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MAXIMIZING EMPLOYMENT OPPORTUNITIES FOR THE  
MIDLIFE AND OLDER WORKER: THE EMPLOYER'S  
AND EMPLOYEE'S PERSPECTIVES

Malcolm Morrison

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MAXIMIZING EMPLOYMENT OPPORTUNITIES  
FOR THE MIDLIFE AND OLDER WORKER:  
THE EMPLOYER'S AND THE EMPLOYEE'S PERSPECTIVES

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## Abstract

This paper highlights the developing dilemma in the United States related to providing pension support for an increasing older population which does not contribute to economic productivity. It describes the continuation of early retirement trends but the increasing public and private sector recognition that changes will be needed in national retirement policies to maintain economic support for the aging. The paper identifies some recent changes in the Social Security program and age discrimination in employment legislation in the United States but points out their limited impact on retirement trends. It concludes that more significant changes will be needed so that public and private pension programs permit a flexible retirement approach involving part-time work for many older persons.

A number of innovative programs for older workers are being sponsored by employers who have modified their personnel and pension policies to encourage older employees to remain at work or return after retirement. These programs are experimental and not widespread in United States industry. However, they represent an identifiable private sector response to employment of older workers. Finally, the view that older persons need make no contribution to the economy is questioned. It is suggested that a new conceptualization of the aged will be needed in the future, one which will require their active participation in social and economic life.

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## Introductory Remarks

I hope that you will permit me to make some brief remarks about my visit to Israel before providing you with my thoughts about employment opportunities for older workers. As some of you may know, I have been in Israel for nearly three weeks, studying rehabilitation and employment services, and particularly the difficulties of the older disabled person. During this time I have had many official visits with people from the ministries, Bituach Leumi, the labor exchange, the rehabilitation services. I have seen a variety of rehabilitation facilities in Tel Aviv, Jerusalem, Gaza, and elsewhere. I have met with social workers, physicians, administrators, and clients. I have also seen some of my own aging relatives in Holon and their children and children's children in Beersheva. I have had dinner with Israeli intellectuals and with workers. I have even done some shopping and sightseeing. I doubt that this brief visit provides an accurate view of life in Israel, but I nevertheless want to give you some of my general impressions since they are important both to me and to my thoughts about employment of older workers.

Three Israeli characteristics have impressed me - self respect, honesty and perseverance: pride in what has already been accomplished, recognition of unmet needs, and commitment to continually trying to meet these needs. These characteristics - self respect, honesty and perseverance - have impressed me the most during my stay here. I know that here, as in the U.S., it is fashionable to criticize, even to castigate. But beneath this criticism, I found a continuing belief in the future, in

progress, in improvement.

This belief is particularly important for societies which face the special challenge of rapidly or even gradually aging populations. Common stereotypes about the old, held by both the old and the young, have excluded many older people from society. Income maintenance, they say, is sufficient support for the elderly, since their contribution to society has ended. Thus, many older people are seen as unproductive, dependent, and not needed for maintaining a functioning society. While this view may be prevalent today, it will hardly be acceptable in the U.S. or Israel when 15-20 percent of the population are age 65 and older. If progress is to be made, we must begin now to think about how older people can be better integrated into social and economic life through such means as employment, volunteer work, education, self-help, and public service. This challenge is as great or greater than that of the more usual problems of improving and expanding social and health services, improving institutional care, and seeking ways to allow more older people to remain in their own homes.

Progressive and optimistic attitudes are needed in developing options for older people in aging societies. The characteristics of self-respect, honesty, and perseverance that I found here are fundamentally important in making progress toward social integration of the aging. As societies mature, they will have a greater need for innovative ways to utilize the talents, skills, and knowledge of older persons. Here in Israel, there is and has been a need to employ older workers. As you know, in most developed countries with pension systems, the aged make

almost no productive contribution in the work force. And the fact that many criticize this situation has not changed the social pattern.

Today, I will discuss with you both the difficulty and potential of utilizing older people more productively. In your young society with its old traditions, the challenge of aging requires both innovation and commitment. I know how that this challenge can and will be met in Israel.

### Demographics and the Older Worker in the United States

I would first like to briefly discuss the overall framework in which we in the United States are considering the issue of older workers. In general this framework consists of demographic, economic and sociological realities which, taken together, present an interesting dilemma for the U.S. retirement system and which may also gradually bring about major changes in employment and retirement patterns.

The question of employment of older workers (generally people of retirement age) has been framed around two competing sets of interests: the need to maintain a balance in the workforce under conditions of relatively high unemployment by replacing older workers with younger ones, and the need to provide more employment opportunities for older persons who want to continue working. As we will see, the first of these interests, labor force balance, has in effect been the major influence on public and private policy in the U.S. since 1950. Only recently has any attention been given to the second set of



interests, employment of older workers. The tension that may develop between these two sets of interests will depend upon the extent to which pension and retirement policies can be adjusted to accomodate flexible retirement practices. For now, our choice is very clear: encouragement of early retirement through major financial incentives in public and private pension plans. The result has been a very significant decline in employment by older workers. Evidence of the decline exists for all men ages 45 and older.

Let us examine some of the demographic, economic and sociological factors which affect situation in the U.S. Today, one fifth of our population, nearly 50 million persons, are age 55 and older. By the year 2010 this group will constitute one-fourth of the population, 74 million persons. Today, 28 million persons are ages 65 and older, about 11.5 percent of the population; by the year 2010 this group will represent 39 million people, about 14 percent of our population. During the same period, the number and proportion of persons 75 and over will increase substantially. Looking further ahead, by the year 2030, about 100 million persons - 33 percent of the population - will be ages 55+, and of these, persons over age 65 (64 million) will represent 21 percent of the U.S. population. Meanwhile, life expectancy at birth and at age 65 will continue to increase so that by the year 2010 men at age 65 can expect to live 16 more years and women 22 more years.

Between now and the year 2000, the most important population trend will be the decline in the number and proportion of persons

ages 18-34 and the increase of middle-aged persons aged 35-54. The decrease in the younger population has resulted in speculation that there will be shortage of entry-level and other types of skilled workers in the next 20 years. According to this view, more older persons will be required in the work force to meet projected labor shortages until the year 2010.

Over the next 15 years the composition of the U.S. labor force will change significantly, in parallel with population changes. The proportion of younger workers will decline by about 11 percent, while that of the middle-aged will increase by 14 percent and represent nearly half the labor force. Under present retirement policies, however, the proportion of older workers (ages 65+) in the labor force, already very low at 2.7 percent, will decrease even further to 2 percent by the year 2000. Thus, while the older population is increasing, their labor force participation will continue to decrease so long as current early retirement policies remain in place.

Some of the economic implications of these trends are very serious for the United States and will likely result in changes in retirement and employment policies. The initial directions of some of these changes are already evident. I will briefly discuss them, as well as some of the resulting innovative programs for both employees and employers.

## Policy Implications

Federal spending on older Americans ranks only second to spending on national defense as a share of the budget. In 1960, only 15 percent of the Federal budget was devoted to the aged, mostly for retirement income benefits. Today, nearly 28 percent is earmarked for older persons. Two-thirds of the total, about \$170 billion, is used for retirement income benefits and nearly one-third for health benefits. Forecasts indicate that while the share of the budget devoted to income benefits will decline in the future, the share for health benefits will continue to rise and could even eventually exceed that for public pensions. The increasing proportion and amount of Federal spending for the aged is a major national issue and will be pushed ever further to the forefront as the ratio of workers to retired persons, now about 3 to 1, gradually decreases to 2 to 1 by the year 2030. Under present retirement policies, it will be impossible to maintain today's level of benefits in the future without major tax increases, reallocation of spending priorities, or a change in early retirement trends.

In 1983, the Social Security old age retirement income program was modified to improve the financial balance and, presumably, to assure future financial solvency of the system. The age at which full benefits are awarded was raised from 65 to 67, a change to take place gradually beginning after the year 2000. In addition, benefits lost for early retirement at age 62 were increased from a 20 to 40 percent reduction as the retirement eligibility age increases. Regardless of the apparent



desirability of this provision as an incentive for later retirement, some early analyses have already shown it unlikely to achieve its objective, since in the years ahead private pension plans will cover a much larger proportion of the work force, and early retirement provisions will make up for the delayed retirement provisions of Social Security. It is also not likely that such laws as the Age Discrimination in Employment Act, passed in 1969 and most recently amended in 1975 to increase to 70 the age when any individual can be compelled to retire, will have any major effect on the jobs of older persons. This law has so far had negligible consequences for employment trends, but the future is less certain. In the absence of change in early retirement incentives, the law will continue to protect the job rights of older workers, rather than become a retirement or employment policy tool.

It may appear as if retirement policies in the U.S. serve as disincentives for the older worker and, to a considerable extent, this is the case. Because of emerging pension financing problems, however, policymakers in the U.S. are discussing ways to encourage longer employment and return to work by older persons and are developing alternative retirement policy scenarios. In addition, some U.S. employers are experimenting with a variety of alternative work patterns for the aged.

What is the basis for these innovative approaches? First, national surveys of workers have consistently indicated that both pre-retirement workers and recently retired workers have strong preferences for some form of continued employment, usually part-time and similar in nature to what they have done in the past.



Second, surveys of white and blue collar retired workers indicate that between 15 and 25 percent maintain some labor force attachment, especially in the first five years after retirement. Third, individual corporate surveys of employees indicate that relatively large numbers of employees about to retire express a preference for post-retirement part-time work with the company. Thus, there is a clear trend toward preference for some work during the retirement years. Until quite recently, however, these preferences were very rarely fulfilled because employers were restricted by personnel policies that did not permit flexible work arrangements. Although these policies are still in effect on a national basis, there are indications of change.

A wide variety of surveys demonstrate that most medium-to-large size companies are aware that their work force is aging, and they are examining policies to adjust to this change. Whereas a few years ago few employers made provisions for continued employment after retirement, today as many as 15 percent have instituted such policies. Nearly half of all employers who offer private pension plans permit continued accrual of benefits after the usual retirement age. Also, many employers have made special arrangements for retirees to return to work part-time while continuing to receive retirement pensions. The most innovative pre-retirement programs in the U.S. now place considerable stress on post-retirement careers and productive activities. Therefore, in general, employer policies regarding their own retired workers are becoming more flexible.

In addition to these general changes in corporate policies, a variety of alternative work options have been under development in recent years. It is too early, however, to assess the viability and effectiveness of some of these programs or their overall potential in the U.S. The most popular work option has been flexitime - a system of flexible times for beginning and ending work, including a core period during which all employees must be at the worksite. This system has been used for all types of workers, including older employees, who most frequently work on a part-day, part-week, or part-year schedule. But while the majority of today's older workers are employed on a part-time basis, less than 10 percent of employees of all ages hold part-time jobs in firms providing this option. It is unclear whether and to what extent part-time work can be expanded in many business organizations. In certain service industries, the potential for expansion is greater.

Other alternative work options include:

- Job sharing - two individuals share the responsibility for a single permanent position.
- Phased retirement - employees gradually reduce the number of working hours before they fully retire.
- Sabbaticals and extended vacations - employees are granted time off to pursue various educational or vocational interests.
- Job reassignment - employees receive new job responsibilities at either the same level or a lower organizational level.
- Job redesign - the work environment is modified or

difficult tasks reduced.

The overall extent to which these types of personnel practices are being used in American organizations is difficult to assess. It is clear, however, that these practices are officially recognized by only a very small percentage of larger firms, most of which are involved in the service industries.

Of the small number of specific "older worker" programs used by U.S. firms, the most frequent are part-time or temporary employment, full time employment, and flexible scheduling. Of these, part-time employment is by far the most often used approach. Just over 70 percent of the part-time programs are provided for white collar workers; very few are provided for skilled trade workers semi-skilled blue collar employees.

Companies that hire older workers do so for two reasons: they need skills in limited supply or they need help to fill part-time positions. Older persons are an attractive source of personnel for many traditionally part-time positions - in restaurants, retail sales, light manufacturing, etc. Typically, however, the largest category of jobs suitable for older workers are clerical positions, which are available either through temporary employment placement services or through corporate retiree pools which serve as a source of personnel. Thus far, older workers have generally been hired for service and clerical jobs or for jobs that call for technical or professional skills. In fewer cases private employers hire blue collar or non-clerical white collar older workers. Thus, only certain types of older persons can successfully meet the requirements of employers who are in a



position to hire them. Thus far, "formal" programs for older workers have, therefore, been rare, relevant to only certain types of workers and employers, and sometimes particularly dependent on economic conditions.

A major debate over these types of specialized programs weighs whether or not an identified older worker program is, in fact, the best approach for improving employment opportunities. Thus far, the viability of distinct older worker policies and programs in most organizations is open to question. Many firms prefer to adopt policies that apply to all segments of the work force but which may be used more by certain groups such as the aged. There may well be more potential in such an approach than in specially identified programs which, in reality, serve few older persons. There has thus far been no bandwagon effect; most employers are still exploring their options concerning older employees.

### Prospects for Future

What then are prospects for increased utilization of older workers? The situation will depend to a great extent on future changes in national retirement policies and the consequences of these changes for employer policies. On the one hand, there is little direct public support for major alterations in early retirement policies. For both the aged and the non-aged, early retirement has become an expected social pattern, even though it results in preventing most older persons from further contributing to the economy and maintaining work-related social



relationships and activities. On the other hand, there is growing support for more flexible retirement policies which would permit, if not encourage, continued employment of older workers or their return to work after retirement. Employers have been experimenting with policies to achieve this objective but remain to somewhat ambivalent because they are unsure of the extent to which early retirement policies can be altered. The limited steps that have been taken in the public policy area to better protect the employment rights of older workers have had no measurable effect on reducing early retirement patterns. Therefore, unless a major pension financing crisis arises, change will proceed slowly, at least until after the turn of the century.

The problem confronting us may be more social than economic. Despite its frequent negative consequences, the idea that older persons need not make a productive contribution to the economy has gained widespread acceptance. Now that older people realize some of these consequences, many would prefer a more flexible system that permits more choice about when and how they will retire. Both public and private policies, however, reflect the goals of the past - a secure retirement, free from work. The challenge before us, then, is to alter the social objectives related to retirement so that public policies will be adjusted to reflect these changing social goals. The U.S. is just beginning to recognize the need for change but will have to progress much further before national retirement policies are significantly modified. In the meantime, employers will be the most likely to develop innovative work options for older persons.

It is important to recognize that even under conditions of very high unemployment, employers have not been reluctant to initiate programs to employ older workers or to develop more flexible pension policies. The U.S. retirement system, therefore, is not so inflexible as to impede development of incentives for continued employment of older workers. Utilization of such incentives is dependent on personal preferences for employment and the match between the specific employment option offered and the desire of the employee.

Studies in the U.S. have identified more than 300 programs for older workers concentrated mainly in manufacturing and service industries - finance, business services, wholesale/retail trade, professional services, personal services. (These programs do not include transitional or phased retirement programs designed to gradually reduce working time prior to retirement. Such programs are rare in the U.S., primarily due to lack of experience with them and employee concerns about reductions in benefits during the period of transition). More than half of the existing programs in the U.S. involve part-time employment, 12 percent full time employment, and 13 percent training. Some examples follow:

- A major aircraft manufacturing company re-employs technical production workers.
- A major department store chain with no mandatory retirement age continues to employ large numbers of older sales clerks.
- A small automobile manufacturer employs only older persons.
- A chemical manufacturing company uses older workers to train

younger employees.

- A variety of banks, insurance companies and financial firms use retiree pools for short term assignments.
- A multinational oil company hires substantial numbers of older sales persons.
- Hospitals employ older nurses to cover staffing shortages.
- Trucking companies employ older workers as dispatchers, control clerks and inventory specialists,
- A camera and film manufacturing firm permits older workers to return to work after a period of full retirement.
- A fast-food restaurant chain establishes a policy of hiring some older workers.
- Clothing manufacturing firms continue to employ older women in garment production.

These examples illustrate the variety of programs that have been developed for older employees. Recent surveys of employers have indicated that these types of experiments are continuing to expand despite the difficulties posed by unemployment and the need to adjust employee benefits for persons who remain at work or return after retiring. Therefore, even under circumstances of very strong economic incentives for retirement, some older employees are motivated to remain at work or to return after accepting pension benefits; and, some employers have been willing to make special arrangements (sometimes without additional cost) to permit and encourage older workers to continue working. Such programs demonstrate first that employment of older workers is feasible even if an emphasis on

early retirement prevails; and second, that if more retirement age flexibility were offered in public and private pension systems, as well as in employer personnel policies, the response of older workers would very likely be significant.



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## This image shows a blank, aged, cream-colored page, likely an endpaper or flyleaf of a book. The paper has a slightly textured appearance with some minor creases and discoloration, characteristic of old paper. A dark binding edge is visible on the left side of the page.

מלקולם מוריסון

פב-12-86

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## המכון

הוא מכון ארצי למחקר, לניסוי ולחינוך בגרונטולוגיה והתפתחות אדם וחברה. הוא נוסד ב-1974 ופועל במסגרת הג'וינט האמריקאי (ועד הסיוע המאוחד של יהודי אמריקה), בעזרתן של קרן ברוקדייל בניו-יורק וממשלת ישראל.

בפעולתו מנסה המכון לזהות בעיות חברתיות ולהציב להן פתרונות חילופיים בשירותי הבריאות והשירותים הסוציאליים בכללם. אחד מיעדיו הוא להגביר שיתוף הפעולה של מומחים מהאקדמיות והממשלה, עובדי ציבור ופעילים בקהילה כדי לגשר בין מחקר לבין מימוש מסקנות מחקר הלכה למעשה.

## סידרה בינלאומית

המאמרים מציגים מימצאי מחקר והשקפות מקצועיות של מלומדים אורחים מחו"ל, של אנשי אקדמיה בארץ ושל חברי סגל המכון. המאמרים בסידרה מציגים דיונים החורגים מעבר להקשר האמפירי הישראלי, או עוסקים בסוגיות מושגיות ומתודולוגיות בעלות ענין בינלאומי כללי. בכך משמשת הסידרה במה שבה נבחנים בפרספקטיבה בינלאומית ההלכה והמעשה של נושאי ההזדקנות.

הממצאים והמסקנות המוצגים הם של המחבר או המחברים וללא כוונה ליצג את אלה של המכון או של פרטים וגופים אחרים הקשורים למכון.

הרחבת אפשרויות התעסוקה לעובדים בגיל העמידה ובגיל הזיקנה:  
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הסתדרות הגמלאים בישראל

המכון הישראלי ליחסי עבודה



## תקציר

מאמר זה עוסק בדילמה, ההולכת ומחריפה בארצות הברית, ביחס למתן סיוע כלכלי לאוכלוסיית הקשישים - אוכלוסייה הגדלה והולכת, אך אינה תורמת כל תרומה כלכלית שהיא. המגמה לצאת לפרישה מוקדמת עודה נמשכת, אך בד-בבד עמה גם גוברת, הן במגזר הציבורי והן במגזר הפרטי, ההכרה בצורך להכניס שינויים במדיניות הפרישה הלאומית, כדי שאפשר יהיה להמשיך את התמיכה בקשישים. המחבר מצביע על כמה מהשינויים שהוכנסו לאחרונה בתכנית הביטחון הסוציאלי ובחקיקה בתחום האפליה הגילית בארצות הברית, אך סוען כי השפעתם על המגמה לפרישה מוקדמת הינה מוגבלת. לבסוף, המחבר סובר כי יידרשו שינויים יותר משמעותיים כדי שתכניות הפנסיה הציבוריות והפרטיות יהיו גמישות יותר ויכללו גם משרות חלקיות לקשישים.

מספר תכניות חדשניות לעובדים קשישים ממומנות כיום על-ידי מעבידים, אשר בנו מדיניות העסקה ופרישה חדשה אשר תעודד עובדים קשישים להישאר בעבודה, או לחזור לעבודה אחרי הפרישה. תכניות אלה הן ניסיוניות והיקפן במגזר התעשייתי בארצות הברית מוגבל, אך עם זאת הן מעידות על ההיענות הקיימת במגזר הפרטי לקריאה למצוא תעסוקה לעובדים קשישים. לבסוף, המחבר מעמיד בספק את ההשקפה האומרת שהקשישים אינם צריכים לתרום דבר לכלכלה. הוא מצביע על הצורך בחפיסה חדשה של ההזדקנות, תפיסה שתדגיש את השתתפותם הפעילה של המזדקנים בחיי החברה והכלכלה.

## תוכן העניינים

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