The New York Times

Financial Desk; D
Careers; The Early Retirement Programs

By Elizabeth M. Fowler
871 words
25 April 1984
The New York Times
NYTF
Late City Final Edition
English

A FEW days ago, the American Telephone and Telegraph Company offered early retirement to most of the 60,000 employees in its information services division,

The company had found that the division was overstaffed, even after eliminating 10,000 jobs last fall through attrition and another early retirement offer. The scope of the offer can be ascertained by relating it to the total current roster of 373,000 workers employed by the new A.T.& T.

Many companies have offered such programs in recent years - Eastman Kodak, Polaroid, Exxon, Xerox, Du Pont, the 3M Company, Alcoa and R. J. Reynolds. In fact, one study found that about 40 percent of the Fortune 500 companies have had early retirement campaigns.

Such campaigns, called ''cordial compulsion'' by one expert, involve people-recycling through the economy on a vast scale.

The trend has interesting economic aspects. People who retire at age 55, well before the usual ages of 62 or 65, when corporate and Social Security pensions formally begin, constitute a strong army interested in fighting inflation, a factor worth special attention by politicians.

Also, many early retirees receive a sizable sum for leaving and may require investment advice, possibly providing a new growth market for financial service organizations.

Some early retirees might be relatively poor until their pensions and Social Security payments start, unless they can find other work. Many will probably seek full-time or part- time jobs, not only to help pay the bills but to keep occupied as well.

For example, Edward Wendt, at 57, found that an early retirement offer by the Burroughs Corporation in 1981 was too good to refuse. It involved half-pay until age 62, when he would receive a pension, plus continuation of most benefits like group life and health insurance.

''The five-year period until 62 counts in determining pensions,'' he explained, ''so I get another five years' credit.'' Like many pensions, his will be based on the highest five full-salaried years.

''I believe the company wanted to cut back overhead, cut fat at the top and bring in new blood,'' he said. ''How could I refuse?'' he added, noting that he had few worries about finding another job because he had expertise. Mr. Wendt had been corporate director of employment at Burroughs. After a vacation, he joined an executive recruiting firm, S. R. Dunlap & Associates of Birmingham, Mich.

Last fall, New England Telephone handled early retirement for area A.T.& T. employees. About 150 people were involved, with an average age of 57 and an average of 34 years on the job. Those with 20 years' or more of service could receive a year's salary spread over two years, plus an immediate monthly pension.

Carol Kavanaugh, manager of staffing for New England Telephone, said that one typical early retiree - a systems supervisor with a final salary of $38,000 - received a full year's salary, paid out monthly over two years, plus a $1,350-a-month pension for life. A.T.& T.'s new offer to the almost 60,000 employees will be similar.

Another interesting aspect to the early retirement programs is that since many departing workers receive financial inducements, they may be able to take lower-paying jobs, a factor that might help such low-salary employers as retail stores, young high-technology companies and airlines.

Other fields that might attract early retirees include sales jobs at investment firms, insurance agencies and real estate firms, most of which involve commissions or small salaries plus commissions.

If the early retirement trend continues - and many experts think it will - what should companies do to prepare their employees?

Rick Garnitz, president of Lifespan Services Inc. of Atlanta, suggests preretirement programs for employees 45 years old and older, along with creative policies such as rehiring retirees temporarily during busy periods, which the Travelers Insurance Company has done.

''There should be a lot more planning before a company offers early retirement,'' Mr. Garnitz said, listing items like succession planning, age audits, use of outplacement and determination of which employees' careers had peaked. Career recycling, job sharing and reduced workweeks might be considered, he said.

In addition, career planning programs for younger workers might help persuade some of them not to stay with the same company for 30 years, as their parents and grandparents may have done.

The corporate campaigns for early retirement are relatively new, dating to the mid-1970's. It was then that an increasing number of companies offered early retirement to open up management ranks, to thin out an overstaffed organization or to meet recessionary pressures without resorting to layoffs.

Another factor, according to Mr. Garnitz, might have been the reluctance of older employees to make the transition into an era of advanced technology.

But the early retirement programs raise many questions. For example, Mr. Garnitz said, does the long-term savings in jobs justify the immediate dollar outlay, often involving many millions? And he added: ''Are we getting rid of skilled people that we might have to replace? Can the 25- year-old M.B.A. from Stanford replace an experienced person?''

drawing

Document NYTF000020050509dg4p008xs

Search Summary

Text	
Date	All Dates
Source	Newspapers: All
Author	All Authors
Company	3M Company
Subject	All Subjects
Industry	All Industries
Region	United States
Language	English
Results Found	4,351
Timestamp	17 July 2018 11:24

