

# Retaining older workers

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**G**iven the growing number of people nearing retirement, concerns about the social and economic consequences of a mass exit from the workforce have spurred interest in increasing the labour force participation of older workers.<sup>1</sup> A key issue is how amenable older workers would be to employer strategies and public policies designed to encourage them to remain on the job.

Possibly some older workers would retire later if offered flexible work arrangements, such as part-time hours or fewer annual workweeks. Others might postpone retirement if pension income were not affected or if they were offered salary increases. Naturally, some would be unable to continue working because of health problems. This article uses the 2002 General Social Survey to explore these issues for some 1.8 million individuals who retired between 1992 and 2002 (see *Data source*).

## **Incentives would have kept some retirees in the workforce**

The 2002 GSS asked retired respondents what factors might have influenced them to continue working (Table 1). Over one-quarter indicated they might have changed their decision to retire if they had been able to reduce their work schedule without their pension being affected, either by working fewer days (28%) or shorter days (26%). In addition, just under one-fifth would have been influenced by more vacation leave. Altogether, 31% cited at least one of these three pension-related reasons.<sup>2</sup> The importance of work arrangements is also shown by the 28% who would have continued working on a part-time basis.

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## **Data source**

The 2002 General Social Survey (GSS) targeted all persons 45 and older residing in the 10 provinces except full-time residents of institutions.

The GSS used a subjective definition of retirement. First, individuals who reported their main activity during the previous 12 months as 'retired' were identified as retirees. Individuals with another main activity were asked "Have you ever retired?" Those who said yes were also identified as retirees, even if they had since returned to the workforce. Individuals who had never retired were asked a follow-up question that probed further:

Retirement does not necessarily mean stopping work permanently. Have you ever retired in any of the following circumstances?

- You became eligible for a pension or put in enough years for a pension.
- You received an early retirement package.
- You significantly reduced the amount of work you did for a business or farm you operated in order to retire.
- You were permanently laid off or lost a job and did not look for work or gave up looking for work in order to retire.
- You retired from a job or significantly reduced your work time because of your health.
- You retired from a job or significantly reduced your work time because you could afford to live on your savings/investments.
- You retired from a job or significantly reduced your work time because you could afford to live on your spouse's/partner's investment or retirement income.
- You reduced your work time because of the health of your spouse or relative.

Those who responded yes to any part of the follow-up question were also classified as retirees.

The analysis is limited to **recent retirees**—those who (first) retired between 1992 and 2002. This was done to focus on the characteristics and experiences of individuals who made the transition into retirement in recent years. The sample was also restricted to individuals 50 or older, resulting in the exclusion of a few respondents who retired earlier. The final sample was 4,464.

**Table 1: Possible incentives for continuing to work**

	Both sexes	Men	Women
		'000	
<b>Total</b>	<b>1,763</b>	<b>949</b>	<b>814</b>
		%	
<b>With no pension effects</b>			
Working fewer days	28.3	29.1	27.5
Working shorter days	25.6	26.0	25.2
More vacation	19.0	19.6	18.4
Part-time work	27.8	28.3	27.2
Better health	26.5	26.7	26.2
Salary increase	21.2	22.0	20.4
No mandatory retirement	11.8	12.0	11.7
Suitable caregiving	6.3	6.7	5.8 <sup>E</sup>
Other	11.3	9.8	13.0

Source: General Social Survey, 2002

Health problems were a consideration for many recent retirees; 27% said they would have continued working if their health had been better. Just over 21% would have continued working if their salary had been increased, although by how much was not asked. Fewer would have continued working if mandatory retirement policies had not existed (12%) or if they could have found suitable caregiving arrangements (6%). In all cases, men and women responded very similarly.

### Health considerations

Overall, 60% of recent retirees indicated a willingness to continue working if certain incentives had existed. Undoubtedly, this overstates the extent to which older workers constitute a potential supply of labour since the capacity of some to remain in the workforce was limited by health problems. It is therefore important to examine the combination of factors that would have enabled or encouraged them to continue working.

One-third of recent retirees retired for health reasons (Table 2). The percentages are higher for self-employed individuals (40%) than for employees (31%), likely reflecting older retirement ages of self-employed workers. Since alternative work arrangements and retirement policies would likely not affect the retirement decision of these individuals, they are excluded from the discussion of older workers as a potential supply of labour.

Another third of recent retirees did not retire for health reasons and would not have continued working for any of the reasons offered. The remaining third—healthy individuals who would have been willing to remain in the workforce (at least partly)—clearly offer the best prospect for increasing the overall supply of labour.

**Table 2: Factors affecting retirement**

	Total*	Emple- ees	Self- employed
		'000	
<b>Total retirees</b>	<b>1,681</b>	<b>1,335</b>	<b>263</b>
		%	
Retired for health-related reasons	33.4	30.6	39.5
Would not have continued working	35.3	34.9	40.8
<b>Would have continued working under different conditions</b>	<b>31.2</b>	<b>34.4</b>	<b>19.7</b>
Working arrangements only**	7.8	8.4	5.8
Other factors only†	8.4	9.1	6.2
Working arrangements and other factors	15.0	16.9	7.7

Source: General Social Survey, 2002

\* Includes those with no class of worker code.

\*\* Working fewer days without affecting pension; working shorter days without affecting pension; increased vacation without affecting pension; and part-time work.

† Salary increase, no mandatory retirement, suitable caregiving arrangements, and other factors.

About a quarter of these healthy individuals, representing 8% of all recent retirees, would have continued working if alternative working arrangements had been available.<sup>3</sup> Almost half (15% of recent retirees) would have kept working in light of such arrangements combined with other factors. Within this group, the other factors most frequently cited were salary increase (80%), no mandatory retirement policy (35%), suitable caregiving arrangements (8%), and other reasons (23%). The remaining quarter (8% of all recent retirees) would have continued working for reasons other than working arrangements. Within this group, the most frequently cited were 'other reasons' (58%), salary increase (24%), and no mandatory retirement (24%).

**Table 3: Former employees not retiring for health-related reasons who might have continued working, by personal characteristics**

	Change desired			Both
	Total	Working time	Other factors	
		'000		
<b>Total</b>	<b>461</b>	<b>112</b>	<b>122</b>	<b>226</b>
		%		
<b>Age at retirement</b>				
50 to 59	53	14	14	25
60 to 64	44	11 <sup>E</sup>	13 <sup>E</sup>	20
65	56	9 <sup>E</sup>	11 <sup>E</sup>	35 <sup>E</sup>
66 or older	45	10 <sup>E</sup>	11 <sup>E</sup>	24 <sup>E</sup>
<b>Education</b>				
Less than high school	43	10 <sup>E</sup>	14 <sup>E</sup>	19 <sup>E</sup>
High school diploma	51	11 <sup>E</sup>	12 <sup>E</sup>	28
Postsecondary certificate or diploma	52	15 <sup>E</sup>	15 <sup>E</sup>	23
University degree	53	14 <sup>E</sup>	12 <sup>E</sup>	28
<b>Spouse's education</b>				
No spouse present	52	8 <sup>E</sup>	16 <sup>E</sup>	27
Less than high school	45	12 <sup>E</sup>	14 <sup>E</sup>	18
High school diploma	49	13 <sup>E</sup>	11 <sup>E</sup>	24
Postsecondary certificate or diploma	53	17 <sup>E</sup>	10 <sup>E</sup>	26 <sup>E</sup>
University degree	54	12 <sup>E</sup>	13 <sup>E</sup>	29
<b>Housing tenure</b>				
Rented	54	10 <sup>E</sup>	17 <sup>E</sup>	26 <sup>E</sup>
Owned	49	12	13	24
<b>Immigration status</b>				
Immigrant	53	12 <sup>E</sup>	9 <sup>F</sup>	32
Canadian-born	49	12	14	22
<b>Financial situation since retirement</b>				
Better	45	11 <sup>E</sup>	13 <sup>E</sup>	21 <sup>E</sup>
About the same	45	12	12	21
Worse	62	13 <sup>E</sup>	17 <sup>E</sup>	33
<b>Life satisfaction since retirement</b>				
Better	45	12	11	21
About the same	54	12 <sup>E</sup>	15	27
Worse	62	F	23 <sup>E</sup>	30 <sup>E</sup>
<b>Sex</b>				
Men	52	14	13	25
Women	48	10 <sup>E</sup>	14	24

Source: General Social Survey, 2002

### Profile of those willing to continue working

While the above paints a broad picture of preferences regarding retirement, it leaves several questions unanswered. First, who would be most likely to keep

working if working arrangements were the only consideration? For instance, flexible work arrangements might not influence the retirement decision of employees working at physically demanding jobs for an extended period of time. On the other hand, those whose financial position has deteriorated after retirement or who are having a hard time finding new activities might be willing to reconsider their decision.

Second, who would continue working only if other factors were changed in addition to work arrangements? Third, who would be unlikely to be swayed even in these circumstances? Would former employees in goods-producing industries react differently than their counterparts in services? Would education level play a role?

One-half of all former employees who did not retire for health-related reasons said they would have kept working if alternatives had been offered<sup>4</sup> (Table 3). Twelve percent cited alternative working arrangements; almost a quarter indicated both working arrangements and other factors; and the remaining 13%, other factors only.

These simple averages mask important differences between groups. For instance, 28% of those with a high school diploma or university degree would have kept working if both working arrangements and other factors had been altered, compared with 19% of those with no high school diploma. The same combination of changes was indicated by one-third of those who had been offered early retirement incentives, compared with one-fifth of those who had had no early incentive (Table 4).

From an industry perspective, no more than 20% of individuals formerly employed in health care, social assistance and education; or accommodation and food services would have kept working even if both working arrangements and other factors had been altered (Table 4). The extent to which job quality discourages older workers from remaining in the workforce cannot be addressed with the GSS. Overall, if alternatives had been offered, about 60% of individuals formerly employed in utilities, transportation and warehousing; trade; and information, culture and recreation would have continued to work, compared with about 45% in construction; health care, social assistance and education; and accommodation and food industries. One reason for the lower rate among construction workers may be that physically demanding jobs are unattractive to older workers.

**Table 4: Former employees not retiring for health-related reasons who might have continued working, by job characteristics**

	Change desired			Both
	Total	Working time	Other factors	
<b>Total</b>	<b>461</b>	<b>112</b>	<b>122</b>	<b>226</b>
<b>Early retirement incentive</b>			%	
Yes	58	15 <sup>E</sup>	10 <sup>E</sup>	33
No	46	11	14	21
<b>Receiving pension income</b>				
Yes	51	14	11	26
No	48	10 <sup>E</sup>	17	22
<b>Occupation</b>				
Management	55	14 <sup>E</sup>	14 <sup>E</sup>	27 <sup>E</sup>
Professional	46	13 <sup>E</sup>	12 <sup>E</sup>	21 <sup>E</sup>
Technical	52	F	F	30 <sup>E</sup>
Clerical	52	12 <sup>E</sup>	12 <sup>E</sup>	28 <sup>E</sup>
Sales and service	50	10 <sup>E</sup>	19 <sup>E</sup>	21 <sup>E</sup>
Trades, transport and equipment operators	51	15 <sup>E</sup>	12 <sup>E</sup>	24 <sup>E</sup>
Unique to primary, processing, manufacturing and utilities	48	12 <sup>E</sup>	F	28 <sup>E</sup>
<b>Industry</b>				
Agriculture and other primary	52	F	F	F
Utilities, transportation and warehousing	60	18 <sup>E</sup>	12 <sup>E</sup>	30 <sup>E</sup>
Construction	45	F	F	F
Manufacturing	49	12 <sup>E</sup>	11 <sup>E</sup>	26 <sup>E</sup>
Trade	58	11 <sup>E</sup>	19 <sup>E</sup>	28 <sup>E</sup>
Finance, insurance, real estate, professional and business	53	15 <sup>E</sup>	12 <sup>E</sup>	27 <sup>E</sup>
Health care, social assistance and education	44	13 <sup>E</sup>	12 <sup>E</sup>	19 <sup>E</sup>
Information, culture and recreation	63	F	19 <sup>E</sup>	36 <sup>E</sup>
Accommodation, food and other services	40	F	F	20 <sup>E</sup>
Public administration	47	9 <sup>E</sup>	13 <sup>E</sup>	25 <sup>E</sup>
<b>Employment status</b>				
Full-time/full-year	50	13	12	25
Not full-time/full-year	48	10 <sup>E</sup>	18 <sup>E</sup>	21 <sup>E</sup>

Source: General Social Survey, 2002

### Multivariate analysis

Do these qualitative patterns hold when healthy retirees with similar characteristics are compared? A multivariate analysis was used to examine how answers varied according to age at retirement, sex, education level (own and spouse's), occupation and industry of prior

employment, and several other characteristics.<sup>5</sup> The analysis was limited to those who were employees prior to retirement.<sup>6</sup>

Compared with their counterparts aged 60 to 64, retirees aged 50 to 59 were more likely to report that they would have continued working. If only alternative working

arrangements are considered, 14% would have stayed, slightly more than the 12% observed for those aged 60 to 64 (Table 5).<sup>7</sup> Those who retired at 65 were much more likely than their younger counterparts to have been willing to continue working if, in addition to working arrangements, other factors such as mandatory retirement policies had been altered.

Retirees with a university degree were among the most likely to have continued working under different working arrangements (with or without other factors). This may be attributable to their relatively high levels of job satisfaction or less physically demanding jobs. Alternative work arrangements appear to be an important consideration for employers keen on retaining highly educated workers.

Immigrants and retirees who received early retirement incentives were much more likely to have considered continuing to work given other factors in addition to alternative working arrangements. Retirees formerly employed in health care, social assistance and education were the least likely to report preferences for continuing to work. This suggests less scope for retaining older workers in these industries—a consideration that takes on added importance given their disproportionately large shares of employees approaching retirement (Statistics Canada 2004).

Does a worsening financial situation in retirement affect one's view of continuing to work? Unambiguously, the answer is yes. Among comparable retirees, those whose financial situation had deteriorated since retirement were much more likely to wish they had been offered alternative working arrangements.

**Table 5: Probability of wanting to keep working**

	Change desired		
	Working time	Other factors	Both
<b>Age at retirement</b>		%	
50 to 59	14	12	29
60 to 64*	12	11	25
65	9	8	44
66 or older	11	7	29
<b>Education</b>			
Less than high school	11	10	24
High school diploma*	11	10	30
Postsecondary certificate or diploma	15	12	26
University degree	14	11	38
<b>Spouse's education</b>			
No spouse present	9	13	33
Less than high school*	14	12	22
High school diploma	13	9	29
Postsecondary certificate or diploma	17	8	30
University degree	12	11	35
<b>Early retirement incentives</b>			
Yes	13	8	42
No*	12	12	25
<b>Immigration status</b>			
Immigrant	12	10	31
Canadian-born*	13	15	23
<b>Occupation</b>			
Management	12	13	26
Professional	13	10	23
Technical	14	7	38
Clerical	12	10	31
Sales and service	11	15	28
Trades, transport and equipment operators	14	11	31
Unique to primary, processing, manufacturing and utilities*	13	6	38
<b>Industry</b>			
Agriculture and other primary	11	17	27
Utilities, transportation and warehousing	16	10	39
Construction	14	7	32
Manufacturing*	11	11	30
Trade	13	11	39
Finance, insurance, real estate, professional and business	16	9	31
Health care, social assistance and education	13	10	21
Information, culture and recreation	9	17	38
Accommodation, food and other services	9	10	29
Public administration	8	11	29
<b>Financial situation since retirement</b>			
Better	12	11	25
About the same*	12	10	27
Worse	14	13	37
<b>Life satisfaction since retirement</b>			
Better	12	9	26
About the same*	13	12	32
Worse	12	18	31

Source: General Social Survey, 2002

\* Reference group

Probabilities in shaded areas differ from those of the reference group at the 5% level.

## Conclusion

Admittedly, retrospective questions about retiring must be treated cautiously since it is impossible to determine if a different course of action would have been taken. Responses may overstate the willingness of individuals at the time to continue working, particularly if they have found their retirement to be less satisfying than expected. In retrospect, continued employment may look appealing. Conversely, even those retirees who said they would not have been willing to continue working might have done so if offered a job with enough pay and the right conditions.

Despite such limitations, the findings offer some insight for the future. Alternative working arrangements appear to be an important consideration in encouraging older workers to remain in the workforce. Over one-quarter of retirees in the sample would have been willing to continue working if part-time employment had been available. Similarly, a significant proportion said that continued employment would have been an attractive option if they had been able to work fewer hours without their pension being affected. The importance of working arrangements is also evident in the 42% who returned to the workforce on a part-time basis.

However, the circumstances and conditions that shaped the experiences of retirees in the 1990s may be quite different from those in the years ahead. In a context of tighter labour markets, it is unlikely that organizations will as readily offer early retirement incentives. Indeed, in the public sector, spending on such incentives reached a peak in 1996, declining through the rest of the decade (Kieran 2001). The

This may reflect unexpected declines in living standards after retirement. Poor knowledge of one's employer-sponsored pension plan is an important consideration in this respect (Morissette and Zhang 2004).

opportunities open to individuals facing retirement may change in the near future, as may the extent to which they are willing to remain in the workforce.

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**Perspectives**

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**■ Notes**

1 This concern has been clearly expressed by the Organisation for Economic Co-operation and Development: “Population ageing means that, in the absence of any change in patterns of labour market participation, the labour force is likely to fall in relative, and even in a few countries perhaps in absolute, terms over the coming decades with major consequences for economic growth, public finance and living standards. This is why raising the employment rate for older workers is so critical.” (OECD 2002, 10).

2 A considerable number of retirees who did not receive income from employer pension plans in 2002 responded to these questions, perhaps because they understood such plans to include the Canada and Quebec Pension Plans. When the analysis is limited to individuals who received income from an employer pension plan, the proportion who would have continued working if they had been able to reduce their time at work without their pension being affected rises to 37%.

3 Alternative working arrangements include fewer days without pension being affected, shorter days without pension being affected, vacation leave increased without pension being affected, and part-time work.

4 The corresponding percentage for former self-employed individuals is only 33%. This no doubt reflects the greater flexibility that self-employment offers in terms of working arrangements and autonomy.

5 The other control variables were owning a house; received an early retirement incentive; receiving pension income; employed full year, full-time prior to retirement; no change, deterioration, or improvement in financial position since retirement; and enjoyment of life as much, more, or less since retirement.

6 The one-third of recent retirees who left the labour force for health reasons are excluded from the multivariate analysis. The one-third of recent retirees who did not leave the workforce because of health limitations and who said they would not have continued working even if circumstances had been different is used as a comparison benchmark. The multivariate analysis is based on a multinomial logit model and essentially compares the three ‘would have stayed’ groups in Table 2 with the ‘would not have stayed’ group.

7 The probabilities shown in Table 4 are obtained by setting the other covariates to their mean values.

**■ References**

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