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**For Whom the 'Retirement' Bell Tolls: Inter-
temporal Comparisons Using the 1994 and 2002
Canadian General Social Survey**

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**FOR WHOM THE 'RETIREMENT' BELL TOLLS: INTER-
TEMPORAL COMPARISONS USING THE 1994 AND
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Abstract

Data from the 2002 and 1994 General Social Survey are used to analyze the determinants of retiring due to mandatory retirement and the expected age of retirement in Canada. Changes between 1994 and 2002 are decomposed into a component attributable to shifts in the composition of respondents and the other component to changes in the preferences and constraints of respondents, the latter playing a very important role for both outcomes. Specifically, between 1994 and 2002 we find: (1) a 1.3 percentage point drop in the probability of retiring due to mandatory retirement, with that drop due to preference/constraint changes substantially reducing the probability of retiring due to mandatory retirement but being almost offset by a change in the composition of the workforce that increased the probability of retiring due to mandatory retirement; and (2) a 3.7 year increase in the expected age of retirement, with that increase being almost exclusively attributable to preference and constraint shifts. The implications of these findings for employers, employees and policy makers are discussed.

EXECUTIVE SUMMARY

This paper addresses the following two sets of questions: First, what are the determinants of the expected age of retirement and the probability of retiring due to mandatory retirement in Canada? Second, how have both outcomes changed over time and what accounts for these changes (if any)? Both sets of questions are addressed using the Canadian General Social Survey (GSS) with comparable questions measured in 1994 and 2002 respectively. An analysis of these two comparable surveys can go some way towards identifying the causes of any inter-temporal change in retirement behavior observed over the course of the 1990s and early 2000s. Specifically, between 1994 and 2002 we find that there has been an increase in the expected age of retirement of about four years, from about 59 years to 63 years for all workers nearing retirement age (i.e., age 45 and over who have not yet retired). As well, over that period, for those who had retired, their probability of having retired due to mandatory retirement decreased by 1.3 percentage points from 12.4 to 11.1 (almost a 12 percent decline).

Our empirical results point to several implications of practical and policy importance. First, the elimination of mandatory retirement will do little to increase the participation of older workers nearing retirement, as only slightly more than 10 percent of workers retire due to mandatory retirement. The decline in mandatory retirement as the primary cause of the retirement decision has been the result of changes in the preferences and constraints that reduce the propensity of a given worker to retire due to mandatory retirement, more than offsetting the compositional changes that have increased the probability of retiring due to mandatory retirement.

For workers nearing retirement (i.e., those aged 45 plus), the expected age of retirement has increased by almost four years in less than a decade, from 59.2 years in 1994 to 62.9 years by 2002. This increase is attributable to changes in preferences and constraints on the part of workers as opposed to changes in the composition of the workforce, meaning that workers nearing retirement today are more likely to expect to work longer than equivalent workers a decade earlier. This substantial increase in the expected age of retirement in less than a decade can give rise to a number of issues, which will have to be dealt with by employers, employees and policy makers.

Though the paper highlights some of the challenges posed by the increased retirement age, our emphasis is on the potential gains that can be realized by better incorporating the older aged and longer-lived workforce into the labor market. In order to take advantage of this growing potential pool of experienced workers, we argue that employers may have to adjust their workplace and human resource practices to the needs and preferences of such workers. This can entail determining these needs and preferences and adjusting workplace practices in such areas as flexible work-time arrangements, lateral and downward transfers, pension incentives, phased retirement, wellness programs and self-paced work environments. These are normal personnel and human resource issues that employers have to deal with on a regular basis; only that they now will apply to a growing baby-boom cohort that is likely to be working longer.

Governments may also have to examine public policies that often unintentionally hinder the continued employment of older workers. This can be the case, for example, with postponed retirement provisions in the Canada/Quebec Pension Plan or the early retirement provisions that require recipients to “substantially cease working” to receive benefits at age 60. Continued employment can also be discouraged by ‘clawbacks’ that exist in various income support programs such as Old Age Security and its Spouse Allowance as well as in the Guaranteed Income Supplement and in many provincial supplements. Furthermore, reducing the disincentives in the delayed retirement of older workers may reduce pressures on public and private pension systems.

Obviously, these private and government practices and policies exist for other reasons, so trade-offs will be involved if they are changed. The results of this paper imply that issues pertaining to retirement will increase in importance to the extent that mandatory retirement becomes less prominent and the expected age of retirement increases.