



Rethinking Retirement

About the Brief

This research brief is based on the paper "The Long Goodbye: Age, Demographics, and Flexibility in Retirement" by David K. Foot and Rosemary A. Venne. It was published in *Canadian Studies in Population*, Volume 38, Number 3-4 (Fall/Winter 2011), pages 59-74. The contact person for this paper is [Rosemary A. Venne](#), Department of Human Resources and Organizational Behaviour, Edwards School of Business, University of Saskatchewan, Saskatoon.

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Target Audience

- ◆ Researchers
- ◆ Policy Makers
- ◆ Graduate Students

Summary

Current pension policies in Canada do not take into account rising life expectancy. A Canadian worker in 1950 who retired at age 65 could expect to live 4 years in retirement. In 2006, a Canadian retiring at age 65 can now expect to have 16 years in retirement. Older workers can be a valuable resource with their years of experience that can be used to train younger replacement workers through the use of partial retirement schemes.

Since many older workers would prefer to keep working after age 65, employers would benefit by offering flexible retirement schemes, such as a reduced work week. Age discrimination and rigid pension and retirement plans can force many older workers to stop working before they are ready. Public policy should make it easier for older workers to remain in the workforce, creating flexible policies that help workers at all ages to succeed.

Key Findings

- ◆ Life expectancy has risen dramatically in the last half century, from 67 years in 1951 to 81 years in 2006.
 - Pension policy focusing on complete retirement at age 65 does not utilize the valuable skills of older workers who want to continue working.
 - Many older workers want flexible retirement schemes that would allow them to continue working part time.
 - Canadians are spending more time in university, entering the workforce later, and retiring earlier, leading to a compression of our working time.
 - Flexible retirement plans are working in Europe. Canada is lagging behind in addressing the needs of older workers.
- ◆ Older workers face barriers in the workforce. Public policy should address:
 - Age discrimination in hiring.
 - Myths that older workers are less productive.
 - Rigidity in pension plans.
- ◆ Today, people do not become 'old' at age 65.
 - Given that our current average retirement age is early relative to our rising life expectancy, it is time to encourage expanding our active middle productive years.



What does it mean to be of retirement age?

Life expectancy in Canada has been steadily increasing throughout the twentieth century. This means that Canadians are living longer and spending more time in retirement. Pension plans are being stressed, since the average Canadian can now expect to spend more time in retirement than ever before. Not only are people living longer, but the age at retirement has been dropping since 1976 (Figure 1).

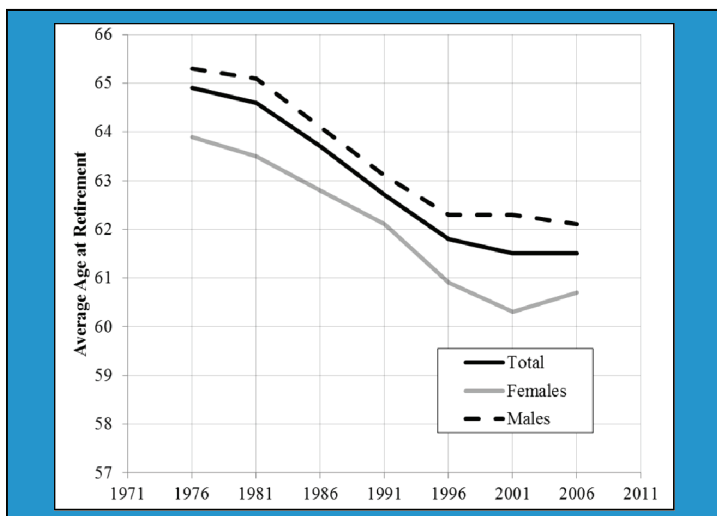


Figure 1—The average age at retirement was declining from 1976 to 2001. The age at retirement was starting to increase in 2006 when the first of the baby boomers started to retire and this is expected to continue to increase in the future.

This is important, because an increasing life expectancy and a relatively early retirement age mean that Canadians are spending more and more time in retirement. As seen in Figure 2, an average worker who lived to age 65 in 1976 could expect to live for 16 years after they retired. In 2006, that same worker could expect to live for 23 more years after retirement.

Increasing life expectancy stresses pension plans that continue to use 65 as the age of retirement. Many older workers are still able to work past 65 and still want to work, in the form of flexible retirement. Flexible retirement.

Many older workers are still able to work past 65 and still want to work, in the form of flexible retirement. Flexible retirement schemes have been successful in Europe and can be integrated with existing Canadian pension plans.

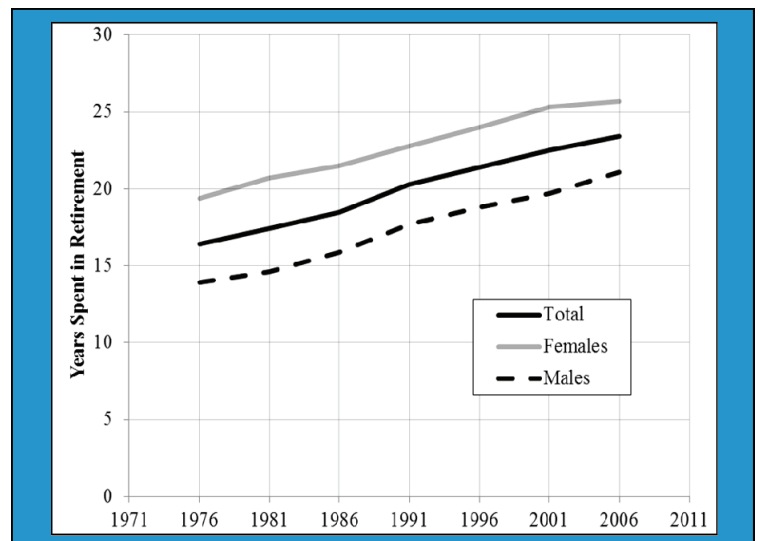


Figure 2—The number of years that people spend in retirement is continuing to increase (for people who have lived to age 65, this is the number of years they can expect to live minus the average age of retirement).

The ideal work week for older workers might be from Tuesday to Friday, in the mornings only. During these hours, workers can be earning wages and contributing to pension plans. In the times that they are not working, they can be drawing a pension in the traditional format. The post-war baby boom generation that changed so many things is now challenging what it means to be old, by wanting to work longer but with a schedule that works better for them.

Why aren't older workers continuing to work?

Preferably, workers could take flexible retirement plans and structure the exit from the workforce that worked best for them. However, there are many barriers in place that stop older people from working, even if they are willing and able to work.

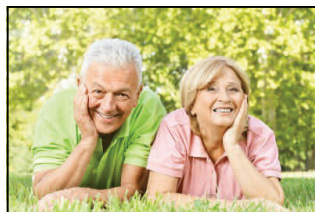
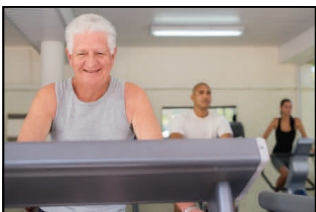


Most notable is age discrimination. Employers may be unwilling to hire older workers, since they think that it is not worth the money to train a worker who will be retiring in the near future. It is a common belief that it is better to train a younger worker who will stay with the company longer. But this is not necessarily based on facts. Younger workers can actually have a higher turnover rate than older workers. Employers can have a better return on investment by training older workers.

Another common belief is that older workers are less productive than younger workers, but this again is not supported by research. Work is moving away from physical labour into jobs requiring cognitive abilities, and older workers are just as able to do these jobs as younger workers. Added to that, older workers have the benefit of years of experience and skills developed over an entire lifetime. Employers willing to take advantage of these skills can increase their talent pool.

Employers may argue that it is more expensive to hire older workers who are part-time, since they must then increase their workforce with more part-time workers to cover the rest of the work week. But, flexible retirement plans allow bridging to happen, where older workers can train their replacements over time. This allows older workers to continue working and benefits employers by providing valuable on-the-job training and mentoring to their younger employees.

Finally, the flexible retirement plans that workers want are not always available to Canadian workers. Our public and private policy has not kept pace with the social changes that go along with increasing life expectancies. These flexible partial retirement plans are available to workers in Europe, but Canada is failing to take advantage of the skills of our older workforce.



Policy Implications

Changing life expectancies and changing definitions of middle- and old-age are not just affecting older Canadians. There have been sweeping changes to the life-course at all ages. Today, people are entering the workforce later, since they are spending more time getting an education in their 20s. These trends to more education and earlier retirement, coupled with longer life expectancy have compressed the portion of the life cycle devoted to paid work. Flexible partial retirement plans aim to expand the active middle years. The impending retirement of the large baby-boom generation in North America intensifies the need for addressing these issues.



Flexible work schedules can be important at all ages, helping workers with work-life balance that is important at all stages of the lifecourse, including when increasing educational attainment, raising a family, and exiting into retirement. Flexible policies can be aimed at helping workers at all ages adjust to these changes, not just benefiting older workers.

Employers should consider such things as:

- ◆ A mix between part-time work and days drawing a pension for older workers.
- ◆ Using older workers to mentor and train younger workers.



Future Directions

Rethinking retirement brings with it many issues that will need to be addressed in the coming years. Given the strong documented worker desire for flexibility in retirement, increasing life expectancy and the large baby-boom generation that is beginning to enter retirement, there are bound to be challenges to the institution of retirement. Policies encouraging partial retirement as a practical transition strategy have the benefit of extending working lives as well as potentially ameliorating any future labour force shortages.

