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Reversing Decades-Long Trend, Americans Retiring Later in Life

By MARY WILLIAMS WALSH

For nearly a century, Americans were able to retire at ever-younger ages and in greater prosperity. But over the last few years, they have begun staying on the job later into life.

As companies cut pensions and retiree medical coverage, many aging employees doubt they can afford to retire, several experts and workers say.

While tight labor markets are also keeping older people at work, other causes appear likely to outlast the current worker shortage. "We have entered a new era," said Joseph F. Quinn, an economist and a dean at Boston College.

Government data show that the percentage of people over 65 who still work has been rising since the mid- 1990's. Last year, at 12.8 percent, it was higher than at any time since 1979.

Economists and specialists on aging cite forces that include



Alex Brandon for The New York Times
Marguerite Beck-Rex, 69, works nine-hour days as an archivist at the Senate. She is still employed, she said, because "it's important to me to remain connected to the things that make a difference in everybody's life."

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changes in the Social Security system, a ban on most forced retirements and the economy's shift away from back-breaking jobs like those in mining and heavy manufacturing. There have also been advances in medicine, so that even as more elder-friendly jobs in the service sector appear, more people are healthy enough to fill them.

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To many workers approaching the end of their careers, however, the most important factor has been the erosion of pensions, health insurance and other retirement benefits they had expected.

"Lots and lots of people's expectations are being dashed," said Norman Stein, a law professor at the University of Alabama who specializes in pension issues. "Getting rid of a retirement incentive will, of course, have some impact on employees."

Jerry Michels, 49, is a case in point. As a late-in-life father of a young son, Mr. Michels thought he had a good plan for balancing work and parenthood: In 2007, he would be 55 and eligible for early retirement. His company, then a market research division of Dun & Bradstreet, linked pensions to pay and seniority, and Mr. Michels, who has spent his career at the company, figured he would get about \$52,000 a year. That would be more than enough to finance a cozy interlude of football games, driving lessons and heart-to-heart talks before young Matthew left for college.

But late last year, Mr. Michels realized that his pension plan was revamped in 1996, when his division was spun off by its corporate parent. The stipend that he had been counting on was replaced by a smaller one under a new plan that built benefits more slowly.

Now Mr. Michels says he cannot afford to retire at 55 — maybe not even at 65, if he wants to rebuild his new pension to the value of the one he lost. By then, Matthew will be gone.

"It would have been a nice life," Mr. Michels said.

But Mr. Michels will not be wanting for company as he plugs on.

"The increase in participation rates translates into a million more people over 65 in the labor force than there were in 1985," said Sara E. Rix, senior policy adviser for the AARP.

Economists say that these workers' payments into the Social Security system will be largely offset by the higher benefits they will receive.

Companies have reduced their retiree benefits not only to save

money, but also to address labor shortages. Many of the pension conversions of the past decade have eliminated incentives to retire at some age before 65, as companies have seen a need to retain the 50-something workers they might have wanted to remove from their payrolls a decade ago. Companies have also been snapping up older workers who have taken early retirement bonuses from other employers.

A century ago, when the first major pension plan was created, for Union veterans of the Civil War, few people could afford to save for retirement. They feared outliving their ability to work.

"In many cases, they faced a life of impoverishment," said Murray Gendell, a former Georgetown University professor of demographics who continues to track the average retirement age in his own retirement.

But over the past century, rising incomes permitted more workers to save for old age. Fewer kept working. The advent of private pension plans and the growth of Social Security added momentum.

In 1950, 7 of every 10 65-year-old American men were working, but by 1985, just 3 were.

"Gradually, the fear was replaced by an attitude that retirement was a reward for the work you have done for 35 or 40 years," Mr. Gendell said.

As vast numbers of baby boomers entered the work force in the mid-1960's, employers, spotting a mother lode of cheaper labor, offered early retirement packages to the preceding generation to clear the way.

"Employers found older workers expensive and expendable, so they got rid of them," said Eric Lofgren, global director of the benefits consulting group at Watson Wyatt Worldwide, which has advised many large American companies on their pension plans and other benefits.

So eagerly did companies buy out older workers, he said, that in the 1980s, "two-thirds of all retirements were through early retirement windows."

Then something changed. The proportion of the elderly in the work-force, which had been falling so steadily, leveled off in 1985. And in the latter half of the 1990's, it began edging up. Only 1 in 10 retirees today leaves as part of an early retirement program, Mr. Lofgren said.

Mr. Quinn, of Boston College, noted that 1986 legislation prohibited

most forms of mandatory retirement.

About the same time, the Social Security Administration began to change rules that had reduced the benefits to workers who stayed on the job late in life. "If you think about the carrot and the stick, the stick is gone," Mr. Quinn said.

These changes have been welcomed by the many healthy older Americans who like their jobs. Marguerite Beck-Rex, for one, works nine-hour days as an archivist at the United States Senate. She is 69 and wants nothing less.

"It's important to me to remain connected to the things that make a difference in everybody's life," she said.

Ms. Beck-Rex is a widow with a mortgage, but she says her decision to work has little to do with a paycheck. Last year, she said, when she was working as an editor of newsletters, she started writing a book on what she calls croning, or the process of gaining stature with age.

"I thought I was going to enter another part of my life, where being older and wiser and less the active person was going to be my role," she said.

But then she heard about the opening for an archivist, and the book took a back seat to the more compelling work of organizing public documents for scholarly research.

"I don't want to be just the mentor," Ms. Beck-Rex said. "I want to continue with an active role in seeing that the world gets to be a better place."

Economists say that many others, however, stay at work because they see no other choice.

"We've got to look at different groups and how they experience retirement," said Eric R. Kingson, professor of social work at Syracuse University. "I think many people can't retire."

Diane Savage, a retirement planner for Watson Wyatt, said that earlier in her 25-year career, her clients often had solid assets and predictable cash flows.

"They would have the option of taking payouts of \$400,000," instead of receiving a monthly pension, she said. "I'm talking about average people, like steelworkers. People would have their pension. They would have Social Security. They would have their medical coverage, and they'd have a little bit of extra money."

Not the aging workers at her seminars today. Their employers have cut back or eliminated health insurance for retirees. Nor do her mostly middle-class customers have six-figure payouts coming, or livable pensions. The tendency in recent years for employees to move from job to job has kept some people from building up much of a pension anywhere, she said. And many employers have eliminated traditional pensions.

People thinking of retiring before they turn 65 — when they become eligible for Medicare — often discover that their pensions will not be enough to buy their own health coverage, Ms. Savage said.

"I was speaking to someone yesterday," she said. "His premium for his medical insurance was going to be \$100 more than his pension payment. He looked at me and said, 'Well, you know what I'm going to do.' He had been doing hard, physical work for 20 or 30 years, and I think otherwise he'd have liked to quit."

Mr. Lofgren urges his corporate clients to retain older workers by treating them well, offering flexible schedules, "phased retirement" programs and other favorable conditions, despite the costs. But not all of them listen. Many just go for the pension cuts.

"Employers have developed a very tough nut for themselves," Mr. Lofgren said. "They've spent the last 20 years doing all these downsizings, very convincingly sending the message to older workers that 'we don't value you.' Now they want to keep older workers, so they're not paying them to leave, and everybody's yelling."

Mr. Michels, who planned to retire early, thinks cutbacks in retirement benefits are what are keeping so many older Americans at work.

"The pension conversion seems to be this silent thing happening out there in America," he said. "If you see a 65-year-old person waiting on you at a McDonald's, it might be because it's nice to have something to do during the day. But I've got to believe that, hey, it's because they still need that check."

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