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Do aging baby boomers work more than earlier generations?

By Yuqian Lu and Feng Hou

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The large wave of baby boomers—individuals born between 1946 and 1965—accounted for 31% of the Canadian population in 2000, when they were in their prime ages of 35 to 54, and 24% of the total population in 2020, when they were older adults aged 55 to 74.¹ Because of their sheer numbers, baby boomers have had a powerful impact on society. Now, as they are aging, concerns have been raised about the challenge that baby boomers pose to the sustainability of Canada’s economy and social programs.

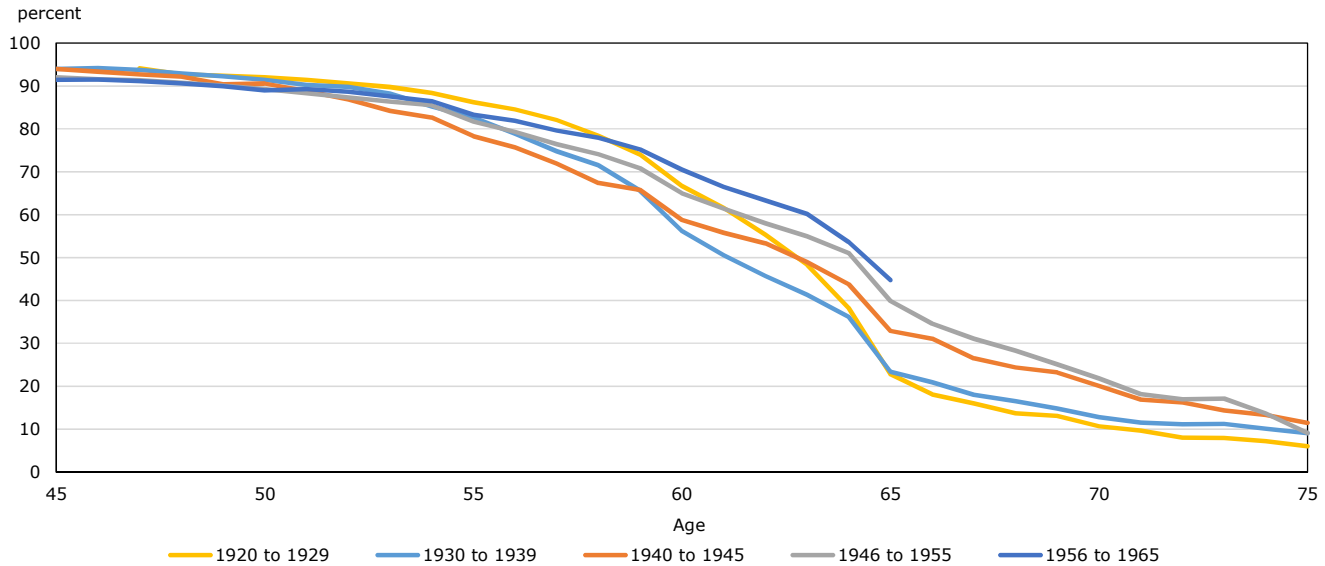
Baby boomers are on average living longer and healthier, and thus are capable of working more years than earlier generations. The feasibility of working in older ages is further improved as the economic structure continues to shift from manufacturing to the service sector and knowledge-based employment that provide jobs with less physical strain. Whether retirement-age baby boomers will have a higher level of labour force participation (LFP) than earlier generations will have a large impact on their economic well-being and on the overall labour supply in Canada within a decade or so.

Using the Labour Force Survey (LFS) between January 1976 and December 2021, this article compares baby boomers and earlier generations in LFP. To simplify the comparison, this article examines five birth cohorts, 1920 to 1929, 1930 to 1939, 1940 to 1945, 1946 to 1955 (early baby boomers), and 1956 to 1965 (late baby boomers). These cohorts experienced some unique socioeconomic conditions.² A synthetic cohort approach is adopted to follow each birth cohort year after year.

The LFP rate is used in the article to represent cross-cohort differences in labour market activities.³ This indicator reflects the overall prevalence of attachment to the labour market.

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- 1 Census data show that Canadian-born baby boomers accounted for 30% of the total Canadian-born population in 2001, and 26% in 2016. It is possible to examine cohort differences in LFP among the Canadian-born population using data from the 1981 to 2016 censuses and from the 2006 to 2021 LFS. The general trend across birth cohorts for the Canadian-born population is broadly similar to that among the total population, although Canadian-born boomers aged 60 to 65 had lower LFP rates than the total population by 1 to 4 percentage points for both men and women.
 - 2 The 1920-to-1929 cohort was referred to as “roaring twenties.” The 1930-to-1939 cohort was “depression babies,” and the 1940-to-1945 cohort was “World War II babies.” Both the 1930-to-1939 and 1940-to-1945 cohorts entered the workforce in a prolonged period of economic expansion. The 1946-to-1955 cohort was early boomers who, in spite of facing heavy competition from peers, enjoyed ample labour market opportunities created partly by the consumption demand of late boomers, who were born between 1956 and 1965 (see Foot & Stoffman, 1998).
 - 3 In generating the age profiles of LFP for each birth cohort, the rate was first estimated for each single year of age from a 12-month average in a given year of the LFS. Then, for each single year of age, the estimate for a given birth cohort is the average from all the LFS years when the cohort members were at that particular age.

Chart 1
Labour force participation rate by age and birth cohort, annual, men, 1976 to 2021



Source: Labour Force Survey, 1976 to 2021.

There was a strong regularity in the age profile of LFP over generations of Canadian men (Chart 1). The LFP rate among men started to decline slightly from age 45 to their mid-50s, then the decline accelerated until age 65, when the majority of men were out of the labour force and eligible for various pension benefits. Particularly, the LFP rate of men dropped the most from age 64 to 65, about 9 to 15 percentage points, depending on cohorts. After age 65, the LFP rate continued to decline, although at a slower pace, to 11% or lower by age 75.

The age profiles of male LFP across various cohorts were tightly clustered together up to age 50, but started to diverge afterward. From age 50 to 60, the average LFP rates declined steadily from the 1920-to-1929 cohort to the 1940-to-1945 cohort. For instance, at 55, the 1920-to-1929 cohort had an LFP rate of 86%, about 4 percentage points higher than the 1930-to-1939 cohort, who in turn had a 4 percentage-point lead over the 1940-to-1945 cohort. This decline across these cohorts likely reflects the gradual shift of the workforce from self-employment (mostly farming) to being employees of large enterprises, the enactment and continuing enhancement of publicly funded Old Age Security, and the expansion of private occupational pensions in the 20th century (Munnell & Sass, 2008).

However, this trend was reversed by male baby boomers who have turned 50 since the late 1990s. Early boomers surpassed the 1940-to-1945 cohort in the LFP rate by age 52, and then surpassed the 1930-to-1939 cohort by age 56, while late boomers had the highest LFP rate among all selected cohorts by age 59. Part of the rise in LFP of men aged 55 and older after the mid-1990s was likely associated with greater spousal participation and a decline in registered pension plan coverage among male workers (Morissette, 2018; Schirle, 2008).

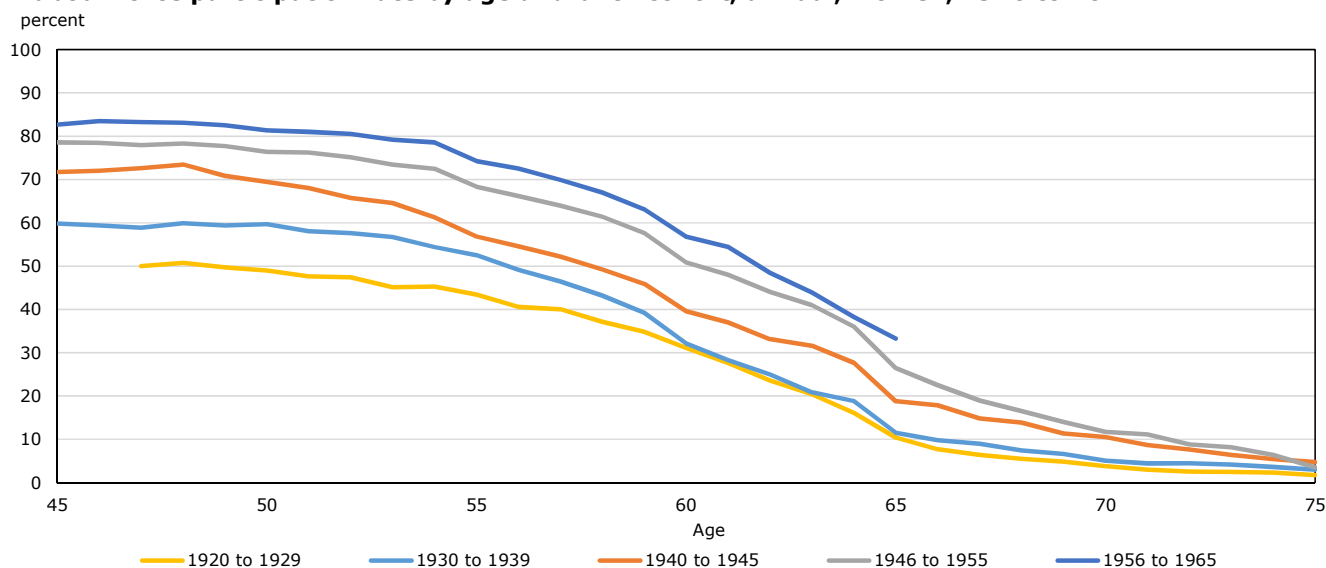
There are two clear cross-cohort changes in the LFP rates of men in their 60s. First, starting from the 1930-to-1939 cohort, the average LFP rates increased consistently among successive cohorts. Second, relative to those who were born before the 1940s, who had a steep decline in the LFP rate from age 60 to 65, the decline was more gradual among the 1940-to-1945 cohort and baby boomers. For instance, the LFP rate decreased 44 percentage points from 67% at age 60 to 23% at age 65 among the 1920-to-1929 cohort, while the corresponding decline was 25 percentage points among early boomers and 26 percentage points among late boomers. As a result, by age 65, baby boomers had an LFP rate 7 to 22 percentage points higher than the three earlier birth cohorts.

The cohort differences observed in those in their early 60s were extended to those in their late 60s. From age 65 to 70, early boomers had an LFP rate 2 to 7 percentage points higher than the 1940-to-1945 cohort, who in turn maintained an LFP rate about 7 to 13 percentage points higher than the two earlier birth generations. By age 70, 22% of early boomers were still attached to the labour force.

Another measure of the cohort difference in LFP is the change in the age at which more than one-half of the population is not in the labour force. This age threshold was 63 for men in the 1920-to-1929 and 1940-to-1945 cohorts, 62 for the 1930-to-1939 cohort, and 65 for male baby boomers. In other words, male baby boomers postponed the average age of labour market inactivity by at least two years relative to earlier generations.

Among men who were aged 65 to 75 and employed, there were no clear changes across cohorts in the share working full time. About 72% to 76% of workers aged 65 worked full time, and the full-time rate decreased to 50% to 60% at age 75, depending on cohorts (table not shown here).

Chart 2
Labour force participation rate by age and birth cohort, annual, women, 1976 to 2021



Source: Labour Force Survey, 1976 to 2021.

Compared with the trends among men, the cohort changes in female LFP were more striking (Chart 2). While the increase in the male LFP rate across cohorts was observed primarily after age 60, more recent cohorts of women established a much higher LFP rate in their prime working age, and maintained this lead well into their late 60s. For instance, at age 50, the LFP rate of late boomers was at 81%, an increase of 32 percentage points from 49% for the 1920-to-1929 cohort. A similar gap was kept until age 56, then slowly narrowed down to 23 percentage points by age 65. These across-cohort changes are consistent with the well-documented long-term trends in women’s educational attainment, LFP and earnings over recent decades (Goldin, 2006).

The evolution of LFP across cohorts of aging women was also reflected in the large increase of their average age of labour market inactivity. This age threshold rose from age 49 for the 1920-to-1929 cohort to 56 among the 1930-to-1939 cohort, 58 among the 1940-to-1945 cohort, and further to 61 and 62 among early and late boomers, respectively.

The substantial increase in labour market activities among women drastically narrowed the gender gap in the timing of absence from the labour force. Among the 1920-to-1929 cohort, women on average left

the labour force 14 years earlier than men, but among late boomers, women left the labour force only three years earlier. Although late boomer women in their early 60s still lagged behind their male counterparts in the LFP rate by 12 to 16 percentage points, it is remarkable that 57% of them remained in the labour force at age 60, and 33% did so by age 65.

Among women who were aged 60 to 70 and employed, the share working full time also increased across birth cohorts. For instance, at age 65, 51% of female workers in the 1940-to-1945 cohort worked full time. This rate increased to 59% for late boomers (table not shown here).

Summary

As baby boomers pass their prime working age, they have established patterns of labour market activities different from those of preceding generations. Although male baby boomers had a lower LFP rate than previous generations in their 40s, they have surpassed earlier generations in their 60s. At age 65, male baby boomers had an LFP rate at least 16 percentage points higher than those born before the 1940s.

Female boomers achieved a much higher LFP rate than earlier generations in their prime working age and maintained this lead well into their 60s. Over half of female baby boomers remained in the labour force by age 60, and more than one-quarter did so by age 65.

Many late boomers have not reached age 65. If the pattern of cohort differences in LFP trajectories up to age 60 continues, late boomers would work more than earlier generations in their late 60s and early 70s. Additionally, the COVID-19 might have affected the retirement decision of baby boomers, particularly late boomers. Along with the increasing possibilities of work from home and demand for labour, many late baby boomers who are still in their late 50s and early 60s may extend their career during the post-pandemic recovery period.

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