

# Delayed retirement among Americans may bolster future of Social Security and Medicare, study finds

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An unprecedented upturn in the number of older Americans who delay retirement is likely to continue and even accelerate over the next two decades, a trend that should help ease the financial challenges facing both Social Security and Medicare, according to a new RAND Corporation study.

While government projections suggest the number of older Americans who remain employed is likely to plateau over the coming decade, RAND researchers say a more likely scenario is that the increase in delaying retirement that began in the late 1990s is likely to gain speed.

Because the trend holds broad benefits for the nation, lawmakers may want to consider reforms that would dismantle barriers that discourage some older people from remaining employed and even consider changes that would encourage employers to hire [older workers](#).

"Changes in pensions, longer [life expectancy](#), less disability at older ages and more women in the workforce are all trends that are gaining momentum and are likely to cause more Americans to delay retirement," said Julie Zissimopoulos, study co-author and an economist at RAND, a nonprofit research organization. "Even without new policy changes to encourage the behavior, there are good reasons to conclude that the trend will be propelled forward."

In a report published in the *Journal of Economic Perspectives*, RAND researchers examine a wide array of evidence that suggests that delayed retirement or partial retirement are likely to increase and discuss the many ways that the tectonic shift in work patterns may benefit the United States.

The nation's population is growing older as Baby Boomers reach [retirement age](#), leaving proportionately fewer people in the workforce to pay taxes and support the social programs that provide a safety net to older Americans. Longer work lives for many Americans will help to ease that imbalance and the financial stress it puts on Social Security and Medicare, according to researchers.

After more than a century of decline, the number of older American men and women in the workforce began to rise modestly during the 1990s. While about 17 percent of Americans aged 65 to 75 were employed in 1990, the proportion is expected to rise to 25 percent in 2010. A jump in employment among those aged 75 and older also has been seen.

Despite the steady increase in employment among older Americans, the federal Bureau of Labor Statistics predicts the trend will begin to flatten this year for men aged 65 to 74 and by 2020 for men age 75 and older. The agency predicts a similar plateau for women beginning in 2020.

But RAND researchers say the forces that are causing people to delay retirement or reenter the workforce are strong enough to propel the current trend forward until at least 2030.

A principal reason why retirement rates have dropped is because of an evolution in the skill composition of the nation's workforce, according to the study. As American workers have gained more education, they have achieved jobs that are more fulfilling, they face fewer physical demands in the workplace and they are paid more for their efforts.

Adding to this phenomenon is the rise in the number of dual-earner families. Since couples tend to retire together and men often are older than their

spouse, men may stay in the work force longer to accommodate their wives' work lives, according to the study.

Provided by RAND Corporation

While there have been several changes made to Social Security that encourage people to work longer, researchers say those changes appear to be a secondary force behind the trend observed thus far.

"More older Americans are extending their work lives both because they want more income and because their improved health allows a longer work life," said report co-author Nicole Maestas, a RAND economist. "Further encouraging longer work lives may prove beneficial to both individuals and the nation as a whole."

Additional incentives are on the horizon that may fuel the future growth of the number of older Americans delaying retirement.

Changes to Social Security that delay full benefits from age 65 to age 67 will not be fully in force until 2022, and there have been discussions about further extending the threshold as well. In addition, as labor force participation among younger women has risen over time, women have become increasingly likely to qualify for [Social Security](#) benefits on their own work record. As a result, women now more than ever face direct incentives to extend their work lives in order to qualify for higher benefits.

In addition, as people live longer more Americans may need to extend their work lives to accumulate wealth to provide for their needs during old age.

Researchers say that lawmakers may want to consider policies that would further aid older Americans who want to delay retirement. Such measures include eliminating measures in some pension plans that penalize recipients who continue working and improving the public's understanding of retirement and pension rules.

"We should consider removing the disincentives to delaying [retirement](#) and let people make the decision about whether they want to remain in the work force or not," Zissimopoulos said.

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