



For Immediate Release
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Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Economic Impact of More Americans Choosing to Work During Retirement
(as prepared for delivery)

George Burns, who worked until he was 100, said of retirement: "Retirement at 65 is ridiculous. When I was 65, I still had pimples."

Today, we'll talk about people who want to work beyond retirement age. And we'll talk about how those folks' decisions affect Social Security.

When it comes to Social Security, folks often say that there are only two ways to improve solvency: cutting benefits or raising taxes.

Neither is easy. And each has drawbacks.

Fortunately, there are other ways. And these ways don't involve cutting benefits or raising taxes.

For example, there's the tax gap. The tax gap is the difference between what taxpayers owe and what they actually pay. Currently, there's a gap of about \$58 billion each year between Social Security and Medicare payroll taxes that are owed and the taxes that are paid. We have to do more to collect the tax gap.

And today, we are going to look at another idea for improving Social Security and Medicare solvency, without raising taxes or cutting benefits.

We are going to look at facilitating work by people who want to resume work after they retire from their full-time jobs, or who want to phase down their work before retiring.

Folks are making these employment arrangements already. Today, we'll examine whether we can make it easier for these arrangements to happen.

If we could increase the number of people over 62 who are working by just 10 percent, we could reduce Social Security's long-run actuarial imbalance by about five percent. We would also reduce the Medicare Trust Fund's long-run imbalance by about two percent. And an increase in the number of these workers would increase federal and state income tax revenues as well.

There are many ways that these workers can continue to work voluntarily. All of these methods are loosely called “phased retirement.”

Workers can reduce their hours of work at their principal job, or work only seasonally. Their current firm can rehire them after they have retired for a period of time. Workers can go to work in another career or occupation. Or they can do their current kind of work at a different firm.

One example is called “encore careers.” These are jobs for workers who want to start a new career doing something for the benefit of society. That job might be as a nurse, or as a hospital worker, or as a teacher, or as a social worker, or as one of countless other positions.

From the employer’s perspective, there can also be advantages to hiring someone who has already retired, or allowing for a phase-down of work before retirement.

These workers bring a wealth of experience and good work habits. They can be well suited to help training or mentoring of new employees. And some organizations have very seasonal work patterns or temporary workloads, and are looking for workers who want to work only part-time or seasonally.

Let me be clear. We are not talking about requiring people to work more hours, or pressuring people to work. We are talking about additional work that is voluntary.

Unfortunately, some workers today are finding that they need to work longer than they want, just to make ends meet. In a sense, these folks are not working longer voluntarily.

But phased retirement can help them as well. Phased retirement can give them more job options.

So increasing phased retirement possibilities can be a winning proposition. Employees can have more choices. Employers can more easily meet their workforce needs. And the lives of the Social Security and Medicare trust funds can be extended.

So let us look at folks who want to work, after normal retirement years. Let us examine whether we can help workers and businesses to have more choices. And let us see whether we can help out Social Security and Medicare in the bargain.

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