

# GAO Highlights

Highlights of [GAO-19-16](#), a report to the Special Committee on Aging, U.S. Senate

## Why GAO Did This Study

In response to an aging workforce, countries around the world have developed policies to encourage older workers to work longer to improve the financial sustainability of national pension systems and address shortages of skilled workers. Phased retirement is one option that can be used to encourage older workers to stay in the workforce. GAO was asked to look at phased retirement programs in the United States and other countries. In June 2017, GAO issued a report (GAO-17-536) that looked at phased retirement in the United States, where formal phased retirement programs are as yet uncommon. This report looks at phased retirement in other countries.

Specifically, GAO examined (1) the extent to which phased retirement exists in other countries with aging populations, (2) the key aspects of phased retirement programs in selected countries, and (3) the experiences of other countries in providing phased retirement and how their experiences can inform policies in the United States.

GAO analyzed relevant data, reviewed academic research, and conducted interviews to identify countries with phased retirement, and selected four countries with national policies permitting phased retirement programs with broad coverage for case studies. GAO also conducted interviews with government officials, unions, employer associations, and other experts.

## What GAO Recommends

GAO is not making recommendations in this report.

View [GAO-19-16](#). For more information, contact Charles Jeszeck at (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov)

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## OLDER WORKERS

### Other Countries' Experiences with Phased Retirement

## What GAO Found

GAO's review of studies and interviews with employment and retirement experts identified 17 countries with aging populations and national pension systems similar to the Social Security program in the United States. These countries also have arrangements that allow workers to reduce their working hours as they transition into retirement, referred to as "phased retirement." Phased retirement arrangements encourage older workers who might otherwise retire immediately to continue working, which could help alleviate pressures on national pension systems as well as address labor shortages of skilled workers. The 17 countries had established phased retirement programs in different ways: at the national level via broad policy that sets a framework for employers; at the industry or sector level; or by single employers, often through the collective bargaining process.

GAO's four case study countries—Canada, Germany, Sweden, and the United Kingdom (UK)—were described as employing various strategies at the national level to encourage phased retirement, and specific programs differed with respect to design specifics and sources of supplemental income for participants. Canada and the U.K. were described as having national policies that make it easier for workers to reduce their hours and receive a portion of their pension benefits from employer-sponsored pension plans while continuing to accrue pension benefits in the same plan. Experts described two national programs available to employers and workers in Germany, with one program using tax preferences. Experts also said Sweden implemented a policy in 2010 that allows partial retirement and access to partial pension benefits to encourage workers to stay in the labor force longer.

Even with unique considerations in the United States, other countries' experiences with phased retirement could inform U.S. efforts. Some employer-specific conditions, such as employers offering employee-directed retirement plans and not being covered by collective bargaining are more common in the United States, but the case study countries included examples of designs for phased retirement programs in such settings. Certain programs allow access to employer-sponsored or national pension benefits while working part-time. For example, experts said the U.K. allows workers to draw a portion of their account based pension tax-free, and one U.K. employer GAO spoke to also allows concurrent contributions to those plans. In addition, experts said that certain program design elements help determine the success of some programs. Such elements could inform the United States experience. For instance, U.S. employers told us that while offering phased retirement to specific groups of workers may be challenging because of employment discrimination laws, a union representative in Germany noted that they reached an agreement where employers may set restrictions or caps on participation, such as 3 percent of the workforce, to manage the number of workers in the program. Employers in the U.S. could explore whether using a similar approach, taking into consideration any legal concerns or other practical challenges, could help them to control the number of workers participating in phased retirement programs.