



# PERSPECTIVES

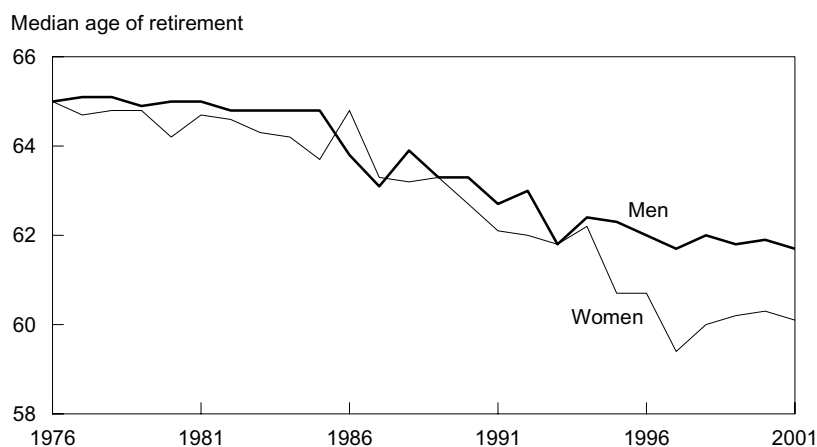
ON LABOUR AND INCOME

## Fact-sheet on retirement

### The age of retirement has stabilized in recent years

Over the past couple of decades, the age of retirement has changed dramatically.<sup>1</sup> The median age was close to 65 in the late 1970s and early 1980s. Starting in the mid-1980s, it declined considerably.

Between 1986 and 1993, the median retirement age declined more or less steadily. The sharp drop between 1986 and 1987 is likely explained by the lowering in 1987 of the minimum age at which one could draw benefits from the Canada Pension Plan—from 65 to 60. In 1988, retirement age increased, probably because most people wishing to take advantage of this early retirement option had done so the previous year. After 1988, however, the trend toward earlier retirement resumed until 1994, when retirement age increased slightly and then declined until 1997. After 1997, it increased again and then stabilized.



Source: Labour Force Survey

The retirement age fluctuations in the 1990s may reflect government cutbacks and corporate downsizing. The popularity of early retirement incentives as a tool for workforce adjustment may also have influenced recent retirement behaviour.

Over most of the past two decades, women retired slightly earlier than men, with the two sexes following a similar trend. There were exceptions, however. In 1986, for example, women retired later than men. In 2001, the median age of retirement decreased slightly for both men and women.



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## Distribution of ages at retirement

	1992 to 1996		1997 to 2001	
	'000	%	'000	%
<b>Total</b>	<b>605</b>	<b>100</b>	<b>706</b>	<b>100</b>
50 to 54	64	11	112	16
55 to 59	150	25	193	27
60 to 64	216	36	216	31
65 to 69	132	22	133	19
70+	42	7	52	7

Source: Labour Force Survey

This study looks at people who retired at any time during the five-year period at either end of the data series (1992 to 1996 and 1997 to 2001). Initially, the most popular age for retirement was between 60 and 64 (36% of retirees); at the end of the study period, it was still 60 to 64 but the number of retirees had decreased (31%).

The change is more noticeable, however, in the proportion of those retiring at younger and older ages. The percentage under age 55 increased, from 11% to 16%. The sample aged 55 to 59 increased from 25% to 27%. On the other hand, fewer people waited past age 65 (19% versus 22%).

Not everyone joined this trend, however. About one person in 14 retiring in the 1990s waited until age 70 or later.

### Measuring retirement

The Labour Force Survey (LFS) was designed to measure labour force activity at a certain point in time: one reference week each month. To provide a meaningful series on retirement, each survey month is scanned and everyone who claims to have retired in the past year is recorded. The month of retirement is taken to be the same as the month last worked. A list of retirees is then organized according to the *month in which they retired*, rather than the month of the survey. Special adjustments to the sampling weights produce an unbiased estimate of retirees.

Since very few people under 50 report retirement as a reason for leaving their job, only those who retired at 50 or over are included here.

For all retired people (except a few 'permanently unable to work'), information is gathered on the last job—specifically, industry, occupation, length of tenure, and employment class (employee or self-employed).

The data refer to the last job, but some people's last job may not be indicative of their careers. These people may have switched jobs shortly before retirement. For this

reason, those with brief job tenures are best considered a residual group—that is, representing people with a wide but unknown mix of work histories.

Respondents remain in the LFS sample for six consecutive months. For this study, however, only the response in the first month is used. This self-perceived retirement status is not updated thereafter, even though the respondent's situation may have changed after the first interview.

According to a preliminary study, a few retirees took jobs in the following five months. Many of these jobs were part-time, which may mean simply that the person had decided to fill in the time or to supplement a pension.

The majority of people over 50 who left the workforce gave reasons other than retirement for leaving the last job. The two most common ones were 'laid off' and 'sickness or disability'. A high percentage of this group re-entered the labour force within five months of the initial LFS interview. Many more likely found jobs later. In the context of the current exercise, those who remained out of the workforce would be missed from the analysis.

## Median age at retirement, and length and sector of employment

Many factors influence the timing of retirement. Among the most important are the type of last job and length of tenure.<sup>2</sup>

For workers overall, the median age of retirement declined from 62.0 to 60.8 over the study period. People employed in the public sector (which includes education, health and social services, and government), already the youngest to retire from 1992 to 1996, saw the greatest decline in median age (2.1 years, from 59.7 to 57.6). Employees in the private sector retired an average three and a half years later than public sector workers at the beginning of the period, a gap that increased to over four years between 1997 and 2001 (61.7 versus 57.6).

Self-employed people, whose median age of retirement remained steady over the study period (65.0), retired later than employees. Industry accounts for much of the age difference between self-employed and employees.

How long one worked in a job prior to retirement seems to have a strong correlation with retirement age. This is not surprising. People who stay with one employer for a long time have an opportunity to build up substantial entitlements in a pension plan if one is available. Furthermore, employers offering good pension plans (for example, school boards, some large companies and governments) often provide longer tenure. As might be expected, early retirement is more prevalent in such workplaces. Employer pensions have also been linked with higher retirement incomes (Gower, 1995).

Between 1997 and 2001, workers with job tenure of 20 years or more retired almost three years earlier than those with under 20 years (59.9 versus 62.6). Among the self-employed, however, the opposite was true. On average, those with 20 years or more retired 2.8 years later (66.6 versus 63.8). This, combined with their slower rate of decline in median retirement age, suggests that self-employed workers reach the decision to retire in a very different manner.

Job tenure	Sector	1992 to 1996		1997 to 2001	
		'000	Median age	'000	Median age
<b>Overall</b>	<b>All retirees (aged 50+)*</b>	605	62.0	706	60.8
	Public employees	213	59.7	244	57.6
	Private employees	301	63.2	334	61.7
	Self-employed	87	65.0	123	65.0
<b>Less than 20 years</b>	<b>All retirees (aged 50+)*</b>	258	63.7	291	62.6
	Public employees	66	62.0	65	60.4
	Private employees	153	64.3	162	63.0
	Self-employed	38	64.3	63	63.8
<b>20 years or more</b>	<b>All retirees (aged 50+)*</b>	345	60.7	411	59.9
	Public employees	147	58.8	178	56.9
	Private employees	148	61.8	172	60.4
	Self-employed	49	65.7	60	66.6

Source: Labour Force Survey

Note: Job tenure and sector refer to last job prior to retirement.

\* Because unpaid family workers are not accounted for in the sub-categories but are included in the totals, numbers do not add to totals.

## Distribution of retirees by month of departure, 1997 to 2001

	Both sexes		Men		Women	
	%	Median age	%	Median age	%	Median age
<b>All months</b>	<b>100.0</b>	<b>60.8</b>	<b>100.0</b>	<b>61.8</b>	<b>100.0</b>	<b>60.0</b>
January	7.7	60.8	8.0	60.7	7.2	60.8
February	5.0	61.3	4.9	60.6	5.1	62.2
March	6.3	60.3	6.5	61.4	6.0	59.0
April	7.1	61.3	7.3	61.8	6.7	60.3
May	7.2	60.6	7.4	60.7	6.9	60.4
June	17.2	58.4	14.3	59.8	21.2	57.4
July	9.2	60.3	8.9	61.3	9.6	59.6
August	6.6	60.9	7.2	61.9	5.8	59.2
September	8.4	62.8	8.4	64.6	8.3	61.2
October	7.7	63.0	8.5	63.3	6.6	62.1
November	6.0	62.1	6.4	63.2	5.4	61.2
December	11.7	61.0	12.1	62.6	11.1	60.0

Source: Labour Force Survey

Not surprisingly, people favoured some months over others to retire. Two months stand out: June and December, with the former more popular. People who retired during the summer tended to be slightly younger than those who did so in autumn or winter. Little has changed over the last two decades. The patterns for men and women are similar, though women were more likely to retire in June. This may relate to the number of women retiring from teaching.

## Median age at retirement by industry, and change over time

Between 1997 and 2001, below average retirement ages were recorded in utilities; finance, insurance, real estate and leasing; educational services; health care and social assistance; information, culture and recreation; and public administration.

The greatest declines were found in industries with low retirement ages. In contrast, those recording relatively late retirement ages experienced the least decrease, except in trade industries.

Many factors are at play here. In particular, certain industries that were downsizing in the 1990s may have introduced early retirement programs (see *Appendix*).

Industry*	1992 to 1996	1997 to 2001	Change
	Median age		Years
<b>Industry*</b>	<b>62.0</b>	<b>60.8</b>	<b>-1.2</b>
<b>Goods-producing</b>	<b>63.0</b>	<b>62.2</b>	<b>-0.8</b>
Primary	64.9	65.2	0.3
Agriculture	66.7	68.6	1.9
Other	62.8	61.2	-1.6
Utilities	59.2	56.6	-2.6
Construction	64.7	63.7	-1.0
Manufacturing	61.9	61.4	-0.5
<b>Service-producing</b>	<b>61.7</b>	<b>60.3</b>	<b>-1.4</b>
Trade	64.3	62.6	-1.7
Transportation and warehousing	61.0	60.8	-0.2
Finance, insurance, real estate and leasing	62.3	60.0	-2.3
Professional, scientific and technical	64.8	64.6	-0.2
Management, administrative and other	65.4	64.6	-0.8
Educational services	60.3	57.1	-3.2
Health care and social assistance	61.4	60.3	-1.1
Information, culture and recreation	61.0	59.9	-1.1
Accommodation and food services	64.7	64.0	-0.7
Other services	64.8	63.6	-1.2
Public administration	59.3	58.2	-1.1

Source: Labour Force Survey

\* According to last job prior to retirement.

## Median age at retirement by sex and education, 1997 to 2001

	Both sexes		Men		Women	
	'000	Median age	'000	Median age	'000	Median age
<b>Education</b>	<b>706</b>	<b>60.8</b>	<b>412</b>	<b>61.8</b>	<b>294</b>	<b>60.0</b>
0-8 years	99	64.6	70	64.7	29	62.6
Some secondary	113	62.0	67	62.3	46	61.3
High-school graduate	120	60.1	62	60.2	58	60.0
Postsecondary	243	60.9	133	61.7	110	59.9
University degree	132	58.1	81	59.8	51	56.3

Source: Labour Force Survey

Men tended to retire slightly later than women (aged 61.8 versus 60.0). This difference held for people in most education groups except those with only a high-school diploma.

Changes in the LFS prevent a comparison of education groups over time but, in the 1990s at least, differences between those lacking high school graduation and those with higher education were much greater than differences between men and women. For example, people with a postsecondary certificate, diploma or degree retired more than three years earlier than those with eight years of schooling or less.

## Median age at retirement by occupation, and change over time

All major occupation groups except occupations unique to primary industry showed declines in the median age of retirement.

In both periods, public sector occupations had the lowest retirement age.

Primary occupations had the highest age of retirement in both periods, and the gap widened in the later period.

	1992 to 1996	1997 to 2001	Change
	Median age		Years
<b>All occupations*</b>	<b>62.0</b>	<b>60.8</b>	<b>-1.2</b>
Management	61.2	60.0	-1.2
Business, finance and administrative	60.9	60.3	-0.6
Natural and applied sciences	60.6	60.1	-0.5
Health	61.7	60.3	-1.3
Social science, education, government service and religion	59.4	57.0	-2.4
Art, culture, recreation and sport	64.4	61.0	-3.4
Sales and service	63.3	61.8	-1.6
Trades, transport and equipment operators	63.0	62.4	-0.6
Occupations unique to primary	65.2	66.6	1.4
Occupations unique to processing, manufacturing and utilities	62.4	61.2	-1.2

Source: Labour Force Survey

\* According to last job prior to retirement.

## Median age at retirement by province

At the beginning of the study period, the gap between the highest median retirement age (64.7 in Saskatchewan and the lowest (60.2 in New Brunswick) was 4.5 years. In the 1997 to 2001 period, the gap widened to 6.0 years (64.6 in Saskatchewan and 58.6 in Newfoundland and Labrador).

While the majority of Canadians opted for earlier retirement, the drop in median age varied from only 0.1 year in Saskatchewan to 2.5 in Prince Edward Island. Only Alberta saw an increase in retirement age.

Different factors influenced provincial findings. For example, in Saskatchewan, the prevalence of agriculture may help to explain the high and relatively stable retirement age. Further east, Quebec's lowering of the minimum age of entitlement for the Quebec Pension Plan from 65 to 60 in 1984—three years before a similar move by the

	1992 to 1996		1997 to 2001		Change Years
	'000	Median age	'000	Median age	
<b>Canada</b>	<b>605</b>	<b>62.0</b>	<b>706</b>	<b>60.8</b>	<b>-1.2</b>
Saskatchewan	22	64.7	25	64.6	-0.1
Alberta	49	62.7	60	63.9	1.2
British Columbia	75	63.8	94	61.8	-2.0
Ontario	251	62.3	273	61.3	-1.0
Manitoba	27	62.1	28	61.3	-0.8
Prince Edward Island	3	63.3	3	60.8	-2.5
Nova Scotia	20	60.7	18	60.4	-0.3
New Brunswick	15	60.2	19	60.2	0.0
Quebec	133	60.6	177	59.3	-1.3
Newfoundland and Labrador	9	60.4	10	58.6	-1.8

Source: Labour Force Survey

Canada Pension Plan—may have accelerated the trend to younger retirement in the province. For British Columbia, the picture is complicated by province designation, which is based on where the

person was living when surveyed (that is, after retirement). Migration to British Columbia after retirement, as well as migration patterns in general, may play a role (Monette, 1996).

## Perspectives

### Notes

1 The available data series starts in 1991. Because it is necessary to look back one year to determine who retired, the most recent data available at writing were for people who retired in 2001.

2 The data relate to the retiree's last job. At least some of those with less than 20 years' tenure may have held a long-term job sometime earlier. If those jobs could also be measured, differences in retirement age between people with short and long job tenures would probably increase.

### References

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## Appendix—Retirement patterns by industry\*

	1992 to 1996		1997 to 2001	
	'000	Median age	'000	Median age
<b>All workers (aged 50+)</b>	<b>605</b>	<b>62.0</b>	<b>706</b>	<b>60.8</b>
<b>Goods-producing</b>	<b>165</b>	<b>63.0</b>	<b>190</b>	<b>62.2</b>
Primary	36	64.9	39	65.2
Agriculture	22	66.7	25	68.6
Other	14	62.8	14	61.2
Utilities	10	59.2	14	56.6
Construction	32	64.7	35	63.7
Manufacturing	88	61.9	103	61.4
<b>Service-producing</b>	<b>438</b>	<b>61.7</b>	<b>512</b>	<b>60.3</b>
Trade	66	64.3	69	62.6
Transportation and warehousing	36	61.0	42	60.8
Finance, insurance, real estate and leasing	37	62.3	41	60.0
Professional, scientific and technical	17	64.8	27	64.6
Management, administrative and other	13	65.4	17	64.6
Educational services	71	60.3	105	57.1
Health care and social assistance	56	61.4	82	60.3
Information, culture and recreation	28	61.0	18	59.9
Accommodation and food services	17	64.7	18	64.0
Other services	22	64.8	30	63.6
Public administration	75	59.3	62	58.2
<b>Employees (aged 50+)</b>	<b>513</b>	<b>61.3</b>	<b>578</b>	<b>60.1</b>
<b>Goods-producing</b>	<b>127</b>	<b>61.7</b>	<b>147</b>	<b>61.2</b>
Primary	13	62.1	15	61.8
Agriculture	3	64.0	5	64.8
Other	10	61.9	11	60.1
Utilities	10	59.2	14	56.6
Construction	22	63.9	21	62.7
Manufacturing	83	61.6	97	61.3
<b>Service-producing</b>	<b>386</b>	<b>61.2</b>	<b>431</b>	<b>59.9</b>
Trade	51	64.2	53	62.3
Transportation and warehousing	33	60.4	37	60.6
Finance, insurance, real estate and leasing	32	62.3	32	59.4
Professional, scientific and technical	10	64.7	11	62.3
Management, administrative and other	9	65.6	10	64.6
Educational services	70	60.2	100	56.6
Health care and social assistance	52	61.3	75	60.2
Information, culture and recreation	26	60.8	17	59.3
Accommodation and food services	13	64.7	14	63.1
Other services	15	64.8	20	63.3
Public administration	75	59.3	62	58.2
<b>Self-employed (aged 50+)</b>	<b>87</b>	<b>65.0</b>	<b>123</b>	<b>65.0</b>
<b>Goods-producing</b>	<b>35</b>	<b>65.1</b>	<b>41</b>	<b>65.9</b>
Primary	21	66.4	23	69.2
Agriculture	17	67.2	20	69.6
Other	4	64.6	3	66.6
Construction	10	64.9	13	64.7
Manufacturing	5	64.8	5	62.7
<b>Service-producing</b>	<b>52</b>	<b>64.9</b>	<b>81</b>	<b>64.6</b>
Trade	14	65.1	17	64.3
Transportation and warehousing	4	64.9	6	64.6
Finance, insurance, real estate and leasing	5	63.7	9	65.6
Professional, scientific and technical	7	66.1	16	65.1
Management, administrative and other	4	64.7	7	64.6
Health care and social assistance	4	64.3	7	66.0
Accommodation and food services	4	64.7	4	65.9
Other services	7	65.1	10	64.6

Source: Labour Force Survey

Note: These categories describe the last job held prior to retirement. They may or may not reflect a person's lifetime work history.

\* Excludes some groups with too small a sample to provide a reliable estimate, so the groups will not add to total. Likewise, industries in the self-employed category exclude unpaid family workers.