
Freedom 65....55....65....

*An Exploration of Recent
Retirement Trends in Canada*

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U R B A N F U T U R E S
I N S T I T U T E - R E S E A R C H

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An Exploration of Recent Retirement Trends in Canada

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Summary

This report considers historical data on two dimensions of labour retirement in Canada over the 1976 to 2003 period: the declining age of people who are retiring and, ironically, the increasing propensity of the older population to participate in the labour force.

Two general conclusions about the median age of retirees can be drawn from the data. The first conclusion is that the median age of retirement has declined significantly since 1976, dropping from 65.0 in the early 1970s to 60.7 by the end of the past decade. The second conclusion is that no further decline has occurred since then: given the sample size and observed variance since 1999, it cannot be concluded that the median age at retirement has started to increase, although other evidence suggests that it may begin to in the near future.

The other evidence is labour force participation rates for the 50 and older population, which have been generally increasing since 1996. Thus the irony: while the median age of those retiring was declining, people in older age groups were increasingly participating in the labour force. The explanation for this apparent contradiction is that retirees were accounting for a diminishing portion of the labour force.

Labour force participation rates for older males declined significantly from 1976 to the mid-1990's, at first the result of the maturing of pension plans in Canada and then as the result of extensive public and private sector retirement inducements in the early 1990s. With the termination of these inducements, participation rates started to increase in the mid-1990s. Concentric with this pattern was a decline in retirement rates (the percentage difference in cohort participation rates over the life cycle) steadily after 1996, a distinct contrast to their increases up to that point.

With successive cohorts of females carrying with them increased propensities to participate in the workforce, it is not surprising that female participation rates increased over the 1976 to 2003 period. What is surprising is that under this cohort driven increase was a pattern of increasing retirement rates virtually identical to those for males: from 1976 to 1996, the 5 year retirement rate for 50 plus females increase steadily, and since 1996 have declined steadily.

On the basis of historical evidence, we can continue to anticipate that about half of the workforce will retire before they reach the age of 65, with four out of five retired by the time we reach the 65 to 69 age group. Given the demographic growth and change expected in Canada over the coming decades, extending the recently observed trends of increasing participation rates in the older age groups for both males and females indicates that over the next five years (2001 to 2006) it is reasonable to anticipate that just over 900,000 people 50 years of age and older will retire from the labour force. In spite of increasing participation rates, demographic change will result in this number growing to almost 1.4 million people 50 years of age and older retiring from the labour force over the following five years. Thus, on the one hand, we must anticipate an aging of the working population and, at the same time, significant growth in the number of people retiring each year.

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Introduction

If we have heard it once we have heard it 65 times: we are all going to keep working past traditional retirement age, as the luster wears of that much promised gold watch. In a recent report on future labour shortages in Canada, the Conference Board of Canada stated that "The overall better health of the baby boom generation, coupled with growing longevity, will physically allow large numbers of baby boomers to continue working past age 65." Others elaborate on this statement, claiming that the boom generation remaining in the labour force past traditional retirement age will stave off impending labour shortages that could result due to their retirement. All this while we hear of fire chiefs retiring at age 52 and police captains leaving the force at age 53. The relevant question is not *if* increasing longevity will allow people to physically work longer - of course it will. The question we should be asking is whether we *will* choose to spend our golden years working or recreating and, increasingly, what we actually consider to be our "golden years".

While the future will not be the same as the past, looking at the past quarter of a century of data on retirement in Canada from Statistics Canada's Labour Force Survey as tabulated in its publication Labour Force Historical Review 2003 does give an indication as to where historical trends in labour force participation and retirement might take us over the next decade. This coming decade will, to a large extent, set the stage for challenges we will face over the following two, as the leading edge of the Post World War II Baby Boomers (currently aged 57 and already past early retirement) reaches 65 and, to the extent it may be relevant, the current mandatory retirement at age 65. It should be noted that in the Statistics Canada Labour Force data retirement means leaving the labour force, not merely quitting one job and looking for another. Thus, retiring involves leaving the labour force during a year, and thereafter neither having nor seeking employment. Someone who retires from a firm, but continues to work as a consultant, or part-time, or in a new endeavor is not considered to be retired but rather continues to be part of the active labour force.

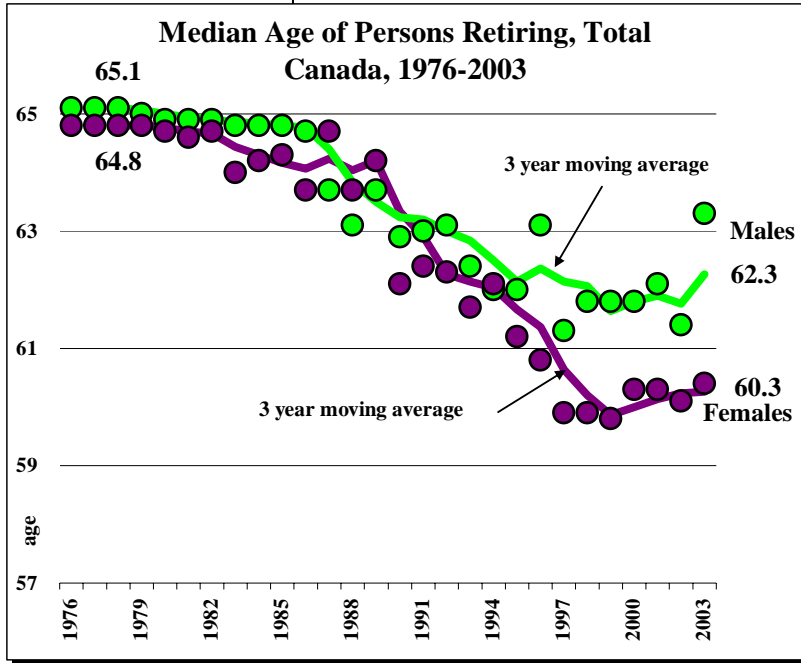
Two critical aspects of the Labour Force Survey condition the conclusions that can be drawn from it. The first aspect is a strength: the survey is carried out monthly, and hence provides the most timely picture of labour force behaviour in Canada. The second critical aspect is not exactly a weakness, but is certainly a limitation: the total sample is of approximately 54,000 households in Canada, a 0.5 percent total sample. While this permits drawing strong conclusions about total labour force participation, for relatively small dimensions of the survey, such as the number of people in an age group leaving the labour force as the result of retirement in the survey period, the sample is much smaller. This results not only in more limited statistical reliability, but also means that survey values demonstrate a great deal of variability as a result of sampling rather than actual changes in behaviour. In the case of retirement data, this may be compounded by the fact that households 70 and older are surveyed only once in a six month period, in contrast with the monthly survey of younger households. As a result of these factors, longer term general patterns must be the focus of analysis of the labour force survey data rather than year to year change: the analysis presented in this report focuses on three year moving averages of labour market variables, rather than single year values.

Consideration of both of the median age of retirement and age specific labour force participation is essential when looking at retirement patterns as the first concerns those who are retiring while the second deals with those who are not.

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This report considers two dimensions of retirement. The first is the changing median age (50 percent above and 50 percent below) of those people who are retiring. The second dimension is the percentage of people in an age group who are active in the labour force, or the age specific labour force participation rate. Consideration of both of these dimensions is essential, as the first concerns those who are retiring while the second deals with those who are not. This is an important distinction: for example, the median age at retirement of those who retire may decline at the same time as the age at which people retire increases.

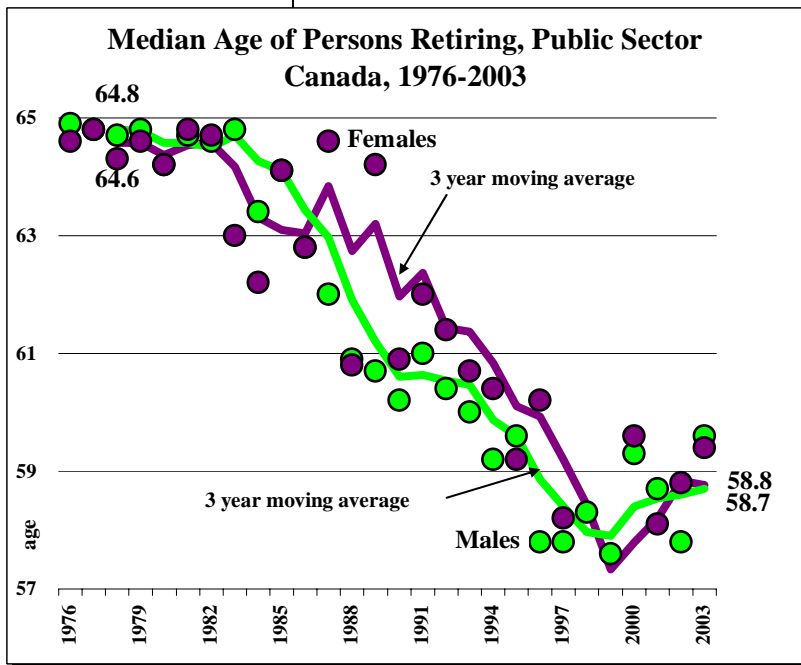
Figure 1



The Median Age at Retirement: How Early Are We Retiring?

As a starting point, a hypothesis that the maturing of pension plans has played a significant role in reducing labour force participation in the 45 and older population is supported by data from the Labour Force Survey. Consider the median age of retirement for males, the age at which half of the males retiring in a year are younger and half are older. From 1976 into the mid-1980s, the median age of male retirees declined insignificantly from a 1976-1978 average of 65.1¹ years of age to an average of 64.8 for the 1984 to 1986 period (Figure 1). Then, beginning in 1987, the median age of male retirees dropped significantly for over a decade, reaching an average of 61.6 years of age for the 1997-1999 period, before stabilizing in this range until 2003, when it increased to 62.3 years. Whether the increase in 2003 indicates a fundamental change in direction, or is merely a statistical blimp such as occurred in 1996, remains to be seen, but what is clear is that there is no historical evidence to suggest a continuation of the decline, or of any significant increase, in the median age of male retirees.

Figure 2



Much the same pattern has occurred in the change in median age of retirees for women, which gradually declined from an average of half the women retiring in the 1976 to 1978 period being under the age of 64.8 years to half being under the age of 64.2 in the 1987-1989 period, then steeply dropping to an average of half being under the age of 59.9 a decade later. From this youngest three year average, the median age of female retirees has increased gradually to reach an

¹ This is an average of the median ages recorded in the current year and in the two preceding years. This average of median ages is used to remove the fluctuations in median ages shown in the year to year data.

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average of 60.3 years of age over the past three years.

Two general conclusions about the median age of retirees for males and female can be drawn from these data, the first that the median age of retirement has declined significantly since 1976, and the second that the declines essentially were complete by 1999, with relatively constant median ages of retirees since then. Note also that the declines in median age stopped in 1999, before either the stock market meltdown or the subsequent recession.

While the overall decline in the median age of retirees from 65 to 62 for males and from 65 to 60 for females is interesting, the differences in retirement patterns by sector of work are much more dramatic. A note of caution here however: once we look at sector specific data, we are dealing with a smaller number of interviews as a source of data, and hence must anticipate a great deal more variance than shown in the aggregate retirement data.

The public sector (ranging from government officials to nurses, school teachers, fire fighters and police) has essentially led the way in terms of declining median age of retirees (Figure 2). The average median age of males retiring from the public sector of 64.8 years in the 1976-

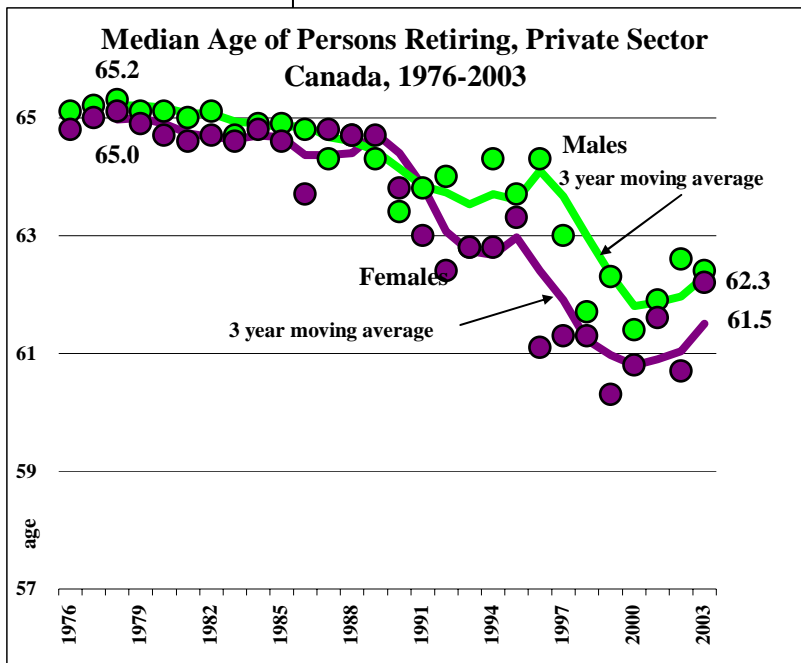
1978 period remained relatively constant until 1981-1983, when it began a rapid and steep decline to an average median age of 57.9 in the 1997-1999 period, ten percent below its value of 15 years earlier. Since then it has moved up to close the period with a three year average median retirement age of 58.8.

The pattern of change in the median age of female retirees in the public sector is virtually identical to that of male retirees in terms of timing, direction and magnitude. From a median age of female public sector retirees of 64.6 in the mid-1970s to a low of 57.3 years of age at the close of the 1990s, and an average of 58.7 over the past three years, the data show a significant decline in the age at which women employed in the public sector enter the retirement stage of the life cycle.

The median age at retirement for people employed in the private sector has generally followed the pattern for the public sector, but the

changes occurred later and were of a much smaller magnitude (Figure 3). The median age of male private sector retirees declined slightly from the 65.2 range to the 64.2 range between 1976 and 1989, before declining gradually to a low of 61.8 in the 1998-2000 period before edging up to an average of 62.3 for the past three years. The median age for female private sector retirees described essentially the same pattern, although it dropped to a younger level, reaching a median of 60.8 years of age in 2000, before moving somewhat sharply up to close the period with a median of 61.5 years of age for the three year period ending in 2003.

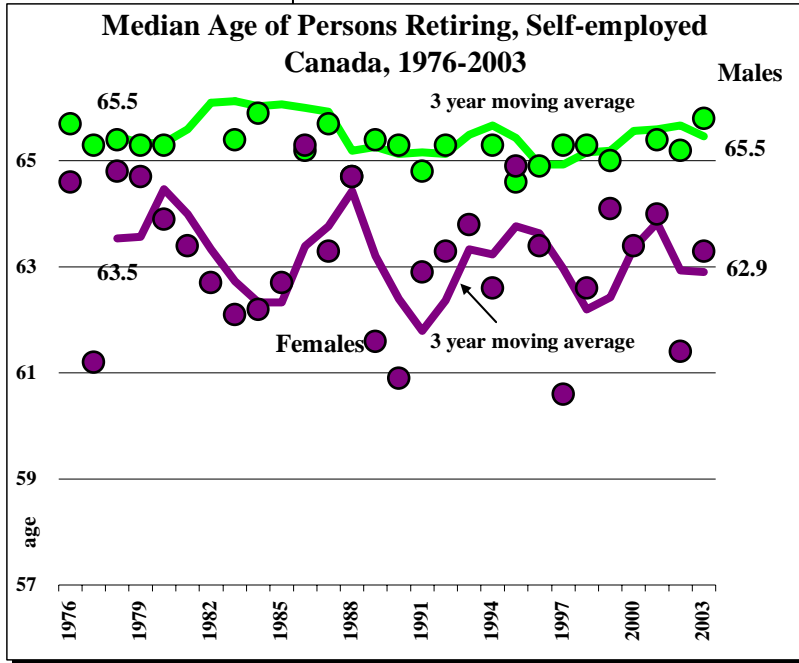
Figure 3



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In contrast to employees in the public and private sectors, the median age for male retirees from self employment has not changed noticeably from a 65.5 years of age level over the past quarter century (Figure 4). A slight decline occurred in the median age of female retirees who were self-employed, falling from an average of 63.5 years of age in 1976-1978 to 62.9 over the past three years, although the variance introduced by the small sample size eliminates any strong pattern for this group. The realities for those of us who are self employed are that we

Figure 4



are either having so much fun working we remain in the labour force for longer than our counterparts in the private and public sectors, or that we are compelled to keep working while those in other sectors enjoy the benefits of employer sponsored retirement plans.

Sectoral differences in the median age at retirement have become increasingly prominent over the past quarter century. In the 1976-1978 period, the sectoral median ages at retirement for males differed by one percent, from the 65.5 years of age median for the self employed to the 64.7 median for those employed in the public sector. By 2003, there was a ten percent difference – 6.2 years – between the 65.5 median age of male retirees from self-employment and the 58.7 median age of retirees from the public sector. A similar gap developed for women: in 1976-1978 the age of retiring women was within a narrow range between the 63.5 of the self-employed to

the 64.6 in the public sector: by 2001-2003 there was a seven percent gap between the 58.8 median age for women retiring from the public sector and the 62.9 median age for self-employed women.

The picture that emerges from the data is that the maturing of pension plans in Canada in the mid-1980s, and the satisfaction of retirement criteria (the famous rules of 85, 90 etc.) by the first of the wave of post-World War Two labour force entrants, led to the beginning of a period where people employed in both public and private sectors increasingly exercised the option to retire at a contractually agreeable retirement age rather than the historical mandatory retirement age of 65. By the end of the 1990s, this process reached its limit, in the sense that the various qualifying rules and employment history led to a stabilization of median ages in the range of 62 for males and 61 for females. Without significant employment pension policy changes (which are unlikely to happen given the need to ensure sustainability of the contributor/beneficiary ratios), there are no strong reasons to anticipate further long term reductions in the median age at which Canadians retire (although sample issues will continue to introduce variations to the data).

The picture that emerges is one of maturing of pension plans in Canada in the mid-1980s, and the satisfaction of retirement criteria (the famous rules of 85, 90 etc.) by the first of the wave of post-World War Two labour force entrants, leading to the beginning of a period where people increasingly exercised the option to retire from the labour force

Thus, the most relevant question in the current context is whether the median age of retirement is likely to increase, as may be indicated by the 2002 to 2003 changes, or remain at the level of the recent past. Let us first consider the short run of the next three to five years. Generally, in this regard, losses in the stock market after the 2002 meltdown are cited as a reason why people cannot afford to retire. It is important to first note that the youngest retirement rate is for public sector employees, almost all of whom have relatively small RRSPs given their employment pensions and the corresponding limit on RRSP contributions.

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The most relevant question with respect to future retirement patterns is whether the median age of retirement is likely to increase, as may be indicated by the 2002 to 2003 changes, or remain at the level of the recent past.

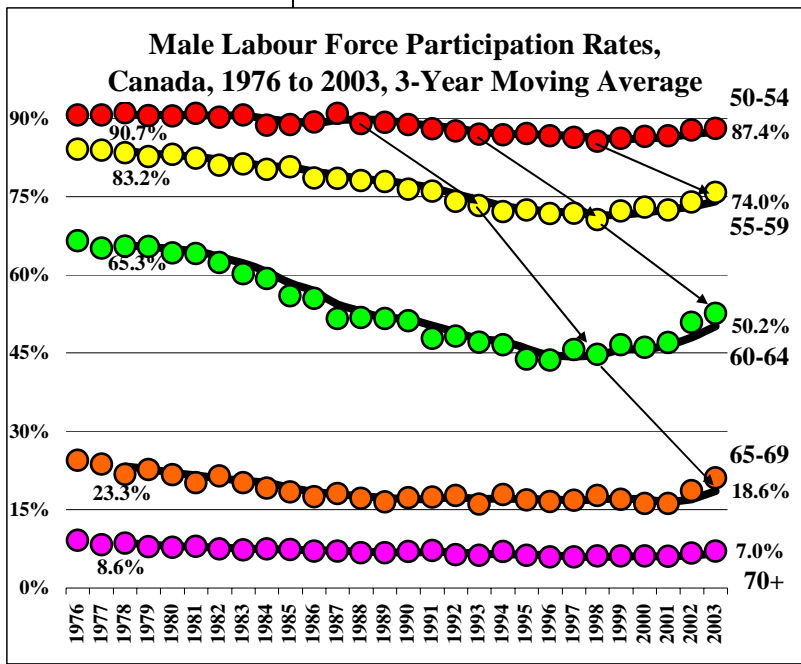
It is not likely that stock market conditions play a significant role on retirement decisions for most of the people in this group: if they did, it would also be important to note that stock markets have, in spite of their rather exuberant recent fluctuations, almost returned to their 2000-2002 levels. Further, the recent significant increases in house prices in Canada have strongly contributed to homeowner equity, the major source of wealth for Canadian households. Thus, at least in the public sector, it is hard to make a case for hardship induced increases in median retirement age. The same may be said for those in the private sector with employment pensions, and with respect to stock market and home ownership values for private sector workers without pensions. As the self employed did not change their median age of retirement over the past quarter century, they are not likely to contribute to an overall increase in median age at retirement in the near term.

In the longer term, however, the median age at retirement is likely to increase, at least outside of the public sector, as skills shortages result from the combination of the retirement of the baby boom cohort and the downstream consequences of thirty five years of below the replacement level birth rates. A contracting labour pool may offer strong inducements for workers to remain in the workforce, with shifts from defined benefit to defined contribution pension plans potentially limiting younger generations of workers' optimism about early retirement. In the case of workers with contract eligibility for retirement in their 50s and 60s, this may mean retiring from one job, but taking up another.

**The Other Side of the Retirement Equation:
Labour Force Participation Rates**

The foregoing showed that the median age of those retiring has declined over the past two and a half decades. As such, it examined only those who chose to retire, not those who did not retire. It is possible that a growing percentage of people were postponing the retirement decision, and hence retirees, while younger, represented a declining share of an age group, and hence that the age at retirement (but not of retirees) was increasing.

Figure 5



To examine the extent to which this occurred, it is useful to consider the Labour Force Survey data on age specific labour force participation rates (the percentage of people in an age group who were employed or actively seeking employment) for the 50 plus population entering the retirement stage of the life cycle. Again, to reduce year to year variation as a result of sampling, three year moving averages of age specific participation rates are used to focus on long run trends.

The overall pattern for males (Figure 5) is one of relatively constant participation rates in the 1970s, followed by declining rates through to the end of the 1990s, followed in turn by slight increases in early 2000. Only the 70 plus age group did not follow this pattern.

The strongest example is shown in the 60 to 64

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For males cohort analysis suggests that participation rates in the 1997 to 1999 period were abnormally low rather than the increases in early 2000's representing some fundamental change in labour force participation and retirement behaviour.

age group, where 65 percent of the age group were participating in the labour force in the 1970s: by the late 1990s, only 45 percent of the males in this age group were in the labour force. Although there was an increase in the participation rate for 60 to 64 year males to 50 percent by 2003, in just over 25 years retirement changed from only a third of the 60 to 64 years old males in Canada being retired to one half of them being retired. Retirement in the 55 to 59 age group lowered participation rates from the 83 percent range in the late 1970s to the 74 percent range by the early 2000s, and from the 91 percent range to the 87 percent range for the 50 to 54 age group. The 65 to 69 age group, while following the overall pattern, stabilized much earlier (in the 17 percent range by 1989) and did not increase until much later (moving out of this range to a three year average of 18.6 percent only in 2003) than the other age groups.

This pattern provides a useful example of the changes that have occurred in the process of retirement. Over time the population (and behaviour) in an age group can change for two reasons: first as different cohorts (people born in the same time period) age through succeeding age groups they bring with them their various demographic and behavioural traits and, to the degree that they differ from those aging out of the age group, result in change. The second are fundamental changes in the cohort itself, resulting from a range of social, economic or environmental variables. Given these aspects of change, we must look back not only in time (tracing the historical change in age groups), but also into how aging cohorts have changed labour force participation in order to adequately characterize the true pattern of changing retirement. In this analysis (typically called a cohort analysis) the changing distance between age group participation rates is what describes the changing nature of retirement.

Let's follow a cohort through the life cycle of labour force activity. In 1988, 90 percent of the male population aged 50 to 54 was in the labour force. Five years later, in 1993, these guys were 55 to 59 and only 74 percent were in the labour force: there was a 17 percent retirement rate between the ages of 50-54 and 55-59 (74 percent participation compared to 90 percent) over the 5 years². Five years later, in 1998, they were in the 60 to 64 age group, with a participation rate of only 45 percent: over the preceding five years, 39 percent of the cohort retired, for a cumulative retirement between the 50-54 age group and the 60-64 age group of 50 percent. Half of 1988's 50 to 54 age group had left the labour force by the time they reached the 60 to 64 age group. Moving forward another five years (to 2003) only 19 percent of the age group was in the labour force when they were 65 to 69 year olds, a 58 percent retirement rate between the ages of 60-64 and 65-69.

Note that the lowest participation rate for the 60 to 64 age group was the 45 percent recorded in 1998, which was the same cohort as those who were 65 to 69 in 2003 which had the highest participation rate for 65 to 69 year olds since 1987. Similarly, 2003's 60 to 64 year olds had the decade's highest participation rate for this age group, and the lowest for 55 to 59 year olds when they were in this age group in 1998. Finally, 2003's 55 to 59 year olds also had the age group's highest participation rate in a decade, after having set the record low for the 50 to 59 age group in 1998. This suggests that participation rates in the 1997 to 1999 period were abnormally low (indicating the buyouts of the mid 1990's were fully realized) rather than the increases in early 2000's representing some fundamental change in labour force participation and retirement behaviour. In this context, 2004's data will be particularly important, as they will reflect behaviour of the cohorts that followed the youngest group of

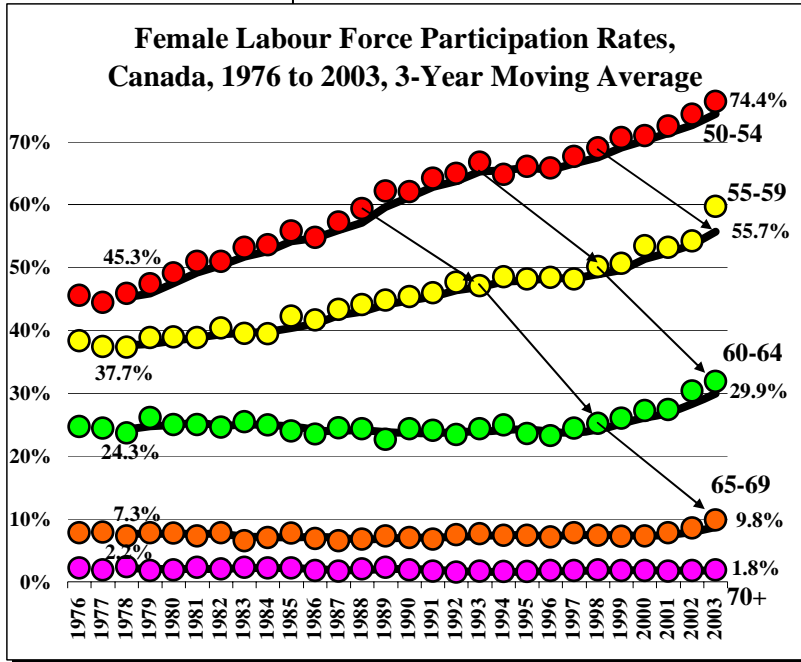
² This analysis focuses on the change in participation rates, and hence does not consider the impact of mortality on the total number of people, and hence of labour force participants, in an age group.

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retirees recorded, and hence will indicate the extent to which the age of retirement (as contrasted with the age of retirees) may in fact be increasing.

Figure 6

Female labour participation rates for the 50 plus population (Figure 6) describe quite a different picture than those for males. In the 50-54 age group, participation rates increased almost continuously over the past quarter century from 45.3 percent in the 1976-1978 period to open the twenty-first century at an average of 74.4 percent. The rate for the 55 to 59 age group began its increase in the 1984-1986 period with an average rate of 41 percent, growing to an average of 55.7 percent in the 2000-2003 period. The increase for the 60 to 64 age group did not occur until 1997-1999, when it began its growth from its long term 25 percent to close the period at 29.9 percent. In its turn, the 65 to 69 age group only moved up from its long term 7 to 8 percent range in 2003 to reach 9.8 percent. Finally, the participation rates for females aged 70 and older did not change noticeably (given the small sample size) in the 1976 to 2003 period.

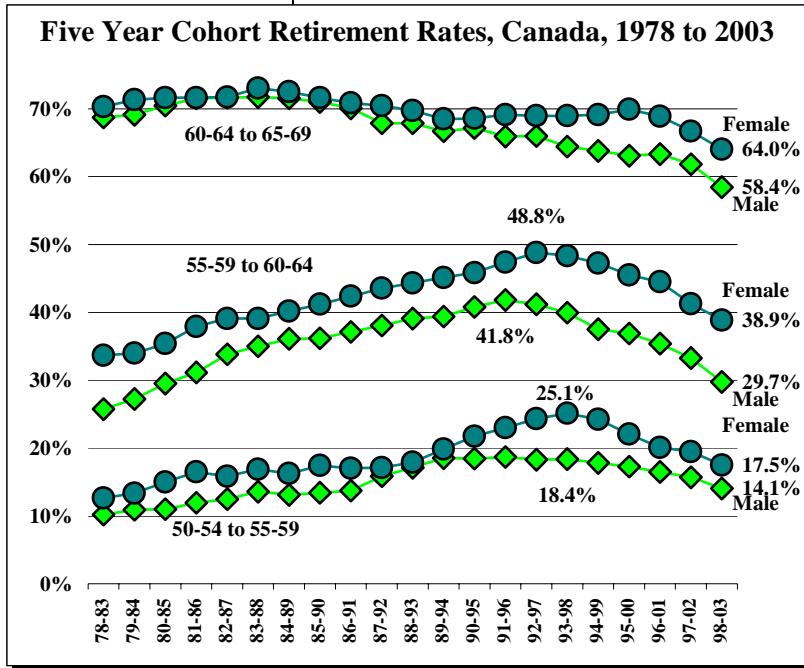


In essence, this pattern reflects the behavioural differences between women of different birth cohorts influencing changes to age specific rates as they age through sequential age groups. For example, 1976's 50 to 54 year olds (women born in the 1920s) entered the labour force during the Second World War and immediate postwar period, leading the transformation of workforce into an a urban and industrial Canada. Hence these women had a much different propensity to be in the labour force than the women who preceded them in the 50 plus age groups. Their children, 2003's 50 to 54 year olds, are the first of the post-war baby boomers, and followed the path set by their mothers, expanding labour force participation rates in every age group as they aged through it. It is the increasing propensity to participate in the labour force that successive cohorts of women have carried forward with them that has pulled up the age specific labour force participation rates, leading to such dramatic increases in age specific participation rates that they obscure the changing propensity of women to retire.

And retire they do. In 1988, 57.1 percent of women aged 50 to 54 (the 1943 to 1948 birth cohort who entered the labour force between 1958 to 1963) were in the labour force. Five years later, in 1993 when this cohort was 55 to 59, their participation rate was only 46.9 percent, for a 5 year retirement rate of 18 percent between the ages of 50-54 and 55-59, indistinguishable from their male peer's 18 percent retirement rate over the same period. Similarly, as this cohort aged into the 60 to 64 age group by 1998, only 24.3 percent of them remained in the labour force, implying a 48 percent retirement rate between ages 55-59 and 60-64, higher than the 39 percent retirement rate for males of the same cohort. In total, between 1988 and 1998, for females who aged from the 50-54 age group to the 60-64 age group, participation rates fell from 57.1 percent to 24.3 percent for a ten year retirement rate of 57 percent, compared to the 50 percent rate for males. Finally, as this cohort aged into the 65 to 69 age group in 2003, their participation rate fell to 9.8 percent, indicating that 64 percent of the cohort who were working 60 to 64 year olds five years earlier had retired. This is almost the same as the 58 percent retirement rate for males of this birth cohort.

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Figure 7



Thus, when the confounding factor of successive cohorts of females having higher propensities to participate in the labour force is removed, it is apparent that females in the labour force generally have the same retirement propensities as their male counterparts. It is in this context that it is useful to plot the 5 year retirement rates for males and females over the past twenty years (Figure 7), to both show the similarity of patterns for males and females and to identify major trends with respect to retirement in Canada.

The highest rate of retirement as people aged between 50-54 and 55-59 occurred for the cohort who passed through these age groups between 1993 and 1998, with 25.1 percent of the females, and 18.4 percent of the males aged 50 to 54 in 1993 retiring by the time they reached age 50 to 59 in 1998. Since then, the retirement rates between these age groups have fallen to 17.5 percent of the women aged 50 to 54 in 1998, and 14.1 percent of the males, retiring by the time they reached age 55 to 59 in 2003. This is almost the same level which prevailed for these age

groups in the 1980s.

A much greater rebound occurred for retirement between ages 55-59 and 60-64. Again, the highest retirement rates for this age group occurred five years ago, when 48.8 percent of the females, and 41.5 percent of the males who were aged 55 to 59 in 1993 had left the labour force by the time they reached age 60 to 64 in 1998. The retirement rate has declined since then: only 38.9 percent of the females, and 29.7 percent of the males, aged 55 to 59 in 1998 had retired by the time they had aged into the 60 to 64 age group in 2003, a 5 year retirement rate for males that was as low as those observed in the late 1970s. In contrast, the retirement rate for cohorts aging across the mandatory retirement age of 65 did not really change over the 1976 to 2001 period. It is only within the past two years of data that a declining retirement rate is observed, with 64.0 percent of the females, and 58.4 percent of the males, aged 60 to 64 in 1998 retiring by the time they reached age 65 to 69 in 2003, down from the 70 percent level for males, and 66 percent levels for females, of the 1990s.

This clearly indicates that, on a five year retirement rate basis, the 1991 to 1997 period was the anomaly in terms of early retirement rates. By the 1998 to 2003 period, the percentage of people retiring as they aged between five year age groups was back at the levels of the previous decade. While the data do not provide the detail to show this, the pattern supports the hypothesis that the buy-outs of public and private sector employees in the early and mid 1990s, particularly in Ontario, Alberta, and British Columbia, combined with the federal government buy-outs during the same time period to increase retirement rates. As the people who have reached the 50 plus age groups since 1998 were not participants in these pension based buy-out options, their retirement rates do not reflect this anomalous period. Note also that the switch to decreasing retirement rates began in 1996 (1991-1996 peak 55-59 to 60-64 mail retirement rate) and was in place by 1998 (1993-1998 peak in 50-54 to 55-59 female retirement rate). This pre-dates the 2000 peak, and 2002 crash, in the stock market, and

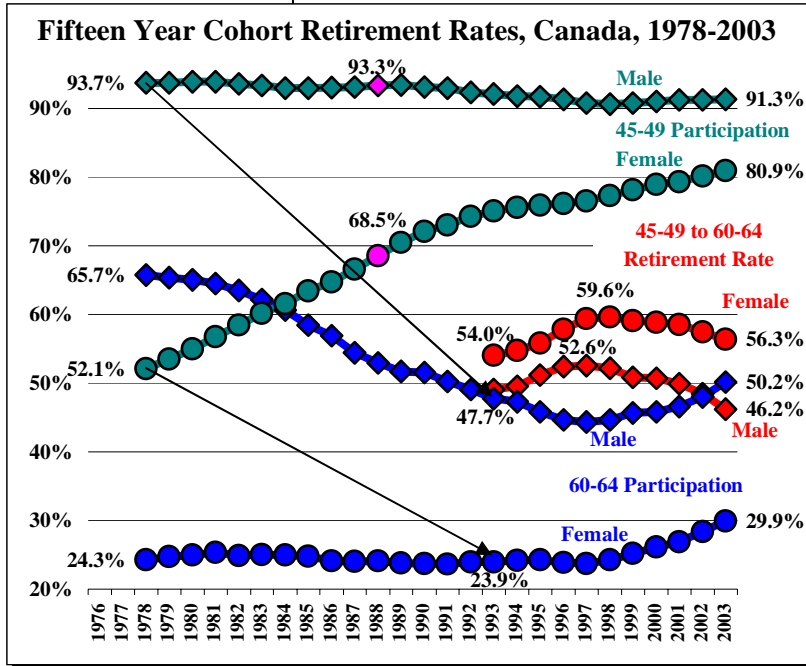
For females, a different picture emerges than that for males. Their pattern reflects both fundamental behavioural change for most age groups, compounded by differences between women of different birth cohorts changing age specific rates as they age through sequential life cycle stages

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hence must be attributable to factors other than the possible retirement consequences of changing stock market values.

As a final point on this topic, it is also useful to look at the data on 15 year retirement rates for those retiring before age 65. This involves consideration of the percentage of people in the 60 to 64 age group who were in, and more importantly, who were not in, the labour force compared to the percentage of the same cohort 15 years earlier in the 44 to 49 age group (Figure 8). This will indicate the relative level of change in early retirement (i.e., before age 65) over the past decade. [Unfortunately, as the past decade includes the buy-out period of the early and mid-1990s, we cannot draw conclusions about a “normal” period from these data.]

Figure 8



In 1978, 93.7 percent of the males aged 45 to 49 were in the labour force: fifteen years later, in 1993, only 47.7 percent of the same cohort, now aged 60 to 64, were active in the labour force. Only 51 percent (47.7/93.7) of the males who were active in the labour force in 1978 were still participating in 1993, for a 49 percent retirement rate prior to hitting age 65. For females, with a 52.1 percent participation rate for 45 to 49 year olds in 1978 and a 23.9 percent rate for 60 to 64 year olds in 2003, the 15 year retirement rate in 1993 was 54 percent.

By 1998, the 15 year retirement rate had risen significantly, with almost 60 percent of the women and almost 53 percent of the males who were active in the labour force 15 years earlier when they were 45 to 49 no longer participating when they were 60 to 64 year olds. This reflected the peak of the pre-65 retirement propensities: by

2003 they had dropped back to the rates of the early 1990s. This reversal is particularly striking for males. With 1988 participation rates of 93.3 percent as 45 to 49 year olds, and 2003 participation rates of 50.2 percent as 60 to 64 year olds, the 15 year retirement rate for males currently approaching 65 is down to 46.2 percent, the lowest rate that can be calculated with the existing data series.

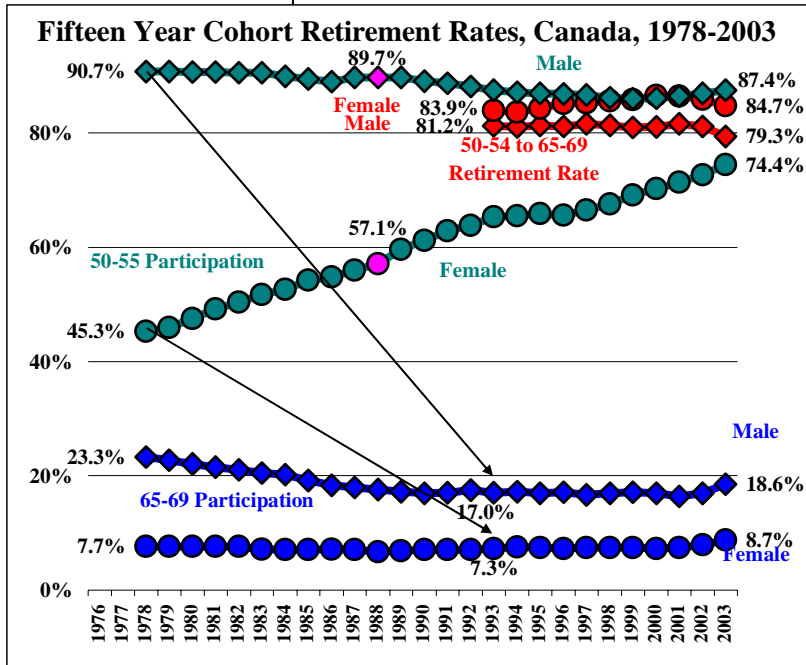
As the current 60 to 64 age group, and the 59 to 64 age group behind them, were exposed to the buy-out period, it will be necessary to wait until the data for subsequent cohorts becomes available in the future to see where retirement rates stabilize. At this point in time, however, one can conclude that 5 and 15 year retirement rates are likely to continue to decline, and hence labour force participation rates to increase, albeit at slowing rates, over the remainder of the decade.

Conclusions:

Increasing life expectancies will see us (on average) living longer: it is also likely that, over the longer term, the age at which we retire will increase, which will be observed first in continuing reductions in the 5 year retirement rate and increases in labour force participation rates, and then in increases in the median age at retirement. The historical decline in median age at retirement, while reflecting the fact those retiring were increasingly younger (up to 1999), did not reflect the fact that a smaller portion of the working population was retiring early. While we shall continue to hear of people retiring at age 52, these will generally

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Figure 9



remain in the employment pension sector of the economy. For the rest of us, it is likely (again as an average) that we will work a bit longer, with more of us working up to, and some beyond, 65. Having said this, it is important to remember that while life expectancy is increasing, life span is not. Except for those of us who either have no choice or define our lives by working, most of us will reach a point that we will want to hang up the skates, and will figure a way to do this, for half of us before the age of sixty-five, and for four out of five before we hit seventy.

The reality of this is shown in the 15 year retirement rate for the 65 to 69 age group (Figure 9). In 1978, 90.7 percent of the males aged 50 to 59 were in the labour force. By the time this cohort reached age 65 to 69 in 1993, 17.0 percent were still in the labour force: 81.2 percent of this cohort had left the labour force by the time they reached the post 65 age group.

Moving the 65 to 69 forward through successive cohorts we find essentially the same retirement rate until 2003, when it dropped to 79.3 percent. Given the very small sample size involved, it is safest to say that over the past decade 80 percent of males who were working when they were aged 50 to 54 had left the labour force by the time they had reached the 65 to 69 age group. The same conclusions can be drawn with respect to females, with a retirement rate over the past decade of 84 percent of the people who were working when they were 50 to 54 having left the labour force by the time they were aged 65 to 69.

Thus, on the basis of historical evidence, we can anticipate that about half of the workforce will retire before they reach the age of 65, with four out of five of us retired by the time we reach the 65 to 69 age group. Given the demographic growth and change expected in Canada over the coming decades, extending the recently observed trends of increasing participation rates in the older age groups for both males and females indicates that over the next five years (2001 to 2006) it is reasonable to anticipate that just over 900,000 people over the age of 50 will retire from the labour force. In spite of increasing participation rates, demographic change would result in this number growing to almost 1.4 million people 50 years of age and older retiring from the labour force over the following five years. Thus, on the one hand, we must anticipate an aging of the working population and, at the same time, significant growth in the number of people retiring each year.