**Opening Statement**
**Senator Charles E. Grassley**
**Living Longer, Retiring Earlier:**
**Rethinking the Social Security Retirement Age**

Good afternoon. I would like to call this hearing to order. Today, we will begin to address one of the most important issues facing the long term solvency of the Social Security program -- what is the right age to begin paying benefits to workers?

In 1935, the designers of the Social Security program picked the age of 65 as the age of eligibility. Apparently, based more on precedent than an analysis of what the age should be. One clue is that this was the age used by many states that had instituted old-age assistance programs, and in some foreign social insurance programs.

Now, it is 1998 and over the last 50 years, our society has changed dramatically. We had the benefit of a young, well-educated workforce thanks to the baby boomers. Payroll taxes on their wages helped fuel a relatively healthy financial picture for the Social Security program in its infancy and adolescence. But with gains in longevity, decreases in fertility, and the baby boom generation on the brink of retirement -- the future financial picture isn't so good. In fact, the outlook is pretty gloomy.

We often hear the statistic that when Social Security first began, there were 40 workers paying in for each retiree. But in the not too distant future, we will have only 2 workers paying in for each retiree.

As more and more people enter their Golden Years, our workforce will begin to show its age. As the baby boomers begin knocking on the door at their local Social Security office, we wonder how this small working age population can support such a large number of retirees.

The retirement behavior of our workers will be one of the most important dilemmas we face in addressing the financial problems of Social Security.

Social Security has been a major influence in changing retirement patterns. When Social Security benefits became available at an earlier age -- age 62 in 1961 -- there was a strong incentive for people to leave their careers and retire or go into semi-retirement. As this chart shows, labor force participation rates for Americans -- mainly men -- have dropped sharply despite the gains in longevity and health. For these people, money talks.

We enjoy increased longevity and healthier lives so many policy makers have suggested that we delay the payment of Social Security retirement benefits. Delaying benefits for a short time can have a very positive impact on the solvency of the system.

But we also want to focus discussion on the negative impacts of an increase in the retirement age. As we will hear from our first two witnesses, there will be some workers who are at greater risk of poverty if the age was increased. There will also be an impact on the number of people eligible for the Disability Insurance program.

We also need to consider what jobs will be available for older workers. In today's economy, the job market for older workers is there, but it isn't very big. Will there be jobs for the 65- 69 year olds if we increase the retirement age? What strategies need to be implemented to encourage our nation's employers to hire and retain older workers? What supports might be necessary to help the workers who might be especially at risk? --those with little post-secondary education, for example.

I hope that this hearing will trigger additional discussion about how we can help encourage a more flexible workplace. Flexibility can help get a job for the older worker who may have to wait a few months or even years until Social Security benefits kick in. That lost income will need to be replaced somehow. It is unlikely that personal savings will fill the gap if current trends continue. There are already Americans working longer because they haven't saved. As many of us involved in the SAVER initiative understand, many people are not on track toward saving for retirement. Addressing the shortage of savings, and closing the income gap that could widen with additional increases in the retirement age-- must be part of our solution to address the insolvency of Social Security.