

Statement of Senator Gordon H. Smith
Ageing Hearing – Living Stronger, Earning Longer:
Redefining Retirement in
the 21st Century Workplace
April 27, 2005

- Thank you all for coming today. I would like to thank Senator Kohl for arranging today’s hearing on our aging workforce and how retirement may need to be redesigned to meet the needs of both older workers and their employers. I can’t think of a more important topic.
- We have two excellent panels of witnesses today and I look forward to a productive discussion.
- As the baby boom generation approaches retirement, significant changes will occur with respect to the makeup of the American workforce.
- According to the Census Bureau, the portion of the American population that is age 65 and older will increase from 12.3 percent in 2002 to 18.2 percent in 2025.
- Furthermore, the number of Americans between the ages of 55 and 64 will grow by about 11 million from 2005 to 2025. While the number of Americans between the ages of 25 and 54 – the age group with the highest labor force participation – will only increase by about 5 million during the same period.
- These trends may result in future labor shortages - which could hurt both the competitiveness of many American businesses and our economic growth as a whole.
- Furthermore, with the number of baby boomers that will be retiring shortly, we must also be concerned with the “brain drain” that may occur. Our workforce will be losing some of our most experienced workers – many of whom have skills that simply are not replaceable.
- The effects of these trends can be lessened if older workers decide to stay in the workforce longer. And it appears from recent data that this is occurring.
- For example, according to the Census Bureau, from 1995 to 2004, the percentage of 62 to 64 year old men employed in March of each year rose from 42 percent to 48 percent. There was even more growth with respect to women.
- In line with this trend of working longer, a 2004 AARP survey found that 79 percent of baby boomers plan to work in some capacity during their retirement years.

- There are a number of reasons why older workers decide to stay in the workforce longer. According to a 2005 AARP survey of individuals age 50 and older, the need for money was a major reason for working in retirement.
- As the Committee discussed earlier this month during its hearing on savings in the context of employer-sponsored retirement plans, the personal-savings rate in the United States has declined dramatically over the last two decades. Unfortunately, many Americans have not saved enough to retire without continuing to work.
- Beyond financial reasons, the AARP survey also found that the desire to stay mentally active, the desire to stay physically active, and the desire to remain productive or useful were also major reasons for working in retirement.
- As Americans are generally living longer and healthier lives, many are simply just not ready to fully retire at the traditional retirement age.
- In response to these trends, many employers have already implemented some best practices.
- For example, many employers offer elder care benefits and provide flexible work arrangements. One retail employer allows employees to work at their Florida stores during the winter and their stores in other areas of the country during the summer.
- Another solution that some employers have explored is phased retirement. Instead of fully retiring at a particular age, an individual “phases” into retirement – or simply leaves the workforce gradually. For example, an employee may transition from a full-time to a part-time position.
- According to the 2005 AARP survey, of all the working respondents, 38 percent indicated that they would be interested in participating in phased retirement. Of those workers who expressed interest in phased retirement, 78 percent expect that the availability of such a plan would encourage them to work past their expected retirement age.
- Therefore, implementing a phased retirement program may assist some employers in retaining their older workers.
- I would like to thank all of the witnesses for coming today to discuss this important issue. I look forward to hearing your testimony.