of \$5,000.

The earnings test, as applied to Social Security beneficiaries, also functions as a disincentive to work for retirees. Researchers have argued that the "true marginal tax rate" on earned income above the \$5,000 base is well above the 50 percent reduction in benefits, so that a "middle income worker is hit with a tax rate of over 70 percent."¹⁹

A further incentive to retirement, and conversely a disincentive to work, concerns the method chosen by Congress to raise the benefits paid to beneficiaries. Prior to 1972, Congress raised benefits periodically. In 1972, Congress passed an automatic adjustment to reflect changes in the cost of living. However, this automatic adjustment plan had to be reformulated as the adjusted rate was keeping benefits well ahead of inflation. In fact, from 1965 to 1976, the consumer price index rose 80 percent, while benefits increased 119 percent. In 1977, Congress modified the adjustment plan to prevent adjustments from increasing faster than the rate of inflation.

Although increased Social Security coverage and benefits are important, they do not fully explain the labor force trends. In addition to increases in Social Security coverage, disability and pension coverage has also expanded. In 1956, disability insurance was incorporated into the Social Security system, providing benefits for

disabled workers 50 and older. Subsequent legislation added benefits for the dependents of disabled workers and in 1960 protection was extended to disabled workers regardless of age. Poor health, regardless of the cause, certainly inhibits both a worker's productivity and the range of jobs available to that worker. Although the general level of health among the population is improving, as reflected in gains in the average life expectancy for all Americans, the percent of workers eligible to receive Social Security disability benefits has also been increasing, contributing at least in part, to lower labor force participation rates for older workers.

TABLE III-5
PERCENTAGE OF MEN RECEIVING SOCIAL SECURITY
DISABILITY BENEFITS

SELECTED YEARS - 1957 to 1972

<u>Year</u>	<u>Age 25-34</u>		<u>Age 35-44</u>		<u>Age 45-54</u>	
	<u>White</u>	<u>Black</u>	<u>White</u>	<u>Black</u>	<u>White</u>	<u>Black</u>
1957	--	--	--	--	.26	.32
1960	.05	.08	.15	.25	.72	1.18
1965	.23	.45	.73	1.41	1.66	3.16
1970	.36	.72	1.00	2.01	2.33	4.38
1972	.47	.98	1.15	2.30	2.81	5.22

Source: Frederic Siskind, "Labor Force Participation of Men, Age 25-54, by Race", Monthly Labor Review, July, 1975 pp. 40-42.

As the above table illustrates, older workers are more likely to receive disability benefits than are younger workers and black males have a disability rate nearly twice that of white males. That health should be an important

variable in labor force participation is an obvious, but often overlooked, one. Between 1967 and 1977, the number of persons receiving Social Security disability payments more than doubled, with average monthly benefits increasing from \$117 million in 1967 to \$752 million in 1977.²⁰

The growth in private pensions has paralleled the growth of the Social Security system, fostered in large measure by the preferential tax treatment of employer's pension contributions and a rise in pension-fund earnings. However, in recent years the private pension system has become increasingly threatened by a number of factors. First, Social Security payroll deductions are legislated to rise from the current 6.13 percent of a taxable wage base of \$22,900 to 7.15 percent in 1987 with the wage base to be increased automatically under the law on the basis of the annual increase in average earnings in covered employment. It has been projected that this taxable wage base will be \$42,600 in 1987.²¹

Increases in the cost of Social Security naturally decrease the amount of disposable capital workers and employers have to invest, thereby decreasing the attractiveness of private pension programs. Second, the General Accounting Office has concluded that the Employee Retirement Income Security Act of 1974 (ERISA) originally enacted to protect employee pension plans, has actually contributed to the termination of thousands of single-employer benefit

pension plans. The study concluded that ERISA inhibited the formation and continuation of private pension plans by increasing the employer's reporting and disclosure responsibilities, thus driving up the costs of maintaining a private pension plan.

The third and perhaps most important threat to the viability of private pension plans is the real or perceived impact of inflation. During periods of either no inflation or modest annual rates of inflation, the real value of retirement income will remain constant. However, when inflation rises, fixed income groups whose money incomes lag behind increases in prices, are penalized as their real incomes or standards of living decline. The following table illustrates the real value of retirement income under alternative rates of inflation:

TABLE III-6
Real Replacement Rates After 5, 10, 15 and 20
Years of Retirement with Alternative Rates of Inflation

Years in Retirement	No Inflation	3% Annual Rate of Inflation	5% Annual Rate of Inflation	10% Annual Rate of Inflation
0	100	100	100	100
5	100	86	78	62
10	100	74	61	39
15	100	64	48	24
20	100	55	38	15

Source: Robert Clark, The Role of Private Pensions in Maintaining Living Standards in Retirement (Washington, D.C.: National Planning Association, 1977), p. 42.

Thus, under periods of 10 percent inflation, a pension will be reduced in five years to 62 percent of its value and within seven years will be worth 50 percent of its original value. The dramatic impact of inflation on pension plans is further supported by the fact that many unionized workers have "sought job security and health and pension benefits in preference to immediate wage gains." 22

Unlike Social Security benefits, which are indexed to price changes, many private pension plans do not offer automatic cost of living increases. Thus inflation, or the threat of inflation, may encourage workers to analyze their retirement decision more fully than they have in the past and more workers may elect to remain in the labor force for longer periods of time.

The preceding discussion clearly suggests that the retirement decision, like much of human behavior, is ordinarily so complex that it cannot be adequately described or measured by a single dimension. Several dimensions are usually necessary to describe or measure the retirement decision, among them the availability of pension coverage and the age of eligibility for benefits, the health of workers and their assumptions relevant to their ability to afford retirement. In addition to these factors, withdrawal from the labor force is also influenced by job satisfaction, the number of dependents workers have, the type of industry in which they are employed, previous employment experience and the level of unemployment in the local labor market. 23

The questions of whether workers will continue to retire at the "normal retirement age" generally assumed to be 65 years old, or whether the trend to early retirement at age 62 will accelerate, remain constant, or be reversed, will carry considerable impact for policymakers. The appropriate policies selected will carry considerable weight with respect to where the financial burden for providing payments to those not in the workforce will fall within society.

CHAPTER IV

WILL OLDER WORKERS CONTINUE TO LEAVE THEIR JOBS

The rapid passage of the ADEA Amendments of 1978 was characterized by very little opposition in either the House or the Senate. In fact, when the bill was originally considered only four House members and seven Senators voted against it. During Congressional testimony, the major focus of the testimony concerned the issue of the right of older workers to work unencumbered by an arbitrary age limit. That the right to work is a civil right had been established as long ago as 1914, where in *Smith v. Texas*, the U.S. Supreme Court held that the meaning of liberty included the right to work. A similar conclusion was reached in *Truax v. Raich* (1915) where it was held that one of the intentions of the Fourteenth Amendment was to guarantee the right to work. The Fifth Amendment has also been interpreted by courts to provide the right to work on the basis that the right to obtain property assumes the ability to secure and maintain employment. Thus, the stated intent of the legislation was to remove a legal obstacle which prevented workers from remaining in the labor force as long as they were both able and willing to continue working.

The issue of the right to work as a civil right which

should be guaranteed to all Americans was clearly the stated goal of the legislation as expressed by both Congressman Claude Pepper (D-Fla.), the House proponent of the bill that eventually became law, as well as by the Senate leader, Jacob Javits (D-NY). Pepper summarized his feelings by stating:

"Our findings to date suggest that mandatory retirement is discriminatory and socially unproductive. It squanders the talent of older people, and it strains an already over-burdened Social Security system, and drives elderly persons in so many instances into poverty and despair. Mandatory retirement is a cruel camouflage masking age discrimination and forced unemployment."²⁴

Although many of his colleagues agreed with him in principle, the question of how many older workers would choose to remain in the labor force, with the concomitant ramifications on the employment opportunities of younger workers, concerned many lawmakers. In fact, Dr. Harold Sheppard, director of the Center on Work and Aging of the American Institutes for Research, testified that many European leaders were surprised that Congress was considering raising the compulsory retirement age from 65 to 70, in spite of our relatively high unemployment, when many European countries with similar unemployment rates were considering lowering their retirement age to 60.²⁵ Upon further questioning by Representative Russo (D-Ill.), Dr. Sheppard provided an answer typical of many of the witnesses:

Mr. Russo: We have a problem (unemployment) right now. Do you have any suggestions?

Dr. Sheppard: We have a big youth employment program. Let's give it some support. We have a new proposal to give incentives to the private sector to hire more young with certain tax credits or other kinds of incentives. Let's

make sure they do that.

There is also a very unsettled issue in the field of labor economics. There is one argument that says there is the fixed lump of labor supply and only so many jobs can be handed around.

The other argument is that if you in some way get more people employed in the labor force, you get an increase in the purchasing power, which increases the demand for more people to be hired.

I frankly have to say I don't know which one is right. I don't like the first one. That is all I can say. It might be just a visceral reaction. It is a way of not meeting the problem.²⁶

Dr. Sheppard's comments reflect the views of many witnesses who testified before the House Committee on Aging and the Subcommittee on Retirement, Income and Employment. Comprehensive evidence, such as that found in many formal studies, was not available. Instead, witnesses relied on older studies or public opinion polls in assessing the impacts of increasing the age of mandatory retirement. For example, many witnesses and at least one Congressional Working Paper cited a 1974 Harris Poll, conducted for the National Council on Aging, Inc., that found over 86 percent of those surveyed agreed that "nobody should be forced to retire because of age, if he wants to continue working and is still able to do a good job."²⁷ The Harris Study projected that there were about 4 million unemployed or retired older persons who would like to work. However, this estimate was considered to dramatically overstate the number of older workers that would be interested in remaining in the labor force.

Senator Pell asked the employment question of Donald Elisburg, Assistant Secretary for Employment Standards, Department of Labor:

Senator Pell: If this legislation passed, what would be the impact, do you think most workers would stay on until they are 70 or 60?

Mr. Elisburg: Well, Senator, we have estimated that perhaps 175,000 workers might be involved.

Senator Pell: In the whole United States?

Mr. Elisburg: The effect on employment, from some preliminary studies, of age 65 to 70, would be a labor force impact of approximately two tenths of 1 percent for men and one-tenth of 1 percent for women based on those reaching age 65 who would prefer to stay on the job. It is reasonable that large numbers of employees who would normally be eligible to retire at age 65 would continue to retire at age 65.²⁸

In preparing this estimate, the Department of Labor relied on two documents: (a) the Social Security Administration's Survey of Newly Entitled Beneficiaries (SNEB), and, (b) the Current Population Survey (CPS), conducted by the Bureau of the Census.

The Survey of Newly Entitled Beneficiaries (SNEB), conducted by Virginia P. Reno in March 1972, indicated that 11 percent of the men and 7 percent of the women in the sample would have chosen to continue working beyond their compulsory retirement age. When the CPS Report's population projections are combined with 1970 labor force participation rates for 64 year olds, there would be an estimated 2,483,000 men and 1,458,000 women aged 65 to 69 in the labor force in 1985. If the increase suggested by the SNEB of 11 percent for men and 7 percent for women was calculated, the labor force would be increased by 273,000 men and 102,000 women, accounting for

an increase of .35 percent.²⁹ This estimate was considered excessively high, as it assumes that everyone who wanted to work past age 65 would continue to work until age 70.

The Department of Labor submitted written comments in answer to Senator Pell's question and stated that "a judgemental figure of 200,000 was arrived at by considering the estimated number of workers involuntarily retired through pension plan requirements or other reasons."³⁰ Other evidence in support of this conclusion was offered by the Department of Labor which observed that the "U.S. labor force does not expand on a one-out, one-in" basis.³¹ The Department noted that industries and firms experience different economic conditions and will respond by increasing or reducing their labor force as needed. Thus, because a worker retires, there is no automatic movement to hire a new worker, as employers may be reducing their workforce through attrition. Conversely, some employers may be expanding their workforce even though no workers are retiring. The Department concluded that the fact that older workers remain in the labor force cannot be considered an obstacle to entrance into or mobility within the labor force for younger workers.

The Department also concluded that historical trends toward early retirement were not likely to be reversed in the short-run and that Social Security and private pensions were powerful disincentives to work. These trends, already noted in the preceeding chapter, existed across the board for both salaried and hourly employees in all industries and it was reasoned that

older employees, as long as they remained productive, should not be forced out of the workforce to make room for younger workers. The Department summarized its conclusions by stating, "(O)ne cannot program the older worker to a reduced retirement income and inactivity as the means to achieve promotion for others. This would be robbing one generation to pay another."³²

Other testimony before the House Select Committee on Aging from various representatives of corporations clearly supported this view. General Motors and the Ford Motor Corporation indicated that only 2 percent of hourly workers worked until the mandatory retirement age of 68 and that 39 percent of their employees retired before age 65. Exxon reported that about one out of five employees waited until the mandatory retirement age of 65 to retire and General Foods reported a similar percentage of workers retiring at the mandatory retirement age. Representatives from IBM claimed that since 1970, fewer than 20 percent of its 7,000 retirees waited until age 65, and in 1976, 34 percent of its employees retired before age 65.

In summary, testimony before Congress from industry representatives, researchers and the Department of Labor supported the trend toward early retirement and offered no conclusive evidence that the impact on job opportunities for younger workers would be extensive.

At this point it should be noted that the studies cited in the literature, as well as in Congressional testimony, concerning the impacts of increasing the age of mandatory

retirement shared a number of similar characteristics. Like the study conducted by Reno, much of the information was dated. For example, a study conducted by Herbert Parnes at Ohio State University, "The Pre-Retirement Years: A Longitudinal Study of the Labor Market Experience of Men," was completed in 1971 and concluded that about 8 percent of the men surveyed who were mandatorily retired wanted to work longer. The Parnes' study used the worker as the "unit of analysis," as did the Reno study. Although testimony from representatives of major corporations was heard, there were no studies which used the employer as the "unit of analysis," and if such research had been available, it would have offered a valuable perspective on the question of the impacts of increasing the age of mandatory retirement.

However, since the passage of the 1978 Amendments to the ADEA, at least two additional studies have been completed, one by Portland State University researchers Lois Copperman, Douglas Montgomery and Fred Keast, and another by researchers at the Bureau of National Affairs (BNA). The Portland State researchers, using both mail and telephone survey approaches, were able to obtain surveys from nearly 2,000 firms for their 1979 study. While the study examined the potential impact of the amendments on the employment opportunities of women, youth and minorities, it also considered the impact on pension systems, the probable impact of inflation on pensions, and the possible extension of worklife for older workers.

One of the major findings of the Portland State Study was

that employers did not expect historical trends toward early retirement to be reversed.³³ However, employers believed that continuing high rates of inflation would alter worker's perceptions of the desirability of early retirement. The researchers believe that, in the long run, labor force participation rates for older workers would increase and that by the year 2000 firms will be increasingly more reliant upon older workers, suggesting that the key issue in labor recruitment will be the "selective retention of those who could realistically choose to end their work life."³⁴

A second major conclusion of the study, and in many ways related to the preceding observation, will be the increasing importance of an employer's performance appraisal system. With the increase in the age of mandatory retirement, marginally productive workers, who would have been retired under the former age ceiling of 65 might want to work until age 70. Businesses would be faced with the decision of allowing a marginally productive older worker to continue working or to terminate that employee. While firms may have been willing to allow a marginally productive 64 year old employee to work one more year to age 65, it is unlikely that firms will allow unproductive older workers to work until they are 70. Therefore, it is quite likely that personnel appraisal practices will begin to examine productivity of older workers more critically. If this observation is accurate, it would represent an ironic twist, as the overriding concern of the legislation was to encourage the participation of older workers in the workforce.

The third major finding concerned the importance of the size of the firm to the applicability of the ADEA amendments. Respondents representing firms of over 250 employees almost universally acknowledged the legislation's direct application to their companies, while those respondents representing smaller firms, especially those with fewer than 100 employees, saw their companies as being affected with less frequency. Although the survey results did not, in general, suggest that firms expected the ADEA Amendments of 1978 to have a major impact, the effect of the ADEA Amendments was expected to be greatest for certain sectors of the economy, as well as by firm size.

Perhaps the most important conclusion of the study, at least in terms of its implications for Rhode Island, concerned the impact of continued high rates of inflation on the retirement decision of workers. Responses from New England indicated that nearly 43 percent of the firms surveyed believed that under continuing high rates of inflation, workers would most likely remain in their jobs past the normal retirement age.³⁵ The frequency of this response was predicted to be fully 30 percent above the national average. To the extent that the Rhode Island economy mirrors the New England economy, the long-term implications on employment prospects, in terms of both internal mobility and job opportunities, could be severe. However, in an extensive analysis of the influence of the ADEA on job opportunities for women, youth and minorities, the study concluded that the larger the size of the establishment, the more likely employers are to view the amendments as

reducing job opportunities for these groups. Thus, in the immediate future, the study concluded that the larger firms, because the "criteria for hiring tends to be more objective and impersonal than those of smaller firms" are likely to retain older workers.³⁶

In attempting to gauge the implication of the conclusion contained in the study for the Rhode Island labor force, one final conclusion must be highlighted. In general, the researchers found that the older the labor force, the less likely the amendments were viewed as reducing job opportunities for youth, minorities and women. However, as the proportion of "middle-aged" workers (ages 40-59) increased, the amendments were viewed as reducing job opportunities for both women and minorities. This conclusion suggests that firms with older workforces fully expect these older workers to retire, thereby creating employment opportunities within the firm and that the "younger" the workforce, that is, those firms which have few workers of retirement age, expect to see fewer job opportunities. While this conclusion seems obvious, it does suggest that many employers foresee a period of slow economic growth where there will be fewer job opportunities as a result of conditions within the economy and not as a result of policy changes in the age of retirement.

The second recent study, conducted by the Bureau of National Affairs (BNA) in August 1979, involved a survey of 267 organizations. In this survey, the BNA solicited the opinions of personnel representatives from both large and

small firms involved in manufacturing, nonmanufacturing and nonbusiness organizations. More than 51 percent of the employers reported "very little impact" from the changes in the ADEA legislation, with another 35 percent "feeling no impact."³⁷ However, 21 percent of the employers did find an increase in the number of employees electing to postpone retirement past the "normal retirement age." Many of the respondents were unable to specify the exact increase, although a number did describe it as "slight, minute, small or minimal."³⁸ Two survey participants reported more detailed findings, as a Minnesota medical center claimed "100 percent of those eligible to retire at 65 have elected to stay on at least part-time," and an eastern government agency reported that of those now retiring, "5 percent" are older than 65 years of age.³⁹

The survey confirms the findings of the researchers at Portland State university, and the testimony of Congressional witnesses relative to the initial impact of the legislation. Although few retirement age workers are remaining in the labor force, the BNA study found many employers still feel the overall impact of the legislation is yet to be determined. Perhaps the most immediate impact has been on the personnel departments of many large firms now faced with a need to determine the individual retirement decisions of workers, as well as to develop more complete performance appraisal systems. The BNA survey identified a wide range of responses to the approaches of many firms on the adjustments that many companies are making to accomodate their older workers.

CHAPTER V

ASSESSMENT OF THE ADEA

The policy implications of most legislative actions are difficult to completely anticipate. Social legislation, by its very nature, is complex to evaluate because it seeks to change behavior. Viewed within this context, social legislation will usually stand in direct contradistinction to many existing traditions currently embraced throughout society. Clearly, the historical forces toward early retirement, which have virtually made early retirement a social goal, will not be completely reversed in the short run.

The retirement decision is a very complex and personal decision for both employers and employees. While a worker's job performance is undoubtedly a critical variable in this relationship, a worker's financial resources are no less important. Historical patterns toward early retirement have developed during an era characterized by increases in worker productivity and low rates of inflation. In essence, these forces are closely intertwined in a complex set of relationships only briefly delineated in this paper.

The research objectives that guided this policy analysis were intended to measure the short-term impacts of the legislation on job mobility for younger workers, women and

minorities and to measure the long-term impacts on the retirement decision of workers under the assumption of continuing high rates of inflation. To accomplish these objectives, a mail survey was conducted of 107 manufacturing firms located in the state of Rhode Island. The sampling plan involved a stratified sampling methodology of firms involved in the production of goods from SIC Code 20 to 39, excluding SIC 21 and 29. (See Appendix A, Survey Instrument, Introductory Postcard, Introductory Letter and Followup Letter)

The survey instrument was administered during the month of February 1981 using the three-step methodology delineated in Appendix D. (See Appendix B, Survey Methodology) About one week after the post cards were mailed, the surveys were sent out. During the third week, the followup letter was mailed, extending the survey schedule to three weeks. Results were then punched onto cards and tabulated using the Statistical Package for Social Scientists (SPSS).

The response rate for the survey was excellent. Of the 107 surveys mailed, 83 were returned providing a 79 percent response rate. The high response rate for this survey, while difficult to precisely identify, seems attributable to the methodology employed as well as to a particularly fortunate event. During the week the surveys were mailed, "The Providence Evening Bulletin" ran a front page article (February 12, 1981) entitled "Mandatory Pension Plans, Older Retirement Report" which discussed the findings of the President's Commission on Pension Policy and highlighted the proposed changes

in retirement policy. Although it is difficult to measure the influence of such an unanticipated event, the article is mentioned because it may have contributed to the high response rate.

The responses displayed in the following table indicate that four SIC codes (20, 26, 28 and 39) reported 100 percent coverage as all six (6) firms in those industries returned their surveys. No SIC code reported under 50 percent coverage. The firms included in the sample employed over 12,400 people or approximately 10 percent of the total manufacturing workforce of Rhode Island.

TABLE V-1

Completed Surveys by SIC Code

<u>SIC Title</u>	<u>SIC Code</u>	<u>Completed Surveys</u>
Food and Kindred Products	20	6
Textile Mill Products	22	4
Apparel and Other Textile Products	23	4
Lumber and Wood Products	24	4
Furniture and Fixtures	25	3
Paper and Allied Products	26	6
Printing and Publishing	27	5
Chemicals and Allied Products	28	6
Rubber and Misc. Plastics Products	30	4
Leather and Leather Products	31	5
Stone, Clay and Glass Products	32	4
Primary Metal Products	33	4
Fabricated Metal Products	34	4
Machinery, Except Electrical	35	4
Electric and Electronic Equipment	36	4
Transportation Equipment	37	5
Instruments and Related Products	38	4
Miscellaneous Manufacturing	39	6
		<hr/>
	Total	83

Perhaps the most significant observation that can be made about the survey responses is that there was a remarkable homogeneity in the distribution of much of the information. The following table clearly illustrates this point, as there was virtually no difference in the responses to the survey by small, medium and large firms. While the original sampling plan was designed to include one-third of the sample from small, medium and large firms, the survey results closely parallel this distribution.

TABLE V-2

Average Employment of Surveyed Firms

<u>Firm Size</u>	<u>Number</u>	<u>Percent</u>
4 to 19 employees	25	30.1%
20 to 99 employees	31	37.4
100 or more	27	32.5
Total	83	

Firms employing 100 or more workers represented nearly one-third of the total sample, while small firms employing between 4 and 19 workers represented a slightly smaller total. Firms with 20 to 99 workers represented the greatest number of survey responses. Thus, the distribution of survey responses closely parallels the original sampling plan without a great deal of variation.

The distribution of firms by the number of years they have been in business displays more variation. As the next table illustrates, firms with less than 5 years in business represent

the smallest proportion, as only 4 percent of the total is comprised of this group. The largest group, comprising almost one out of three firms, was represented by firms with between 26 and 50 years in business. This question was included with the expectation that it would serve as an indicator of the age distribution of the labor force of the firms included in the sample.

TABLE V-3

Years in Business for Surveyed Firms

	<u>Number</u>	<u>Percent</u>
less than 5 years	3	3.6%
6 to 10 years	12	14.5
11 to 25 years	20	24.1
26 to 50 years	27	32.5
more than 50 years	20	24.1
No response	1	1.2
Total	83	

The information presented in Table V-3 shows that 47 firms or 57 percent of the sample have been in business for more than 25 years, suggesting that the sample contains a significant number of firms which should also have large numbers of older workers.

Table V-4 displays information with regard to the past policies on mandatory retirement for the firms included in the sample. As the table illustrates, nearly 16 percent of the firms in the sample had a mandatory retirement age for employees.

TABLE V-4

Mandatory Retirement Policies

Question: In 1977, did your firm have a mandatory retirement age for any of its workers?

	<u>Number</u>	<u>Percent</u>
Yes	13	15.7%
No	70	84.3
Total	83	

Significantly, mandatory retirement policies are strongly associated with the size of the firm's workforce. While this may seem an obvious conclusion, the firms included in the sample clearly show that as the size of the firm increases, the incidence of mandatory retirement age policies also increases. The following table shows the relationship between the size of the firm and the incidence of mandatory retirement policies.

TABLE V-5
CROSSTABULATION

Mandatory Retirement Policies by Firm Size

<u>Mandatory Retirement Policy</u>	<u>Firm Size</u>			<u>Total</u>
	<u>4-19</u>	<u>20-99</u>	<u>100 or more</u>	
Yes	1	3	9	13
No	24	28	18	70
Total	25	31	27	83

Note: $X^2 = 9.79^*$

*Significant at .01

Additional analysis of the distribution of mandatory retirement policies by firms producing durable goods (SIC 24, 25, and 32 through 39) and non-durable goods (SIC 20, 22, 23 and 26 through 31) did not indicate any relationship between mandatory retirement policies and these SIC categories.

Retirement age policies were applied to both white collar workers and blue collar workers, although three respondents with mandatory retirement age policies did not subject white collar workers to the same retirement policies as were blue collar workers. White collar workers were most likely to be madatorily retired at age 65, evidence of the institutionalization of age 65 as the normal retirement age.

TABLE V-6

Retirement Age for White Collar Workers

Question: At what age were white collar workers mandatorily retired?

	<u>Number</u>	<u>Percent</u>
Age 65	10	77
No retirement age	3	23
Total	13	

Retirement age policy for white collar workers was predominately determined by the pension or profit sharing plan offered by the company or by company policy. Relatively few white collar workers were subject to a mandatory retirement policy that was collectively bargained, a finding consistent with the fact that many white collar workers are

not unionized.

TABLE V-7

How Was This Retirement Age Determined

Question: Was this mandatory retirement age part of a:

	<u>Number</u>	<u>Percent</u>
Pension or profit sharing plan	3	23
Company policy	4	31
Collectively bargained union contract	1	8
Both pension and company policy	2	15
Both company policy and collectively bargained	2	15
Don't Know or No Response	1	8
Total	13	

Firms with a mandatory retirement age in 1977 all required blue collar workers to retire at age 65. No other ages were identified for blue collar workers.

TABLE V-8

Retirement Age for Blue Collar Workers

Question: At what age were blue collar workers mandatorily retired?

	<u>Number</u>	<u>Percent</u>
Age 65	13	100
Other ages	0	0
Total	13	

In addition to not having an alternative retirement age, blue collar workers were also more likely to have had their retirement age established as part of a collectively bargained

union contract. The following table indicates how the retirement age for blue collar workers was established.

TABLE V-9

How Was This Retirement Age Determined

Question: Was this mandatory retirement age part of a:

	<u>Number</u>	<u>Percent</u>
Pension or profit sharing plan	3	23
Company policy	4	31
Collectively bargained union contract	4	31
Both pension and company policy	2	15
Total	13	

Since the passage of the ADLA Amendments of 1978, firms which previously had mandatory retirement policies have modified their retirement policies. As might be expected, most firms simply substituted age 70 for age 65. The following table displays information on how the firms surveyed responded to the changes legislated in 1978.

TABLE V-10

How Firms Have Modified Their Retirement Age

Question: How have you modified, or how do you intend to modify the mandatory age in order to comply with the changes in retirement age policy? Have you or will you:

	<u>Number</u>	<u>Percent</u>
Increase to age 70	9	70
Increase to past age 70	0	0
Abolish it entirely	1	8
Leave the age unchanged	1	8
No Response	2	15
Total	13	

Nearly 70 percent of the firms with a mandatory retirement policy simply increased the age of retirement to 70 years of age. Only one firm completely abolished the age and one firm, in apparent violation of the law, has not changed its mandatory retirement age.

Significantly, a majority of firms with a mandatory retirement age policy believe that employees would choose to work past age 65. Nearly 70 percent of the firms believe that some employees would extend their worklife, as displayed in the following table.

TABLE V-11

Do You Expect Employees to Work Past Age 65

Question: In the next few years do you expect any of your employees to choose to work past the age of 65?

	<u>Number</u>	<u>Percent</u>
Yes	9	70
No	2	15
Not Sure	2	15
Total	13	

When questioned further about whether any specific group or groups of employees would be more likely to work longer, employers responded with less certainty. The following table summarizes the responses of employers to the question of whether certain groups of employees will work longer.

TABLE V-12

Will Certain Groups Work Longer

Question: Do you expect any particular group of your employees to work longer than other groups?

	<u>Number</u>	<u>Percent</u>
Yes	6	46
No	4	31
Not Sure	3	23
Total	13	

Significantly, no respondent felt that blue collar workers, defined as craft workers, laborers, operatives or service workers, were likely to extend their worklife. This is significant because in manufacturing industries, the majority of the workforce is employed in blue collar occupations. However, white collar workers, particularly executives, were expected to continue working past age 65. Other groups of employees were expected to remain in the workforce and the following table displays the expected distribution.

TABLE V-13

Groups Expected to Remain in the Workforce Past Age 65

Question: Which particular group do you expect to work longer?

	<u>Number</u>	<u>Percent</u>
Executives	3	37.5
Managers	1	12.5
Technical workers	0	0
Clerical workers	1	12.5
Blue collar workers	0	0
Executives and sales workers	1	12.5
Technical and clerical workers	1	12.5

Generally, respondents believed that white collar workers were more likely to remain in the workforce for longer periods of time. Again, this conclusion could have been anticipated as white collar jobs are generally less physically demanding than are many blue collar occupations.

In contrast to the 13 firms that had a mandatory retirement age for their employees in 1977, 70 firms did not mandatorily retire workers. In fact, 50 firms or 71 percent of those firms without a mandatory retirement age policy in 1977 indicated they previously had workers remain past age 65. The following table illustrates the distribution of firms which did not mandatorily retire workers.

TABLE V-14

Firms Which Allowed Workers to Work Past Age 65

Question: Have you previously had any employees work past age 65?

	<u>Number</u>	<u>Percent</u>
Yes	50	71
No	17	24
Not Sure	1	1
No Response	2	3
Total	70	

A significant number of firms had neither a mandatory retirement age policy nor any experience with workers remaining in the workforce beyond age 65, suggesting the powerful influence of age 65 as the normal retirement age for workers. The information in the above table clearly supports the long-

term trend for workers to leave the labor force at age 65, as nearly one firm in four, without the artificial constraint of a formal retirement age, has not had any workers remain past age 65.

When the employers who did have workers remain past age 65 were asked to indicate what percent elected to work longer, fully 70 percent claimed that no more than 10 percent remained past age 65. The following table illustrates the distribution of workers that have remained past age 65.

TABLE V-15

Percent of Workers Age 65 Who Have Kept Working

Question: Approximately what percent of your employees who reached 65 elected to work longer?

	<u>Number</u>	<u>Percent</u>
1 to 10 percent	35	70
11 to 25 percent	2	4
26 to 50 percent	3	6
51 to 75 percent	1	2
76 to 100 percent	3	6
Don't Know	3	6
Total	50	

Interestingly, some employers indicated that workers in certain specialized crafts, such as molder and coremakers, were encouraged to work longer because it was difficult to find younger workers with equivalent skills. Other employers noted that many older workers have better work habits and productive capability than do younger workers and these older workers are encouraged to remain as long as they are physically

capable of working. The 6 firms that indicated that between 76 and 100 percent of their workforce had remained past age 65 were closely examined but did not display any distinctive characteristics that would help explain why such a large percentage of workers remained past age 65.

When employers were asked whether any group of their workers would remain in the workforce past age 65, they responded with a comparable but higher percentage distribution than did employers that did not have any workers remain past age 65. As indicated in the following table, 46 percent of employers with a mandatory retirement policy believed that certain groups would remain in the workforce. The next table illustrates how employers who did not have a mandatory retirement policy and, hence, have had experience with workers remaining past age 65, expect workers to participate in the labor force.

TABLE V-16

Will Certain Groups Work Longer

Question: Do you expect any group of your employees to want to work longer than others?

	<u>Number</u>	<u>Percent</u>
Yes	31	44
No	34	49
Not Sure	5	7
Total	70	

As the table illustrates, 44 percent of employers without a mandatory retirement age for their workers expect certain

groups to remain in the workforce. When combined with the information provided by employers that had a mandatory retirement age policy, nearly 45 percent of all employers expect some workers, as a group, to remain in the labor force beyond age 65.

In speculating which groups of workers would be expected to work longer, employers without a mandatory retirement age policy fully anticipate that executives would most likely want to remain past age 65. This conclusion is consistent with the expectation of firms which did have a mandatory retirement age policy. While the 1978 ADEA Amendments required mandatory retirement at age 65 for chief executives of a company, specifically those in the upper echelons eligible for an annual pension in excess of \$27,000, not all executives are affected. Thus, the finding that many executives will remain past age 65 is considered significant as competition for these positions from younger workers is likely to intensify in the years ahead. The following table shows the frequency with which respondents predicted that executives would work past age 65.

TABLE V-17

Groups Expected to Remain in the Workforce Past Age 65

Question: Which particular group do you expect to work longer?

	<u>Number</u>	<u>Percent</u>
Executives	7	20.0
Clerical workers	2	2.8
Blue collar workers	6	17.0
Sales workers	1	2.8
Executives, managers and technical	2	5.7
Executives, managers, technical and clerical	3	8.5
Executives, managers and sales	1	2.8
Executives and managers	6	17.0
Executives and blue collar workers	1	2.8
Managers and blue collar workers	1	2.8
Managers, technical, clerical and blue collar	1	2.8
All workers	1	2.8
Total	35	

In addition to the large number of responses predicting that executives will work past age 65, managers, technical workers and clerical workers are all expected to work past age 65. Significant numbers of blue collar workers are expected to remain in the workforce, unlike the finding of employers with retirement age policies, possibly a result of the fact that employers who did not have a mandatory retirement age policy have had experience with older workers remaining past age 65, and are in a better position to identify which groups of workers are likely to remain past age 65. When taken together, 42 employers or approximately 51 percent of all those surveyed felt that some groups of

employees were likely to remain in the workforce past age 65.

The foregoing questions were primarily concerned with identifying the previous experience employers have had with mandatory retirement policies. The next section of the questionnaire asked employers to estimate the impacts they expected from the changes brought about by the 1978 ADEA Amendments and their opinion of the proposed changes.

Employers were first asked whether mandatory retirement will be abolished nationally, in an attempt to gauge both their expectations about the future of mandatory retirement and the potential impacts of increasing the age beyond age 70.

TABLE V-18

Will Mandatory Retirement Be Abolished

Question: Nationally, do you expect mandatory retirement to be abolished entirely?

	<u>Number</u>	<u>Percent</u>
Yes	45	55
No	26	32
Not Sure	11	13
No Response	1	1
Total	83	

As the table illustrates, over 50 percent of all employers believe that mandatory retirement will be abolished. When combined with information from the next table, it can be concluded that not only do the majority of employers expect mandatory retirement to be abolished, but they do

not expect the abolition of mandatory retirement to have a significant impact on their firm.

TABLE V-19

Affect of Abolishing Mandatory Retirement

Question: If the mandatory retirement age were to be abolished entirely, what affect would it have on your company?

	<u>Number</u>	<u>Percent</u>
Great Affect	2	2.4
Moderate Affect	5	6.0
Some Affect	8	9.6
Little Affect	26	31.3
No Affect	35	42.2
Don't Know	7	8.4
Total	83	

Only 18 percent of the respondents believed that abolishing mandatory retirement would have any substantial impact on their companies. The overwhelming majority believe that removing the upper limit for workers would have little or no impact on their company. To a large extent, this conclusion is supported by the fact that relatively few firms (13 or 16 percent) had a mandatory retirement age policy in 1977. Thus, "uncapping" the age of retirement does not pose any substantial threat to most employers.

However, firms with a mandatory retirement age in 1977 were more likely to predict that abolishing mandatory retirement would have a significant impact. This could have been anticipated, as those firms with a mandatory retirement age have not had the experience of allowing older workers the option of

working longer. Thus, they are not sure of what the demand to work longer will be. The next table displays this relationship.

TABLE V-20
CROSSTABULATION

Retirement Policy by Affect if Abolished

<u>Mandatory Retirement Policy</u>	<u>Affect if Abolished</u>	
	<u>Great, Moderate Some</u>	<u>Little, None Don't Know</u>
Yes	7	6
No	8	62
Total	15	68

Note: $\chi^2 = 13.32^*$
*Significant at .01

In attempting to gauge the age of retirement for both white collar and blue collar workers, and therefore the potential impact of abolishing the age of mandatory retirement, respondents were asked to indicate what percent of white collar and blue collar workers retire before age 65. Over 5 out of every 8 employers claim that less than 10 percent of their white collar workers retire before age 65. While nearly 25 percent of the respondents were unable to provide an estimate to this question, it seems clear that relatively few white collar workers retire before age 65.

TABLE V-21

White Collar Workers that Retire Before Age 65

Question: Regarding employees who presently retire prior to age 65, approximately what percentage of your white collar (professional, technical, managers and administrators, sales workers and clerical) workers retire prior to age 65?

	<u>Number</u>	<u>Percent</u>
None	38	45.8
1 to 10 percent	18	21.7
11 to 25 percent	3	3.6
26 to 50 percent	4	4.8
51 to 75 percent	0	0
76 to 100 percent	1	1.2
Don't Know	19	
Total	83	

In contrast to the distribution of retirement age for white collar workers, blue collar workers are more likely to retire before age 65 than are white collar workers.

TABLE V-22

Blue Collar Workers that Retire Before Age 65

Question: Regarding your blue collar workers (craft workers, operatives, laborers and service workers) what percentage retire prior to age 65?

	<u>Number</u>	<u>Percent</u>
None	26	31.3
1 to 10 percent	22	26.5
11 to 25 percent	5	6.0
26 to 50 percent	5	6.0
51 to 75 percent	4	4.8
76 to 100 percent	3	3.6
Don't Know	18	21.7
Total	83	

While 56 employers claimed that less than 10 percent of their white collar workers retired before age 65, 48 employers claimed that less than 10 percent of their blue collar workers retired before age 65. Blue collar workers were more likely than white collar workers to retire before age 65 in nearly every percentage category. The following crosstabulation suggests that early retirement, before age 65, is more likely for blue collar workers.

TABLE V-23
CROSSTABULATION
Early Retirement
by
White Collar and Blue Collar Workers

	<u>Less than 10 Percent</u>	<u>More than 10 Percent</u>	<u>Total</u>
White Collar workers	56	8	64
Blue Collar workers	48	17	65
Total	104	25	129

Note: $\chi^2 = 3.85^*$
*Significant at .05

Thus, early retirement before age 65 seems to be more common for blue collar workers. Again, this conclusion is consistent with the employer's expectation that white collar workers are more likely to work longer.

In attempting to estimate the likelihood that older workers would be allowed to ease gradually into retirement through such personnel policies as flextime, part-time options or job redesign, respondents were asked to indicate if they

allowed any of these options.

TABLE V-24

Personnel Policies for Older Workers

Question: In order to structure worktime so that older workers may ease gradually into retirement, various plans have been suggested such as flextime, part-time options, job redesign, increased vacation time, etc. Has your firm considered or adopted plans to help older workers gradually ease into retirement?

	<u>Number</u>	<u>Percent</u>
Yes	13	22
No	59	71
Don't Know	6	7
Total	83	

Nearly one quarter of those surveyed indicated that they had adopted personnel policies designed to assist older workers in preparing for retirement. The employers using flexible personnel policies were nearly unanimous in their use of part-time options for workers. Generally, employers indicated that workers could combine reduced hours with a reduced work week. One respondent indicated that older workers also could change assignments to a less strenuous one, and another respondent claimed the union representing workers at his firm would not allow part-time options for older workers.

The question of whether employers will allow their workers about to retire the option of remaining, if only on

a part-time basis, is considered very important. As previously mentioned, Social Security is designed to provide incentives, amounting to 1/4 of 1 percent for each month between the ages of 65 and 72 for which an individual defers retirement, providing in effect for an increase of 3 percent per year for each year a worker delays retirement. In addition, the earnings test has been increased to \$5,500 and will be completely abolished for everyone over 70 years of age. Thus, these two changes are expected to increase the likelihood that older workers will remain in the workforce, thereby decreasing the job opportunities for younger workers and simultaneously depressing relative wages for younger workers. Nearly one quarter of the employers in the sample already allow workers the option of remaining in the workforce in some reduced capacity, increasing the possibility that opportunities for younger workers will be reduced.

When employers were questioned about whether long term historical trends toward early retirement would be changed, they were evenly split in their expectation concerning this trend. The following table displays the responses of employers to the question of early retirement.

TABLE V-25

Expect Changes in National Trend Toward Early Retirement

Question: In recent years many men and women have elected to retire before age 65, particularly at age 62, when reduced Social Security benefits first become available. Do you expect any changes in this national trend toward early retirement?

	<u>Number</u>	<u>Percent</u>
Yes	33	40
No	34	41
Don't Know	16	19
Total	83	

Significant numbers of employers do think that historical changes will in fact be altered, and that workers will remain in the workforce past age 65. At least one employer indicated that higher living costs would force more older workers to remain in the labor force. When questioned further, employers also believe that both men and women will work for longer periods of time.

TABLE V-26

Expect Different Work Patterns for Men and Women

Question: If yes, do you think there will be any differences in the work patterns of men as opposed to the work patterns of women?

	<u>Number</u>	<u>Percent</u>
Yes, more men will work longer	8	24
Yes, more women will work longer	1	3
Both sexes will work longer	25	73

Thus, employers that expect historical trends toward early retirement to be changed perceive these changes to work across the board for all employees.

However, employers, while expecting more workers to work longer, are not in favor of having all workers to be required to work longer. When presented with a question on raising the age of eligibility for full Social Security benefits to age 68, fully 57 percent of all employers opposed raising the age of eligibility. While one-third of the sample did agree that the age of eligibility should be raised, a significant proportion did not agree that the age should be increased.

TABLE V-27

Increasing the Eligible Age for Social Security Benefits

Question: Last year (1980) the U.S. Secretary of Commerce proposed increasing the age at which Social Security benefits are available to age 68. Would you be:

	<u>Number</u>	<u>Percent</u>
Strongly in favor	12	15
Moderately in favor	8	10
Somewhat in favor	10	12
Moderately opposed	13	16
Strongly opposed	34	41
Don't Know	6	7
Total	83	

The relatively strong opposition to increasing the age of eligibility for Social Security benefits is somewhat surprising, as much has been written on the need to redesign

the Social Security system. Perhaps the opposition to increasing the age of eligibility is best understood within the context of the employee appraisal systems that most employers utilize. The following table shows that over three quarters of all employers do not have a formal employee appraisal mechanism.

TABLE V-23

Employee Appraisal System

Question: How would you characterize your employee performance system?

	<u>Number</u>	<u>Percent</u>
Formal	12	15
Informal	63	76
Don't Know	8	10
Total	83	

Thus, it can be concluded that the majority of employers do not have a formal mechanism to evaluate the performance of their employees, a significant finding that helps to explain why many employers would be opposed to increasing the age of eligibility for Social Security benefits. It is also somewhat surprising to find that only 15 percent of the sample had a formal employee appraisal system, since recent legal activity at both the federal and state levels has emphasized the need for objective employee appraisal systems to support unbiased personnel practices. If large

numbers of older workers were suddenly to decide to remain in the workforce, it is conceivable that most employers would be unable, except in an informal context, to decide who should be allowed to work. Thus, it is likely that given changes in the age of Social Security eligibility and other areas of retirement policy, older workers will be more inclined to seek legal remedies in the event they are discharged from their jobs. To some extent this has already occurred, as the Commission for Human Rights has had numerous age discrimination complaints against manufacturing firms.

The majority of employers do not expect to apply their employee performance appraisal practices more rigorously because of the 1978 ADEA Amendments. In large measure, this should be expected as few firms even have a formal process.

TABLE V-29

Effect on Employee Appraisal Systems

Question: Do you expect your firm to apply its performance appraisal practices more rigorously in the future because of the changes in retirement age policy?

	<u>Number</u>	<u>Percent</u>
Yes	6	7
No	68	82
Don't Know	9	11
Total	83	

In fact, the six respondents claimed that their performance appraisal practices were to be more rigorously applied

to protect the company from "incompetant" workers, to increase productivity and to assure proper records. There was no discernible pattern among employers with respect to applying their employee appraisal systems in light of the 1978 ADEA Amendments.

The apparent lack of a formal employee performance appraisal system on the part of many firms is also demonstrated in the lack of a formal process to provide retraining for employees. Many employers, 13 or 16 percent of those sampled, indicate that they provide retraining by sending employees to conferences, seminars and conventions with a similar number of employers, 14 or 17 percent, indicating that they pay for educational courses taken by employees. Still other employers provide for their retraining needs by hiring consultants to provide "in-house" training or by on-the-job training. However, 52 employers or 63 percent, do not provide retraining by any formal process.

The following table illustrates the distribution of responses to the question of how employers provide for the retraining needs of their employees.

TABLE V-30

How Do You Provide Retraining

Question: How do you provide for the retraining needs of your employees?

	<u>Number</u>	<u>Percent</u>
Send to conferences, seminars or conventions	4	4.8
Pay for educational courses	5	6.0
Hire consultants to provide workshops	4	4.8
Other	3	3.6
Conferences, educational courses and consultants	2	2.4
Conferences, educational courses, consultants and other	1	1.2
Conferences and educational courses	6	7.2
No formal process	52	62.7
Don't Know	6	7.2
Total	33	

Generally, it can be concluded that most firms do not have a formal procedure either to evaluate an employees' job performance or to provide for any additional job training or job retraining.

In addition to the retraining of all workers, employers were asked if there were any specific occupations or trades in which they sought to retrain older workers. As might be expected, very few employers specifically geared any training programs specifically for older workers.

TABLE V-31

Retrain Older Workers

Question: In your firm are there any specific occupations or trades in which you strive to retrain workers age 65 and older?

	<u>Number</u>	<u>Percent</u>
Yes	8	9.6
No	61	73.5
Not Sure	14	16.9
Total	83	

It can be concluded that retraining older workers will not pose a substantial impediment to job opportunities for younger workers, as less than one employer in ten seeks to retrain workers age 65 and older.

An identical number of employers also believe that retraining older workers will block lines of advancement for workers. The internal competition was specifically identified by a number of respondents to involve management, technical workers and unskilled workers. However, the majority of employers do not provide retraining specifically for older workers and would therefore not expect any significant decrease in opportunities for other workers.

TABLE V-32

Will Retraining Block Advancement

Question: Do you anticipate that retraining older workers to age 70 will block lines of advancement within any specific occupation or among certain types of workers?

	<u>Number</u>	<u>Percent</u>
Yes	8	9.6
No	41	49.4
Don't Know	34	41.0
Total	83	

Although large firms of 100 or more employees perceived that retraining older workers would block lines of advancement for other workers with a greater frequency than did other, smaller firms, no significant relationship was found to exist.

However, when employers who expected that retraining older workers would block advancement were compared by SIC code disaggregated into durable and non-durable industries, a significant relationship was found. It appears that firms producing durable goods were likely to view retraining older workers as a threat to the job opportunities of workers. To some extent this relationship might have been expected, as the durable goods industries have been particularly hard hit during the last few years and are likely to view any policy changes that suggest that retirement for workers will be postponed to adversely affect job opportunities for

workers. The relationship is shown in the following table.

TABLE V-33
CROSSTABULATION
Will Retraining Block Advancement by SIC Code

	<u>Yes</u>	<u>No</u>	<u>Total</u>
Durable goods	7	36	43
Non-durable goods	1	39	40
Total	8	75	83

Note: $\chi^2 = 4.516^*$
*Significant at .05

Thus, the industry in which a firm is classified seems to be a better predictor of whether retraining will block advancement than does a firm's size.

When employers were asked to identify the effect the ADEA will have on hiring older workers, fully 83 percent of the employers believed they would not change their present policies. Only 6 percent felt they would hire more older workers and less than 4 percent believed they would hire fewer older workers. As the next table illustrates, firms expect to continue past hiring practices and do not display any significant movement toward hiring more older workers.

TABLE V-34

Policies Toward Hiring Older Workers

Question: What effect do you expect the changes in retirement age to have on your organization's policies toward hiring older workers. Will your firm:

	<u>Number</u>	<u>Percent</u>
Hire more older workers	5	6.0
Not change hiring policies	69	83.1
Hire fewer older workers	3	3.6
Don't Know	6	7.2
Total	83	

The preceding discussion indicates that many employers have not experienced any significant impacts from the 1978 ADEA Amendments. In an effort to gauge the future implications of the 1978 amendments, employers were asked to evaluate the retirement decision of their workers under the assumption that the high inflation rates of the past few years would continue. This question is considered a critical question in the survey, as it is assumed that it will predict the future behavior of workers.

To a large extent, the responses provided in the following table portend a reversal of historical patterns toward early retirement. As discussed in previous chapters, labor force participation rates have been declining for all workers, with age 65 as the age when many employees retire. However, early retirement before age 65 had been becoming more of the norm for most workers, and, in fact, the trend was

toward retirement at an age earlier than 65.

TABLE V-35

Inflation and the Retirement Decision

Question: Continued high inflation rates may result in employees choosing to remain in the labor force past early and/or normal retirement ages. If inflation continues at the present rate, what affect would you expect it to have on the retirement decisions of the older worker in your organization? Would they:

	<u>Number</u>	<u>Percent</u>
Forego early retirement	13	15.7
Retire at the normal retirement age	11	13.3
Wish to continue working past the normal retirement age	32	38.6
Not change their retirement plans	11	13.3
Both forego early retirement and work past the normal retirement age	5	6.0
Don't Know	11	13.3
Total	83	

The significance of the above information is that 73 percent of all respondents believe that under continued high rates of inflation, workers will not elect early retirement. In addition, Table V-25 clearly showed that 34 employers, or 41 percent, did not expect that the national trend toward early retirement would be changed. Inflation can then be said to be an important variable in the retirement decision.

Since retirement for most workers is characterized by a period of dissavings, that is workers must adjust their lifestyle to a reduced income level, it is also a time when

the financial resources of a worker begin to be diminished. Again, previous chapters have outlined the powerful influence inflation has on a worker's retirement income, particularly if the retiree has a pension that is not indexed to changes in the cost of living. It would be reasonable to assume that under high rates of inflation which exist for long periods of time, exactly the situation we have experienced over the last decade, workers would re-evaluate their decision to retire and, if possible, postpone that decision for as long as possible.

Not only do the majority of employers believe workers will not retire at an early age, but a majority of employers also believe that workers will retire either at the normal age or work beyond the normal retirement age.

Attempts to isolate variables that would influence this decision proved unsuccessful. Crosstabulations did not produce any significant relationships. Thus, it is concluded that these trends away from both early and normal retirement exist across the board for all firms included in the survey.

When employers were queried on the impact that the ADEA will have on different groups of employees, there were significant differences in the expected impact. Employers were asked to rate the affect on job opportunities for younger workers, women, minorities and older workers, using a scale from "great effect" to "no effect." The following table summarizes the responses to job opportunities for all four groups.

TABLE V-36

Impact on Job Opportunities for Different Groups

Question: Since retirement age policy now prohibits mandatory retirement before age 70, job opportunities for various groups of your employees may be affected. Opportunities for some may be reduced, while opportunities for others may be increased. Using a scale from great effect to no effect, please indicate the extent to which you expect job opportunities to be effected in your firm. Please use the following codes: 1-Great Effect; 2-Moderate Effect; 3-Some Effect; 4-Little effect; 5-No Effect; 6-Don't Know.

<u>Group</u>	<u>Effect</u>											
	Great		Moderate		Some		Little		None		Don't Know	
	#	%	#	%	#	%	#	%	#	%	#	%
Younger workers	5	6	9	11	9	11	21	25	29	35	10	11
Minorities	2	2	5	6	10	12	17	21	38	46	11	13
Women	2	2	3	4	5	6	23	28	39	47	11	13
Older workers	6	7	12	15	4	5	15	18	35	42	11	13

As the table illustrates, younger workers are perceived to be most affected by the changes in retirement age policy. Over one-fourth of all employers believed that younger workers would, to some extent, have reduced job opportunities as a result of the ADEA. A similar estimate exists for older workers, as 22 employers or 28 percent, believed that job opportunities for older workers would be reduced to some extent. At this point, it should be stated that the construction of the question may have confused some of the respondents into thinking that the question allowed an answer as to which group experienced an increase in job opportunities which it

did not. Thus, the responses only for older workers are not considered reliable. Only one in five employers estimated any impact for minority workers and one in eight employers believed that women would be affected.

Extensive crosstabulations were conducted to determine if there were any variable sets that would serve as a predictor of differential impacts. These crosstabulations were conducted using the estimated job opportunity impact as the dependent variable. Independent variables were SIC code, average employment, years in business, retirement decision under high inflation and employee appraisal systems. Crosstabulations were run for all four employee groups with no significant relationships emerging.

The most significant finding of these analyses concerned the lack of any independent variable that served to indicate a relationship between employers and their estimate of how job opportunities will be affected. To the extent that the survey results are representative of the manufacturing community, it can be posited that the impacts will be felt across the board by all manufacturing firms, regardless of SIC code, years in business or other characteristics.

Thus, it can be concluded that the ADEA will impact younger workers most significantly. Additionally, minorities and women are not expected to be adversely affected by the ADEA, with women the least expected group to be affected.

CHAPTER VI

POLICY IMPLICATIONS

In attempting to develop the policy implications of this analysis, a number of important observations can be made. First, mandatory retirement policies were not as widespread as might be expected. Only 16 percent of the sample reported a mandatory retirement policy in 1977, with a significant relationship found to exist between the size of the firm and its probability to have a mandatory retirement policy. As noted previously, Rhode Island has a greater proportion than the national average of manufacturing firms employing fewer than 100 workers, which undoubtedly contributes to the low proportion of workers covered by a mandatory retirement policy. The importance of the lack of a mandatory retirement policy has resulted in the fact that many employers have had previous experience with workers remaining on the job past age 65. While large numbers of workers not subject to a retirement policy retired at age 65 anyway, 50 employers, or 60 percent of the sample, claimed to have had some employees work past age 65.

Generally, employers expected that white collar workers would most likely remain in the workforce, with executives,

clerical, technical and management staff considered the most probable groups to continue working. However, employers without a mandatory retirement policy fully expect some blue collar workers to want to work longer, a conclusion that should not be overlooked as these employers have had blue collar workers remain past age 65 and should be better able to estimate which workers are likely to continue working.

In addition, the survey results also suggested that blue collar workers have historically retired at an earlier age than the age of retirement for white collar workers, suggesting that early retirement is most likely a preferred option for blue collar workers.

When employers were questioned on their views of "uncapping" mandatory retirement, the majority of employers agreed that mandatory retirement should be abolished and predicted that it would have little or no affect. Firms which have had mandatory retirement policies in the past appeared most apprehensive about uncapping the age of retirement.

Employers were evenly divided on the question of whether they expect the trend toward early retirement to change, and those that did expect a change believe that both men and women will want to work longer. Surprisingly, most employers do not agree with proposed changes to increase the age of eligibility for Social Security benefits, as fully 57 percent of all employers registered moderate to strong opposition to this question.

Significantly, 50 employers or 60 percent of the sample, speculated that under continuing high rates of inflation workers would either forego early retirement or continue working past the normal retirement age. This is considered to portend the reversal of the historical pattern toward early retirement, and may play an important role in determining the long-term implications of the ADEA. From the information gathered during the survey, there has not been a dramatic short-term shift in the retirement practices of many workers. However, the perceived threat of continuing high inflation clearly stands out as a major variable in the future retirement decisions of workers currently in the labor force. Thus, the long-term implications of the ADEA may well be determined by how well the country is able to control inflation.

Another important finding relates to the area of personnel policies affecting workers. Nearly 25 percent of all employers provide older workers with flexible arrangements in order to allow these workers to remain on the job. To the extent that future retirement policy changes alter the incentives for older workers to remain in the labor force, such as through raising or eliminating the earnings test, increasing the age of eligibility for Social Security benefits or increasing through additional incentives the possibility that older workers continue working, we will probably see more workers work for longer periods of time. This conclusion, although made more from inferences in the

survey than from any specific questions contained in the survey, warrants closer attention to the issue of further changes in retirement policy.

Perhaps the most important finding in the area of personnel policies is that over three-fourths of all employers do not have a formal employee performance appraisal system. This is considered very important for a number of reasons. First, employees may initiate an age discrimination case with a private attorney as well as seek remedies through the EEOC, and to the extent that the private bar is willing to take these cases, we are likely to see more litigation over age discrimination. Second, in determining the merits of an age discrimination case, courts will closely examine the performance appraisal systems utilized by employers, and strike down those that are not comprehensive and do not apply to all workers. Thus, assuming the scenario of continued inflation and informal employee appraisal systems, we are likely to witness an increase in the number of age discrimination cases against manufacturing firms in Rhode Island.

Consistent with this finding is the fact that 63 percent of all firms surveyed have no formal process to provide retraining for their employees, although over 30 percent of the firms provide retraining through such practices as sending workers to conferences, seminars, conventions, hiring consultants to do "in-house" training and by paying for educational courses. Less than 10 percent of the firms surveyed strive to retrain older workers and a similar

number believe this retraining for older workers will block lines of advancement for younger workers. This finding was particularly true for firms manufacturing durable goods.

In terms of the impacts on various groups of workers, the survey results clearly show that younger workers are most likely to be affected by the changes brought about by the ADEA of 1978. For younger workers, the impacts will likely be a decrease in job opportunities, as well as a decrease in relative wages resulting from an inability to be promoted into better paying positions. The decreases will likely affect many younger workers regardless of the skilled or unskilled nature of their job.

While the information on the perceived impacts for younger workers is fairly straightforward, the impacts for older workers must be qualified. As a result of the wording of the question, it appears that there may have been some confusion on its interpretation. The wording of the question may have confused some respondents into assuming that the question allowed a response to indicate that job opportunities were being increased for some workers, when the intent was to identify which groups lost job opportunities. Thus, the information provided in the responses under older workers must be considered invalid. This caveat is applicable only to the older workers category.

It appears that the policy impact from the ADEA will be greatest for younger workers. They will face increasing difficulty in obtaining manufacturing employment and in

advancing internally once in the position. To the extent that white collar workers remain on the job longer than blue collar workers, competition for white collar jobs will be most pronounced. Additional changes in retirement age policies, particularly those that provide incentives for older workers to remain in the workforce, are likely to be successful and will encourage more people, both men and women, to work for longer periods of time. Continued high inflation is anticipated to be a powerful stimulus for workers to remain on the job and when combined with the policy changes currently being discussed on the Federal level, may decrease dramatically from the overall job opportunities and advancement possibilities for younger workers.

In addition, the following suggestions are offered for consideration. First, manufacturing firms should review their personnel policies to assure that these policies will be in concert with the legislative changes, as well as with the potential changes suggested by the survey results. One obvious area of concern is the process used to evaluate the performance of workers. Recent court cases involving age discrimination have indicated that employers must utilize a reasonable performance appraisal system that is job related, written, objective and free of age bias. In as much as the majority of employers characterized their personnel appraisal systems as informal, it is likely that these systems would not withstand legal scrutiny.

Also companies should seek, as much as possible, to have a broad and equitable age distribution across company skill lines. This conclusion is predicated on the fact that a number of firms in the survey indicated they specifically sought to retrain older workers in certain specialized crafts, suggesting that if a company has too many older workers in certain areas it will encounter future skills replacement problems.

In yet another vein, the survey results suggest that competition for white collar positions will be most pronounced. Even without the changes brought about by the ADEA, competition for these middle-management and professional positions was expected to be intense. The ADEA will further exacerbate this situation. Thus, it is likely that many professional and managerial workers will experience mid-career crises at earlier ages. The result is likely to be greater instability, turnover, and, most damaging to the economic vitality of the state, outmigration from Rhode Island to other parts of the country. This implication is particularly problematic, although career counseling and job retraining are possible approaches to mitigating this problem within individual firms. Since nearly 63 percent of all firms do not have a formal process for providing retraining for their employees, businesses should reach out to educational institutions to provide this retraining. Educational institutions have an imperfect grasp of the retraining needs of many firms and businesses should be more willing to articulate their

retraining needs. However, the most obvious, albeit most difficult, solution is to create an environment which makes the state an attractive place for companies to expand or relocate their businesses.

Finally, given the large numbers of older workers in the state, it is clear that the retirement decisions of workers are an important component of the economic health of the state. State agencies should examine future developments through appropriate social indicators in order to keep abreast of potential changes in retirement patterns, as well as by closely monitoring all legislative thrusts that may affect the retirement decision of workers.

FOOTNOTES

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⁴Charles N. Weaver, "Workers' Expectations About Losing Their Jobs," Monthly Labor Review, (April 1980), p. 53.

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¹³Philip L. Ronces, "Older Men-the Choice Between Work and Retirement," Monthly Labor Review, (November 1978) p. 3.

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¹⁵U.S., Congress, House, Mandatory Retirement: The Social and Human Cost of Enforced Idleness, Committee Publication 95-91, 95th Congress, 1st Session, 1977, p.1.

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²⁰Idem, "Older Men-the Choice Between Work and Retirement," Monthly Labor Review, (November 1978), p. 5.

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²⁸Idem, Senate, Age Discrimination in Employment Amendments of 1977 on S. 1784, p. 73.

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APPENDIX A

SURVEY INSTRUMENTS

Next week a questionnaire from the Rhode Island Statewide Planning Program will be mailed to your firm. Our survey is the first statewide study of the opinions of the Rhode Island business community on the impacts of raising the retirement age from age 65 to age 70. Your company was randomly selected from a list of Rhode Island businesses and your cooperation in providing us with this information is crucial if we are to accurately understand the effects of the changes in retirement age policy.

Thank you in advance for your cooperation

AGE AND EMPLOYMENT PRACTICES SURVEY

For classification purposes, please provide the following information:

Q1: How would you characterize your firm's business activity using a two-digit code from the Standard Industrial Classification code? _____

Q2: Which category most accurately reflects your average employment?

_____ 1-25 employees _____ 51-100 employees
_____ 26-50 employees _____ more than 100 employees

Q3: Approximately how many years has your firm been in business in Rhode Island?

_____ less than 5 years _____ 26-50 years
_____ 6-10 years _____ more than 50 years
_____ 11-25 years

We would like to begin with some questions regarding your firm's past policies on mandatory retirement:

Q4: In 1977, did your firm have a mandatory retirement age for any of its employees?

Yes (1) _____ (ANSWER Q5-Q12)
No (2) _____ (SKIP TO Q13)

Q5: At what age were white¹ collar workers mandatorily retired? Age _____

Q6: Was this mandatory retirement age part of a:

pension or profit sharing plan (1) _____
company policy (2) _____
collectively bargained union contract (3) _____
other (Specify): _____ (4) _____
Don't Know/No Response (5) _____

Q7: At what age were blue² collar workers mandatorily retired? Age _____

Q8: Was this mandatory retirement age part of a:

pension or profit sharing plan (1) _____
company policy (2) _____
collectively bargained union contract (3) _____
other (Specify): _____ (4) _____
Don't Know/No Response (5) _____

Q9: How have you modified, or how do you intend to modify the mandatory age in order to comply with the changes in retirement age policy? Have you or will you:

increase to age 70 (1) _____
increase to past age 70 (2) _____
abolish it entirely (3) _____
leave the age unchanged (4) _____
Don't Know/No Response (5) _____

Q10: In the next few years do you expect any of your employees to choose to work past the age of 65?

Yes (1) _____
No (2) _____
Not Sure (3) _____

Q11: Do you expect any particular group of your employees to work longer than other groups?

Yes (1) _____ (ANSWER Q12)
No (2) _____ (SKIP TO Q17)
Not Sure (3) _____ (SKIP TO Q17)

¹White collar workers: professional and technical, managers and administrators, sales workers and clerical workers

²Blue collar workers: craft workers, operatives, laborers and service workers

Q21: In order to structure worktime so that older workers may ease gradually into retirement, various plans have been suggested such as flextime, part-time options, job redesign, increased vacation time, etc. Has your firm considered or adopted plans to help older workers gradually ease into retirement?

- Yes (DESCRIBE BELOW) (1) _____
- No (SKIP TO Q22) (2) _____
- Don't Know/No Response (3) _____

If yes, describe: _____

Q22: In recent years many men and women have elected to retire before age 65, particularly at age 62, when reduced Social Security benefits first become available. Do you expect any change in this national trend toward early retirement?

- Yes (ANSWER Q23) (1) _____
- No (SKIP Q23) (2) _____
- Don't Know/No Response (3) _____

Q23: If yes, do you think that there will be any differences in the work patterns of men as opposed to the work patterns of women?

- Yes, more men will work longer (1) _____
- Yes, more women will work longer (2) _____
- Both sexes will elect to work longer (3) _____

Q24: Last year (1980) the U. S. Secretary of Commerce proposed increasing the age at which full Social Security benefits are available to age 68. Would you be:

- strongly in favor (1) _____
- moderately in favor (2) _____
- somewhat in favor (3) _____
- moderately opposed (4) _____
- strongly opposed (5) _____
- Don't Know/No Response (6) _____

Q25: In your firm are there specific occupations or trades in which you strive to retrain workers age 65 and older?

- Yes (1) _____
- No (2) _____
- Don't Know/No Response (3) _____

Q26: How do you provide for the retraining needs of your employees?

- send to conferences, seminars, conventions (1) _____
- pay for educational courses (2) _____
- hire consultants to provide "in-house" workshops (3) _____
- other (Specify): _____ (4) _____
- don't provide retraining by any formal process (5) _____

Q27: Do you anticipate that retraining older workers to age 70 will block lines of advancement within any specific occupation or among certain types of workers?

- Yes (Specify): _____ (1) _____
- No (2) _____
- Don't Know/No Response (3) _____

Q28: How would you characterize your employee performance appraisal system?

- Formal (1) _____
- Informal (2) _____
- Don't Know/No Response (3) _____

Q29: Do you expect your firm to apply its performance appraisal practices more rigorously in the future because of the changes in retirement age policy?

- Yes (Why?) _____ (1) _____
- No (2) _____
- Don't Know/No Response (3) _____

Q30: What effect do you expect the changes in retirement age to have on your organization's policies toward hiring older workers? Will your firm:

- Hire more older workers (1) _____
- Not change hiring policies (2) _____
- Hire fewer older workers (3) _____
- Don't Know/No Response (4) _____



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
STATEWIDE PLANNING PROGRAM
265 Melrose Street
Providence, Rhode Island 02907

February 27, 1981

Dear Rhode Island Businessman:

The enclosed survey is the first statewide study of the opinions of the Rhode Island business community on the impacts of raising the retirement age from 65 to 70. Your company was randomly selected from a list of Rhode Island businesses and your cooperation in providing us with information is crucial if we are to accurately understand and plan for the effects of this change in retirement age policy.

Please be assured that all responses will be held in the strictest confidence and results will be displayed only in the aggregate. Should you need the results of the survey for planning purposes within your organization, or wish to discuss the questions contained in the survey, feel free to contact either Patrick Fingliss or John O'Brien of our staff at 277-2656.

Thank you in advance for your cooperation.

Yours very truly,

Daniel W. Varin
Chief

DWV/bam
Enclosure



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
STATEWIDE PLANNING PROGRAM
265 Melrose Street
Providence, Rhode Island 02907

March 18, 1981

DEAR EMPLOYER:

Last week, the Rhode Island Statewide Planning Program selected your firm through a random sampling process to participate in a statewide study of retirement age policies. As of today, we have not yet received your completed questionnaire.

This statewide study was undertaken in the belief that the opinions of the business community should be known and taken into account when determining appropriate federal or state policy. We also believe that information on how other organizations are adapting their policies as a result of changing socio-economic conditions will be useful to members of the business community.

We are writing to you again because of the significance each questionnaire has to the overall utility of the study. Simply stated, in order for the results of this study to be truly representative of the private business community, it is essential that each firm in the sample return the questionnaire.

In the event that your questionnaire has been misplaced, a replacement is enclosed.

Your cooperation is greatly appreciated.

Cordially,

John C'Brien
Planner

APPENDIX B

SURVEY METHODOLOGY

SURVEY METHODOLOGY

In order to determine the specific impacts of the 1978 ADA Amendments for Rhode Island, a mail survey was conducted of 107 manufacturing firms located in the state. The survey sampling plan chosen was a random stratified sampling methodology using the quota method. Manufacturing businesses engaged in the production of goods from Standard Industrial Classification (SIC) codes 20 to 39, excluding SIC 21 and 29, were surveyed. These two SIC categories were omitted as there are relatively few Rhode Island firms engaged in the manufacture of tobacco products (SIC 21) or petroleum and coal products (SIC 29).

Manufacturing firms in Rhode Island were selected for the survey sampling plan for a variety of reasons. First, the State Commission for Human Rights found that almost half of all age discrimination charges were filed on behalf of individuals employed in manufacturing industries. Second, firms involved in manufacturing employ over 133,000 people in Rhode Island, or approximately one-third of the state's total labor force and, as such, play a vital role in the overall economic health of the state. Third, the 1979 Portland State University study, the most comprehensive analysis of the subject of the 1978 ADA Amendments, unintentionally undersampled manufacturing industries,

attaining a 20 percent response rate from manufacturing firms while the national distribution of manufacturing industries is over 30 percent. Fourth, and perhaps most important, was the existence of the 1979-80 edition of the Directory of Manufacturers published by the Rhode Island Department of Economic Development, which provided the name, location and number of employees for over 2,600 manufacturing firms currently located in Rhode Island. This directory provided the framework for the random selection of manufacturing firms by two-digit SIC code and allowed firms with fewer than four employees, and not covered under the R.I. State FEPA age discrimination law or the 1978 ADEA Amendments, to be excluded from the sample. The Directory was considered a significant universe record and not a statistical sample, thus enabling it to be used for the purpose of selecting a sample of firms to be surveyed. The following table compares the information contained in the Directory with data available from "County Business Patterns - 1977" and fourth quarter totals for 1977 for firms covered under the R.I. Department of Employment Security (DES).

TABLE B-1
Comparability of the Directory
with
Selected Data Sources

Number of Firms by SIC Code

<u>SIC Code</u>	<u>Directory</u> ¹	<u>County Business Patterns</u> ²	<u>DES</u> ³
20	110	132	147
22	189	192	219
23	49	60	76
24	31	49	51
25	40	31	51
26	68	56	62
27	186	191	204
28	87	67	85
30	106	95	113
31	26	24	28
32	50	43	58
33	104	103	108
34	364	390	408
35	281	292	280
36	70	64	70
37	50	44	48
38	64	45	66
39	897	929	1300

¹Totals determined by manual tabulations (1979-80 Directory of Manufacturers, R.I. Department of Economic Development, 1980).

²Totals provided in "County Business Patterns-1977" (U.S. Department of Commerce, pps. 3-6, 1979).

³Totals provided in "State Summary-Employment and Total Payrolls" R.I. Department of Employment Security, 1978.

As Table B-1 illustrates, the Directory is a closer estimate than is the R.I. Department of Employment Security information when compared to the information provided in "County Business Patterns" in all but six (6) instances.

While it is recognized that all three data sources were prepared in different ways and for different years, the Directory does not reflect any totals that are unrepresentative and do not jeopardize the use of the Directory as a basis for conducting the survey.

As an additional check on the reliability of the Directory as an appropriate sampling resource, the employment totals provided in the Directory were compared to the employment totals provided in "County Business Patterns" and the fourth quarter Department of Employment Security information for 1978. This comparison, presented in the following table, again suggest the Directory is a reliable survey tool as manufacturing employment rose from the 1977 figure provided by the "County Business Pattern" summary of 125,725 manufacturing workers to a 1978 total of 135,745, as reported by the Department of Employment Security, accounting in part for the discrepancy among some of the totals. In addition, larger totals in the Directory column are a result of the fact that firms producing products that fall into two or more SIC groups are listed each time, with the result that the employment totals are inflated. Similarly, employment totals provided in the Directory appear, in many instances, to be rounded numbers, also inflating the total employment figure for each SIC category.

TABLE B-2

Comparability of the Directory
with
Selected Data Sources

Total Employment by SIC Code

<u>SIC Code</u>	<u>Directory</u> ¹	<u>County Business Patterns</u> ²	<u>DES</u> ³
20	3,546	3,715	3,861
22	14,392	13,681	12,501
23	4,431	2,753	3,764
24	468	250-499	606
25	1,139	338	1,191
26	3,713	2,717	3,127
27	5,058	4,769	5,134
28	6,072	2,934	2,992
30	10,121	5,274	7,195
31	3,042	2,703	3,623
32	3,529	1,711	3,370
33	10,155	9,121	6,479
34	12,141	15,432	10,699
35	11,715	3,305	9,699
36	10,854	9,521	11,783
37	6,668	1,835	6,139
38	3,468	4,999	5,342
39	37,839	32,180	30,186

¹Totals determined by manual tabulations (1979-80 Directory of Manufacturers, R.I. Department of Economic Development, 1980).

²Totals provided in "County Business Patterns-1977, U.S. Department of Commerce, pps. 3-6, 1979.

³Totals provided in "State Summary-Employment and Total Payrolls" R.I. Department of Employment Security, 1979.

Thus, the Directory of Manufacturers was determined to provide an acceptable list of the manufacturing industries located in Rhode Island because the information contained in the Directory was consistent with other information from "County Business Patterns" and the R.I. Department of Employment

Security. In addition, the Directory was also considered an acceptable universe record because it included firms from all parts of the state and as such can be considered geographically representative of the distribution of manufacturing firms in the state. Finally, the Directory was used because it did not, by design, systematically exclude any firms from being listed.

Once the decision was made to use the Directory as the basis for the selection of firms, a sampling plan was prepared. A lottery-type selection of firms was considered, but rejected on the basis that it would not guarantee that all SIC groups would be included in the survey. In order to achieve coverage in every SIC category from 20 to 39, excluding SIC 21 and 29, a stratified sample was considered to be most appropriate. In addition, this stratified sample was constructed to utilize the quota method, rather than the proportional method.

Although the proportional method was considered, it was not used because of Rhode Island's relatively undiverse economic base. A proportional sample would have involved sampling industries by SIC in proportion to the distribution of these firms within the total R.I. manufacturing base. For example, if a proportional stratified survey had been used, SIC 20 (Food and Kindred Products) employing about 3 percent of the manufacturing labor force would have resulted in 3 percent of the survey total being selected from this SIC group. This method raised the possibility that if the small number of firms to be surveyed in SIC 20 chose not to

respond, there would not be any coverage in that SIC group. While the possibility that firms will elect not to respond to a survey is clearly inherent in every survey design, there are survey sampling plans which can, to a large extent, increase the possibility of coverage in every subset.

In order to achieve the goal of coverage in every SIC category, the sampling plan was designed to include a stratification system using the quota method. The sampling plan was stratified by SIC code, dividing each SIC stratum into three subsets: first, those firms employing between 4 and 19 workers; second, firms employing between 20 and 99 workers; and third, firms employing more than 100 workers. The quota method involved randomly selecting two firms from each of these subsets, thereby allowing for a maximum of six (6) firms from each SIC code. Thus, the sampling plan allowed for a maximum of 108 surveys, a result of six (6) surveys for each of the eighteen (18) SIC codes. Once the random sampling began it became apparent that SIC 24 (Lumber and Wood Products) would not legitimately provide the required number of responses. As a result, this SIC was sampled to include only five (5) firms, instead of the goal of six (6) firms, reducing the total number of surveys to 107.

The following table shows the distribution contained in the Directory of firms by size and highlights the sampling constraint in SIC 24.

TABLE B-3

SIC Code by Employment Size

<u>SIC Code</u>	<u>1-19</u>	<u>20-99</u>	<u>100 or more</u>	<u>No Response</u>
20	66	30	6	6
22	49	32	48	10
23	25	12	12	0
24	22	6	1	2
25	20	8	2	2
26	17	35	13	3
27	113	41	14	13
28	49	29	12	6
30	39	42	22	3
31	8	12	5	1
32	23	16	7	4
33	48	29	22	5
34	200	115	25	24
35	186	70	18	7
36	16	28	24	11
37	25	13	8	4
38	27	20	13	4
39	424	308	86	79

Source: Manual tabulations of the Directory of Manufacturers, R.I. Department of Economic Development, 1979-80.

The information in the preceding table is particularly useful in identifying a number of specific concerns regarding the survey methodology. In all but five SIC categories, small firms employing less than twenty workers constitute over half of the total number of manufacturing firms doing business in the state. This large number of small firms is somewhat higher than the national distribution of small firms, although nationally small firms comprise over one quarter of all businesses. However, the sampling plan was constructed to randomly select two firms from each of the above subsets, thereby reducing the number of small firms, as a proportion

of the total, and increasing the number of medium and large firms, again as a proportion of the total. The sampling plan can then be criticized on the basis that it under-sampled small firms by utilizing the quota method rather than the proportional method. However, it should be pointed out that the Portland State study found the greatest impacts of the 1978 ADEA Amendments among large firms and the sampling plan was constructed under the assumption that the size of the firm was an important variable in assessing the impacts of the legislation.

A second concern of the sampling plan regards the arbitrary selection of the total number of firms included in the sample. As a result, the sampling plan can be criticized on the basis that it undersampled certain SIC categories by utilizing the quota method. For example, SIC 20, which employs about 3 percent of the total manufacturing workforce was sampled to the same extent as was SIC 39, Miscellaneous Manufacturing, which employs about 32 percent of the total manufacturing workforce. This undersampling was considered unavoidable considering time and resource constraints.

The following table displays the geographic distribution of the firms contacted during the survey. As the table illustrates, firms located in twenty-eight (28) communities, employing over 14,800 workers, were surveyed. The totals closely parallel the general distribution of manufacturing firms in Rhode Island, with Providence accounting for the

the greatest number of firms surveyed, followed by Pawtucket, Warwick and East Providence.

TABLE B-4

Geographical Distribution of Surveyed Firms

<u>City or Town</u>	<u>Number of Firms</u>
Barrington	1
Burrillville	1
Central Falls	5
Coventry	1
Cranston	7
Cumberland	2
East Greenwich	4
East Providence	8
Exeter	1
Hopkinton	1
Johnston	2
Lincoln	2
Middletown	1
Newport	1
North Kingstown	1
North Providence	1
North Smithfield	2
Pawtucket	14
Portsmouth	1
Providence	24
Scituate	2
Smithfield	4
South Kingstown	2
Warren	4
West Warwick	3
Westerly	1
Woonsocket	3
Total	107

Approximately 4 percent of the firms engaged in manufacturing enterprises were surveyed, although nearly 10 percent of the total workers employed in manufacturing were surveyed. This proportional difference is the result of

the sampling plan design to include firms employing more than 100 workers as one-third of the entire sample. As a result, some of the largest private manufacturing employers in Rhode Island, including eight employers of over 400 people and two employers of over 1,000 workers, were included in the sample.

Research into the use of mail survey techniques indicated that there were a number of approaches that increase, albeit slightly, the overall response rate. For example, the use of an introductory postcard announcing that a survey would be forthcoming, the use of first-class mail, a cover letter, a followup letter accompanied by another copy of the survey and a survey printed on different colored paper have all been found to increase the response rate in mail surveys. Generally, the response rate in mail surveys is between 40 and 50 percent, with a response rate of 75 percent achieved only rarely and under optimal conditions.

Two other significant variables to the success of the mail survey approach included the "intrinsic value" factor and the "closed response" approach. The "intrinsic value" factor indicated that the greater the intrinsic interest of the subject of the survey to the questions included in the survey, the higher the response rate. The "closed response" approach indicated that higher response rates would result if those surveyed could express their views by selecting among predetermined responses rather than by asking respondents to provide lengthy and time consuming responses. The closed

response also facilitates coding and comparability of responses.

All these techniques were utilized in guiding the development and implementation of the survey. The survey was designed utilizing the closed response approach, allowing for limited explanatory responses. Surveys were preceeded by a postcard and the survey included a cover letter under the signature of the Chief of the Rhode Island Statewide Planning Program, under whose auspices the survey was conducted. The survey was printed on blue paper and was mailed with a self-addressed, stamped envelope bearing the Statewide Planning Program address. A followup letter, including another copy of the survey and another self-addressed, stamped envelope was sent to respondents who failed to return the initial questionnaire.

In addition, all surveys were addressed to the personnel director on the assumption that this person had, by virtue of position, the best vantage point to answer the questions contained in the survey. The personnel director, whether the owner of the company, as in the case of a small business or an individual, as in the case of a larger company, would have the greatest interest in the personnel affairs of that company and presumably would view the questions contained in the survey within the "intrinsic value" context.

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