

Study: New facts on pension coverage in Canada, 2012

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In 2012, one-third of employed women and one-quarter of employed men aged 25 to 54 were covered by a defined benefit (DB) pension plan. Women had higher coverage rates mostly because they were more likely than men to be employed in sectors with higher rates of pension coverage.

These sectors included educational services, health care and social assistance, and public administration, which, in 2012, employed 42% of women and 17% of men.

The finding is part of a new study that sheds light on the relationship between the type of pension coverage and the individual characteristics of employed people. It is based on recently released data from the Longitudinal and International Study of Adults.

While the study mainly focuses on DB plans—which predetermine the benefits workers will receive based on a formula in their plan—other information is also available on defined contribution plans and hybrid/mixed plans.

Higher education associated with more generous pension benefits

Among employed university graduates, 42% of women and 30% of men were covered by a DB plan in 2012. This compared with DB coverage rates that hovered around 18% among men and women with a high school diploma or less.

Young university graduates were also more likely to be covered by a DB plan than their less-educated counterparts.

In 2012, 35% of female university graduates and 22% of male university graduates aged 25 to 34 were covered by a DB plan, compared with 15% of females and 9% of males in the same age group with a high school diploma or less.

When they were covered by a DB plan, those with a university education were also entitled to more generous benefits.

Of all university degree holders with DB plans, 96% had plans where the pension formula was based on 'average best earnings,' or 'final average earnings.' This compared with 69% among DB plan members who had a high school diploma or less.

Larger workplaces and better paid workers also have higher rates of defined benefit plan coverage

Pension coverage, particularly by DB plans, was higher in larger workplaces.

For example, 46% of men working in workplaces with over 1,000 employees were covered by DB plans. This compared with 14% among men working in workplaces with 10 workers or less.

Since workers in larger firms and highly educated individuals are better paid than those in smaller firms and with a lower level of educational attainment, higher wages were also associated with higher pension coverage rates.

Among those in the top 10% of wage earners, 60% of female employees and 37% of male employees were covered by a DB pension plan.

This compared with less than 7% among men and women in the bottom 10% of wage earners.



Note to readers

In this study, data from the 2012 Longitudinal and International Study of Adults (LISA) are used to examine the pension coverage of employed Canadians aged 25 to 54 (who worked during the reference week or in the 12 months preceding the survey and who had positive employment income in the previous year).

The core content of LISA provides information on the interaction of labour market, education and family experiences; positions these events in the context of people's lives by recognizing the dynamics between yesterday's decisions and today's achievements; and links these transitions to outcomes within other areas of life. In 2012, the survey was collected for the first time and will be collected every two years.

Two categories of pension plans are examined in this study: (1) **defined benefit plans**, under which benefits correspond to a set amount or are determined with a formula providing a pension unit for each year of service; and (2) other types of pension plans, including **defined contribution plans** in which the value of accumulated contributions is applied upon employee retirement to provide pension income, and **hybrid/mixed plans**, which have both a defined benefit portion and a defined contribution portion.

Definitions, data sources and methods: survey number 5144.

The article "New facts on pension coverage in Canada" is now available online in *Insights on Canadian Society* (75-006-X) from the *Browse by key resource* module of our website under *Publications*.

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