

Experience Matters: Seniors and the Workforce

Testimony Before the

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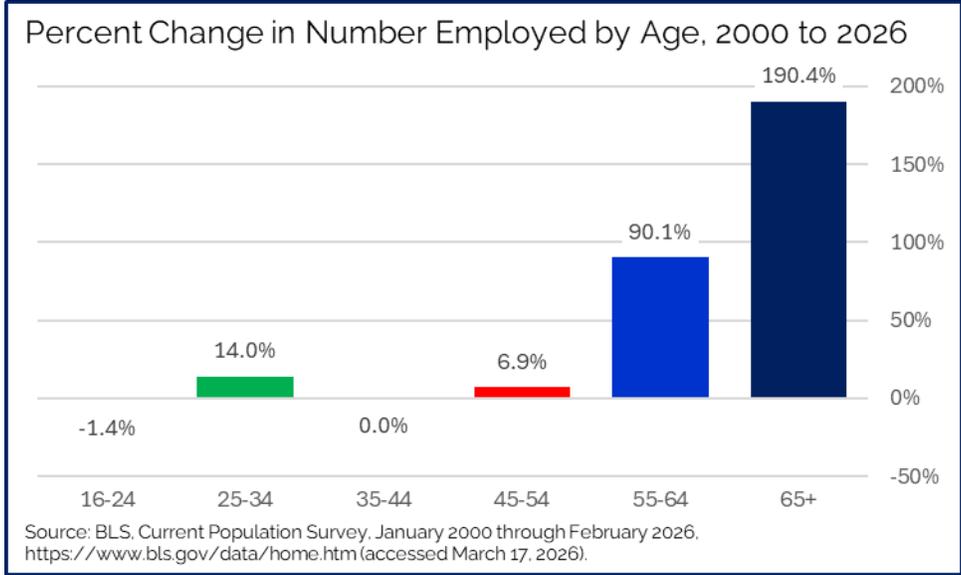
My name is Rachel Greszler. I am a senior research fellow in workforce and economics at Advancing American Freedom and a visiting fellow in workforce at the Economic Policy Innovation Center. The views I express in this testimony are my own and should not be construed as representing any official position of Advancing American Freedom or the Economic Policy Innovation Center.

In my testimony today, I will consider the profound demographic and workforce shifts the United States is undergoing, the benefits of older Americans' continued labor force participation, and the policy changes needed to remove barriers and expand flexible work options for older Americans.

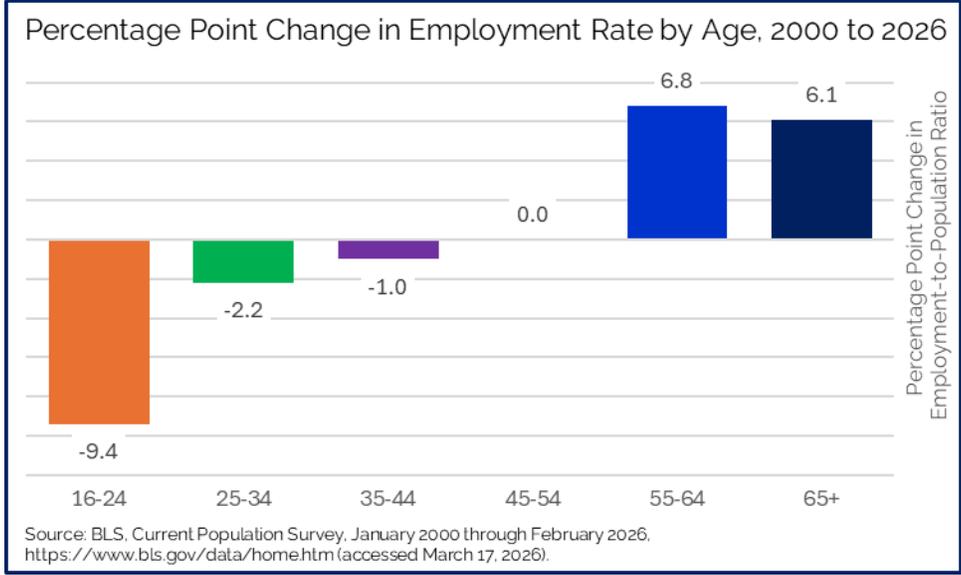
Older Americans Are the Fastest Growing Segment of the U.S. Labor Force

Older Americans account for over three-quarters of the total employment gains since the turn of the 21st century. Out of a total increase in employment of 26.4 million people since 2000, individuals ages 55 and older account for 20.1 million of those employment gains.¹

¹ BLS, Current Population Survey, January 2000 through February 2026, <https://www.bls.gov/data/home.htm> (accessed March 17, 2026).



In part, this is due to the aging of the baby boomer generation, who are currently between ages 62 and 80. But even accounting for changes in population—by examining employment-to-population ratios, or employment rates—older Americans have experienced the biggest gains in employment. Since 2000, the overall employment rate of Americans (ages 16+) has declined by 5.3 percentage points, from 64.6 percent in 2000 to 59.3 percent today, but without increased employment among older Americans, that decline would have been even larger.



Younger Americans ages 16 to 24 have experienced the biggest decline, falling 9.4 percentage points from 59.7 percent in 2000 to 50.3 percent today. Other age groups experienced progressively smaller declines, with no change in the employment rate of individuals ages 45 to 54. Meanwhile, the employment rate of individuals ages 55 to 64 increased by 6.8 percentage points, from 57.6 percent in 2000 to 64.4 percent today, and the employment rate of individuals ages 65 and older

increased by 6.1 percentage points, from 12.1 percent in 2000 to 18.2 percent today.² Without this increase in older Americans' employment, our nation's economic output, our workplace culture, and social cohesion would all suffer.

We Need Older Workers Now More Than Ever

The sheer magnitude of the older population is reason enough to need their continued participation in the workforce. Between 1950 and 2026, the number of people ages 55 and older has quadrupled, from 24.6 million in 1950 to 104.9 million in 2026.³ As a share of the population, the 55+ age group has nearly doubled, from about 16 percent in 1950 to almost 30 percent today.⁴ The aging of the baby boomers has coincided with a significant decline in fertility that began around 2008 in the U.S. Consequently, seniors (ages 65+) will outnumber children for the first time in history beginning in 2034.⁵

As noted above, while older Americans' employment has increased, younger Americans' employment has declined significantly. This is particularly troubling considering that early employment imparts skills, experience, and habits that are foundational to future success. The increasingly screen-infused world in which today's young people have grown up is proving particularly harmful to children and young adults, leading to a decline in personal characteristics that contribute to success in school, work, relationships, and overall well-being.

Now, perhaps more than ever, younger Americans would benefit from spending more time interacting with and learning from older Americans. For generations, older people have been stewards of families, communities, and cultural memories—providing perspective, wisdom, and connections that strengthen the fabric of society. In the workplace, older Americans play an important role by sharing decades' worth of wisdom and experience, passing on institutional knowledge and practices, and mentoring younger workers. Of particular importance today is older Americans' ability to impart a strong work ethic to younger generations, to set examples of working amicably and collaboratively with others, and to demonstrate soft skills like punctuality, clear communication, and respect.

From many employers' perspectives, older Americans' value in the workplace increases over time. While this was less true historically, when many jobs—such as farming and manufacturing—were

² Ibid.

³ Federal Reserve Bank of St. Louis, "Population Level: 55 Yrs. & over," <https://fred.stlouisfed.org/series/LNU00024230> (accessed March 17, 2026).

⁴ Federal Reserve Bank of St. Louis, "Population Level," <https://fred.stlouisfed.org/series/CNP16OV> (accessed March 17, 2026)

⁵ Jonathan Vespa, Lauren Medina, and David M. Armstrong, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," U.S. Census Bureau, issued March 2018, revised February 2020, <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf> (accessed March 20, 2026).

physically demanding, in our increasingly service- and technology-driven economy, older Americans bring more experience and higher retention rates.

“Unretiring” And Transitional Retirement Are Increasingly Common

Historically, retirement was a one-time event. Most individuals moved abruptly from decades of regular 40-hour work weeks to full retirement with no paid work. Today, a third or more of people who formally retire end up “unretiring” and returning to work—often in a reduced or different capacity. Moreover, the expansion of independent or freelance work has enabled an increasing number of older Americans to transition from formal employment into more flexible self-employment. According to *Freelancing in America’s 2023* report, 26 percent of Baby Boomer professionals and 38 percent of Silent Generation professionals performed independent work in 2023.⁶

Research from Professor Nicole Maestas indicates that nearly half of Americans follow a nontraditional retirement path, including partial retirement and “unretirement.”⁷ While unexpectedly “unretiring” can be the result of financial hardship, the overwhelming majority of nontraditional retirement is driven by a desire to remain active and engaged, and to pursue purpose.⁸ As more older Americans chooses non-traditional retirement paths by remaining in or returning to the workforce, it is important that government policies not penalize them for returning to work or remaining productively engaged.

Give Older Americans the Freedom to Work by Eliminating Social Security’s Retirement Earnings Test

Social Security’s little-known and misunderstood Retirement Earnings Test imposes an enormous perceived penalty on certain older Americans’ work by creating effective marginal tax rates as high as 84 percent.⁹ Most people do not know of or understand Social Security’s retirement earnings test, and therefore they do not consider it when deciding when to start collecting Social Security benefits. But when working beneficiaries get hit with the retirement earnings test—and have up to 100 percent of their Social Security benefits taken away—they are typically first confused, and then often alter their work in response to the test.

⁶ Upwork, “Freelance Forward 2023,” December 12, 2023, <https://www.upwork.com/research/freelance-forward-2023-research-report> (accessed March 17, 2026).

⁷ Nicole Maestas, “Back to Work: Expectations and Realizations of Work after Retirement,” *Journal of Human Resources*, 2010 Summer;45(3):718–74. Available for download at:

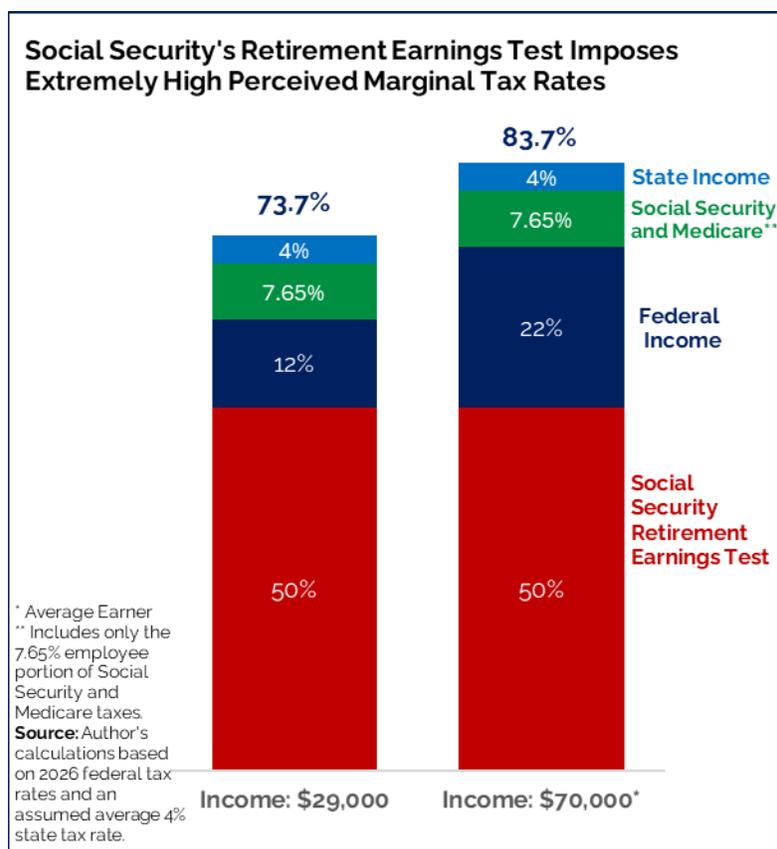
<https://pmc.ncbi.nlm.nih.gov/articles/PMC4004604/> (accessed March 17, 2026).

⁸ Rachel Greszler, “America’s Retirees: Comfort or Crisis? Current Retirees Are Doing Better than Ever, but Threats Loom for Younger Generations,” Heritage Foundation *Backgrounder* No. 3911, June 4, 2025, <https://www.heritage.org/sites/default/files/2025-06/BG3911.pdf>.

⁹ Rachel Greszler, “Ending the Retirement Earnings Test: A Pro-Growth Proposal to Cut Social Security Taxes and Improve Program Solvency,” Heritage Foundation *Backgrounder* No. 3877, March 3, 2025, <https://www.heritage.org/budget-and-spending/report/ending-the-retirement-earnings-test-pro-growth-proposal-cut-social>

When Social Security first began during the Great Depression in 1935, there was a desire to get older workers out of the labor force to reduce competition for jobs among younger workers. Consequently, Social Security originally prohibited people from receiving benefits if they had any earnings. Over time, Social Security’s retirement earnings test has been modified to allow certain Social Security beneficiaries to earn modest amounts without a reduction in their benefits.

Today, Social Security’s retirement earnings test applies to Social Security recipients who are between Social Security’s earliest retirement age (62) and full retirement age (66 and 10 months in 2026).¹⁰ If those individuals work and earn more than \$24,480, their Social Security benefits are reduced by \$1 for every \$2 they earn over the \$24,480 limit. Although retirees can later recoup some or all of the money taken out of their Social Security benefits by the retirement earnings test, most people do not realize this, and the test is perceived as an additional 50 percent tax.



This results in extremely high marginal tax rates, including 73.7 percent for a Social Security beneficiary who earns \$29,000 and 83.7 percent for a beneficiary with average earnings of

¹⁰ The test applies to individuals who are below Social Security’s full retirement age, which has been increasing from age 65 for individuals born in 1937 or earlier, to age 67 for individuals born in 1960 or later. For individuals retiring in 2026, the full retirement age is 66 and 10 months. Beginning in 2027, the full retirement age for new beneficiaries will be 67.

\$70,000.¹¹ Not surprisingly, these high perceived marginal tax rates cause many of those affected by the retirement earnings test to work and earn less than they would otherwise choose. Many studies, including multiple ones conducted by the Social Security Administration, find that the retirement earnings test significantly reduces older Americans’ work below what they would otherwise choose.¹²

Moreover, while the retirement earnings test’s recalculation of benefits beginning at individuals’ full retirement ages is meant to refund all of recipients’ lost benefits, differences in life expectancy mean that some people do not live long enough to recover even close to what the retirement earnings test took away from them while others who live longer can recover more than was taken. For example, only 49 percent of Black men live to age 70, compared to 88 percent of Asian women.¹³ Differences in life expectancy by sex, race, and income can cause the retirement earnings test and Social Security as a whole to exacerbate wealth inequality by preventing individuals who die earlier from passing on what they paid into and never received back from Social Security.

Economic Effects. Using evidence of labor supply effects from past studies, I estimate that removing Social Security’s retirement earnings test could increase the U.S. labor force by up to 1 million older workers. That additional work would increase older Americans’ incomes, modestly reduce poverty among seniors, potentially improve physical and mental health, help to fill labor shortages, increase economic output, boost government revenues by up to \$18 billion per year, and modestly improve the solvency of the Social Security and Medicare programs.

Impact on Workforce, Earnings, and Tax Revenues from Eliminating the Retirement Earnings Test							
RANGE OF ESTIMATES							
Percentage Point Increase in Labor Force	Additional Workers (ages 62-66)	Earnings	Social Security Revenues	Medicare Revenues	Federal Income Tax Revenues	State Income Tax Revenues	Total Annual Revenues
0.008	165,595	\$10,541,264,605	\$1,307,116,811	\$305,696,674	\$843,301,168	\$421,650,584	\$2,877,765,237
0.035	724,479	\$46,118,032,646	\$5,718,636,048	\$1,337,422,947	\$3,689,442,612	\$1,844,721,306	\$12,590,222,912
0.05	1,034,970	\$65,882,903,781	\$8,169,480,069	\$1,910,604,210	\$5,270,632,302	\$2,635,316,151	\$17,986,032,732

Source: Rachel Greszler, "Ending the Retirement Earnings Test: A Pro-Growth Proposal to Cut Social Security Taxes and Improve Program Solvency," Heritage Foundation *Backgrounder* No. 3877, March 3, 2025, <https://www.heritage.org/sites/default/files/2025-03/BG3877.pdf>. Author's calculations based on federal income tax rates for 2025, an assumed average state income tax rate of 4 percent, and average weekly earnings as of December 2024 (which translate to \$63,657 per year).

¹¹ Author’s calculations based on 2026 federal tax rates for a single person ages 62-64. Average income of \$70,000 is based on the most recent National Average Wage Index level of \$69,864.57 for 2024: Social Security Administration, “National Average Wage Index,” <https://www.ssa.gov/oact/cola/AWI.html> (accessed March 19, 2026).

¹² Anya Olsen and Kathleen Romig, “Modeling Behavioral Responses to Eliminating the Retirement Earnings Test,” *Social Security Bulletin*, Vol. 73, No. 1 (2013), <https://www.ssa.gov/policy/docs/ssb/v73n1/v73n1p39.pdf> (accessed March 18, 2026); Steven J. Haider and David S. Loughran, “The Effect of the Social Security Earnings Test on Male Labor Supply: New Evidence from Survey and Administrative Data,” *Journal of Human Resources*, Vol. 43, No. 1 (February 2008), pp. 57–87, https://www.researchgate.net/publication/24142180_The_Effect_of_the_Social_Security_Earnings_Test_on_Male_Labor_Supply_New_Evidence_from_Survey_and_Administrative_Data (accessed March 18, 2026).

¹³ CDC, “United States Life Tables, 2023,” National Vital Statistics Report, Vol. 74, No. 6, July 15, 2025, <https://www.cdc.gov/nchs/data/nvsr/nvsr74/nvsr74-06.pdf> (accessed March 18, 2026).

These positive economic (and cultural) benefits would come from freeing older Americans to work as much or as little as they would like without significantly penalizing them through reduced Social Security benefits.

Simplicity for Retirees and the Social Security Administration. The retirement earnings test is an administrative hassle and source of confusion for the Social Security Administration and Social Security beneficiaries. Confusion about Social Security’s retirement earnings test increases the number of calls and in-person visits to the Social Security Administration (SSA). Eliminating the Retirement Earnings Test would eliminate all the confusion and inquiries among seniors whose benefits are affected by the test.

Eliminating the test would also save the Social Security Administration significant time and money and increase the accuracy of benefit payments. According to a February 2024 letter from the SSA’s Office of the Inspector General, “In FY 2021, SSA spent approximately \$70 million in administrative costs to enforce the earnings test.”¹⁴ The test requires that the SSA monitor the earnings of approximately 5 million beneficiaries who receive early retirement benefits and thus could be subject to the retirement earnings test, and to begin withholding \$1 in Social Security benefits for every \$2 an individual earns over the \$24,480 threshold. In 2019, about 520,000 Social Security recipients had their benefits reduced or eliminated as a result of the earnings test.¹⁵

Since the retirement earnings test limit is based on annual earnings and benefit adjustments are based on monthly earnings, this can lead to frequent errors that must be reconciled later. According to the 2024 letter from the SSA’s Office of the Inspector General, the SSA:¹⁶

- *inaccurately calculated approximately 47,000 of the 294,000 earnings-test overpayments established in FY 2021, totaling more than \$148 million;*
- *inaccurately paid approximately 9,000 beneficiaries approximately \$29 million based on estimated earnings that were more or less than their actual earnings; and*
- *did not timely pay approximately 176,000 beneficiaries approximately \$81 million in monthly benefit increases., the SSA issued 294,000 earnings-test overpayments*

Eliminating the retirement earnings test would provide clarity for retirees and reduce the SSA’s administrative burden, including roughly \$70 million annually in administrative savings for taxpayers.

¹⁴ Office of the Inspector General, “The Social Security Administration’s Enforcement of the Retirement Earnings Test,” Social Security Administration, February 2, 2024, <https://oig.ssa.gov/assets/uploads/a-08-21-51049.pdf> (accessed March 18, 2026).

¹⁵ Congressional Research Service, “Social Security Retirement Earnings Test Overview,” Updated March 2, 2026, <https://www.congress.gov/crs-product/IF12014> (accessed March 19, 2026).

¹⁶ Office of the Inspector General, “The Social Security Administration’s Enforcement of the Retirement Earnings Test.”

Senior Citizens Freedom to Work Act of 2026. Senator Rick Scott’s recently introduced Senior Citizens’ Freedom to Work Act of 2026 would eliminate Social Security’s retirement earnings test. This Act builds on the fully bipartisan bill that Congress passed in 2000, which eliminated the retirement earnings test for beneficiaries over Social Security’s normal retirement age. That bill—Senior Citizens Freedom to Work Act of 2000—passed the house with a vote of 422 to 0, passed the Senate by unanimous consent, and was signed into law by President Bill Clinton. Since then, Social Security’s full retirement age has risen from 65 to almost 67 (66 and 10 months in 2026 and 67 in 2027). Consequently, the retirement earnings test now applies to millions more seniors. By eliminating the retirement earnings test, policymakers can increase older Americans’ employment and earnings, grow the economy, modestly improve Social Security’s shortfalls, and simplify Social Security benefits.

Improving Flexible Work Options for Older Americans

In addition to eliminating penalties on work, policymakers should make it easier for more Americans to pursue transitional retirement and flexible work in older ages. While independent or freelance work provides significant flexibility, it lacks the traditional workplace benefits. In particular, older Americans tend to have more health care needs and higher health care costs, which makes health insurance especially important to them. Policymakers can help by removing barriers to flexible work opportunities and by expanding traditional workplace benefits into nontraditional work arrangements.

The Modern Worker Empowerment Act¹⁷ and the 21st Century Worker Act.¹⁸ These bills would create a single, simple test of employee or independent contractor status, consistent across all federal law, and based on the level of control an individual has over his or her work. This would particularly help older Americans who want to transition from traditional, full-time employment to more flexible contract-based employment.

The Save Local Business Act.¹⁹ This act would help to protect successful small-business entrepreneurship models by defining joint employer status based on whether or not an entity exercises direct and immediate control over essential terms and conditions of employment.

Expanding Health Insurance Options. Senator Rick Scott’s Health Freedom Accounts proposal would allow federal subsidies to go directly to individually owned health savings accounts (HSAs) (associated with the individual’s health insurance plan), instead of directly to insurance companies. In addition to the proven cost benefits of consumer-driven HSA health insurance plans, Health

¹⁷ S. 2228, Modern Worker Empowerment Act, 119th Congress, introduced July 7, 2025, https://www.help.senate.gov/imo/media/doc/modern_worker_empowerment_actpdf.pdf (accessed March 18, 2026).

¹⁸ S. 2159, 21st Century Worker Act, 118th Congress, introduced June 22, 2023, <https://www.govinfo.gov/content/pkg/BILLS-118s2159is/pdf/BILLS-118s2159is.pdf> (accessed March 18, 2026).

¹⁹ S. 1261, Save Local Business Act, 118th Congress, introduced April 25, 2023, <https://www.congress.gov/bill/118th-congress/senate-bill/1261/text?utm> (accessed March 19, 2026).

Freedom Accounts would allow individuals to build a health care nest egg to help to pay for future health care costs. Significantly, Health Freedom Accounts would not take away any existing options. They would simply offer a way for individuals to directly receive health insurance subsidies in HSAs instead of the subsidies going to insurers even if individuals have few or no health care expenses.

Unlocking Benefits for Independent Workers Act.²⁰ This act would create a safe harbor for companies that do business with independent contractors to offer them benefits without triggering employee status. This could help older Americans to gain access to health insurance without having to remain in a traditional 9-to-5 job.

Association Health Plans Act.²¹ This act would allow independent workers and small businesses to pool together to negotiate collectively so that they can benefit from the lower costs of pooled health insurance.

The Independent Retirement Fairness Act.²² This act would expand retirement savings options for independent workers and make it easier for them to save as they move across different jobs.

Summary

As the fastest-growing segment of the workforce, older Americans are vital contributors to the economy. The expansion of transitional retirement and “unretirement” have contributed to millions more older Americans working today. These older workers bring wisdom, experience, and mentorship to the workplace at a time when younger generations need it most.

While it should always be the choice of individuals how they spend their time and resources, particularly in older age and after decades of work, the federal government should not penalize older Americans or make it harder for them to remain in the workforce. Social Security’s outdated retirement earnings test penalizes certain older workers by imposing marginal tax rates as high as 84 percent, including sometimes eliminating their entire Social Security benefits. Eliminating Social Security’s retirement earnings test—as the Senior Citizens Freedom to Work Act of 2026 would do—would be a win-win: expanding employment, incomes, and economic output; increasing federal, state, and Social Security and Medicare tax revenues; and enabling more positive contributions from seniors. Policymakers should also help expand flexible work and portable benefit options to support seniors in the workforce.

²⁰ S. 2210, Unlocking Benefits for Independent Workers Act, 119th Congress, introduced July 8, 2025, <https://www.congress.gov/119/bills/s2210/BILLS-119s2210is.pdf> (accessed March 19, 2026).

²¹ S. 1847, Association Health Plans Act, 119th Congress, introduced May 21, 2025, <https://www.paul.senate.gov/wp-content/uploads/2025/05/KEN2533825-1.pdf> (accessed March 19, 2026).

²² S. 2217, Independent Retirement Fairness Act, 119th Congress, introduced July 9, 2025, https://www.help.senate.gov/imo/media/doc/independent_retirement_fairness_act.pdf (accessed July 11, 2025).

Supporting older workers' continued engagement in the workforce does not just help seniors—it strengthens our economy, builds stronger workplaces, and reinforces the character and cohesion of younger generations.