

Measuring the age of retirement

Dave Gower

As the first of the baby boomers turn 50, retirement is becoming an increasingly important topic. Yet measuring retirement is not as simple as one might think. How does one decide who is retired and who is not? Is it necessary to be in receipt of a pension? Can a person who has a part-time job still be considered retired? (For a brief discussion of these issues, see *Data source and definition*.)

Until now, little information has been available on who is retiring, and at what age. To fill this gap, data from the Labour Force Survey (LFS) have been reorganized back to 1976, which should allow study of emerging retirement trends.

The purpose of this article is to present a method of estimating the distribution of ages at retirement (and from these distributions, medians), and to describe what these distributions look like over time, by such characteristics as retirees' education, sex, employment class and industry of last employment.

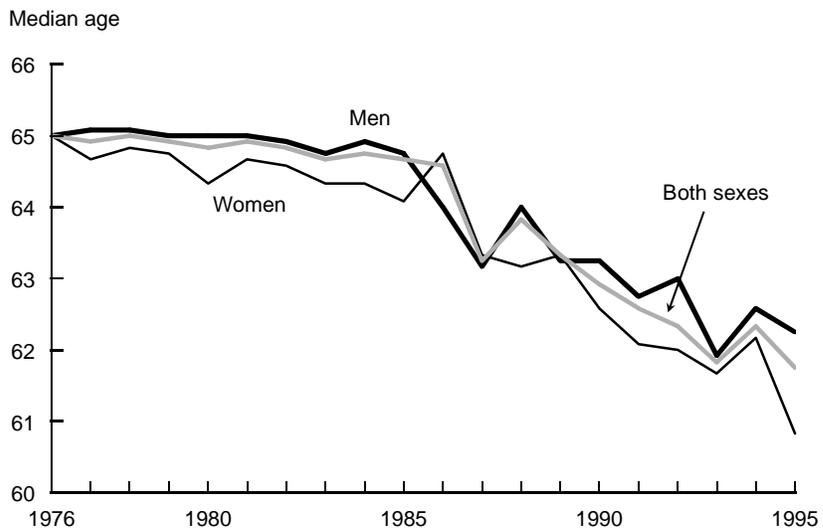
Earlier retirement...

Over the past couple of decades,² the age of retirement has changed dramatically. The median age was close to 65 in the late 1970s and early 1980s. Starting in the mid-1980s, it declined considerably (Chart), both in Canada and abroad.

Between 1986 and 1993, median retirement age dropped 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

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Chart
Retirees are younger than ever.



Source: Labour Force Survey

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.

During the 1990s, the age has fluctuated, presumably because of such factors as 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.

but not for everyone

This study looks at people who retired at any time during the 5-year period at either end of the data series (1976 to 1980 and 1991 to 1995). Initially, the most popular age for retirement was between 65 and 69 (38% of retirees); at the end of the study period, it was 60 to 64 (37%) (Table 1).

The change is more noticeable, however, in the proportion of those retiring at younger and older ages. The percentage under age 55 more than doubled, from 4% to 10%, as did that aged 55 to 59, from 12% to 24%. On the other hand, fewer people waited past age 65.

Data source and definition

The Labour Force Survey asks people who are not working, and who have left their last job within the year prior to being surveyed, why they left this job. One of the response categories is "retired." An analysis of data for this question revealed that most self-described retirees tended to fit an expected profile of retirement; that is, they were over age 50 and not working full time in the half-year following their response to the survey.

Self-reporting of retirement will miss some retirees; for example, those who have left a job because of sickness or layoff, and who, although they would not initially call themselves retired, never work again. On the other hand, some who declare themselves retired may later decide to return to the workforce. So this series should be taken as an indicator of the retirement process.

Future data should help to provide a more complete measure of work departures, including such information as lifetime work history and availability of a pension.¹

Measuring retirement

The Labour Force Survey (LFS) was designed to measure a certain point in time: one reference week each month. The new data on retirement, while derived from the LFS, are based on a cumulation of events over time. This difference has a number of statistical and conceptual implications.

A comparison of regular LFS data with those in this study illustrates the difference. During 1995, for example, an average of 4,778,000 people aged 50 and over were counted as "not in the labour force," that is, neither working nor looking for work. Of these, some 273,000 had worked in the past 12

months. Of this group, 113,000 had retired. (For another 94,000 the main reason for leaving that job was a layoff, and for 28,000, illness or injury.)

These data refer to people who worked in the past year. Many of the remainder are also retired, but how many there are, and when they retired, is not known.

To provide a meaningful series on retirement, the data are reorganized. Each survey month is scanned and everyone who claims to have retired in the previous 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 in the country.

To calculate the age at retirement, the number of months between retirement and the survey is established. The reported age (in whole years) is then reduced by this amount. Because the respondent's actual birthday is not known, it is assumed to be 6 months prior to the survey. This assumption may misjudge a person's retirement age by as much as .5 years. Such errors should cancel out, however, and should eventually disappear because survey procedures were revised in late 1996.

As very few people under age 50 report retirement as a reason for leaving their job, only those aged 50 or over when they retired are included in this study.

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

The fact that these data refer to the last job is important to the analysis. 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.

The LFS keeps respondents in the sample for 6 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 change after that first interview.

According to a preliminary study, a few retirees took jobs in the following 5 months. Many of these jobs were part-time, which may mean simply that someone 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 reasons were "laid off" and "sickness or disability." A high percentage of this group re-entered the labour force within 5 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.

To see how many retirees might be missing, the study compared numbers from the new data set with those for new beneficiaries of the Canada and Quebec Pension Plan (C/QPP). During the 1990s, the LFS-derived numbers covered about three-quarters of this group, not all of whom would receive full C/QPP pensions. Most people leaving long-term careers should be captured by the database, however.

Not everyone joined this trend, however. About one person in 14 retiring in the 1990s waited until age 70 or later.³

Sector/class of work and length of tenure

Many factors influence the timing of retirement. Among the most important are the type of last job and length of tenure⁴ (Table 2).

For workers overall, the median age of retirement declined from 64.9 to 62.3 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 1976

Table 1
Distribution of ages at retirement

	1976-1980		1991-1995	
	'000	%	'000	%
Total	407	100	620	100
50-54	15	4	59	10
55-59	48	12	149	24
60-64	142	35	228	37
65-69	154	38	139	22
70+	48	12	45	7

Source: Labour Force Survey

to 1980, saw the greatest decline in median age (4.8 years, from 64.6 to 59.8). Employees in the private sector retired an average half-year later than public sector workers at the beginning of the period, a gap that increased to about 3 years in the 1990s (63.1 versus 59.8).

Self-employed people, whose median age of retirement remained steady over the study period (shifting from 65.3 to 65.1), retired later than paid workers. Those with unincorporated businesses and no employees retired last. Industry accounts for much of the age difference between self-employed and paid workers.

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).

In the 1990s, workers with job tenure of 20 years or more retired an average 3 years earlier than those with under 20 years (aged 60.8 versus

64.1). Among the self-employed, however, the opposite was true. Those with 20 years or more retired, on average, one year later (65.8 versus 64.6). 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.

Industry and education make a difference

Public and private are very broad definitions. A more detailed examination reveals some notable patterns; for instance, early retirement ages were recorded in communication, both federal and local governments, and utilities (Table 3).

Overwhelmingly, the 11 industries whose workers retired before age 63 were also those with the fastest decline in retirement age (more than 2 years). In contrast, those recording relatively late retirement ages also experienced the least decrease.

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

Months chosen for retirement

Not surprisingly, people favour some months over others to make the leap. Two months stand out: June and December, with the former more popular. People who retire during the summer tend to be slightly younger than those who do so in autumn or winter.

Little has changed over the two decades. The patterns for men and women are similar, though women are more likely to retire in June. This may relate to the number of women retiring from teaching.

Distribution of retirees by month of departure, 1991-1995

	Both sexes		Men		Women	
	%	Median age	%	Median age	%	Median age
All months	100.0	62.3	100.0	62.4	100.0	61.8
January	7.6	62.8	7.8	62.3	7.1	63.2
February	5.9	61.9	6.3	62.2	5.2	61.4
March	7.5	61.3	8.2	62.3	6.2	60.4
April	7.7	62.3	7.3	62.3	8.6	62.4
May	6.9	62.2	6.8	62.7	7.1	61.8
June	16.3	61.8	14.8	62.1	19.1	60.8
July	6.8	61.1	6.8	61.8	6.6	60.2
August	6.4	62.3	6.0	63.3	7.0	61.6
September	8.4	63.1	8.7	63.3	7.6	61.8
October	7.6	63.3	7.6	63.3	7.4	62.8
November	6.9	62.8	7.0	63.4	6.7	62.3
December	12.2	62.0	12.7	61.9	11.3	62.4

Source: Labour Force Survey

Table 2
Median age at retirement, and length and sector/class of employment

Job tenure	Sector/class	1976-1980		1991-1995	
		'000	Median age	'000	Median age
Overall	All retirees (aged 50+) *	407	64.9	620	62.3
	Public paid workers	100	64.6	183	59.8
	Private paid workers	233	65.1	342	63.1
	Self-employed	62	65.3	89	65.1
<20 years	All retirees (aged 50+) *	206	65.1	269	64.1
	Public paid workers	48	64.9	59	62.1
	Private paid workers	132	65.3	169	64.6
	Self-employed	24	65.1	39	64.6
20+ years	All retirees (aged 50+) *	196	64.8	349	60.8
	Public paid workers	52	62.2	124	58.6
	Private paid workers	101	64.9	173	61.3
	Self-employed	37	66.1	50	65.8

Source: Labour Force Survey

Note: Job tenure and sector/class refer to last job prior to retirement. See note 4.

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

Overall, men tended to retire slightly later than women (aged 62.4 versus 61.8). This difference held for people in most education groups except those with only a high school diploma (Table 4).

Changes in the LFS data 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 those between the sexes. People with a postsecondary certificate, diploma or degree, for example, retired 3 years earlier than those with 8 years of schooling or less.

Differences between provinces have widened

At the beginning of the study period, provincial retirement findings were uniform (Table 5). The highest median retirement age (65.2 in Prince Edward Island) was almost the same as the lowest (64.8 in British Columbia).

By the 1990s, however, differences had increased considerably. The gap between the highest age (64.2 in Saskatchewan) and the lowest (60.4 in Newfoundland) widened to 3.8 years.

While Canadians everywhere opted for earlier retirement, the drop in median age varied from only 0.7 years in British Columbia to 4.5 in Newfoundland. The other Atlantic provinces (except for Prince Edward

Island) and Quebec also showed a relatively fast drop in median retirement age.

Different factors influence provincial findings. For example, in Saskatchewan, the prevalence of

Table 3
Median age at retirement by industry,* and change over time

	1976-1980	1991-1995	Change between periods
Agriculture	65.3	65.6	0.3
Business services	66.0	65.3	-0.7
Other services	65.4	64.8	-0.6
Construction	65.3	64.8	-0.5
Retail trade	65.1	64.7	-0.4
Wholesale trade	65.0	63.7	-1.3
Finance, insurance and real estate	65.1	62.6	-2.5
Health and social services	64.9	62.3	-2.6
Other primary	64.8	62.2	-2.6
Manufacturing	64.8	61.8	-3.0
Transportation and storage	64.8	61.1	-3.7
Education	64.8	61.0	-3.8
Provincial government	64.9	60.0	-4.9
Federal government	62.0	59.3	-2.7
Utilities	64.6	59.1	-5.5
Local government	65.0	58.9	-6.1
Communication	63.0	57.8	-5.2

Source: Labour Force Survey

* According to last job prior to retirement.

International trends

A falling employment rate is not necessarily indicative of earlier retirement. For example, the rate could drop if more people were working intermittently. Nonetheless, the Organisation for Economic Co-operation and Development

(OECD) reports that for 16 of its member countries, most have seen declining work activity since the mid-1970s among 55 to 64 year-olds, especially among men. Canada's results are about in the middle (OECD, 1995).

More recent Canadian data show a continuation of the 1975-to-1991 movements listed below. Employment rates in 1996 for Canadian men aged 55 to 59 and 60 to 64 were 66.6% and 41.4%, respectively. Comparable figures for women were 45.1% and 22.0% (Labour Force Survey).

Employment rate in selected OECD countries

	1975	1991	Change		1975	1991	Change
	%		% point		%		% point
Men aged 55 to 59				Women aged 55 to 59			
Australia	85.8	65.6	-20.2	Spain	26.0	20.7	-5.3
United Kingdom *	89.7	71.6	-18.1	New Zealand	32.3	30.0	-2.3
France *	81.3	64.2	-17.1	Germany *	37.2	35.2	-2.0
Finland	74.2	57.4	-16.8	Finland	56.7	55.8	-0.9
Netherlands	76.8	60.6	-16.2	Ireland	20.1	19.3	-0.8
Ireland	76.1	60.2	-15.9	France *	41.9	41.2	-0.7
Spain	84.4	68.9	-15.5	United Kingdom *	51.7	51.9	0.2
Canada *	83.6	69.5	-14.1	Australia	30.6	33.7	3.1
New Zealand	66.0	53.3	-12.7	Netherlands	17.1	21.9	4.8
Germany *	82.7	70.2	-12.5	Portugal	36.4	41.6	5.2
Portugal	80.4	73.9	-6.5	Japan *	48.1	54.5	6.4
Norway	86.6	81.2	-5.4	United States *	45.2	53.5	8.3
United States *	79.8	74.4	-5.4	Canada *	34.5	42.9	8.4
Sweden	88.9	85.0	-3.9	Norway	49.6	63.0	13.4
Japan *	89.3	91.7	2.4	Sweden	60.1	78.4	18.3
Italy *	Italy *
Men aged 60 to 64				Women aged 60 to 64			
Netherlands	62.3	20.8	-41.5	France *	28.9	15.3	-13.6
France *	55.1	19.1	-36.0	Finland	27.8	19.7	-8.1
Finland	55.1	28.0	-27.1	Germany *	15.2	9.8	-5.4
Spain	68.6	43.0	-25.6	United Kingdom *	28.6	24.1	-4.5
Canada *	67.9	44.3	-23.6	Spain	19.5	15.1	-4.4
United Kingdom *	74.6	51.0	-23.6	Netherlands	10.4	7.5	-2.9
Germany *	55.2	31.9	-23.3	New Zealand	32.3	30.0	-2.3
Australia	66.1	43.4	-22.7	Australia	15.4	14.4	-1.0
Ireland	76.1	60.2	-15.9	Canada *	23.4	22.5	-0.9
Portugal	73.7	58.1	-15.6	Ireland	20.1	19.3	-0.8
Norway	76.9	62.2	-14.7	Portugal	27.2	28.0	0.8
New Zealand	66.0	53.3	-12.7	Italy *	8.5	9.9	1.4
United States *	61.6	52.0	-9.6	United States *	31.3	33.6	2.3
Sweden	72.3	62.9	-9.4	Japan *	37.6	40.2	2.6
Italy *	42.1	34.4	-7.7	Norway	40.0	47.5	7.5
Japan *	76.8	70.6	-6.2	Sweden	37.6	53.4	15.8

Source: Organisation for Economic Co-operation and Development

Notes: Second column data for Germany are for 1990; change is for 1975 to 1990.

Data for Ireland and New Zealand are for ages 55 to 64.

Earliest data for New Zealand are for 1986; change is for 1986 to 1991.

* G-7 country.

agriculture may help to explain the high and relatively stable retirement age. Further east, Quebec's lowering of the minimum age of entitlement from 65 to 60 in 1984 – three years

before a similar move by the Canada Pension Plan – may have accelerated the trend to younger retirement in that province.

British Columbia has the second highest retirement age after Saskatchewan, with almost no change since the late 1970s. The reason for this is not immediately obvious and is

Table 4
Median age at retirement by sex and education, 1991-1995

Education	Both sexes		Men		Women	
	'000	Median age	'000	Median age	'000	Median age
Total	620	62.3	404	62.4	217	61.8
0-8 years	125	64.6	94	64.7	31	64.4
Some secondary	122	63.0	81	63.3	41	62.0
High school graduation	113	61.1	63	61.0	51	61.7
Some postsecondary	28	62.2	16	62.2	13	61.2
Postsecondary certificate, diploma or degree	232	61.2	151	61.3	81	61.0

Source: Labour Force Survey

complicated by the fact that the province designation is based on where the person was living when surveyed (that is, after retirement). Migration to British Columbia after retirement, as well as immigration patterns in general, may play a role (Monette, 1996).

A complex picture

This article notes retirement patterns connected to downsizing, geographical location, self-employment status, and the public and private sectors, among others.⁵ Of the many sub-groups examined, virtually all showed a movement toward younger retirement. Yet many people are still working close to or beyond the “traditional” retirement age of 65. Some of these, like many self-employed, may choose to do so for various reasons. Others, particularly those with lower levels of education, may have little choice but to carry on until they qualify for an old age pension at 65.

Certain groups in society are much more likely to retire younger than others. Workers with postsecondary education and those with long-term jobs tend to leave early, especially if they worked in the public sector.

It is tempting, but risky, to predict that retirement age will continue to drop. The statistics of the mid-1990s were undoubtedly affected by early

retirement incentives; it is quite likely, then, that the ages may level out or even increase in future. As in the past, changes in legislation and business practices will play a major role. □

■ **Notes**

1 The Survey of Labour and Income Dynamics (SLID) captures information on lifestyle transitions as well as sources of income. These data, however, start in 1993 and hence do not provide a measure of long-term trends.

2 The available data series starts in 1976. 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 1995.

3 People in certain occupations (for example, some tenured university professors) seem to work to quite advanced ages. And for many the transition from work to retirement takes more than one step. In fact, of those who waited until 70 or later to retire, 44% had held a part-time job prior to retirement, compared with about 16% of all retirees.

4 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.

5 Topics not touched on here that are also raised by the data set include the effect of a growing number of highly educated workers, the retirement decisions of working spouses, and the characteristics of people who hold “bridging” (usually part-time and/or service) jobs prior to retirement.

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Table 5
Median age at retirement by province

	1976-1980		1991-1995		Change between periods Years
	'000	Median age	'000	Median age	
Canada	407	64.9	620	62.3	-2.6
Saskatchewan	21	65.1	23	64.2	-0.9
British Columbia	52	64.8	76	64.1	-0.7
Alberta	32	64.9	50	63.0	-1.9
Prince Edward Island	2	65.2	3	62.3	-2.9
Ontario	164	65.0	263	62.3	-2.7
Manitoba	20	65.0	29	62.2	-2.8
Quebec	84	64.9	131	61.1	-3.8
Nova Scotia	14	65.0	21	60.7	-4.3
New Brunswick	11	64.9	15	60.7	-4.2
Newfoundland	6	64.9	9	60.4	-4.5

Source: Labour Force Survey

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	1976-1980		1991-1995	
	'000	Median age	'000	Median age
Appendix				
Retirement patterns by industry *				
All workers (aged 50+)	407	64.9	620	62.3
Agriculture	32	65.3	24	65.6
Business services	10	66.0	20	65.3
Other services **	26	65.4	35	64.8
Construction	18	65.3	30	64.8
Retail trade	44	65.1	52	64.7
Wholesale trade	16	65.0	23	63.7
Finance, insurance and real estate	20	65.1	40	62.6
Health and social services	27	64.9	52	62.3
Other primary	9	64.8	14	62.2
Manufacturing	80	64.8	95	61.8
Transportation and storage	28	64.8	34	61.1
Education	29	64.8	72	61.0
Provincial government	11	64.9	21	60.0
Federal government	18	62.0	36	59.3
Utilities	6	64.6	11	59.1
Local government	12	65.0	22	58.9
Communication	8	63.0	21	57.8
Paid workers (aged 50+)	333	64.9	526	61.8
Agriculture	4	65.9	4	65.2
Business services	8	66.0	14	65.0
Other services **	17	65.6	22	64.9
Construction	12	65.3	21	64.8
Retail trade	33	65.1	37	64.3
Wholesale trade	13	65.1	17	64.2
Finance, insurance and real estate	19	65.0	34	62.8
Health and social services	25	64.9	49	62.3
Manufacturing	77	64.8	91	61.6
Other primary	7	64.8	11	61.3
Education	29	64.8	71	60.9
Transportation and storage	25	64.7	31	60.8
Provincial government	11	64.9	21	60.0
Federal government	18	62.0	36	59.3
Utilities	6	64.6	11	59.1
Local government	12	65.0	22	58.9
Communication	8	63.0	21	57.8
Self-employed	62	65.3	89	65.1
Agriculture	21	65.4	18	65.9
Retail trade	10	65.2	15	65.4
Other primary	1	66.1	3	65.0
Construction	6	65.3	9	64.9
Other services **	9	65.4	13	64.8
<i>Source: Labour Force Survey</i>				
<i>Note: These categories describe the last job held prior to retirement. They may or may not reflect a person's lifetime work history.</i>				
<i>* 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.</i>				
<i>** Includes accommodation, food and beverage services, personal and household services and other services.</i>				