



Highlights of [GAO-03-307](#), a report to the Ranking Minority Member, Special Committee on Aging, United States Senate

Why GAO Did This Study

In recent years, the challenges of aging populations have become a topic of increasing concern to the developed nations. These challenges range from the fiscal imbalance in national pension systems caused by fewer workers having to provide benefits for greater numbers of retirees, to potential economic strains due to shortages of skilled workers. Part of the solution to these challenges could be greater older worker labor force participation.

GAO identified three nations—Japan, Sweden, and the United Kingdom—that had displayed high levels of older worker labor force participation in the past and were now implementing policy reforms that continued to emphasize the importance of older workers. The experiences of these nations suggest that the nature of the reforms, the public availability and transparency of information on the reforms, and the strength of the national economy play key roles in extending older worker labor force participation.

www.gao.gov/cgi-bin/getrpt?GAO-03-307.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

OLDER WORKERS

Policies of Other Nations to Increase Labor Force Participation

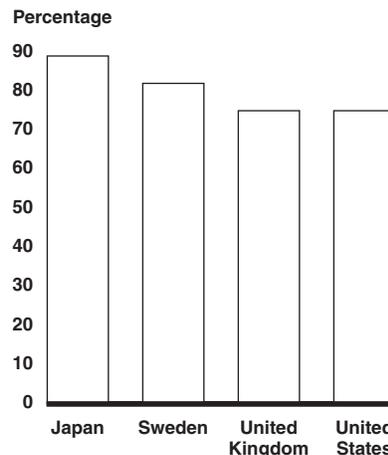
What GAO Found

The retirement policy reforms in Japan, Sweden, and the United Kingdom are expected to lead to higher labor force participation of older workers.

- Japan is facing the most severe aging trend of the nations GAO studied, as its median population age is projected to be 28 percent higher than the United States in the coming decades. In response, Japan has enacted substantial benefit cuts to its national pension system by raising the eligibility age and reducing benefit levels to maintain fund solvency. Due to these changes, some Japanese workers will have to work to later ages.
- Sweden undertook the most significant reform by changing the structure of its national pension system from a traditional pay-as-you-go defined benefit plan, like the U.S. Social Security program, to a system where participants' benefits are more in line with their contributions. These reforms are expected to extend workers' careers by rewarding longer labor force participation with higher benefits. The system also incorporates flexibility by automatically adjusting benefits to changes in the economy and life expectancy to preserve financial stability.
- The United Kingdom will phase-in an increase in the women's national pension eligibility age so that it will be equal to the higher male age of 65. It also revised its benefit formula to raise the annual incremental increase for those who defer drawing their pension benefits. These changes either reward continued employment or discourage earlier retirement, and thus may promote continued labor force participation.

However, although incentives to work to later ages have been created through reforms to their national and employer provided pension systems, officials from each nation stressed that these policy changes must be accompanied by labor market reforms and economic growth to provide job opportunities to older workers if they are to be effective.

Labor Force Participation Rates for Men Age 50 to 64, 2000



Source: Economically Active Population 1950-2010, 4th Edition, Rev. 2, International Labour Organization, Geneva, 2002.