



Are Female Baby Boomers Ready for Retirement?

About the Brief

This policy brief is based on Lori Curtis and Kate Rybczynski (2015) [Are Baby Boomers Ready for Retirement](#), a research synthesis prepared for the Population Change and Lifecourse Cluster, and published as PCLC Discussion Paper 3(1):3.

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Summary

Due to their life-course socio-economic conditions, many female boomers may suffer large decreases in well-being as they head into retirement. Pension reforms which increase retirement age will disproportionately disadvantage those already in low income. While changes to the Canada Pension Plan (CPP) will reduce losses from poor or sporadic labour force participation, these changes are too late to help the early boomer women. Likewise, while research suggests that improving retirement outcomes must begin with improved labour market conditions, inequitable conditions persist. Therefore, any current policy change will miss helping the early boomers. Finally, with increasing rates of chronic disease and longer lifespans, policy must aim toward health and wellness promotion, providing a wider range of integrated care options, and clear estimates of added costs so that Canadians can adequately prepare for retirement.

Key Findings

- ◆ Higher levels of education, particularly for females, and the social-sexual revolution of the 1960s led baby boomers to: marry later in life, delay childbearing longer, have fewer children, divorce more frequently, and be lone-parents more often than previous cohorts.
- ◆ Senior poverty rates started rising in the mid-90s and continue to do so. Women are, on average, poorer than men, and losing a spouse's pension is more difficult for women.
- ◆ Many boomers, particularly disadvantaged groups, may have insufficient savings due to increasing life expectancy, increasing chronic conditions, low investment returns, and declining pension and health insurance coverage.
- ◆ Women are less likely than men to be in a pension plan. For women who do have pensions, plan values are frequently lower because of labour market absences.
- ◆ Recent policy changes delay the age of eligibility for Guaranteed Income Supplement (GIS)/Old Age Security (OAS) and lower incentives to take Canada Pension Plan (CPP) before the age of 65. However, these changes generate further inequities.
- ◆ Ensuring adequate retirement incomes necessitates improving the economic well-being of women earlier in life, with equitable, family friendly labour markets and social policies. However such policies will be too late for older baby boomers entering retirement.

Target Audience

- ◆ Researchers
- ◆ Policy Makers
- ◆ Students



The Baby Boom Generation

While there is no clear definition of a baby boomer, there is consensus that boomers are individuals born between 1946 and 1965. Early baby boomers were born between 1946 and 1955, and late baby boomers were born between 1956 and 1965. Although both time periods exhibited high birth rates, the two boomer sub-cohorts evolved differently because of their distinct political, social and economic circumstances. Because of these distinct circumstances, some groups of women in the early boomer cohort may face significant disadvantages as they head into retirement. (Key reference: Pruchno, 2012; see [Discussion Paper](#) for complete list of references).

Changing Social and Institutional Norms

Baby boomers attained more education than previous cohorts. These educational gains played a significant role in the rise of women's labor force participation, the narrowing of the wage gap and the eventual decrease in fertility rates. In addition, older baby boomers were young adults during the social-sexual revolution of the 1960s. They witnessed extreme shifts in society's norms on courtship, marriage and family formation. As a result, baby-boomers were more likely to cohabitate, marry later in life, delay childbearing, have fewer children, and divorce more frequently than previous cohorts.

The labour force increased substantially as baby boomers hit working age, because of the cohort size, and also because of the increase in female labour force participation. Rising inflation and increased consumerism meant a greater need for dual income households. While labor force participation increased for all types of women, substantial change occurred among married women and women with preschool-age children. Women tended to enter the labour force directly after completing their education, temporarily exit when they had children, re-enter when the children were older, and then remain in the labour force until retirement (the M-shaped labour force participation pattern). Rising labour supply, unaccompanied by a similar increase in labour demand, put downward pressure on wages. However, wage growth varied across income percentiles. Growth was remarkably high among the top percentiles, while it stagnated among the lowest earning families, so income inequality widened over this period. This trend, coupled with unstable employment conditions and an increasingly consumer-oriented lifestyle, meant that many low-income baby-boomers faced difficulties in accumulating savings. Therefore, while overall economic conditions were better

for the baby boomers, relative to previous cohorts, certain groups were left vulnerable. (Lin & Brown, 2012, Frey, 2010).

Senior Poverty

Because of the prevalence of women in part-time or low-paying jobs, and their M-shaped labour force participation pattern (allowing work-life balance), many women have lower or non-existent pensions. These women often rely on spousal pensions and, as such, marriage protects many senior women from poverty. Conversely, boomer lone mothers, in addition to having substantially lower employment based pensions than men and other women, have additional demands on their income, lack a spousal pension, and are, therefore, particularly vulnerable to low incomes in retirement.

Divorce and separation can leave senior women vulnerable. As such, government programs like the Guaranteed Income Supplement (GIS) or Old Age Security (OAS) are important to women's wellbeing, particularly for the early boomer cohort. The 2008 financial crisis had significant impacts for those in and nearing retirement. Poverty rates among Canadian seniors have risen, but poverty rates had already increased before the crash. Only 3.9 percent of seniors lived in poverty in 1995. That increased to 10.2 percent by 2005 and hit 12.3 percent in 2010. Almost 60 percent of the seniors living in poverty are women. Moreover, these poverty estimates do not account for those in near poverty, that is those who live very close to the poverty line. (Conference Board of Canada, 2013; Marier & Skinner, 2008; Veall, 2008; NACA, 2006)

Health

The wellbeing of seniors is multidimensional. Many baby boomers worry about being able to afford the health care they will need in retirement. Canada has a public health insurance system, but longer life expectancy and increasing rates of chronic disease necessitate additional resources. Only, 68 percent of seniors have supplemental health coverage and the level of coverage can vary substantially across plan. Moreover, given the economic picture, many firms intend to alter benefits currently offered. Supplemental health insurance (public or private) is a particular concern because seventy-five percent of Canadians 65 years of age and over, and almost half of those between 45 and 64 year of age, have at least one chronic disease. Because women live longer than men, they are more likely to face these health shocks and financial burdens. (Picard, 2014; AonHewitt, 2011; Denton and Specner, 2009)



Baby Boomers, Savings and Investment

At each stage of life, the baby boomer generation was more prosperous and accumulated more wealth than their parents. However, baby boomers did not necessarily save adequately. Increasing life expectancy, decreasing investment returns, and declining private pension coverage could significantly undermine retirement outcomes. Moreover, the relative prosperity and saving patterns of baby boomers varies substantially across sub-cohort, and across wealth, gender, age and education. Those with higher incomes save more and save a higher proportion of their income. Men have higher financial assets and better rates of saving than do women; the average net worth of women aged 45 and over is only 64 percent of men's and the wealth distribution is highly skewed. Because women are overrepresented in part-time, transitory and low paying jobs, they are also less likely to have employer-sponsored pension plans. Women's pension participation rate is 75% that of men, and for women who do participate, their pensions tend to have lower values than that of men. In addition, women are more risk averse than men and have lower levels of financial knowledge, leading to lower levels of retirement savings outside of pension plans. Thus, while baby-boomers in high-paying, secure jobs will likely be prepared, many other boomers, disproportionately women, will not be ready for retirement.

The repercussions of the 2008 crash varied by cohort, income level and net worth. Many households lost substantial portions of their wealth in the crash, and older baby boomers (nearing retirement) were especially misfortunate because they had more wealth to lose and lacked the time to recover their losses before planned retirement dates. While younger baby-boomers invested far more heavily in stocks, they did not have much wealth to lose, and they have more time to potentially recoup lost wealth before retirement. (Rybczynski, forthcoming; Wright, 2012; Noone, Alpass & Stephens 2010; Butrica, Smith, Iams & Toder, 2009; Horner, 2009)

Policy

The social-sexual revolution, with its resultant increase in divorce rates, pre-marital sex, and common-law cohabitation, led to a substantial increase in proportion of lone-parent families. Most boomer lone-parents are women, since women generally maintained custody of children, and older female baby boomers did not have the

same benefits of equitable child support payments or distribution of marital assets, particularly pensions, available to later cohorts. Moreover, social policies changed dramatically in the mid 90s, when the oldest boomers were hitting late forties and the younger boomers were around 25 years of age. Policies shifted away from providing a social safety nets for the poor toward expanding education and labour market skills. Policy makers now focused on removing the disincentive effects of social programs. Despite increased and improved work opportunities for women, social policies did not always consider family responsibilities or childcare, and other expenses which often reduced the lone mother's situation below minimum living standards. Lone mothers who were able to participate in the labour market often held precarious jobs with few benefits, further fueling the feminization of poverty. The policy shift toward social investment meant that extremely vulnerable groups were left behind, many of whom were the boomer lone mothers.

From a pension perspective, there is no consensus in the literature on the outlook for baby boomers that are just now retiring. Current economic conditions are an improvement on the 2008 crash, and a maturing retirement income system, growth in private savings and a shift to pre-funded benefits under the C/QPP means that the later baby boomers may be less likely to face poverty during retirement. On the other hand, increasing life expectancy, decreasing investment returns, and declining private pension and supplemental health insurance coverage could significantly undermine the Canadian pension system and individual retirement savings.

An increasing proportion of Canadians predict they will be working past the age 65 because of low rates of health insurance, and lower Defined Benefit (DB) pension plan coverage. While many baby boomers are healthy and economically well-off, some sub-groups remain vulnerable. Policies are being implemented, implicitly and explicitly, to extend the 'normal' age of retirement. While individuals are 'voluntarily' working longer (the percentage of seniors in the labour force doubled over the past decade), the Federal Government provides incentives that they do so. GIS/OAS reform is slowly increasing the age of eligibility from 65 to 67 between 2023 and 2029. Yet eligibility changes to GIS/OAS and CPP may generate further inequities for lower-income individuals, predominantly women. GIS/OAS recipients, who tend to be poor, *have* to work longer. Whereas those with higher incomes can *choose* to work longer, and receive higher benefits if they do so. However, changes to CPP drop-out provisions do directly assist women.



Many proponents of pension reform call for increases in 'forced savings.' The Federal Government could increase required contributions to the CPP, enhancing benefit and coverage rates over the next 15 to 20 years. Some proponents call for a regulated national pension plan, or mandatory contributions to current plans. Some provincial governments are moving in this direction. Moreover, proposals to calculate contribution maxima on multi-year averages rather than annual earnings would enable earners who reduce hours worked for limited periods of time (e.g., child rearing, elder care, or obtaining education) to make up contributions at later dates.

While pension debate has often focused on Defined Benefit (DB) versus Defined Contribution (DC), The Optimal Pension System (TOPS) has been put forward as a potential alternative to both. TOPS would guarantee equity for men and women by adjusting for labour market absences and incorporating autopilot investment strategies to handle the longer life expectancy of women. TOPS is presented as a flexible system that could be adopted at the national, regional, industry, or firm level.

Pension reform represents part of the picture. However, the literature suggests that improvements to women's well-being in retirement starts with improving their experiences in early life, whether by improving labour market experiences or providing better social supports. While the gender-wage gap has dissipated over the last

few decades, occupational differences remain; 'sticky floor' and 'glass ceiling' effects linger. Women continue to be the dominant care-givers and typically reduce work hours if needed.

Many of these proposed policies should, in the long run, help modest-, middle-, and higher-income earners. However, they are unlikely to impact households at the very bottom of the income distribution, nor will they do much for those currently heading into retirement. Individuals at the bottom of the income distribution are also more likely to rely on the public system for long-term health care and other supplemental health insurance.

As baby boomers move into retirement, policy makers must improve efficiencies in both the pension system and the health-care system, to move towards health and wellness promotion, and to provide more choice for seniors. Movement away from the medicalization of aging must include concomitant provision of a variety of integrated care options, meeting a broader range of needs and creating a continuum of care as baby boomers age. Restructuring current systems, moving elderly care out of hospitals into their homes and communities and changing the delivery of health care must be transparent. Importantly, policy makers must be upfront about any added costs so that Canadians can adequately prepare. (Denton and Spencer, 2009; Ambahstcheer, 2008; Fitzgerald, 2008; Hicks, 2008; Robson, 2008; Yamokoski & Keister, 2006; McDonald & Robb, 2004; Williamson & Rix, 2000)

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