Chapter 9

Faculty Retirement: Reflections on Experience in an Uncapped Environment

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In 1986 Congress passed the Amendments to the Age Discrimination in Employment Act of 1967 (ADEA) and abolished mandatory retirement; subsequently these legislative amendments went into effect for tenured faculty. The 1986 amendments had allowed seven years for study of their potential impact, so that a permanent exemption could be sought if analysis suggested that uncapping of mandatory retirement for tenured faculty would have an adverse impact on the quality of higher education. Two studies undertaken to explore the consequences of these actions for the higher education community concluded that no special exemption was warranted and that uncapping should commence on January 1, 1994, as legislated. Now, after more than five years of actual experience with uncapping, it is timely to consider whether these judgments still stand.

As we shall show, available evidence so far suggests little change in the principal conclusions from the earlier analyses. Uncapping itself should cause little concern for the quality of higher education where institutions have reliable processes to ensure that tenured faculty maintain a record of good performance. If, however, mandatory retirement was used as a substitute for facing the need to create incentives to maintain effectiveness and monitor performance, then under these conditions, uncapping may prolong problems of poor performance that probably began ten or more years before age 70. Uncapping does raise some concern with respect to increases in the cost of higher education. The principal source of alarm here is not anticipated lower levels of replacement (senior faculty who are assumed to be relatively highly paid being replaced by newly minted faculty at lower rates). Rather, a much more serious concern is that institutions will unnecessarily introduce costly retirement incentive plans that become entitlements and escalate faculty compensation costs.
Uncapping: Origin and Implications

Although the legislative effort to eliminate age discrimination in employment was launched at the 1961 White House Conference on Aging, it was not until 1967 that the ADEA was enacted, thus providing federal protection against age-related employment practices for those between the ages of 40 and 65. However, mandatory retirement below age 65 was still allowable in the initial legislation provided this requirement was part of a bona fide pension plan. These protections were expanded in subsequent amendments in 1978—raising the upper end of the covered group from 65 to 70—and in 1986—eliminating the upper end entirely. Advocates for the elderly cheered what they saw as a twofold legislative contribution that benefited individuals and the economy by protecting the rights of the elderly to work and in allocating these resources to their highest valued uses by enabling what is presumably the most productive contribution of those elderly who are willing and able to do so.

It is important to recognize that age discrimination is distinct in that it is directed against individuals who may have been highly valued at younger ages. Indeed it is not directed against the employee “because of who the worker is” but rather affects individuals because of “what they have become” (DiGiovanni 1989: 2). Thus, the rationale behind age discrimination is that age is inevitably accompanied by a decline in performance and effectiveness. Implicit in the concern over faculty effectiveness is the recognition that individual and institutional vitality are strongly correlated. Age becomes an instrument to identify effectiveness. The elimination of mandatory retirement, in contrast, is a triumph for what Berkowitz (1985, p. 113) terms an “article of faith” among gerontologists: that chronological age is irrelevant. However, as Berkowitz further observes:

That sword cuts both ways. Some older people are competent past the age of retirement and some younger people are incompetent prior to the age of retirement. Eliminating the compulsory retirement age means that we have to get serious about tests of performance for younger workers. (133–34)

The original ADEA had little impact on retirement rules in higher education, as almost all institutions of higher education had mandatory retirement ages of 65 or higher. Beginning with the 1978 amendments, the legislation had treated tenured faculty as a special category. When the upper end of the protected class was lifted to 70 in 1978, representatives of higher education raised concerns that a shortage of jobs for young scholars would result. Accordingly, the effective date for this change for tenured faculty was delayed until July 1, 1982, to allow time for study and a request for a permanent exemption. Many institutions raised their age of mandatory retirement to 70 before that date; others waited until required to do so.

Clark and Hammond (this volume) observe that with the elimination
of mandatory retirement individual tenured faculty have, in effect, been
granted an additional contractual benefit. Tenure becomes a life contract
and all retirement is voluntary. The American Association of University Pro-
fessors (1989) has suggested that tenure in an uncapped environment
means that faculty members have tenure until they choose to retire, absent cause for
dismissal or financial exigency. But it means, moreover, that by law their terms and
conditions of employment cannot be different, because of their age, from those of
their younger colleagues.

In the capped environment, mandatory retirement was viewed by many as
a “civilized” way to handle certain older faculty after many years of service,
to “carry the obsolescent or somnolent (but not incompetent) faculty mem-
ber along for a period of years, so long as the prospect of a definite date
of separation looms ever on the horizon and ever closer” (Finkin 1989: 98).
Hansen has suggested that the ultimate downside implication of uncapping
is that all tenured faculty would have the opportunity “to continue teaching
until the infirmities of old age caught up with them or they died with the
chalk still clutched in their fingers (1985: 28). This possibility raised grave
concerns throughout higher education. Rosovsky most clearly articulated
the extent of that distress:

No institution interested in preserving quality can tolerate a growing gerontocracy
that necessarily brings with it declining productivity. The disastrous effect on young
scholars surely needs no elaboration. If ever mandatory university retirement is
deemed to be age discrimination, an alternative mechanism will have to be found
to accomplish the same purpose. . . . Older professors could increasingly keep out
the young, and that is bad. Lesser opportunities could lead the young to be ever less
interested in academic careers—a sad picture. (1990: 211–12)

These concerns have several dimensions. The central question is, of
course, when all retirement is voluntary, will any faculty volunteer? If the
answer to this question is no, then there may be important implications for:
job opportunities for new faculty—either “new” to the profession or “new”
to the particular institution in question; the success of affirmative action
initiatives intended to make a faculty population that historically had been
predominantly white male more representative of the population at large;
the cost of higher education; and the quality of higher education. Put in
simplistic terms, the questions are:

• If faculty do not have to retire, will they?
• If faculty do not retire, does it matter and why?
Estimates of the Impacts of Uncapping: Ex Ante

Two studies of uncapping were completed during the period from 1986 until 1994. The first to be initiated, the Project on Faculty Retirement (PFR), was not intended to address the potential implications of uncapping for all higher education in the United States. Instead, to keep the study manageable (and based on the principal interest of its leading source of funding—the Andrew W. Mellon Foundation), the focus was restricted to research and doctorate-granting universities and selective liberal arts colleges. Because a number of states had already eliminated mandatory retirement by state law, it was possible to include both capped and uncapped institutions in public research universities and liberal arts colleges in the data sample collected. The second study, initiated by the National Research Council’s Committee on Mandatory Retirement in Higher Education (NRC), was mandated by law to address the potential effects of uncapping on all colleges and universities and faculty members. Both the PFR and the NRC reached the same conclusions:

- There is little basis for concern about the impact of uncapping, as very few faculty will choose to remain beyond age 70.
- At some research universities a substantial proportion of faculty will choose to remain beyond age 70, but the majority of those who do stay on will be vital contributors to the educational process.

Moreover, these institutions tend to have large endowments and thus have the means to offer selective retirement incentive programs to targeted areas, when turnover is needed.

The data clearly indicated that the existence of a mandatory retirement law did not prevent the presence of active faculty beyond the mandatory retirement age nor does the absence of a mandatory retirement law eliminate retirement of faculty at or before what had been the mandatory retirement age. The difference is that in a capped environment, the decision to remain beyond the mandatory retirement age rests with the institution, whereas in an uncapped environment, the decision to retire or remain rests with the individual faculty member.

The PFR data on flows into and out of tenure showed characteristic differences by type of institution. At liberal arts colleges, most faculty arrive early in their careers without tenure and, if subsequently tenured, they remain at that institution until retirement. At private universities, in contrast, faculty are nearly as likely to be appointed with tenure as to be promoted to tenure. At public universities, the pattern falls between these two. On average, hires with tenure take place at a later age (early 40s) than promotions to tenure (mid to late 30s), though the dispersion is such that the differ-
ences would not be judged statistically significant. Many of the hires with tenure take place at much later ages: 20 percent of these hires in private universities were at age 50 or older. These observations call into question the widely assumed replacement effect—that is, the expectation that relatively highly paid retiring faculty would be replaced by newly minted, untenured, and relatively lowly paid assistant professors. Instead, the retiree might be replaced by a newly hired but senior and possibly more distinguished and more highly paid faculty member. Even in cases where the new hire is newly minted, in many disciplines the market rate for the new hire may exceed the salary of a long-term faculty member.  

The PFR studies also found characteristic differences in mean retirement ages by type of institution: the age was highest in private universities and lowest in liberal arts colleges, with the age in public universities between these two. In both liberal arts colleges and public universities, mean retirement age tended to be lower in uncapped institutions. Regression analysis suggested that tenured faculty retire later (that is, at age 70 or later) when their positions are largely research, they have relatively light teaching loads, and they teach good students.

The proportion of faculty over age 70 depends largely on decisions made at earlier ages. An examination of the PFR's findings suggests that the proportion who will have the opportunity to choose to remain active beyond age 70 is likely to be quite small because the majority of faculty will have chosen to retire before that age. Indeed the retention rate in each age cohort was observed to drop sharply after age 65 in all institutional categories. Using a Markov model, it was possible to simulate the size and age structure of tenured faculty into the future under a variety of assumptions with respect to faculty retirement behavior and overall demand for faculty. This is a powerful form of analysis in which scenario design can sometimes substitute for complete information on actual behavior and thus is ideal for simulating the impact of uncapping ex ante. Even under the most extreme scenario that might result from conservative assumptions with respect to overall faculty growth—zero growth in tenured faculty—and a strong pattern of sharp aging in the ranks of the existing faculty (large increases in retention beyond the mandatory age)—a retention rate in the oldest cohort 50 percent higher than that observed historically in uncapped institutions—the PFR found little basis for concern in lost opportunities for new and/or minority faculty. Moreover even with these assumptions of severe aging of faculty, the model projections suggested that the proportion of faculty age 40 or less would be larger in 2004 than in 1989 and that the proportion of faculty over age 70 would be at most 1.9 percent.

The PFR review of surveys of faculty attitudes toward retirement provides further encouragement concerning the impact of uncapping. Retired faculty report high levels of satisfaction with retirement. Although the retirement decision is influenced by a number of different factors, the fact that
faculty identified their ability to perform their job up to their own expectations as an important influence on their retirement decisions suggests that relatively few faculty with declining vitality will cling to their jobs. The responses of two early retirees surveyed vividly illustrate this point:

In the last two or three years . . . I was not as satisfied with the intellectual exchange with students . . . I wasn’t learning much.

I originally thought I would retire at the mandatory age, but two or three years before I felt my energies decrease, so I decided to stop. (Rees and Smith 1991: 87)

In a world in which all retirement is voluntary, it is reassuring that faculty choose to retire when they no longer feel they can command the respect of their peers and their students. Nevertheless, the question remains whether such self-assessment is accurate. The findings of numerous studies of the relationship between chronological age and cognitive abilities, teaching effectiveness, and research activity confirmed that faculty can continue to perform and contribute well past the age of 70. Competition in the academic environment is such that the activity of some members of a department can and will stimulate activity among the remaining faculty. There is the question whether the contribution of such faculty provides sufficient incentive for the overall performance of each group of faculty. The comments of one of the administrators interviewed in the NRC study are encouraging in this regard:

I have found older professors very capable of stimulating younger faculty members. The older generation can contribute much to the development of the younger generation of professors. (college president in National Research Council 1991: 58)

Estimates of the Impacts of Uncapping: Ex Post

With experience under full federal uncapping, a number of analysts have begun to ask whether the ex ante expectations have been fulfilled. Many of the findings are still preliminary. Moreover, several of these studies focus on individual institutions and thus their findings are not directly comparable to the earlier analyses. Two address national data. The U.S. Department of Education (1997) analysis by Chronister, Baldwin, and Conley of data from the 1993 Survey of Postsecondary Faculty reports the retirement plans of faculty and staff in fall 1992, which is before uncapping took effect. Nevertheless their observations can be extrapolated to an uncapped environment, as over 95 percent of those surveyed were less than 65 years of age and would thus be uncapped. This extrapolation offers some confirmation for the ex ante expectations of the NRC and the PFR: Only 4.8 percent of the tenured faculty surveyed in 1992 report that they plan to work beyond age 70. However, there is also substantial uncertainty in this population: 19.1 percent indicate that they do not know at what age they plan to retire.
Ashenfelter and Card (1998) offer a preliminary analysis of an early wave of data from an exciting new database, the Princeton Retirement Survey. This survey will eventually provide a “retrospective panel,” merging administrative payroll data from a representative sample of individual colleges and universities with pension data from the TIAA-CREF system. These authors’ preliminary observations suggest some noticeable changes in behavior: a sharp decrease in the retirement rate of faculty who reach age 70 and a rise in the retirement rate of faculty at younger ages. Nevertheless, these findings do not raise concerns with respect to uncapping. The strong decrease in the retirement rate which Ashenfelter and Card report—whereas prior to 1994 they observed that two thirds of the faculty who reached the age of 70 would leave teaching within the next year, after 1994, they found that this proportion had fallen to less than one third—is analogous to the “sharp aging” scenario which the PFR simulated in a Markov model. Even with the assumptions of that scenario, the proportion of faculty over age 70 was still less than 2 percent. Moreover, the impact of this observed decrease in the retirement rate at age 70 is further diminished by Ashenfelter and Card’s finding of an increase in the retirement rate at younger ages: a smaller number of faculty remain to be able to make a decision to work beyond age 70.

Conclusion

It appears, then, that the data available so far for over five years of national uncapping suggest little change in the principal conclusions from earlier analyses. Uncapping itself does provide an additional benefit to the tenure contract but should not cause concern for the quality of higher education so long as institutions have reliable incentive and monitoring processes to ensure that tenured faculty maintain a record of good performance. The central issue is not whether faculty choose to remain beyond age 70 but rather how effective are faculty, regardless of age. In most institutions, these initial studies and what is known since suggest that relatively few faculty will choose to remain beyond age 70. The majority of those who do stay on will be vital contributors to the educational process. If, however, mandatory retirement was used in the past as a “civilized” substitute for such processes, uncapping may prolong problems of poor performance that probably began ten or more years before age 70.

It is likely that more faculty will remain beyond age 70 in premier research institutions where teaching loads are relatively light. Hence the important question is not how many faculty remain, but how effective are the faculty who do continue? Nevertheless uncapping does raise some concern with respect to increases in the cost of higher education. The principal alarm here is not a low replacement effect. Instead, it is the possibility that colleges and universities will introduce costly retirement incentive plans that soon become entitlements. Such plans can be highly effective in encouraging retire-
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ment, but they are also very expensive. They should be used very sparingly for specific target groups.

I am grateful for comments and suggestions from V. Kerry Smith. The views expressed here are the author’s and should not be attributed to the University as an institution. The author takes responsibility for all errors and omissions.

Notes

1. Exceptions were made to allow mandatory retirement in the case of the bona fide executive or high policymaker and in the case where age is a bona fide occupational qualification.

2. As part of the 1986 amendments to the ADEA, Congress called for the U.S. Equal Employment Opportunity Commission to ask the National Academy of Sciences to form a committee to conduct such a study. The committee’s findings were reported through the National Research Council in 1991 (National Research Council 1991). Because there was substantial delay in the provision of funding for the National Academy study, the Project on Faculty Retirement was formed through generous grants from the Andrew W. Mellon Foundation, the Carnegie Corporation of New York, and the William and Flora Hewlett Foundation. The late Albert Rees was director of the project and I was the associate director. Its work was guided by an advisory committee chosen by the American Association of University Professors, the Association of American Universities, the Consortium on Financing Higher Education, and the National Association of State Universities and Land Grant Colleges. Its findings were reported in Rees and Smith (1991).

3. For a more complete discussion of this legislative history, see Pratt (1989: 15–31).

4. The implicit assumption here is that senior faculty are relatively highly paid. With recent mounting national anxiety over the rising costs of higher education, the question of whether “uncapping” will exacerbate these costs has increased significance.

5. In particular, these choices were based on the institutions where the advisory committee anticipated that faculty would most likely postpone retirement—research institutions where teaching loads are relatively light and the research benefits of institutional attachment are relatively heavy—or where a decline in the vitality of any one individual faculty member has a relatively large impact on the overall quality of education at the institution—selective liberal arts colleges where the size of the faculty is small.

6. The comparison in the cost of the two different faculty members should be made on a per course or per student basis and should take account of any signing bonuses, as well as the value of reduced teaching loads and committee service. Moreover, the comparison may be compounded if the retiree provided regular offset to institutional overhead through outside grants and the new hire does not.

7. Retention rates were estimated for age cohorts in five-year intervals from data on five years of flows into and out of tenure in the sample institutions. The retention rate, which is net of inflows, was defined as one minus the outflow rate, that is, the outflows from the age cohort during a five-year period from all sources (resignation, retirement, death) as a percentage of the total population in the age cohort at the beginning of the period.

8. As noted, the PFR data are not a representative sample of all faculty in the
United States but rather are drawn from a sample of tenured faculty in research and doctorate-granting universities and selective liberal arts colleges. Nevertheless, data reported in “The American College Teacher” based on the 1998–99 Higher Education Research Institute (HERI) Faculty Survey are consistent with the PFR projections. These data are based on a survey of 33,785 faculty members at 378 colleges and universities (both tenured and nontenured) and have somewhat different age intervals than in the PFR study. The HERI data indicate that the proportion of faculty under age 40 is 19.5 percent—while the PFR projection for 1999 for faculty age 40 and under was 22 percent—and the proportion age 70 and over is 1.3 percent—while the PFR projection for 1999 for faculty over age 70 was 0.7 percent. The upper age interval of the HERI data includes individuals who would retire at age 70, a common age of retirement. These data thus give no indication that a large proportion of faculty is remaining beyond age 70.


10. See, e.g., Ashenfelter and Card (1998); Clark, Ghent, and Kreps (this volume); U.S. Department of Education (1997); and Ehrenberg, Matier, and Fontanella (this volume).

References


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