



POPULATION AGING AND LIFE-COURSE FLEXIBILITY

BRIEFING NOTE

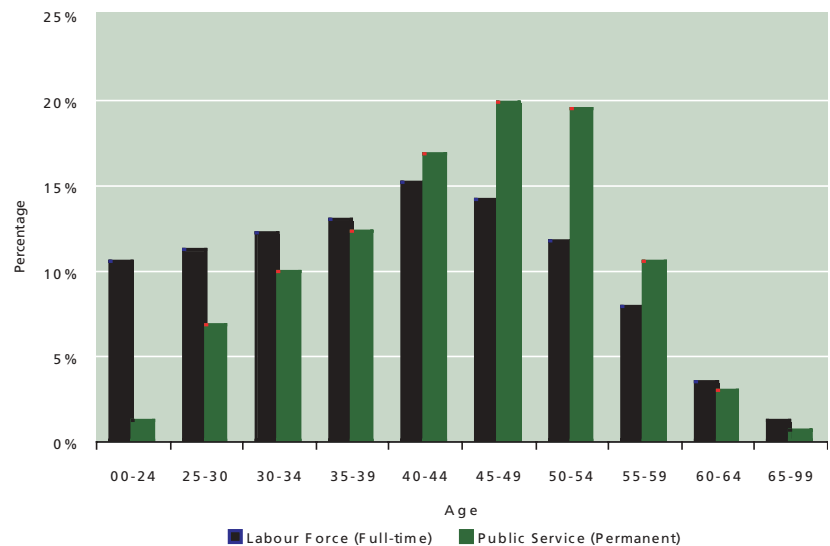
The Federal Public Service Case Study

Highlights

- The Federal Public Service (FPS) is generally older than the Canadian labour force, therefore, it will be at the forefront of the baby boom retirement wave.
- The wave has already started in the FPS and will reach its peak in 2013, when 5,600 retirements are expected.
- Over the last decade, the average age at retirement in the FPS was stable at around 58, however, the average years of service at retirement increased by about three years. This reflects the early entry age to the FPS of baby boomers.
- The average retirement age of all FPS employees is between 57 and 59, however, employees in management, administration, technical and scientific and professional categories are more likely than other groups to work beyond the minimum requirement to retire without penalty. Employees in administration and operational categories tend to retire at the same age even though they may be penalized by not accumulating enough years of service.
- Although women retire from the FPS at around the same age as men, they have usually accumulated, on average, five fewer years of service.
- The profile of jobs in the FPS is changing to more scientific, technical, and professional positions.
 - The gradual increase over the years in the education, training, and experience requirements for jobs in the FPS has raised the average age at which federal public servants are being hired. Therefore, recently hired public servants will likely work until an older age than previous cohorts in order to accumulate sufficient retirement savings.

All sectors of the Canadian economy are facing a retirement exodus of baby boomers in the next few years. However, because the Federal Public Service (FPS) is generally older than the Canadian labour force, it will be at the forefront of this retirement wave.

Figure 1
Age Profile of Canadian Labour Force and Federal Public Service Employees, 2004



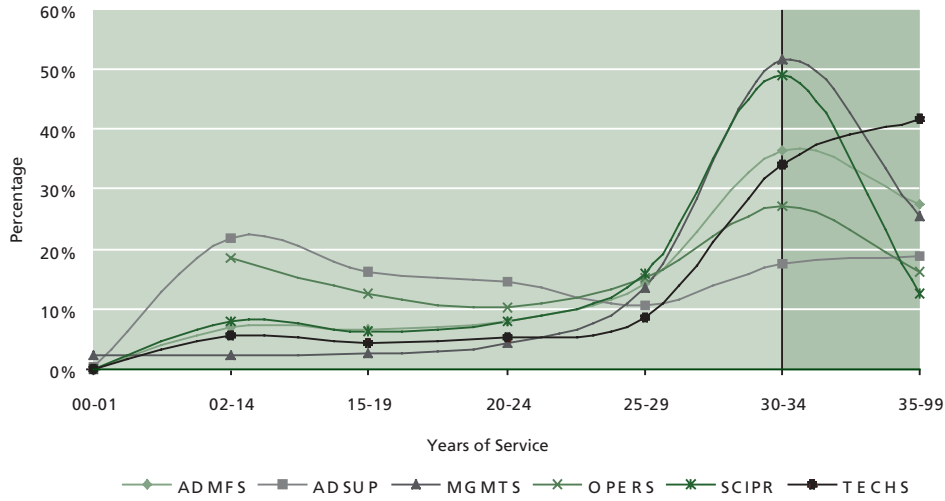
Source: Labour Force Survey and Treasury Board Secretariat.

In 2004, one in three permanent employees in the Federal Public Service, Canada's largest employer, was 50 years of age or older (See Figure 1).

With Treasury Board Canada, the Public Service Commission and Statistics Canada, the PRI studied retirement patterns of FPS employees and how they have changed over the long term. We found that the wave of baby boom retirements has already started in the FPS, and that it will reach a peak in 2013. For example, in 2005 we expect more than 3,500 permanent employees will retire from the FPS, an increase of 85 percent over 2000. In 2013, at the peak of the retirement wave, we expect that more than 5,600 employees will retire. The retirement peak will be reached as early as 2009 for Managers, and between 2012 and 2014 for other groups.

The study also looked at behaviour differences across employment categories in the FPS when making the decision to retire. While the average retirement age for all FPS employees is between 57 and 59, employees in management, administration, technical and scientific and professional categories are more likely than other groups to work beyond the minimum requirements to retire without penalty.

Figure 2
Distribution of Public Service Retirees at Age 55-59 by Years of Service: 1990-2004



Source: Job-Based Analytical Information System, Public Service Commission

MGMTS: Management (i.e., EX positions); **SCIPR:** Scientific and Professional (i.e., Economics, sociology and statistics); **ADMFS:** Administration and Foreign Service (i.e., financial, personal, computer and program management); **TECHS:** Technical (i.e., Engineering and scientific support); **ADSUP:** Administrative Support (i.e., clerical positions); **OPERS:** Operational (i.e., General labour and trade).

As shown in Figure 2, the percentage of employees who retire between the ages of 55-59 with 30 years of service or more¹ (the shaded area) is higher among Technical (TECHS), Managers (MGMTS) and Administration and Foreign Service (ADMFS) employees compared to Administrative Support (ADSUP) and Operational (OPERS) employees. For instance 76 percent of Technical, 77 percent of Managers, 64 percent of Administration and Foreign Services and 62 percent of Scientific and Professionals who retired between the ages of 55 and 59, had 30 or more years of service. This compared to only 36 percent of employees in the Administrative Support category and 43 percent in the Operational category. These groups tended to retire at the same age, but with fewer than 30 years of service. The age an employee begins working for the FPS, their earnings potential and therefore, their chances to maximize pension benefits by staying longer, are possible explanations for these differences. The fact that women, who tend to accumulate fewer years of service than men, are over-represented in the administrative support category could also be another explanation. Further research is needed to assess these hypotheses.

In addition to the difference in the retirement behaviour among occupational categories, the retirement pattern of FPS employees is also influenced by the age of entry to the FPS. Over the past decade, the average age at retirement in the FPS was stable at around 58. However, during the same period, the average years of service at retirement increased by about three years (from 23.5 to 26.9). The increase reflects a

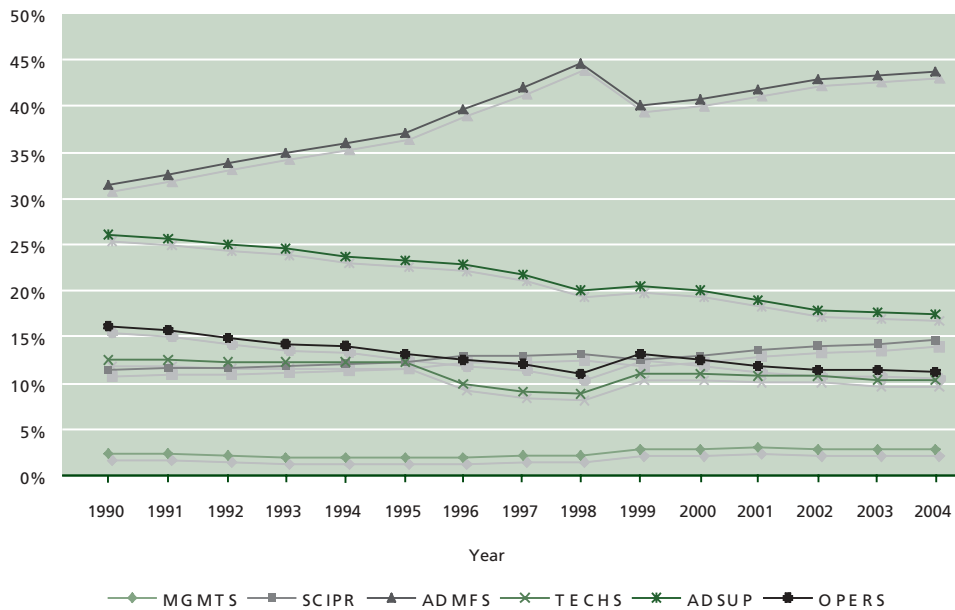
1 For the purpose of this comparison we used the “Rule of 85”, which requires an age of 55 and at least 30 years of services to be eligible to retire without penalty. The same finding holds for retirees 60 years and older.

younger age of entry into the public service of recent retirees. For instance, 56 percent of recent retirees entered the FPS at the age of thirty or younger compared to only 37 percent among previous cohorts.

Although women retire from the FPS at around the same average age as men – within one year – they have usually accumulated fewer years of service. The difference ranges from three years among the Administration and Foreign Service to eight years within the Scientific and Professional category. Limits in the data did not permit further exploration, however, we may surmise that some of the differences could be due to the age women tend to enter the FPS, work interruptions and/or joint retirement decisions with partners. Further research is needed to assess these hypotheses.

The study also highlights the fact that the profile of jobs in the FPS is undergoing a transformation toward more scientific, technical, and professional positions.

Figure 3
Indeterminate Public Service Employees by Occupational Categories, 2004



Source: Treasury Board Secretariat.

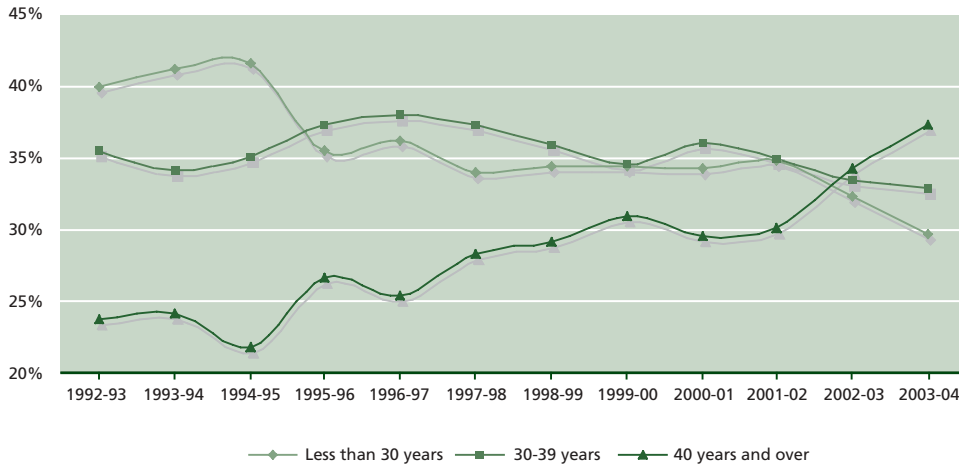
MGMTS: Management; **SCIPR:** Scientific and Professional; **ADMFS:** Administration and Foreign Service; **TECHS:** Technical; **OPERS:** Operational; **ADSUP:** Administrative Support.

As Figure 3 shows, employees belonging to the Administration and Foreign Service and to the Scientific and Professional groups accounted for 58 percent of the total FPS workforce in 2004, compared to 43 percent in 1990. Over the same time period, there was a decline in the combined proportion of Administrative Support and Operational positions from 42 percent to 28 percent.²

The gradual increase over the years in the education, training, and experience requirements in the FPS has increased the age at which federal public servants are being hired.

² A portion of this decrease could be attributed to government reorganizations.

Figure 4
Age Distribution of New Indeterminate Appointments to the Federal Public Service, 1992-2004



Source: Treasury Board Secretariat.

As shown in Figure 4, the hiring age in the FPS has been getting higher over the last 10 years. For instance, the percentage of new indeterminate appointments under the age of 30 decreased from 40 percent in 1992 to 30 percent in 2003. During the same period, the percentage of employees appointed at the age of 40 or higher increased from 24 to 37 percent.

Considering the higher skill requirements and the delayed entry to the FPS among recent cohorts, and the anticipated decrease in the availability of younger workers, recently hired public servants will likely work until older ages than previous cohorts in order to accumulate sufficient retirement savings.