



Highlights of [GAO-05-620T](#), a report to Special Committee on Aging, U.S. Senate

REDEFINING RETIREMENT

Options for Older Americans

Why GAO Did This Study

In the 21st century our nation faces a growing fiscal imbalance. A demographic shift will begin to affect the federal budget in 2008 as the first baby boomers become eligible for Social Security benefits. This shift will increase as spending for federal health and retirement programs swells. Long-term commitments for these and other federal programs will drive a massive imbalance between spending and revenues that cannot be eliminated without tough choices and significant policy changes. Continued economic growth is critical and will help to ease the burden, but the projected fiscal gap is so great that it is unrealistic to expect that we will grow our way out of the problem. Early action to change existing programs and policies would yield the highest fiscal dividends and provide a longer period for prospective beneficiaries to make adjustments in their own planning. One of the potential policy changes is assisting older workers who want to stay in the workforce past retirement age.

The Chairman and Ranking Member of the Senate Special Committee on Aging asked GAO to discuss demographic and labor force trends and the economic and fiscal need to increase labor force participation among older workers. This testimony will address those factors making it important to encourage those who want to work to continue doing so, as well as factors affecting older Americans' employment decisions.

www.gao.gov/cgi-bin/getrpt?GAO-05-620T.

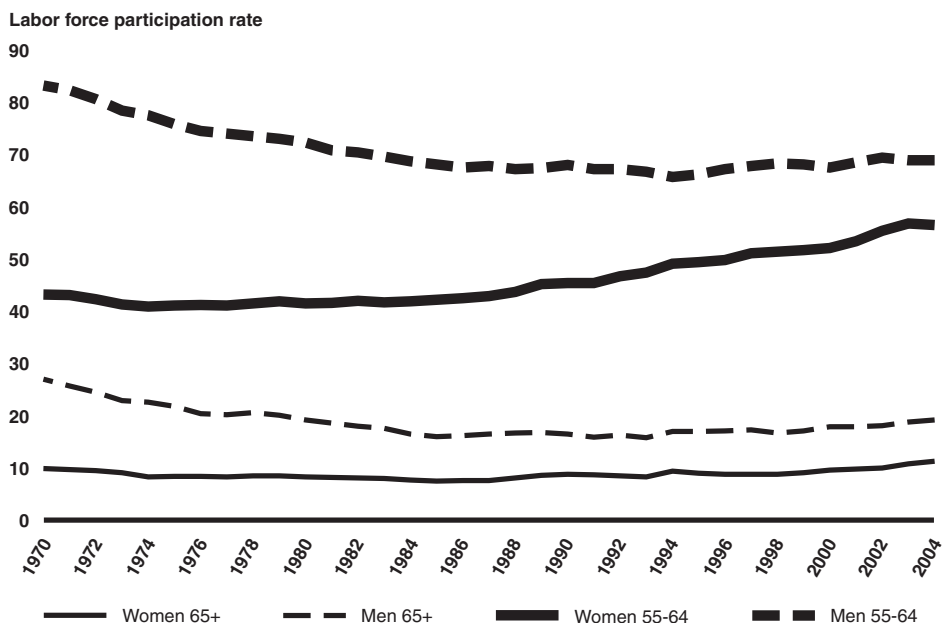
To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

What GAO Found

The aging of the baby boom generation (those born between 1946 and 1964), increased life expectancy, and falling fertility rates pose serious challenges for our nation. These trends will affect the size and productivity of the U.S. labor force and its output and will have real and important impacts on employers and the economy. With the impending retirement of the baby boom generation, employers face the loss of many experienced workers and possibly skill gaps in certain occupations. This could have adverse effects on productivity and economic growth. Furthermore, the expected increasing ratio of the elderly to those of working ages will place added pressure on Social Security and Medicare, both of which face long-term financial problems. Increasing the labor force by encouraging Americans to work longer may be one part of solutions to these problems.

Although some people can benefit by remaining in the labor force at later ages, others may be unable or unwilling to do so. For those who are able, there are many factors that influence their choices. These include the eligibility rules of both employer pension plans and Social Security, an individual's health status, the need for health insurance, personal preference, and the employment status of a spouse. The availability of suitable employment, including part-time work or flexible work arrangements, may also affect the retirement and employment choices of older workers.

Labor Force Participation Rate at Older Ages is Projected to Rise Slightly



Source: United States Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/data/home.htm>.