



# Retirement Issues

Extracts of research findings and discussions of public and corporate issues

Analytical Studies Branch, Unpaid Work Analysis Division

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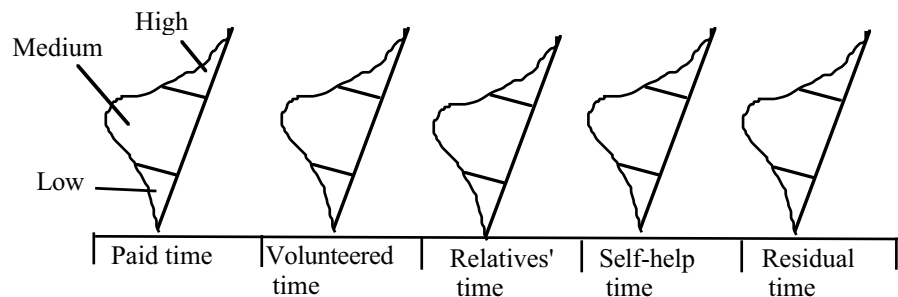
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## Highlights

- In a case study of employees at Sun Life, almost 60% of employees responded favourably to the suggestion of reducing work hours (from full-time to part-time work) during the last two years of employment.
- Pension coverage of young male workers aged 25-34 has decreased in relation to male workers aged 35-54 from 1986 to 1996. Coverage for women has improved.
- Three factors affect an organization's decision to develop effective ways to combat age barriers: the present economic and labour market environment, public policy changes, and organizational culture.
- "The Swedish system with its partial pension plan has stimulated part-time work among older men. . . . actuarial reductions in pension benefits need to be considerable to be an incentive to continue working."
- "In 1986, just over 1% of males aged 50-54 had work patterns that combined 'Low paid-work time', 'Low Relatives' time' and some volunteer work for organizations. When this cohort was aged 62-66 in 1998, the corresponding percentage was 9%. The figures for older cohorts in 1998 suggest the hypothesis that the percentage will reach close to 12% in the year 2004 when this cohort of males will be aged 68-72."

Figure 1: Sources of Variation in Work Patterns



Source: Stone, 2000.

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*Retirement Issues* is an occasional digest and newsletter designed for executives concerned with questions closely linked to the social institution called "retirement" and for researchers whose work addresses these and related questions. Each issue provides a quick survey of selected research findings, key points in discussion papers on theoretical and policy issues, lists of upcoming conferences and other events in which retirement will be prominent, and topics of related research underway at universities and elsewhere. Full bibliographic references for the sources cited are located later in this document. Download an electronic version by accessing Statistics Canada website ([www.statcan.ca](http://www.statcan.ca)). Go to the heading "Our products and services", then to "Free publications", and then to "Labour". Email contact: [stone@statcan.ca](mailto:stone@statcan.ca). © Statistics Canada 2001.

## Diversity of Transitions to Retirement

### *Increased variety among transitional patterns*

Marshall (1995) emphasizes that the institution of retirement is changing rapidly. There is increased prevalence of phased retirement, “bridge jobs”, and part-time work. In a case study of employees at Sun Life, Marshall indicates that almost 60% of employees responded favourably to the suggestion of reducing work hours (from full-time to part-time work) during the last two years of employment. He adds that in the U.S., almost 33% of all career jobs end by age 60 followed by one or more “bridge jobs” frequently in a different occupation or industry. The final report of this case study is available through the Information Center of the University of North Carolina (UNC) Institute on Aging at [www.aging.unc.edu/infocenter/resources/1995/sunlife.pdf](http://www.aging.unc.edu/infocenter/resources/1995/sunlife.pdf).

McDaniel (1995) concludes that the transition from employment to retirement for older Canadians is not smooth, as popular notion would have it. McDaniel says that instead of being a single event, retirement normally involves several transitions into and out of the labour market. These events leading up to retirement are strongly influenced by gender.

### *Increased job loss among older workers is a factor in the wider diversity of transitional patterns*

Chan and Stevens (1999) point to a recurrent finding that “the frequency of job loss among workers over the age of fifty has risen disproportionately in recent years.” The results of their study showed that workers who had suffered job loss at age 50 or more were more likely to occupy several short-term positions with increased probability of leaving the labour force altogether. “Once re-employed, these workers face higher than average risks of leaving the new job, both due to additional displacements and ‘voluntary’ or non-displacement exits. . . . Employment rates of displaced and non-displaced men remain a minimum of 10 percentage points apart for at least seven years after a job loss.” (p. 34)

The source of data for this study is the Health and Retirement Survey (HRS) of 1992, 1994 and 1996. In the 1992 survey, information was collected on any jobs held for five or more years prior to 1992 as well as information on involuntary job separations prior to the survey period. The study focussed on job losses from 1984 to 1996.

## Threats to and Opportunities for Income Security in Retirement

### *Deteriorating pension coverage for younger men raises retirement-income issues for recent cohorts of men*

Morissette and Drolet (1999) found that pension coverage of young male workers aged 25-34 decreased in relation to male workers aged 35-54. During the 1986 to 1996 period, the proportion of men aged 25-34 contributing to pension plans decreased, whereas the proportion of same-aged women remained rather constant. At the older ages (35-54), the proportion of men contributing to pension plans remained rather stable, but the proportion of women increased significantly between 1986 and 1996.

The paper focusses on three factors associated with pension coverage: “changes in the distribution of employment by industry, changes in the skill level of jobs (as proxied by wages) and changes in union density.” (p. 19) Morissette and Drolet (1999) associate the decrease in pension coverage of young men with the decline of union density and shifts in employment towards low-coverage industries. They associate the increase of pension coverage among women 35-54 with an increased tendency to be in highly paid jobs, and also in highly skilled jobs which are more likely to have pension coverage. However, they note that the decrease in the rate of unionization partly offsets this trend.

“Our results raise [this] question: will the drop in RPP coverage observed among young men have long-term effects (i.e., affect their retirement income)? And if so, will this drop in retirement income be partly offset by the growth in retirement income of spouses, in today’s young dual-earner couples?” (p. 19)

Morissette and Drolet (1999) assembled data from both administrative and survey sources. The former include the Pension Plans in Canada database and the Longitudinal Administrative Databank (LAD). They made use of microdata files from the Survey of Union Membership of 1984 (SUM), the Labour Market Activity Surveys of 1986-1990 (LMAS), and the Survey of Labour and Income Dynamics of 1993-1996 (SLID).

*Increased use of bridge jobs raises old-age income security issues*

Marshall (1995) hypothesizes that “the increased use of bridge jobs has an influence on retirement income security.” (p. 40) He does not elaborate this point; but other papers in the book *Rethinking Retirement* imply that there will be heightened insecurity of retirement income in the future because a high proportion of bridge jobs are taken by people who have involuntarily left their career jobs.

### **Workplace Redesign for an Ageing Work Force**

*Attributes and determinants of good employer practices in the presence of an ageing work force*

Walker & Taylor (1999) offer the following general definition of what constitutes good practice in the employment of older workers. “[It] consists of combating age barriers, whether directly or indirectly, and providing an environment in which each individual is able to achieve his or her potential without being disadvantaged by their age. In order to achieve this goal policies do not necessarily have to be labeled ‘older worker’ policies – there may be general human resource (HR) strategies that are of particular benefit to mature employees.” (pp. 64-65)

Walker & Taylor (1999) hypothesize that three factors affect an organization’s decision to develop effective ways to combat age barriers. The first factor is the present economic and labour market environment in which the organization is operating. The second factor comprises public policy changes such as gradual termination of early-exit subsidies, the provision of grants for special training, and support for job creation.

The third factor is organizational culture, which could either encourage the implementation of good practices or, on the downside, retain age barriers. Walker & Taylor mention that previous studies on age barriers within organizations have tended to implicate discriminatory actions by line managers.

*Major variability in age-associated declines poses a challenge and an opportunity for employee training*

The potential achievements of suitably adapted training programs may be highlighted by means of remarks contained in a review by Hansson et al. (1997). “Researchers have made considerable progress in mapping average trajectories of age-related change or decline with respect to physiological, sensory, cognitive, and social status. However, in most of these areas of ability, longitudinal research has now shown that *there is considerable variability around the usual trajectories of age-related change.* [editor’s emphasis] Some of this variability can be attributed to pathology. Some also reflects the influence of external, and perhaps remediable, factors. . . . Many older adults do not experience substantial declines until very old age; that is, they appear to be aging more successfully than most.” (pp. 208-209)

“Conceptual approaches to successful aging tend to converge on several basic themes: (a) developing strategies for psychological accommodation of loss of ability or status; (b) planful prevention or deferral of usual decline by asserting a degree of control over life-style, social support, and exposure to harmful environments; (c) use of remedial or rehabilitation interventions to recover lost capacities; and (d) finding meaningful ways to compensate for inevitable age-related declines.” (pp. 208-209)

*Sweden's success in reversing the downward trend in labour market participation rates of older workers*

In a comparison of the experiences and policies in Denmark, Finland, the Netherlands and Sweden, Delsen (1996) discusses the extent to which "part-time employment for older workers can play in reducing the number of early [retirements], thus easing the future financial burdens of income support [for an ageing population]." (p. 55)

After reviewing certain aspects of the pension plans and work force experience in the selected countries, Delsen (1996) concludes that only the Swedish system has proved successful. The Swedish system with its' partial pension plan has stimulated part-time work among older men which also enables these part-time workers to work the hours they prefer.

"We may conclude that flexible and partial pensions combined with varying replacement rates can change the choice of those gainfully employed between early and late retirement and between larger and smaller work effort. The abolition of financially attractive options for full early retirement has also significantly influenced the number of partial pensioners. Swedish experience also shows that actuarial reductions in pension benefits need to be considerable to be an incentive to continue working. The active labour market policy and the positive attitude of trade unions, employers and government towards part-time employment also contributed to success in Sweden. Dutch experience also shows that offering part-time early retirement can considerably reduce the number of disability claimants and the numbers taking full early retirement." (p. 55)

*Failure to slow down the pace of early retirements in Germany*

Naegele (1999) reports on new legislation in Germany since 1996, which has tried to promote gradual retirement and part-time work for older workers in order to slow the pace of early retirements. But Naegele concludes that, as of 1999, this legislation has produced little change.

Naegele (1999) states that the concept of gradual retirement has failed to date in Germany because it does not properly reflect actual labour market conditions. Naegele states that in a labour market where employment prospects for older workers are not good and early retirement incentives continue to be offered by companies, the concept of gradual retirement is not welcomed.

*Requirements for changes in business and older-employee behaviour*

Naegele suggests (1999) that the policy requires, to be effective, fundamental changes in the behaviour of the typical German business and the behaviour of older employees, and a "longer-term perspective offers the only hope of increasing employment among older workers by 2010-2015." (pp. 89-90) Naegele states that to produce this change of attitude among older workers in Germany, there are three important tasks still outstanding: (1) heighten the promotion of occupational health, including efforts to humanize working conditions; (2) promote ways that help improve working conditions due to changes in work performance resulting from the aging process, such as special attention to ergonomics, to the design of the workplace, work time, personnel planning which is age-oriented and long-term, etc.; (3) and introduce state measures in order to promote and maintain vocational performance. Planning of training courses and *methods* [editor's emphasis] must take into consideration the diversity of tomorrow's labour force (larger numbers of older workers, more women, as well as more migrants). Naegele stresses that German companies will only undertake such changes if national incentives are in place.

## Gendered Retirement

*The priority of family-caring work among women creates a large gender gap in retirement perceptions and transitions*

Based on qualitative interviews conducted with unemployed workers aged 45-64, McDaniel (1995) found that “women experience labour market transitions differently than men do. . . . Some [women] mentioned that the transition from employment to unemployment ‘was done better by us [women] than by them [men]’. Men, more than women, internalized a kind of ‘guilt’ for their situations. Men expressed deep concerns about their breadwinner role being compromised as a result of the transition from employment to unemployment. Women, on the other hand, who had children, focused on their responsibilities to their children rather than their social roles and statuses per se.” (p. 84)

The qualitative interviews also supported a “pattern found in the life table analyses of the Labour Market Activity Survey data, of similarity between unmarried women and men . . . Among the unmarried women respondents, a recurrent theme was (as it was for the men) that work was central to their lives.” (p. 84)

McDaniel (1995) concludes that in future research on retirement more attention should be given to women as family members and as active participants in the labour force. Many of the existing assumptions concerning women’s employment in later years as well as identity issues concerning women’s employment may be incorrect.

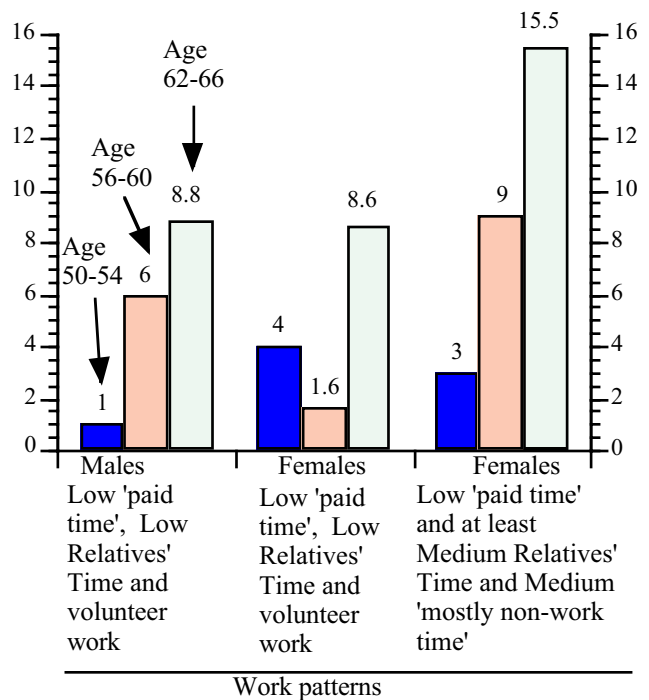
*Gendering of work patterns persists in the use of unpaid work to fill time freed from paid work during transitions to full retirement*

The gendering of life courses in paid work has analogues when one studies how men and women differ in their use of time freed from paid work during the years of transition to cessation of all forms of work that create outputs used by others. Stone and Harvey (2001) called such cessation “total-work retirement.” Noting the precipitous post-1986 drop in the devotion

of time budgets to paid work in cohorts aged 50-54 and 55-59 in 1986, Stone (2000) examines the extent to which the sharp decline in the devotion of time budgets to paid work is associated with pronounced increases in the weights of work patterns that involve unpaid work for relatives and friends or volunteer work for organizations.

Stone (2000) found that in one of three selected work-pattern classes that include “Medium or higher Relatives’ time” there was an indication that as men sharply reduced their paid-work time, there was an increase in time spent helping relatives and friends from 1986 to 1998. Also, in one of three work-pattern classes that include volunteer work for organizations, men’s participation in volunteer activities consistently increased. In 1986, just over 1% of men aged 50-54 had work patterns that combined “Low paid-work time”, “Low Relatives’ time” and some volunteer work for organizations. When this cohort was aged 62-66 in 1998, the corresponding percentage is 9% (see Chart 1). The figures for older cohorts in 1998 suggest the hypothesis that the percentage will reach close to 12% in the year 2004 when this cohort of men will be aged 68-72.

**Chart 1. Percentages with Selected Work Patterns, Cohort Aged 50-54 in 1986, by Sex, Canada**



Source: Stone, 2000.



Comparable data for women reveal a much more distinct pattern of shifting time freed from paid work into time spent doing various types of unpaid work. This change is seen even though women were already devoting relatively high amounts of time budgets to unpaid work at the start of the transitional years. Among the younger female cohorts (50-54 and 55-59 in 1986), the decrease in the weight of paid-work time results in increases in the weights of various kinds of unpaid work. For instance, increases in the weights of the work-pattern classes that include "Low paid-work time" and "Medium or higher Relatives' time" are more common among the younger female cohorts than among the younger male cohorts.

Among the work patterns of the female cohorts, there is a relatively large weight for the patterns that combine "Medium paid-work time" with "Medium or higher Relatives' time". With aging, there is a noticeable decline in the weight of these work patterns but not a dramatic decline for women. The 1992 value of the weight was still above 10% in the female cohort aged 65-69 in 1986. The corresponding male cohorts at no time had a weight over 10% in this class of work patterns, and the weight of just over 5% in the younger male cohorts as of 1986 quickly fell to 2% or less in 1992.

In short, the data suggest the hypothesis that the years of transition to retirement from paid work for women are largely years in which women resume the behaviour patterns that come from lifelong enculturation as the primary doers of society's caring work.

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## Retirement Studies Underway

- *The Statistics Canada Retirement Study.* Investigators: Leroy O. Stone (stone@statcan.ca) & Andrew Harvey (andrew.harvey@STMARYS.CA). Description: This study describes and analyses, with supporting theory development, how cohorts redistribute their time budgets among different kinds of work during the transitional years to full retirement from all forms of work that create output used by others (hence both paid and unpaid work are included).
- *Social Security and Retirement Behavior Within the Family Economic Estimate of a Structural Model Using HRS Employer-Provided Pension Data and Social Security Earnings Records.* Investigators: Alan L. Gustman (alan.l.gustman@dartmouth.edu) & Thomas L. Steinmeier (wbtl@pop.ttu.edu). Description: This project examines how couples make decisions about retirement, and develops a computer model from the information gathered from a large national survey of retirement aged people.
- *Saving for Retirement: Implications of Household Bargaining for Social Security and Tax Reform.* Investigators: Shelley J. Lundberg (lundberg@u.washington.edu) & Jennifer L. Ward-Batts (jwbatts@umich.edu). Description: When husbands and wives disagree about how to save for retirement, how do they work it out? This project examines whether or not there is a negotiating process, and if so, what the influences are. It uses economic data about couples in a large national survey.
- *Stochastic Modeling of the Dynamics of Old-Age, Survivors, and Disability Insurance (OASDI) Characteristics of Cohort Experience, and Aspects of Risk.* Investigators: Ronald D. Lee (rlee@demog.berkeley.edu) & Shripad Tuljapurkar (lulja@mvr.org). Description: The project develops probability distributions for the implicit rates of return earned on participation in OASDI (U.S. Social Security), reflecting stochastic population forecasts as well as stochastic forecasts of productivity growth and interest rates.
- *Mortality Risk and Early Retirement.* Investigators: Michael D. Hurd (mhurd@rand.org) & James P. Smith (james\_smith@Rand.org). Description: The project studies 1) how life expectancy influences retirement behaviour; 2) how well prepared people are for extended years of retirement; 3) and accuracy of current life cycle economic models in reflecting actual retirement or savings behaviour.

## Upcoming Retirement-Related Events

- *Risk Transfers and Retirement Income Security, A Wharton Impact Conference.* Dates: April 22-23 2002. Location: The Wharton School of the University of Pennsylvania. Theme: Types of risk retirees bear under retirement plans and how one may protect against these risks. Contact: Pension Research Council, The Wharton School, University of Pennsylvania, 3641 Locust Walk - 304 CPC, Philadelphia, PA, 19104-6218, Tel: 215-898-7620, prc@wharton.upenn.edu.
- *The 2002 Annual Conference of the Retirement Research Consortium.* Dates: May 30-31, 2002. Location: National Press Club, Washington, D.C. Contact: crr@bc.edu.
- *National Conference on Public Employee Retirement Systems (NCPERS)' 61st Annual Conference and Exhibition.* Dates: April 28-May 2, 2002. Location: Diplomat Resort, Hollywood, FL. Theme: Public pensions, focussing on legislation, regulations and pension administration. In addition, international market issues will be discussed within the context of domestic developments. Contact: <http://www.ncpers.org/membership.html#conferences>.

## **News about the 2003 Conference: “New Perspectives on Retirement”**

“New Perspectives on Retirement” is the name of a conference of international experts, to be held in Spring 2003. Its initial development is taking place as part of the Statistics Canada Retirement Study. A prospectus that deals with background, benefits, financing and co-sponsorships is available upon request. The tentative target date for the conference has not yet been set.

The conference is being designed as a collection of mini-conferences, except for the plenary sessions. Each mini-conference will have its own theme, and will have one or more workshops, paper-presentation sessions, symposia or demonstrations on best practices, etc., as determined by the organizing committee for that theme. There will be a central coordinating body (with representation from the theme-oriented organizing committees) dealing with the usual issues relating to facilities, event timing, plenary sessions, global support functions (e.g. food services), etc. It is hoped that specific sponsors will be found for each theme.

Some of the themes we are considering are the following:

- Workplace redesign for an ageing workforce
- Active ageing and the health of civil society
- Diversity of transitions to retirement
- Impacts of health on active ageing and transitions to retirement
- New threats to and opportunities for economic security in retirement
- Gendered retirement
- Family and retirement
- Data and analysis needs to address key knowledge gaps.

The final list will depend upon sponsorships and a judgment of the maximum complexity that can be handled with regard to the variety of themes being addressed.

Some leading scientists and organizations have already indicated willingness to help with the organizing and staging of the conference with regard to themes of special concern to them.

For further information, send a note to Leroy Stone at [stone@statcan.ca](mailto:stone@statcan.ca) or call him at 613-951-9752.