



Highlights of [GAO-08-372](#), a report to the Committee on the Budget, U.S. Senate

Why GAO Did This Study

Looking to the future, our nation faces large and growing structural deficits and escalating federal debt due primarily to rising health care costs and known demographic trends. Slowing the growth of entitlements is an essential part of the solution to these challenges.

GAO was asked to identify useful insights from the entitlement reform processes in other countries. Specifically, GAO was asked to analyze (1) other countries' major efforts to reform entitlement programs, (2) the pressure(s) that led countries to undertake the reforms, (3) how reform proposals were developed, and (4) to what extent enacted reforms built in triggers requiring future actions under certain conditions; and where such trigger mechanisms did not exist, whether some adjustments nonetheless occurred.

GAO conducted a literature review focusing on developed, high-income Organisation for Economic Co-Operation and Development (OECD) countries facing similar fiscal challenges. To gain a more in-depth understanding of reform process, GAO selected three efforts for further study: Sweden's pension reform in 1998, Germany's pension reform in 2004, and the Netherlands' disability reform in 2005. For these cases GAO interviewed government officials, reform participants, and experts knowledgeable about the reforms.

GAO is making no new recommendations in this report.

To view the full product, including the scope and methodology, click on [GAO-08-372](#). For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.

ENTITLEMENT REFORM PROCESS:

Other Countries' Experiences Provide Useful Insights for the United States

What GAO Found

Other countries' experiences suggest that reform of entitlement programs is difficult but also possible. Several countries more advanced in population aging and facing greater demographic challenges than ours have successfully undertaken reforms of major entitlement programs. Since the 1980s, almost all of the OECD countries have restructured their public pension programs; disability, unemployment, and other programs have also been reformed. Many reform efforts began or accelerated in an environment of economic and fiscal crisis. Other prompts included longer term concerns about population aging and economic competitiveness, and supranational factors such as a desire to meet the fiscal criteria for entry into the European Union. In many countries, reform occurred despite political processes that made it difficult. Consensus had to be built in coalition governments, and leaders had to work across parties to achieve a broad consensus for reform.

Commissions were generally used to develop proposals, but this was only one stage in the reform process. Leaders needed to define the problem, persuading others that reform was needed and urgent. The challenge was to build a broad coalition to assure the reform's permanency while preserving the main policy initiatives sought in the reform process.

- In some reform efforts political leaders used the "bully pulpit" to educate the public but in some cases commissions also helped. Achieving a broad consensus across parties and groups was key to enacting and sustaining reform.
- Proposals were generally developed by ad hoc commissions established by governments with a strong commitment to reform. Commissions in case study efforts that developed proposals were small, with varying composition. They removed divisive issues from the usual political process, facilitating consultation and negotiation needed to devise a reform package. Commissions also helped to insulate policymakers from political risk.
- Reform processes were generally complex and often conflict-ridden before they ultimately succeeded in enacting legislation. Many reforms were iterative. Following reform enactment, a need for additional changes sometimes emerged.
- In some countries standing commissions were established to monitor pension systems and make recommendations for change. Some recent pension reforms have included mechanisms to automatically adjust benefits if adopted reforms prove insufficient to make programs sustainable.