

GAO Highlights

Highlights of [GAO-17-536](#), a report to the Special Committee on Aging, U.S. Senate

Why GAO Did This Study

As the large baby boomer generation retires, the workforce will lose much of their knowledge and experience. Encouraging phased retirement, in which older workers reduce their work hours with their current employer to transition into retirement, has been cited by retirement experts as one way to mitigate this loss. GAO was asked to review the work patterns of older Americans and phased retirement programs.

In this report, GAO examines (1) recent trends in the labor force participation of older workers, (2) the extent to which employers have adopted phased retirement programs and what type of employers offer them, and (3) what challenges and benefits, if any, exist in designing and operating phased retirement programs.

GAO analyzed data from two nationally representative surveys, the Health and Retirement Study (2004-2014) and the Current Population Survey (2005-2016); reviewed relevant federal laws and regulations; conducted a literature review; and interviewed 16 experts on retirement and 9 employers who offer or considered offering phased retirement programs. While phased retirement programs exist in both the private sector and government, this report focuses on private sector programs.

What GAO Recommends

GAO is not making recommendations in this report.

View [GAO-17-536](#). For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeck@gao.gov.

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OLDER WORKERS

Phased Retirement Programs, Although Uncommon, Provide Flexibility for Workers and Employers

What GAO Found

Participation of older workers in the labor market has increased in the last decade, according to GAO analysis. Further, most individuals ages 61 to 66 who were still working maintained a full-time work schedule. However, although about a quarter of workers in this age group had planned to reduce hours as they transitioned to retirement, fewer than 15 percent subsequently reported being partly retired or gradually retiring from their career jobs.

While no nationally representative data on the prevalence of phased retirement exist, GAO's review of studies and interviews with retirement experts indicate that formal phased retirement programs are relatively uncommon. Of those that are offered, they are more common among employers with larger or technical and professional workforces, such as education, consulting, and high-tech, according to studies GAO reviewed (see table). Nine of 16 experts GAO interviewed explained that industries with skilled workers or with labor shortages are motivated to offer phased retirement because their workers are hard to replace.

Estimated Percentage of Society for Human Resource Management Members with Formal Phased Retirement Programs, by Industry

Industry	Estimated Percentage Within Select Industry
Education	12%
Utilities	10%
Consulting	7%
High Tech	7%
All Industries	5%

Source: Society for Human Resource Management 2016 survey data | GAO-17-536

Formal phased retirement programs present design and operational challenges for employers, including compliance with provisions and laws related to discrimination, according to publications GAO reviewed and experts and employers GAO interviewed. For example, in one study GAO reviewed, 71 percent of large employers agreed that regulatory complexities and ambiguities involving federal tax and age discrimination laws impact their ability to offer phased retirement programs. Experts and employers said programs that target highly skilled workers, who are often highly paid, could violate rules that allow for favorable tax treatment that generally prohibit qualified pension plans from favoring highly compensated employees. Despite these challenges, most employers GAO interviewed who reported having phased retirement programs found them beneficial. For example, eight of the nine employers GAO interviewed said they were able to address various design and operational challenges and cited program benefits related to worker retention, knowledge transfer, transition into retirement, and workforce planning.