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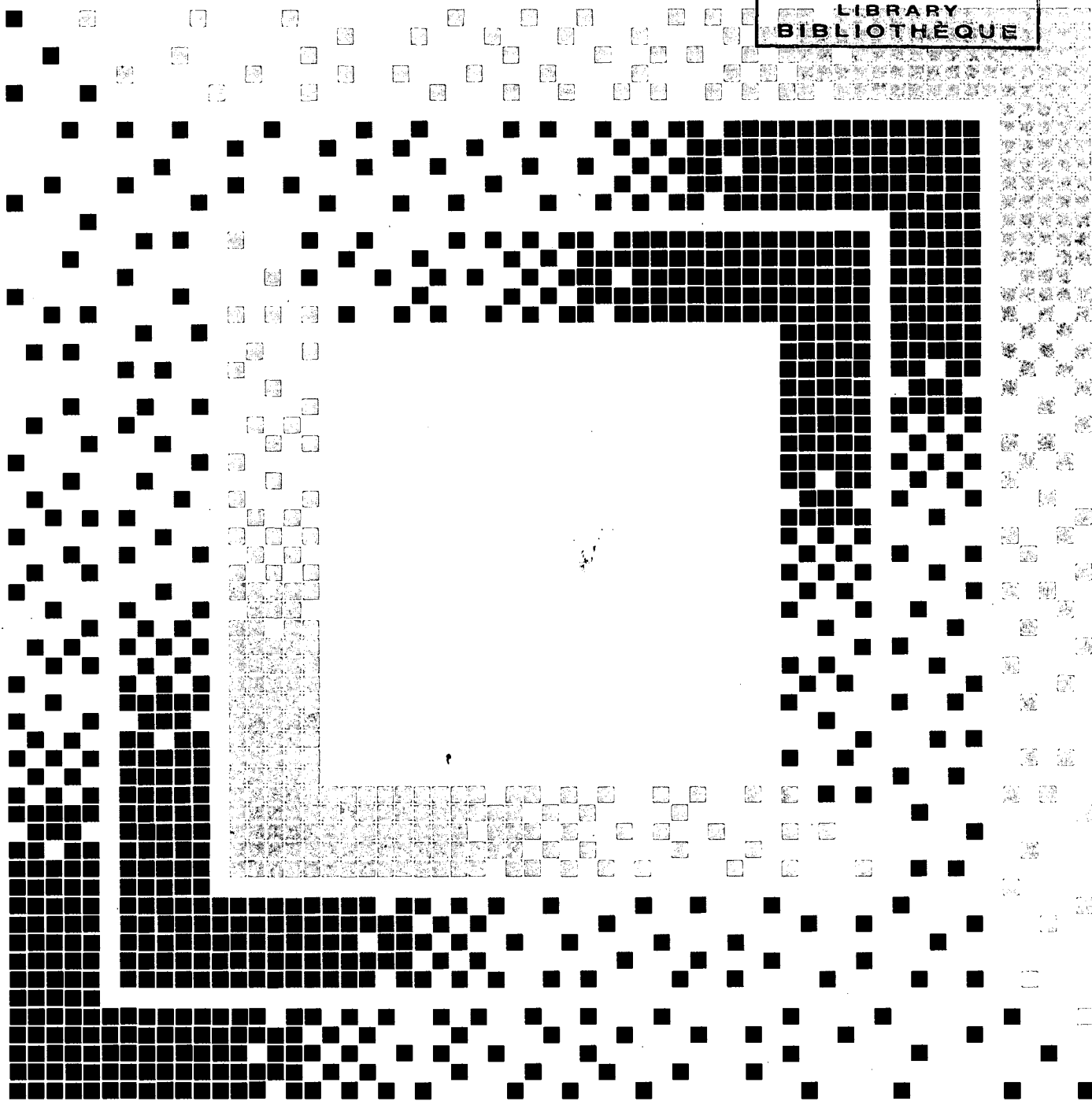


Canada's Changing Retirement Patterns

Findings from the General Social Survey

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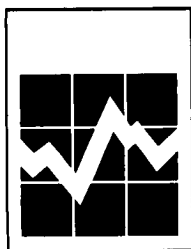
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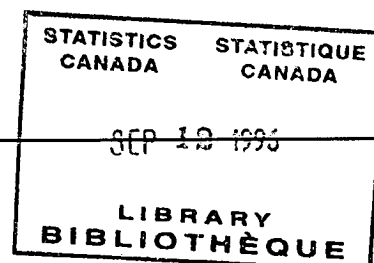


Statistics Canada
Housing, Family and Social Statistics Division

Canada's Changing Retirement Patterns

Findings from the General Social Survey

General Social Survey



Manon Monette

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HIGHLIGHTS

- ◆ In 1994, 11.2% of Canada's population were retired, about the same proportion as in 1989 (11.4%). This proportion was much higher among men (14%) than women (8%), reflecting the much lower labour force participation rates of older women.
- ◆ In 1994, 47% of retirees reported enjoying life more than the year before they retired, however, in 1989, 44% of retirees shared this opinion. In both years, most retirees believed they got more out of life primarily due to the increase in leisure time and time with the family. In turn, almost one retiree in five in 1994 reported enjoying life less. They attributed this deterioration mostly to their health and, to a lesser extent, to diminished contact with people.
- ◆ A comparison of retirement age indicates that from 1989 to 1994, the proportion of people retiring between the ages 60 and 64, rose by 3 points as did that of people retiring after age 65, whereas the proportion of people retiring right at age 65 dropped by 6 points. Among men, the difference was most pronounced: in 1989, 19% retired at age 65, compared with 10% in 1994. This decline corresponds to an increase in retirement before age 65 (5%) and after (4%).
- ◆ In general, women retire earlier than men. This tendency was present in 1989 as well as in 1994, when the average retirement age for women was 58.5 years, compared with 61.4 years for men. A considerable number of retired women covered by this study left paid work at an early stage to engage in unpaid work activities. In fact, 13% of retired women reported retiring for family reasons.
- ◆ In 1994, the average retirement age planned by employed persons was 58.5 years, both for men and women. In 1994, as in 1989, a large proportion of employed persons reported that they did not intend to retire (8%) or did not know when they would retire (31%). A much higher proportion of women (36%) than men (25%) were undecided.
- ◆ The proportion of people who had returned to the work force following initial retirement was estimated at 13%. Younger people are more likely to return to paid work: 38% of retired people who were 55 years or younger at the time of the survey returned to paid work, while only 16% of people aged 60 to 64 did the same.

HIGHLIGHTS

- ◆ The majority of retired people who had returned to the work force (59%) held part-time employment on their return. By way of comparison, only 10% of retirees held part-time jobs when they retired the first time; 20% of women and 5% of men. Upon returning to paid work, however, the proportion of women in this type of work more than tripled (69%), while that of men increased tenfold (52%).
- ◆ Retirees returning to paid work after an initial retirement were primarily employees (67%) when they returned, as opposed to being self-employed (33%). However, the proportion of self-employed retirees was more than twice as high as among retirees at the time of their initial retirement (13%).
- ◆ One-fifth of retirees who returned to work (21%) held temporary jobs without a contract, 17% held contract positions and 62% held permanent jobs. In addition, men were more likely to take permanent employment; 64% held permanent jobs, compared with 55% of women.
- ◆ Retirees' income is closely linked to the occupation in which they were employed prior to retirement. Thus, 48% of retired men who were managers or professionals received a personal annual income of \$30,000 and over, while less than 20% of retired men who were in other occupations received the same. The majority (58%) of retired men who worked in the construction and transportation industries received between \$15,000 and \$29,999. In addition, 56% of retired men who held a job in the primary sector received less than \$14,999.
- ◆ More than one-quarter (27%) of male retirees who first retired at ages 60 to 64 had an annual personal income of \$30,000 and over, compared with only 19% who retired before age 60 or at 65 and over. One in six women who retired at ages 60 to 64 had an annual personal income of \$30,000 and over, compared with 10% of women who retired before age 60 and to 6% of women who retired at age 65 and over.
- ◆ In 1994, 30% of retirees believed their financial situation had deteriorated since they retired, 50% believed it had remained the same, and 20% believed it had improved. In general, the opinions of men and women on this issue were similar. The small difference observed between men and women in their perception of their financial situation despite the real differences in income is explained, in part, by women's low income before retirement. A large proportion of retired women covered by this study had a low income before retirement. Thus, retiring and becoming eligible for basic Old Age Security (OAS) and Guaranteed Income Supplement (GIS) benefits provide some income stability and, in some cases, an improvement.

INTRODUCTION

Well-known demographic trends indicate that one person in five will be aged 65 or older by the year 2025. In approximately thirty years, this segment of the population will double in size. This raises many questions about retirement in Canada: the timing of retirement, the transition process towards this stage of the life cycle and the financial situation of retirees.

In conjunction with this demographic change, a diversification of paths to retirement is being witnessed. People are retiring earlier or moving through a transition period before retiring permanently. Some people gradually withdraw from the labour market by cutting back the number of hours they work; others experience a period of unemployment or inactivity before retiring; and, still others decide to return to the labour market after an initial retirement. Thus, retirement age is becoming increasingly varied, reflecting both the characteristics specific to the individual and those of his or her work environment.

Another issue of great interest is the financial status of retired people. Given the growing number of retirees relative to individuals in the labour market, the Canada and the Quebec Pension Plans (C/QPP) have to be adjusted to meet the needs of long-term benefits to the retired population. In the current context of reform of the Old Age Security program, the issue of the financial stability of retired people is becoming more acute. This is especially so as a large proportion of elderly women who live alone have low incomes, and many rely on public pensions as their sole source of income.

This report profiles current trends in the status of retired people. The analysis contained herein is based on 1994 data from cycle 9 of the General Social Survey (GSS). The first chapter develops a socio-demographic portrait of the retired population and of changes to this particular group since 1989. It presents the phenomenon of the ageing population and its effects on the retired population. The demographic profile of retired people is then examined, followed by a study of their degree of satisfaction with retirement, and the reasons for their opinions.

The second chapter delves further into the issue of retirement age, presenting the reasons behind the decision to retire and the socio-occupational characteristics of those who take early retirement. The analysis examines also the retirement age planned by people in the labour

force at the time of the survey and the factors likely to explain their intentions, with emphasis on the population group approaching retirement, those aged 45 to 64.

The third chapter explores the phenomenon of returning to the labour force after initial retirement, and profiles retirees who chose this path. The conditions governing a return to the labour market are examined, specifically, the type of job held by returning retirees.

The final chapter of the report examines the financial status of retirees. The analysis focuses on total personal income of retirees with regard to their previous occupation, their age at retirement and their return to the work force after retirement. Also discussed is this population's perception of their current financial situation, compared with their status the year before they retired.

This report was prepared by Manon Monette, Analyst, General Social Survey, Statistics Canada. The author wishes to thank Monica Townson, Oscar Ferbank, Hubert Frenken, Johanne Pineau, Doug Norris, Pierre Turcotte, Colin Lindsay and Nancy Turner for their insightful comments, as well as Caroline Olivier for her assistance in the preparation of this report.

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Defining retirees...

In this publication, a retired person is defined as a previously employed individual who reported retirement as his or her main activity during the week preceding the survey. This definition includes an objective component – previous employment – as well as a subjective component – self-definition of being retired. Respondents who answered “Yes” to the question “Have you ever worked at a job or business?” and answered “Retired” to the question “What was your main activity during the week preceding the survey?” were included in the retired population. This includes women who reported their main activity as “Retired” but had been in the labour force, if only for a short time, many years previously. As a result of this definition, 11.2% of the Canadian population aged 15 and over were retired in 1994; 8% were retired women and 14% were retired men.

By definition, certain groups are excluded from the retirement figures in this publication. Some people, especially older women did not define themselves as retired, although some of them may have been previously employed: about 27% of women aged 15 and over reported “Housekeeping” as their main activity. Also, a small number of women who reported a main activity of “Retired” were not included if they had never worked at a job or business. This group represents 1% of women aged 15 and over. Readers should keep in mind this definition of retired and the very different labour force histories of men and women when comparing the retirement paths of the two.

SOCIO-DEMOGRAPHIC PROFILE OF RETIRED PEOPLE

Introduction

Population ageing undoubtedly represents one of the most significant phenomenon of the past forty years:

The world projections from the United Nations show not only the emergence of a considerably greater increase in the number of elderly persons than has been experienced in the last 40 years, but also an acceleration in the rate of this increase at the turn of the century. [...] Nonetheless, in the overall picture, two patterns of ageing can be identified in terms of degree of development. In looking at the proportions for the year 2025, one can point to the more developed regions characterized already by marked ageing where almost one person in five will be 65 years or over by 2025 versus those made up of less developed countries, where only 1 person in 12 will be elderly by that year.¹

Many works have addressed factors in the ageing of the population. Without actually conducting a detailed review of the mechanisms involved in this process, this study will paint a portrait of the change in the age structure of the population aged 15 and over since 1989, with emphasis on the retired population. The retired are also compared with the non-retired population aged 50 and over in terms of their main activity the week preceding the survey. Finally, the study presents a profile of the retired population and of their degree of satisfaction with retirement.

The average age of the population aged 15 and over has risen by one year since 1989

Since 1989, the average age of the population aged 15 and over has risen from 40.5 to 41.5 years among men and from 42.0 to 43.0 among women. During the period 1989 to 1994, the proportion of people aged 45 and over has risen by 2.6 percentage points. The increase has been sharpest among members of the baby boom generation, i.e., people aged 45 to 54. In 1989, this age group formed 13.3% of Canada's population; by 1994, this proportion had risen to 15.5%. The proportion of people aged 70 to 74 in turn increased by 1 percentage point during this same period. (Chart 1.1)

Overall, the average age among retired people remained stable over the study period, 70.1 years in 1989 and 69.9 years in 1994. The age distribution for these two years indicates an increase in the proportion of retired people aged 60 to 64 (from 15.0% to 16.0%) and 70 to 74 (from 23.2% to 28.2%), while there was a proportional decrease in other age groups. (Chart 1.2) This stability in the age of retirees may be explained by the diversification of paths to retirement.

Diversification of paths to retirement since 1989

An examination of the main activity of people aged 50 and over illustrates the rapid change in paths to retirement. Among men aged 60 to 64, the proportion of those employed dropped from 54% in 1989 to 41% in 1994. (Table 1.1) This net decrease has not been accompanied by a proportional increase in retired people. However, there has been a marked increase in the proportion of men in this age group who reported another main activity (i.e., neither employed nor retired): in 1989, the proportion was 4%, compared with 14% in 1994. Among this group, 6% reported they "had a long-term illness" and 3% reported they were "looking for a job."

Among men aged 55 to 59, there has also been a decline in the proportion of those working at a job or business, accompanied by a rise in the proportion of those reporting another main activity. In fact, 10% of men aged 55 to 59 reported having the latter in 1989, compared with 17% in 1994. Of these, 8% declared they were "looking for a job" and 5% declared that they "had a long-term illness."

One in seven Canadian men are retired

In 1994, 11.2% of Canada's population aged 15 and over was retired, about the same proportion as in 1989 (11.4%). This proportion was much higher among men (14%) than women (8%). As Table 1.1 indicates, the majority of women aged 60 and over did not belong to the retired population, since they had never been in the labour market and/or did not define themselves as retired. The ratio between retired men and women is expected to approach a better balance in future generations, given the rise in female labour force participation rates.

Chart 1.1

Since 1989, there has been a significant increase in the proportion of people aged 45 to 54

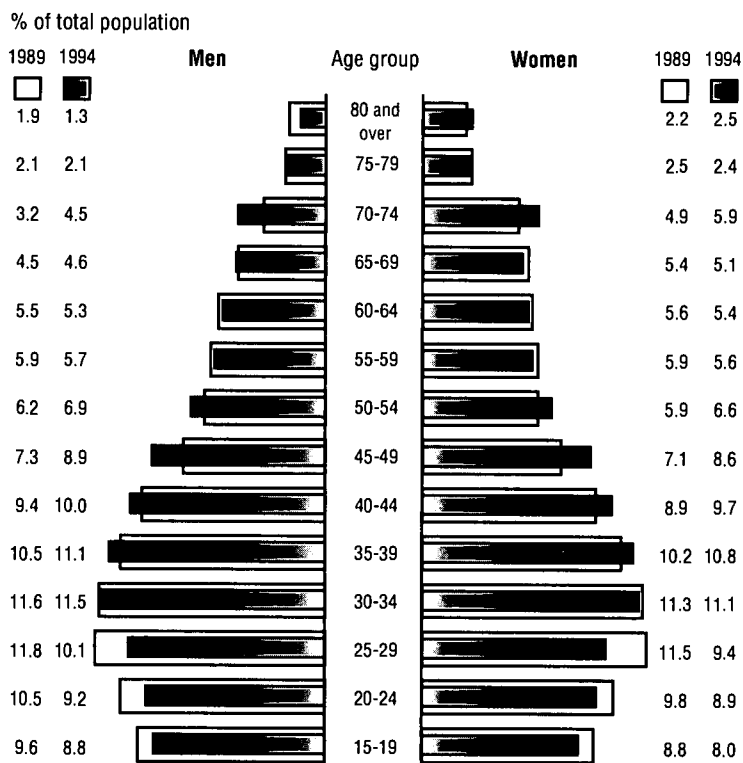
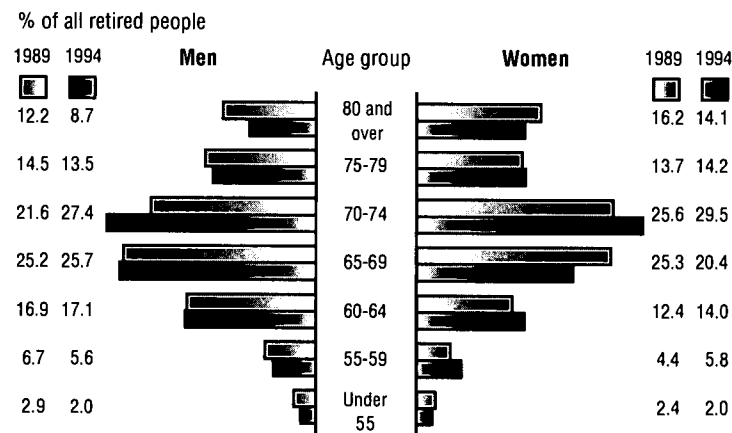


Chart 1.2

Since 1989, the proportion of retired people aged 70 to 74 has grown considerably



Source: Statistics Canada, General Social Survey, 1994.

Table 1.1
Diversification of paths to retirement

Age group	Main activity ¹			Total
	Working at a job or business	Retired	Other ² activity	
	% of the total population			
1989				
Men				
50 - 54	81	5	14	100
55 - 59	75	15	10	100
60 - 64	54	42	4	100
65 - 69	21	77	...	100
70 - 74	...	92	...	100
75 - 79	...	95	...	100
80 and over	...	90	...	100
Women				
50 - 54	58	...	39	100
55 - 59	50	7	43	100
60 - 64	26	20	54	100
65 - 69	6	43	51	100
70 - 74	8	47	45	100
75 - 79	-	49	51	100
80 and over	-	66	34	100
1994				
Men				
50 - 54	85	3	12	100
55 - 59	69	14	17	100
60 - 64	41	45	14	100
65 - 69	16	78	6	100
70 - 74	10	87	...	100
75 - 79	...	89	...	100
80 and over	...	92	...	100
Women				
50 - 54	60	2	38	100
55 - 59	47	9	44	100
60 - 64	23	22	55	100
65 - 69	8	33	59	100
70 - 74	5	42	53	100
75 - 79	-	49	51	100
80 and over	-	46	54	100

¹ Main activity during the week preceding the survey.

² The "other" category is composed mainly of those who reported their main activity in the week preceding the survey was "looking for a job," "keeping house" or "had a long-term illness."

Source: Statistics Canada, General Social Survey, 1989 and 1994.

A large portion of retired people live in British Columbia and Ontario

The provincial distribution of retired people indicates that the proportion of retirees was higher in British Columbia (13%) and Ontario (12%) than in the rest of Canada in 1994. Moreover, the proportion of retirees was fairly low in Quebec (10%) and in the Prairie provinces (10%). In the Atlantic provinces, the proportion of retired people was the same as in Canada as a whole, 11%. (Table 1.2)

Geographic mobility partly explains why more retired people live in British Columbia and Ontario than in the other provinces. In British Columbia, 44% of retirees came from another province and another 32% came from outside Canada. Some of these people may have moved when they retired. In this regard, a study of mobility and immigration among people aged 60 and over notes that British Columbia and Ontario had the highest rates of net migration in Canada among people aged 60 and over (Moore and Rosenberg, 1994).

Most retired men live with their spouse or partner

In 1994, 66% of all retired people were married or living common law. Most men were married or living common law (80%), compared with 45% of women. A large number of retired women were widows (39%) or single (10%), and these proportions rose considerably with age. (Chart 1.3) This result is not unexpected given that women have a life expectancy of about six years more than men.

Also, it should be noted that a large proportion of married women (aged 60 to 70) defined their main activity as "housekeepers" and this proportion tends to decline as age rises. For instance, among women aged 60 to 69, 57% who were married declared that their main activity was "housekeeping," while 22% declared that they were "retired." On the other hand, among women aged 70 and over, 50% who were married declared their main activity as "housekeeping," while 40% said they were "retired."

An analysis of living arrangements among retired people adds further insight into the results obtained on marital status. Nearly one-half (44%) of retired women lived alone, compared with only 17% of retired men in 1994. Most retired men lived with

Table 1.2
Most retired people in British Columbia were born outside the province

	Place of residence					
	Atlantic provinces	Quebec	Ontario	Prairie provinces	British Columbia	Canada
	% of all retired people					
Place of birth						
Born in Canada and residing in province of birth	88	88	55	54	24	60
Born in Canada and not residing in province of birth	...	...	15	20	44	17
Born outside Canada	...	12	30	26	32	23
Total	100	100	100	100	100	100
Proportion of retirees in the population aged 15 and over	11	10	12	10	13	11

Source: Statistics Canada, General Social Survey, 1994.

their spouse only (63%), while 14% lived with their spouse and an unmarried son or daughter. (Chart 1.4)

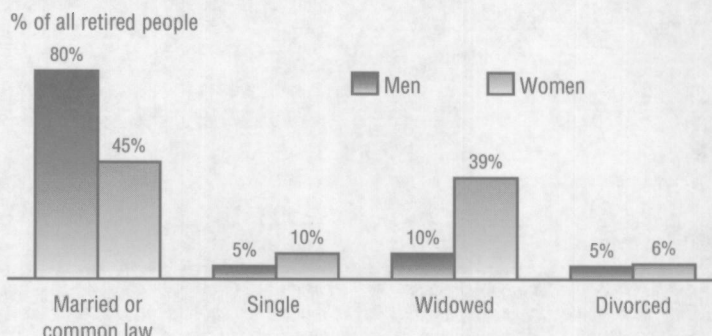
The proportion of retired people living with their spouse and a son or daughter rose from 4% in 1989 to 9% in 1994. Younger retirees (aged 55 to 69) were more likely to live in this type of household. This change in living arrangements may be linked to the increasing difficulties experienced by young people in the labour market, leading to a need to extend the time they live with their parents. Data from the 1991 Census show that the vast majority of unmarried young people under age 25 and almost 40% of unmarried people aged 25 to 29 still live with their parents. "Parents can also benefit from having young adults at home. Adult children can contribute to the physical and financial maintenance of the household and provide companionship."²

Educational and occupational profile of retirees

In the total population of retired people, the level of education was higher in 1994 than in 1989. In 1994, 30% of retirees had some postsecondary education, compared with 25% in 1989. Specifically, the proportion of retired men and women with a college-level education was twice as high as in 1989. Furthermore, the proportion of men with a university degree rose by 75%. (Table 1.3) A comparison of

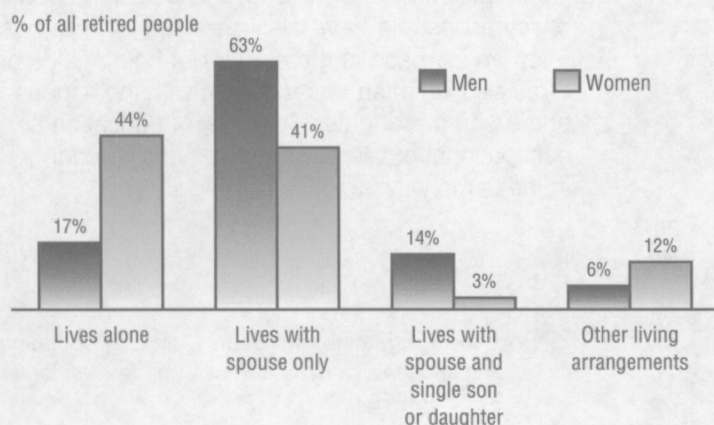
Chart 1.3

More than three-quarters of retired men are married or living common law



Source: Statistics Canada, General Social Survey, 1994.

Chart 1.4

Almost half of retired women live alone

Source: Statistics Canada, General Social Survey, 1994.

Table 1.3
Educational attainment has been rising among retired people since 1989

	1989		1994	
	Men	Women	Men	Women
	% of all retired people			
Level of education ¹				
Master's or doctorate	2	...	4	...
Bachelor's	6	11	10	11
College education	2	3	4	6
Trade school	14	9	11	12
High school graduation	15	19	13	18
Less than high school	57	54	53	47
Other education ²	4	...	5	4
Total	100	100	100	100

¹ The categories indicate the highest level of education attained whether or not the studies have been completed.

² "Other education" includes "no education."

Source: Statistics Canada, General Social Survey, 1989 and 1994.

educational attainment among retirees with that of people holding a job illustrates the extent of the disparity between generations. In fact, three-quarters of the employed population in 1994 had obtained a high school diploma.

The 1994 occupational data show that 30% of retired women were managers or professionals at the time of their retirement, representing an increase of 5 percentage points over 1989. (Table 1.4) This increase is also observed in people currently in the labour force. For example, between 1989 and 1994, the proportion of women in management and the professions rose from 12% to 15%, while those employed in the health field rose from 9% to 11%.

Once again, a comparison of retired people with those employed highlights the differences among occupational groups due to the rapidly changing industrial structure and its influence on the labour market. GSS data indicate, that in 1994, 39% of retired people were blue-collar workers at the time of retirement, compared with 28% of those who were employed. The past thirty years have given rise to a rapid growth in the service sector and a decline in the primary and manufacturing sectors (Baldwin and Rafiquzzaman, 1994). Consequently, the occupational structure has undergone sweeping change. There has been a substantial decrease in the number of workers in the primary sector, but an increase in the managerial and professional group (McDonald and Chen, 1994).

Retired people report more enjoyment with life than in pre-retirement days

In 1994, 47% of retirees reported enjoying life more than the year before they retired, however in 1989, 44% of retirees shared this opinion. In both years, most retirees believed they got more out of life due to the increase in leisure time and time with the family. In turn, almost one retiree in five in 1994 reported enjoying life less. They attributed this deterioration mostly to their health, and to a lesser extent, to diminished contact with people. (Table 1.5)

Summary

Since 1989, the overall proportion of retirees has not really grown, although there has been an increase in retirees aged 60 to 64 and 70 to 74. However, among men aged 55 to 64, there is a

Table 1.4
Among retired women, the proportion of managers and professionals has grown since 1989

	1989		1994	
	Men	Women	Men	Women
	% of all retired people			
Occupational group at time of retirement				
Managerial and professional ¹	25	25	23	30
Clerical, sales and services	23	59	24	57
Blue collar ²	52	16	53	13
Total	100	100	100	100

¹ The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences, and arts and literature.

² The "blue-collar" group includes the primary sector, and construction and transportation sectors.

Source: Statistics Canada, General Social Survey, 1989 and 1994.

Table 1.5
Almost half of retirees enjoy life more than the year before they retired

	1989		1994	
	Men	Women	Men	Women
	% of all retired people			
Enjoyment of life compared to the year before retirement				
Enjoy life more	47	40	48	43
Main reason:				
More leisure time	32	25	35	33
More travel	3	3	1	2
More time with the family	7	4	5	4
More time for voluntary activity	3	4	2	...
Other	2	4	5	3
Enjoy life about the same	32	43	34	40
Enjoy life less	21	17	18	17
Main reason:				
Health	13	10	8	10
Decrease in income	2	...	3	...
Less contact with people	3	4	5	4
Other	3	2	2	2
Total	100	100	100	100

Source: Statistics Canada, General Social Survey, 1989 and 1994.

diversification of paths to retirement. In 1994, a higher proportion of men in this age group reported a main activity other than retirement or working at a job or business, than in 1989. Living arrangements of retired people have also changed. There has been an increase in the number of households of three people, often retirees living with their spouse and a son or daughter. The level of education and occupational profile of retirees have also changed in the same way as those holding a job.

Notes

- ¹ Bertrand Desjardins and Jean Dumas, *Population Ageing and the Elderly*, Statistics Canada, Catalogue no. 91-533-XPE, p. 5.
- ² Monica Boyd and Doug Norris, "Leaving the Nest? The Impact of Family Structure," *Canadian Social Trends*, Statistics Canada, Catalogue no. 11-008-XPE, Autumn 1995, p. 15.

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RETIREMENT AGE

Introduction

Since the 1970s, the labour force participation rate of men aged 55 to 64 has declined steadily in most developed industrial societies (Guillemard, 1991). In Canada, the participation rate of men aged 55 to 64 fell from 84% in 1970 to 60% in 1994,¹ while for women of the same age group, it decreased slightly over the same period. The massive entrance of women into the labour market mitigated this trend. Although this decline in the labour force participation rate of men cannot be directly linked to an increase in the number of retired people, the fact remains that a growing number of people are leaving the labour market earlier for retirement or a transitional stage (Hayward *et al.*, 1994). The shift to retirement is no longer clearly defined in terms of age, number of years of service or pension eligibility, and is becoming increasingly difficult to forecast.

On this topic, Anne-Marie Guillemard writes:

Since the chronological markers are becoming less visible, the end of the life course has been blurred. The tripartite model, which places everyone in a continuous, foreseeable trajectory of successive stages, statuses, and roles, is coming apart. The life course is becoming variable, imprecise, and contingent. As a result, workers can no longer predict at what age and under what conditions they will exit from work. Retirement as a social situation and a system of transfers no longer constitutes the horizon where everyone sees the pathway he or she will one day take out of the labour force toward old age.²

There are many paths to retirement, as well as ages chosen to make this transition in life. As indicated in chapter one, some people leave the labour market because they have lost their job or are no longer able to work and may need to rely on such measures as unemployment insurance or other assistance programs until they reach the age of eligibility for public pension plan benefits. Others retire from the labour force early by taking advantage of an early retirement program. On the other hand, some people extend their working life beyond the average retirement age out of personal preference or for financial reasons. Finally, still others withdraw gradually from the labour market by opting for part-time employment (Zweimuller, 1993).

Retirement involves both personal choice and external considerations. Several factors may work in favour of early retirement (i.e., before age 60). For example, incentives such as the adoption of a flexible retirement age, early retirement programs and retirement savings granting entitlement to tax assistance, allow people to retire from the work place earlier. Other factors, however, such as poor health, family obligations and the loss of employment may also contribute to early retirement, although the person involved has not genuinely chosen to do so.

This chapter presents the reasons for variations in retirement age: that taken by retirees and that planned by people currently in the labour force. For each group, the impact of demographic and socio-occupational factors are examined. First, however, a comparison of the average retirement ages reported in 1994 and 1989 will be made.

Since 1989, there has been a greater diversity of retirement age

A comparison of retirement age indicates that from 1989 to 1994, the proportion of people retiring between the ages 60 and 64, rose by 3 points as did that of people retiring after age 65, whereas the proportion of people retiring right at age 65 dropped by 6 points. Among men, the difference was most pronounced: in 1989, 19% retired at age 65, compared with 10% in 1994. This decline corresponds to an increase in retirement before and after age 65 (5% and 4%, respectively). (Table 2.1)

This trend is clearly reflected in the reasons given for taking retirement. In 1989, 28% of retirees reported taking retirement because of a mandatory retirement policy. By 1994, this figure had dropped to 14%. One factor contributing to the rise in retirement before age 65 was the adoption in the Canada and Quebec Pension Plans (C/QPP) and in some registered pension plans (RPP) of the principle of flexibility in retirement age. Thus, a greater number of people were able to retire before age 65, yet obtain benefits. Other incentives, such as early retirement programs, have also encouraged retirement before age 65. In addition, this trend was partly attributable to the recession in the early 1990s.³ Between 1990 and 1994, the number of retirees reporting that they retired while unemployed was 30% higher than between 1985 and 1989. In 1994, the average retirement age for men citing this reason was 62.1 years.

Since 1989, the average retirement age has remained virtually unchanged: it was 61.0 years in 1989 and 60.4 years in 1994. This trend follows the overall shift in labour force participation rates among the elderly. Among those aged 65 and over, this rate dropped from 6.8% in 1989 to 6.5% in 1994.

Early retirement: a different profile for men and women

In general, women retire earlier than men. This tendency was present in 1989 as well as in 1994,

Table 2.1
Since 1989, retirement at age 65 has decreased considerably

	Retirement age					Total
	Under 55	55 - 59	60 - 64	At 65	After 65	
	%					
1989	16	19	29	16	20	100
Men	11	17	32	19	21	100
Women	25	22	24	12	17	100
1994	14	21	32	10	23	100
Men	10	21	34	10	25	100
Women	22	21	25	11	21	100

Source: Statistics Canada, General Social Survey, 1989 and 1994.

when the average retirement age for women was 58.5 years, compared with 61.4 for men. A considerable number of retired women covered by this study left work quite early to engage in unpaid activities. In fact, a significant proportion of retired women (13%) reported that they had retired for family reasons,⁴ whereas practically no men had done the same. The average retirement age of women citing this reason was 48.0 years. (Table 2.2)

Another factor likely to accentuate the difference in retirement age between men and women, is that women are generally younger than their spouse (Frenken, 1991). Assuming that women retire at the same time as their spouse, the average retirement age would be lower for women. The data indicate that among women retiring because their spouse was also retiring, the average retirement age was 59.2 years. If those women who retired for family reasons and those who were younger than their spouse when they retired were excluded, the average retirement age for women would be 61.3 years.

For men as well as women, early retirement is most often linked to fragile health. Many studies have stressed the importance of this factor in the decision to retire early (Laczco and Phillipson, 1991). In 1994, one in four retirees reported retiring for health reasons, and the average retirement age among this group was 59.6 years for men and 58.1 years for women.

Participation in an early retirement program also contributes to a lower retirement age. In 1994, the average age for men who had retired early was 59.3 years and 59.1 years for women. Moreover, 10% of men reported retiring for this reason, compared with 4% of women. In summary, women who retire early do so for family-related and health reasons. Men who retire early do so because their health requires this or because they can take advantage of an early retirement plan.

Involuntary retirement was a very common phenomenon, since 34% of retirees reported retiring due to poor health or unemployment. If those women who retired for family reasons were also included, a result of 40% would be obtained. Moreover, it was estimated that 33% of retirees took voluntary retirement (i.e., by choice, due to early retirement or because their spouse was retiring). Finally, the proportion of those who retired solely due to age (because of a mandatory retirement policy or because they felt they were old enough) was smaller (24%). There are indications that reasons related solely to age will continue to decline in importance over time as a greater diversity in retirement paths emerges. In fact, the adoption of flexibility in retirement age in pension plans, as well as early retirement incentives, provides more options.

Table 2.2
Reasons for retirement vary for men and women

	Men	Women	Total	Average retirement age	
				Men	Women
		%			
Reason for retirement					
Mandatory retirement policy	16	11	14	63.1	62.6
Early retirement	10	4	7	59.3	59.1
Health	25	22	24	59.6	58.1
Unemployment	10	9	10	62.1	59.6
Spouse retired	...	7	3	...	59.2
By choice	24	21	23	61.6	59.9
Family reasons	...	13	6	...	48.0
Person feels old enough	11	9	10	64.4	64.2
Other reasons	3	4	3	59.5	58.4
Total	100	100	100	61.4	58.5

Source: Statistics Canada, General Social Survey, 1994.

The links between retirement age, registered pension plans and type of employment

Financial status is a key factor in the decision to retire willingly. Although data on retirees' level of income at time of retirement were not available to illustrate this point,⁵ data on the presence of an registered pension plan (RPP) do. The average retirement age was 61.1 years for men with a registered pension plan (RPP) and 61.9 years for those without. Among retired men who have an RPP, the greatest proportion retired between the ages 60 to 64, whereas among male retirees who did not have an RPP, the greatest proportion retired at ages 65 and over. (Chart 2.1) Among women, the opposite is true. Those with an RPP retired on average at age 60.6, compared with 57.4 years for those without one. This may be explained by the fact that a large proportion of women included in the GSS (20%) retired for family reasons or because their husband retired. When these women were excluded from the comparison, the average retirement age for women with an RPP was 61.1 years, compared with 61.8 years for women not having one.

The type of employment at the time of retirement also helps determine retirement age. Overall, retirees with a non-standard job⁶ retired at an older age than those with standard jobs. Self-employed people retire at an older age than employees. In 1994, the average retirement age was 62.5 years for self-employed men, compared with 61.3 years for male employees. This difference may be explained in part by the fact that self-employed people most often lack an RPP and must rely on personal savings to ensure continued financial stability once they retire. This may also reflect a transition towards retirement, as some people decide to become self-employed towards the end of their career. (Chart 2.2)

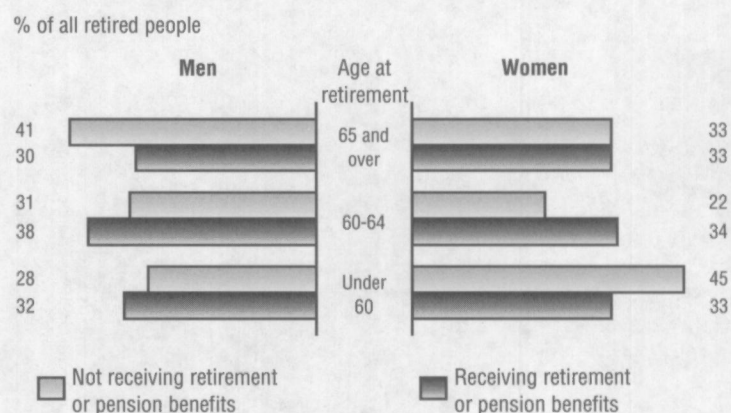
Furthermore, among men, a considerable spread in retirement age was observed between part-time (64.2 years) and full-time employees (60.8 years). This spread was also present among women, but less pronounced. It comes as no surprise that part-time workers retire later, given the fact that pay and benefits are usually lower in this type of employment. In addition, part-time work may also reflect an extension of life in the work force and a gradual transition to retirement, since the workload is less demanding.

Retirement age varies considerably among managers and professionals

The analysis of retirement age by occupational groups highlights the influence the many facets of employment, especially pay, the nature of the duties and the degree of satisfaction at work, have on the decision of when to retire. It can be expected that people in higher-paid occupations tend to retire earlier than those in lower paid occupations. In addition, there is an assumption that people in occupations requiring sustained physical exertion

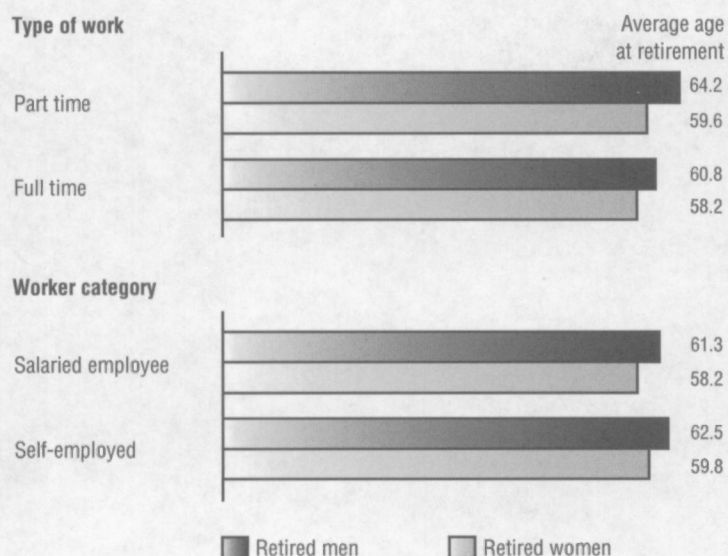
Chart 2.1

Men receiving retirement or pension benefits more often retire before age 65



Source: Statistics Canada, General Social Survey, 1994.

Chart 2.2

Part-time and self-employed workers retire later in life

Source: Statistics Canada, General Social Survey, 1994.

will retire earlier. Conversely, people enjoying a high degree of satisfaction with their job may delay retirement.

The average retirement age varies considerably among the major occupational groups. Men who retired earlier than average were employed in the teaching field (59.4 years), in services (60.8 years), and construction and transportation (61.0 years). (Table 2.3) In addition, the two latter groups were more likely to retire for health reasons, while retired men from the teaching sector took early retirement more frequently. Managerial and professional positions provide many options in selecting a retirement age (Schellenberg, 1994). Nonetheless, data show that the clerical, sales and services group also offers a wide variety of retirement age. With regard to women, early retirement was more frequent among clerical employees (56.8 years), primary sector workers (57.3), and managers and professionals (57.8). The proportion of women who reported retiring for family reasons was considerably higher among clerical employees.

When these various occupational characteristics are combined, the results show that men who retired earlier (on average at age 60.4) were in the clerical, sales and service group, were full-time employees and had an RPP. By contrast, those who retired later (at age 63.7) also belonged to the clerical, sales and service group and were self-employed, however, they had no RPP. For managers and professionals, the terms and conditions of employment also had an impact on average retirement age. Managers and professionals who were full-time employees with an RPP retired, on average at age 61.0, compared with age 63.2 for managers and professionals who were self-employed and had no RPP. Finally, the retirement age of blue-collar workers employed full time was stable regardless of the terms of employment cited; blue-collar workers who were full-time employees with an RPP retired, on average at age 61.3, while those who were full-time employees but had no RPP retired at age 61.0, and those who were self-employed and without an RPP retired at age 61.3.

Since 1989, planned retirement age has remained stable

In 1994, the average retirement age planned by both men and women in the labour force was 58.5 years. This represents an increase of one year from 1989.

Table 2.3
Retirement age varies considerably among managers and professionals

Occupational group	Average retirement age		
	Men	Women	Total
Managerial and professional	61.7	57.8	60.9
Science, engineering, mathematics	61.7	...	61.7
Social science and religion	...	...	63.7
Teaching	59.4	58.8	58.9
Health sciences	62.3	59.6	60.2
Clerical	61.7	56.8	58.3
Sales	63.2	58.6	61.4
Services	60.8	58.6	59.7
Primary sector	61.9	57.3	61.2
Manufacturing sector	61.5	58.4	61.1
Construction and transportation	61.0	...	61.0
Total	61.4	58.5	60.4

Source: Statistics Canada, General Social Survey, 1994.

However, this increase is largely attributable to the ageing of the population since 1989. Firstly, it was determined that planned retirement age rises as paid workers grow older. Thus, on average, employed people under age 45 planned to retire at age 58, while those aged 45 and over planned to retire at age 61. Secondly, as shown in chapter one, the population aged 60 and over has grown in number and proportion since 1989, compared with Canada's population as a whole. This explains the increase observed in planned retirement age for these two years. In fact, when the effect of the evolution of the age structure of the population was taken into consideration, the planned retirement age changed little between 1989 and 1994.

Almost one employed person in three does not know when they will retire

In 1994, as in 1989, a large proportion of people in the labour force reported that they either did not intend to retire (8%) or did not know when they would retire (31%). A much higher proportion of women (36%) than men (25%) were undecided. In addition, this latter option was more common among the youngest and oldest age groups. (Table 2.4)

People undecided about their planned retirement age most often share the same employment characteristics. In terms of occupation, the proportion of undecided people was much higher among clerical, sales and services employees, and blue-collar workers than among managers and professionals. The proportion of undecided people was also higher among low-income and non-unionized workers. Moreover, the proportion of undecided people was twice as high among those with no RPP as among those participating in such a plan. (Table 2.5)

Table 2.4
Retirement intentions vary by age of paid workers

	Planned retirement age							Total
	Before 55	55 - 59	60 - 64	At 65	After 65	Did not intend to retire	Did not know (Undecided)	
Age group	% of all people employed							
Men	8	23	18	14	2	10	25	100
Under 30	12	23	13	13	...	6	32	100
30 - 44	9	30	16	12	...	9	22	100
45 - 64	4	20	25	18	2	11	20	100
65 and over	—	—	—	...	25	42	32	100
Women	8	20	13	15	1	7	36	100
Under 30	10	17	10	16	...	4	42	100
30 - 44	10	24	11	14	...	6	35	100
45 - 64	5	18	18	17	...	10	31	100
65 and over	—	—	—	—	...	...	68	100
Total	8	22	15	14	2	8	31	100

Source: Statistics Canada, General Social Survey, 1994.

Table 2.5
Occupational characteristics of undecided people

	People undecided about retirement age	
	Men	Women
	% of all people employed	
Occupational group		
Managerial and professional ¹	17	29
Clerical, sales and service	28	38
Blue collar ²	28	54
Registered pension plan		
Participant	15	26
Non-participant	31	43
Unionization		
Union member	18	25
Not a union member	27	40
Total household income		
Under \$20,000	44	47
\$20,000 - \$39,999	31	37
\$40,000 - \$59,999	20	34
\$60,000 and over	15	24
Total	25	36

¹ The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences, and arts and literature.

² The "blue-collar" group includes the primary sector, manufacturing sector, and construction and transportation sectors.

Source: Statistics Canada, General Social Survey, 1994.

Occupational characteristics influence planned retirement age

Overall, occupational characteristics have an impact on planned retirement age. Thus, people participating in an RPP expected to retire earlier: on average, men aged 45 to 64 participating in an RPP planned to retire at age 59.7, compared with 61.6 years for those without such a plan. Among women, the average ages were 59.3 and 60.6 years, respectively. (Table 2.6) To obtain more accurate results on the link between pension plans provided by an employer and retirement planning, information such as the number of years of membership of an RPP should be considered.

In general, unionized employees plan to retire earlier. Men aged 45 to 64 who were union members planned to retire at age 59.1, compared with age 61.1 for non-unionized employees. Among women in the same age group, the average planned retirement ages were 59.2 and 60.4 years, respectively.

Variations in planned retirement age among occupational groups are very small and resemble those observed among retirees. However, in 1994, women employed as managers and professionals planned to retire earlier (at age 57.7) than women in other occupational groups. In practice, it is women in clerical positions who actually retire earlier.

Family status and planned retirement age

Planned retirement age among women is closely linked to family status, household income and marital status (Taylor and McFarlane Shore, 1995). In general, a higher household income favours planning for early retirement regardless of the age of the woman. For example, employed women with an annual household income of under \$20,000 planned to retire at age 62.3, compared with a planned retirement age of 56.9 for those with a total household income of \$60,000 and over. Among men, as age and income rise, the differences between their planned age of retirement become greater. Men under age 30 with an annual household income under \$20,000 planned to retire at age 56.1, and those with income of \$60,000 and over planned to retire at age 56.9. However, men aged 45 to 64 with an annual household income under \$20,000 planned to retire at age 62.3 on average, compared with age 59.6 for men with an income of \$60,000 and over. (Table 2.7)

On average, single people in the workplace plan to retire later than people with other marital statuses. For example in 1994, single men aged 45 to 64 planned to retire at age 62.4, compared with an average age of 60.3 for married men in the same age bracket. Single women of the same age group planned to retire at age 61.2, compared with 59.1 for women living with a spouse or a partner. The

average planned retirement age was also higher among divorced women than married women. Among women aged 45 to 64, the average planned retirement age was 62.4 years for those who were divorced compared with 59.1 for those who were married. Among men, divorce did not appear to affect the planned age of retirement. (Chart 2.3) A comparison of planned retirement age and marital status in different household income brackets reveals that, in general, the average planned retirement age was similar within the same income bracket, regardless of marital status.

Some studies have shown that people with children living at home are more likely to extend their time in the workplace because they must shoulder greater financial responsibilities (Holtmann *et al.*, 1994). Data from the General Social Survey confirm this trend. In fact, among people in the same age group and living with a spouse and children under age 15, the planned retirement age was higher than for those without children under age 15. Among married women aged 40 to 44 with children under age 15, planned retirement age was 59.0 years, compared with 56.5 years for those with no children in this age range. Among men in the 40 to 44 age group, average planned retirement ages were 59.1 years and 57.8 years, respectively.

Health carries little weight in planning retirement age

Among people in the labour force, health appears to have very little impact on intended age at retirement, contrary to observations among retirees. For all age groups studied, planned retirement age was essentially the same whether or not they had reported limitations on their daily activities due to chronic illness or a health problem.

Summary

In summary, the preceding analysis highlights the diversity of paths to retirement for men and women. Women retire early for family reasons, while men do so for health reasons or because they have the option of taking early retirement. The occupational characteristics of both genders also have an impact on retirement age. Retirees in non-standard jobs retired later than retirees in standard jobs. Women employed in the clerical, primary and managerial and professional sectors retired earlier than women in other occupational groups. Men employed in construction, transportation and the service sectors retired earlier than men in other occupations.

Table 2.6
RPP beneficiaries and unionized employees plan to retire early

	Average planned retirement age by age group			
	Under 30	30 - 44	45 - 64	Total ¹
Men				
Occupational group				
Managerial and professional ²	57.2	58.0	60.6	58.9
Clerical, sales and services	58.1	57.0	60.1	58.4
Blue collar ³	56.8	57.6	60.3	58.1
Registered pension plan				
Participant	56.9	57.3	59.7	58.1
Non-participant	57.5	58.1	61.6	59.0
Unionization				
Union member	57.4	57.0	59.1	57.9
Not a union member	57.3	58.1	61.1	58.8
Women				
Occupational group				
Managerial and professional ²	56.9	57.1	59.0	57.7
Clerical, sales and services	59.1	57.9	60.7	59.1
Blue collar ³	58.3	60.2	60.6	60.0
Registered pension plan				
Participant	56.3	57.3	59.3	57.8
Non-participant	59.3	58.3	60.6	59.3
Unionization				
Union member	57.0	57.2	59.2	57.9
Not a union member	58.7	58.0	60.4	58.8

¹ Total includes people aged 65 and over.

² The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences, and arts and literature.

³ The "blue collar" group includes the primary sector, manufacturing sector, and construction and transportation sectors.

Source: Statistics Canada, General Social Survey, 1994.

Table 2.7
Higher household income favours early retirement

	Average planned retirement age by age group			
	Under 30	30 - 44	45 - 64	Total ¹
Household income				
Men	56.7	57.6	60.3	58.5
Under \$20,000	56.1	58.1	62.3	57.9
\$20,000 - \$39,999	56.8	58.9	62.8	59.1
\$40,000 - \$59,999	56.8	58.1	60.4	58.4
\$60,000 and over	56.9	57.1	59.6	58.0
Women	58.2	57.7	59.9	58.5
Under \$20,000	60.1	62.1	65.5	62.3
\$20,000 - \$39,999	57.8	59.8	61.6	59.7
\$40,000 - \$59,999	57.2	57.5	59.6	58.1
\$60,000 and over	57.2	56.1	58.1	56.9

¹ The total includes people aged 65 and over who were working at the time of the survey.

Source: Statistics Canada, General Social Survey, 1994.

Key factors when planning the age at which to retire are the age of the person in the labour force, family status and certain occupational characteristics. Younger employed people generally plan to retire earlier than their elders. This may be explained by the fact that younger people view retirement as a long-term decision not fully worked out in detail. The analysis clearly indicates that those with a lower annual household income, especially unattached individuals, planned to retire at a later age. Terms of employment are also related to planned retirement age. The results show that union members and people working in an organization with an RPP are more likely to plan earlier retirement than others.

Notes

- ¹ For more information, see Statistics Canada, *The Labour Force*, Catalogue no. 71-001-XPB.
- ² Anne-Marie Guillemard, "International Perspectives on Early Withdrawal from the Labor Force," *States' Labor Markets and the Future of Old Age Policy*, John Myles and Jill Quadagno (Eds.), Philadelphia, Temple University Press, 1991, p. 224.
- ³ Lars Osberg, "Is It Retirement or Unemployment? Induced Retirement and Constrained Labour Supply Among Older Workers," *Applied Economics*, vol. 25, 1993, p. 506; Jason Siroonian, "A note on the recession and early retirement," *Perspectives on Labour and Income*, Statistics Canada, Catalogue no. 75-001-XPE, Winter 1993, p. 9.
- ⁴ Family reasons are defined as child care and rearing, and caring for a sick spouse or relative.
- ⁵ Data on income at time of retirement were not collected, for methodological reasons. A comparison of income of employed people and planned retirement age forms part of the latter portion of this chapter.
- ⁶ For purposes of this study, a non-standard job is defined as self-employment, part-time work or a temporary job.

Chart 2.3

Divorced women expect to extend their working life



*Note: Widows and widowers are excluded from the chart due to their very small numbers, and divorced people under age 30 are excluded because of the high degree of variability associated with the estimation.

Source: Statistics Canada, General Social Survey, 1994.

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RETURNING TO PAID WORK AFTER INITIAL RETIREMENT

Introduction

Returning to the work force after initial retirement clearly illustrates the diversity of paths to permanent retirement. Retirement is viewed as a transitional stage toward an extension of life in the work force. Very little research has been conducted to date in this field. In 1991, the National Survey on Ageing and Independence addressed this issue for the first time.¹ Other research conducted in the United States highlights key factors in the decision to return to the workplace. Some have stressed the importance of socio-demographic and occupational characteristics, while others have assessed the impact of economic and political conditions on the chance of a return to the workplace (Surman, 1989).

The 1994 General Social Survey, in addition to addressing the demographic and socio-occupational aspects of retirees who return to the labour market, adds new dimensions to the study of this phenomenon. The analysis presented in this chapter refers to retirees who returned to the labour market following initial retirement. This includes those who at the time of the survey, were retired for a second time (56%), employed (40%), or seeking employment or not in the labour force (4%). In part, the data provide a description of the process of returning to the labour market as well as the reasons behind this decision.

Return to paid work: a significant phenomenon

In 1994, 13% of retirees reported that they had returned to paid work following initial retirement. It is difficult to compare this result with that of other surveys because of the differences in measurement methods. However, it should be noted that this phenomenon is also present in the United States and appears to be growing. Recent studies show that in the late 1980s, almost one-third of retired people had returned to the labour force. It is also estimated that the proportion of those returning to the work force had more than doubled during the 1970s, and that this increase is closely linked to the drop in retirement age (Hayward, 1994).

In Canada, this path was more common among men than women: 16% of men, compared with 9% of women, returned to the work force following initial retirement. In the same vein, research conducted in the United States

indicates that among retirees seeking employment, women were three times less likely to return to the work force than men (Hardy, 1991).

Chances of returning to paid work decline with age

Younger people are more likely to return to the workplace following an initial retirement. In 1994, the average age of those who reported that they had returned to the labour market at some point was 65 years, compared with age 70 for those who did not return. The analysis by age group shows that among people aged 55 or younger, 38% returned to the labour force, while 16% of those aged 60 to 64 did the same. (Chart 3.1)

In addition, people that returned to the labour market had initially retired at an average age of 57.9, compared with 60.6 years for those who did not return. Furthermore, people who retired because they had access to early retirement incentives were subsequently twice as likely to return to the labour market as those without such a program. People who retired because they were unemployed were also more likely to return to paid work (15%). In turn, the chances of returning to paid work were lower for people reporting that they had retired due to mandatory retirement, poor health or family reasons.

Reasons for returning to paid work are diverse

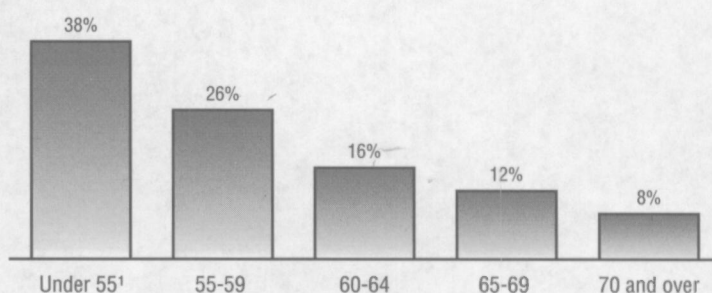
To date, research in this area has stressed the importance of financial factors as a reason for returning to the workplace (Myers, 1991). It has shown that a higher total income at the time of retirement diminished the chances of returning to work. Data from the General Social Survey, however, show that financial reasons, although present, are not the only factors involved. In fact, in 1994, of those retirees who reported returning to the work force, 25% cited financial reasons, 20% reported a desire to occupy their free time, 20% cited personal preference, and 35% gave other reasons. (Chart 3.2)

Returning to paid work more likely in larger households

A larger number of people in a household favours a return to the labour market. In households with only one person, for example, 9% reported that they had returned to the labour market, compared with 13% in households with two people and 19% in

Chart 3.1

The proportion of retired people returning to paid work declines with age

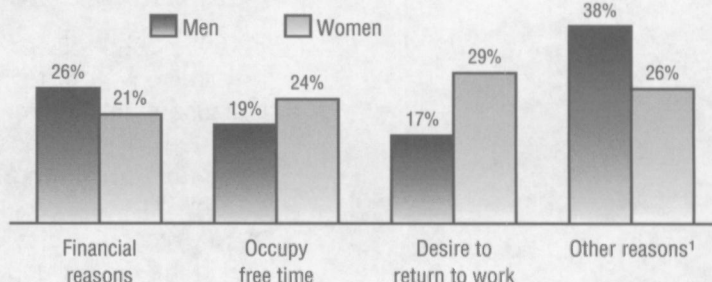


¹ High sample variability is associated with this estimation.

Chart 3.2

A variety of reasons are cited for returning to paid work, regardless of sex

% of retirees returning to paid work



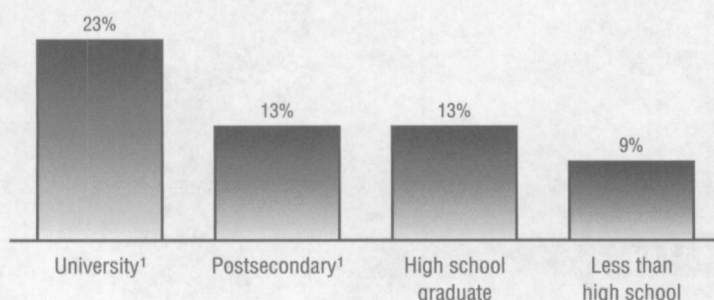
¹ The other reasons category includes, in particular, those who have returned to the labour market because they considered themselves too young to permanently retire or because they had decided to live in a different location.

Source: Statistics Canada, General Social Survey, 1994.

households with three or more people. There are also indications that a return to the work force was based on financial reasons. Among households with three or more people, 45% had returned to the labour market for financial reasons, compared with 17% of those living in households of two people, and 24% of those living alone. The reason for returning to work most often cited by people living alone was the desire to occupy their free time (29%).

Chart 3.3

A higher level of education favours a return to paid work



¹ The university and postsecondary categories indicate the highest level of education achieved without actually earning a diploma or degree.

A higher level of education contributes to a return to paid work

People with a higher level of education are more likely to return to the labour market following retirement. Almost one-quarter (23%) of people who had gone to university returned to the labour market after an initial retirement, while only 13% of people who had been to community college or trade school did the same. Moreover, 9% of those who had less than a high school education returned to paid work. (Chart 3.3) This comparison holds true for retirees of all ages. For instance, among people aged 55 and younger, 36% of those with a university level education returned to paid work after retirement, while 28% who had less than a high school diploma did the same. Among people aged 60 to 64, 26% of those with a university level education returned to paid work, compared with 17% who had gone to community college or trade school and 13% who had less than a high school diploma. Among people aged 70 and over, 16% of those who had been to university returned to paid work after retirement, compared with 12% who went to community college and only 5% who had less than a school diploma.

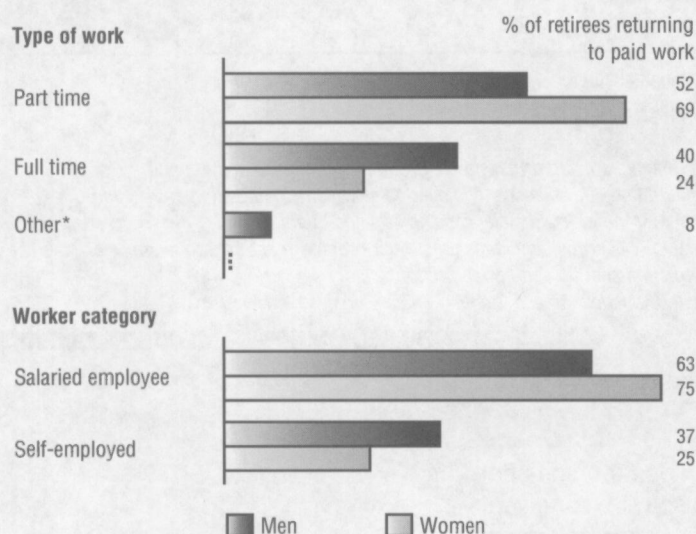
Conditions governing the return to the labour market: part-time employment

In 1994, the majority of retired people re-entering the labour market took part-time employment (59%) upon their return. By way of comparison, only 10% of retirees held part-time employment when they retired the first time; 20% of women and 5% of men. Upon returning to paid work, however, the proportion of women in this type of work more than tripled to 69%, while that of men increased tenfold to 52%. (Chart 3.4)

In the area of occupational mobility from one type of work to another, the increase in the proportion of part-time jobs translates into a significant shift of retirees from full-time to part-time employment. The proportion of those making this transition was estimated at 57%. Moreover, virtually all (96%)

Chart 3.4

Part-time and self-employed work is more common after returning to paid work



*Note: Women in the "other" category are excluded due to the high level of variability associated with this estimate.

Source: Statistics Canada, General Social Survey, 1994.

those working part time before retirement returned to part-time jobs. Thus, an individual employed part time before retirement was very unlikely to hold full-time employment after returning.

Opinion is divided on the reasons for returning to the workplace, whether full time or part time. The proportion of retirees reporting that they returned for financial reasons or because they wanted to occupy their free time was very similar for both full-time and part-time workers. However, the proportion of those reporting that they returned to work out of personal preference was higher among part-time than full-time workers.

A considerable increase in the proportion of self-employed workers

Retirees who re-entered the labour market were employees (67%) when they returned, as opposed to being self-employed (33%). However, the proportion of self-employed retirees was more than twice as high among those returning to the work force as among retirees at the time of their initial retirement (13%). The majority of those who were employees at retirement returned to this type of employment (71%), while 29% became self-employed.

A large proportion of retirees returning to paid work hold temporary jobs

As with part-time work and self-employment, temporary jobs play a major role in the return to the work force. One-fifth of retirees who returned to work held temporary jobs without a contract (21%), 17% held contract positions and 62% held permanent jobs. In addition, men were more likely than women to take permanent employment (64% and 55%, respectively). (Chart 3.5)

Returning to paid work occurs soon after retirement

A return to the labour market occurs, on average, within eighteen months after initial retirement. Half of those returning to the workplace did so within one year of retirement, and 30% returned between one and two years after retirement and 20% returned after two years. Of those who returned less than one year after retirement, 57% took a full-time job and 71% of those who returned after two years took part-time employment.

Chart 3.5

A considerable proportion of retired people returning to paid work hold temporary positions

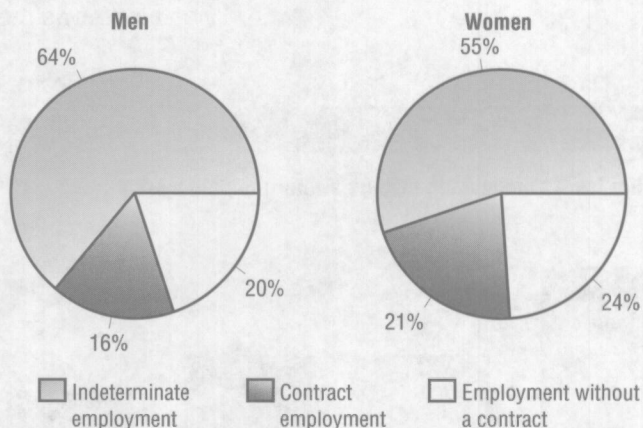
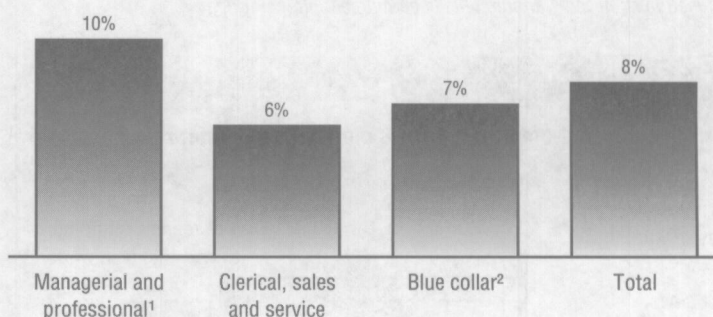


Chart 3.6

Retirees who were managers or professionals more frequently return to paid work



¹ The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences and arts and literature.

² The "blue-collar" field includes the primary sector, manufacturing and construction sectors and transportation sector.

Source: Statistics Canada, General Social Survey, 1994.

The period of time between initial retirement and the return to work also varies based on worker category (i.e., self-employed or employee) at the time of return. Of those who returned within one year of retiring, 65% were self-employed on their return, while 81% of those who returned more than two years after retirement were employees.

Occupational profile of retirees re-entering the work force

As also shown in the National Survey on Ageing and Independence (Schellenberg, 1994), the data from the GSS indicate that managers and professionals are more likely to return to paid work than clerical, sales and service employees or blue-collar workers. For example, in 1994, 10% of people who were retired at the time of the survey, and were managers or professionals, went back to paid work, compared to 6% of clerical, sales and service employees, and 7% of blue-collar workers. The higher rate of return by managers and professionals may be explained in that this group tends to have more education and the types of experience which are conducive to occupational mobility, as well as adjustment to changes. (Chart 3.6)

People who return to paid work are also more likely to come from certain sectors of employment at the time of their initial retirement. Among those who had been employed in public administration, 13% went back to paid work. In the education sector, 13% did the same and in the construction and transportation sector, the proportion was 11%. By contrast, almost all of those retiring from the health field remained retired. These results are closely linked to retirement age. As seen earlier, retirees from teaching left the workplace earlier, whereas those from the health field retired later.

Summary

Retirees returning to paid work are more likely to be male, younger and more educated than retirees in general. They are also more likely to live in households with more than two people. The chances of returning to paid work are higher among managers and professionals and among paid workers from the fields of public administration and teaching. There are many reasons for returning to paid work. Almost half of retirees reported doing so for personal reasons: out of personal preference or to occupy their free time. One retiree in four reported returning to work for financial reasons.

Overall, the conditions governing the return to the work force are characterized by a strong tendency to hold non-standard jobs: self-employment, part-time and temporary jobs. For full-time as well as part-time employees, the return to the labour market is based more on personal than financial reasons. Thus, full-time paid work is more an additional stage in one's career or the start of a new career. Moreover, part-time paid work can be considered a transitional stage to second retirement whereby the individual continues to work, but has the benefit of more free time.

Notes

¹ For more information on this survey, see *Aging and Independence: Highlights*, Statistics Canada, Special Surveys Program, 1991, 20 p.

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THE FINANCIAL SITUATION OF RETIRED PEOPLE

Introduction

In the past thirty years, the income security system for the elderly has undergone profound change. Government policy objectives are to provide elderly Canadians with a guaranteed minimum income and to promote their financial stability. With the creation of the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP), all employed Canadians aged 18 to 65 are required to contribute to the pension fund for retirement. The Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs assure eligible people with a minimum income upon retirement. Starting in 1974, income from these programs was indexed to the cost of living.

Major changes were also introduced to registered pension plans (RPPs). In 1987, the federal government and the provinces adopted a series of new regulations on standards for retirement benefits. In part, this allowed more employed people to qualify for these plans and increase their entitlements. Furthermore, the government's fiscal policy encourages retirement savings by granting tax deductions for contributions to RPPs and Registered Retirement Savings Plans (RRSPs).

The analysis focuses on sources of income in the light of changes to the security system for the elderly. Total personal income of retired people is also studied, taking into account occupation held at time of initial retirement, age at retirement and return to paid work. Finally, addressing retirees' perception of their own financial situation before and after retiring provides a new perspective to previous research in the field. In order to accurately reflect income received during retirement, the population of retirees discussed here does not include retirees who declared income from a salary during the twelve months preceding the survey. If included, they would have accounted for 8% of the retired population.

Retirees' sources of income

In 1994, 94% of retirees received benefits from public sources such as the OAS, GIS, and C/QPP. This proportion remained constant since 1980 except for people who retired recently i.e., between 1990 and 1994. Not surprisingly, younger retirees are less likely to be covered by these plans. For example, 98% of people who retired at or after age 60 received benefits from such plans, compared with 85% of people who retired before age 60. In addition,

more than one-quarter of all retirees (27%) relied on public pensions as their sole source of income; among women this proportion was 32%, compared with 24% for men. However, it is expected that the proportion of retirees who benefit from OAS will decrease in the future as new legislation, adopted in 1989, introduced a "clawback" requiring retirees whose net income exceeds a specified threshold to repay OAS at the rate of 15% of the net income above the threshold. (Table 4.1)

In 1994, more than half of retirees (52%) received income from interest, dividends or investments. Since 1980, this proportion has risen from 47% to 54% among retired men. This, in part, reflects the considerable growth of RRSPs in the last ten years: "In constant dollars, RRSPs contributions grew 138% from 1983 to 1993."¹

Also, the number of memberships in RPPs has grown considerably in the last thirty years. Data from Statistics Canada's Survey of Private Pension Plans indicate that the membership rate for the employed population has climbed, from 19% in 1960 to 47% in 1993.² Data from the 1994 GSS also show that 47% of retirees reported having a private pension plan. However, only 34% of retired women had such a plan, compared with 55% of men. Most retired women held jobs concentrated in industry sectors providing no form of pension plan. In addition, an appreciable number of

Table 4.1
Almost half of retirees benefit from private pensions plans

	Men	Women	Total
	% all retired people ¹		
Sources of income			
Public sources ²	94	94	94
Interests dividends or Investments	54	49	52
Private pension plans ³	55	34	47
Other	2	2	2

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

² Government sources of income include Canada or Quebec Pension Plans, Old Age Security, Spouse Allowance, Family Allowance, Employment Insurance and Social Assistance.

³ Private pension plans include registered pensions plans (contribution plans and defined benefit plans) and deferred profit sharing plans.

Source: Statistics Canada, General Social Survey, 1994.

Income security system for the elderly

Canada's income security system for the elderly has three components. The first includes the federal Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs. These are designed to ensure a minimum guaranteed income for all seniors, whether or not they have ever been employed. The OAS program provides people aged 65 and over who have lived in Canada for at least ten years after reaching the age of 18 with a fixed monthly income indexed to the cost of living. A supplementary benefit from the GIS is paid to those with little or no other income. In addition, a spousal allowance (SPA) is provided to spouses of OAS pensioners and widows aged 60 to 64 with limited income.

The second component of the income security system is the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP). Since their creation in 1966, these social insurance programs have allowed employed Canadians to save for retirement in keeping with their earned income. Pension benefits in Canada equal 25% of average annual earnings, up to the year's maximum pensionable earnings (YMPE) that is indexed each year. The plan is based on accumulated earnings from age 18 until retirement, sometime between the ages of 60 and 70.

The third component of the system includes employer-operated RPPs and Registered Retirement Saving Plans (RRSPs). Similar to the CPP and QPP, these plans are designed to maintain the financial status of retirees. There are many types of RPPs, which provide a variety of benefits. Contributors to these plans receive tax benefits.

retired women had interrupted their career to raise a family. For those returning to the labour market with another employer, it also was not always possible to transfer the benefits acquired from one pension plan to another. Although they had worked in a job with a pension plan, many were often unable to amass substantial savings.

The growing participation of women in the labour market has increased their participation in pension plans which may in turn improve the financial situation of women who retire in the future. In this regard, it is noteworthy that from 1983 to 1993 inclusive, the participation rate of employed women in RPPs grew from 36% to 42%.³

The indexing of RPPs is not mandatory and is left to the employer's discretion. Since 1970, most public sector plans provide cost of living allowances. In the private sector, however, many companies offer only occasional adjustments. The data reflect this situation since just 63% of retirees with an RPP received benefits indexed to the cost of living in 1994.

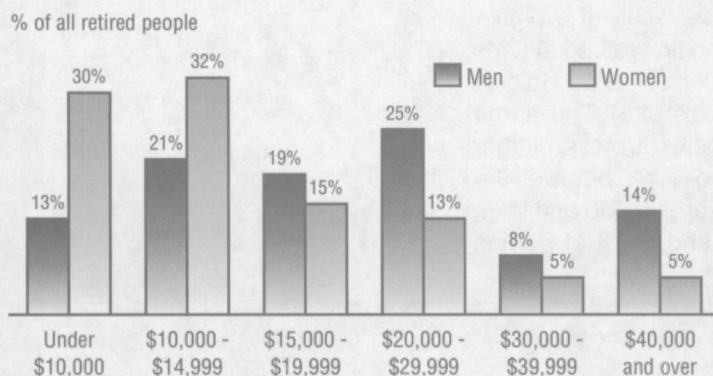
Almost half of retirees have a personal income of less than \$15,000

The data from the 1994 GSS reveal that 45% of retirees had an annual personal income of under \$15,000⁴ in the twelve months preceding the survey. Among retired women, 30% had a personal income of under \$10,000 annually and 32% had an income of \$10,000 to \$14,999. Among men, the proportions were 13% and 21%, respectively. (Chart 4.1)

The distribution by age group indicates that the personal income of retired men remained fairly stable after age 60, compared with that of women. In fact, there was a substantial increase in the personal income of retired women aged 70 and over. This is largely attributable to the fact that a very large number of women who reached this age were widows and qualified for supplementary pension income as a spouse.

Chart 4.1

Among retirees, the total personal income of women is lower than that of men



Source: Statistics Canada, General Social Survey, 1994.

Retirees' income depends mainly on their pre-retirement occupation

In general, retirees' income is closely linked to the occupation in which they were employed prior to retirement. As of 1994, 48% of retired male managers and professionals received a personal annual income of \$30,000 and over, while less than 20% of retired men who had retired from other occupations received the same. The majority (58%) of retired men who had been employed in the construction and transportation industries received from \$15,000 to \$29,999, inclusive. In addition, 56% of men who had retired from the primary sector received \$14,999 and under. (Table 4.2)

Table 4.2
Retirees' income is closely linked to their occupational group

	Total personal income					Total
	Under \$10,000	\$10,000- \$14,999	\$15,000- \$19,999	\$20,000- \$29,999	\$30,000 and over	
% of all retired people ¹						
Occupation at time of retirement ²						
Men						
Managerial and professional ³	...	14	8	24	48	100
Clerical, sales and services	13	22	25	23	17	100
Blue collar	15	23	20	28	14	100
Primary sector	26	30	13	20	11	100
Manufacturing sector	17	23	21	24	15	100
Construction and transportation	9	19	22	36	14	100
Women						
Managerial and professional ³	18	29	14	22	17	100
Clerical, sales and services	30	31	19	11	9	100
Blue collar ⁴	42	34	...	...	...	100

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

² Occupation at time of their initial retirement.

³ The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences, and arts and literature.

⁴ The "blue-collar" group includes the primary sector, manufacturing sector, and construction and transportation sectors for which values for women were too small to present separately.

Source: Statistics Canada, General Social Survey, 1994.

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

² Occupation at time of their initial retirement.

³ The "managerial and professional" group includes management and administration, life sciences, engineering and mathematics, humanities and religion, teaching, health sciences, and arts and literature.

⁴ The "blue-collar" group includes the primary sector, manufacturing sector, and construction and transportation sectors for which values for women were too small to present separately.

Source: Statistics Canada, General Social Survey, 1994.

The personal income of retired women is considerably lower than that of men given their very different labour force histories. In 1994, only 17% of women who were retired managers or professionals received a total income of \$30,000 and over. Of retired women who were blue-collar workers, 42% received less than \$10,000 a year.

Retirement between the ages 60 and 64, and higher income

People who retired between the ages 60 and 64 inclusive received a higher personal income. More than one-quarter (27%) of men who first retired at ages 60 to 64 had an annual personal income of \$30,000 and over, compared to only 19% who retired before age 60 or at 65 and over. (Table 4.3) The same observations can be made for women and the discrepancies are even larger among the different income brackets. One in six women who retired between the ages 60 and 64 inclusive had an annual personal income of \$30,000 and over, compared with 11% of women who retired before age 60 and to 6% of women who retired at age 65 and over.

Retirement income of people who returned to paid work

One-third of people who had returned to the labour force after an initial retirement and subsequently retired again received an annual personal income of \$30,000 and over, compared with 16% of retirees who did not. Conversely, only 36% of people who returned to paid work had an income of under \$20,000 annually,

Table 4.3
People retiring at ages 60 to 64 receive higher income

	Total annual personal income					Total
	Under \$10,000	\$10,000- \$14,999	\$15,000- \$19,999	\$20,000- \$29,999	\$30,000 and over	
	% of all retired people ¹					
Age at retirement						
Men	13	21	19	25	22	100
Under 60	16	20	18	27	19	100
60 - 64	11	17	18	27	27	100
65 and over	12	27	22	20	19	100
Women	30	31	16	13	10	100
Under 60	40	28	11	10	11	100
60 - 64	16	30	17	21	16	100
65 and over	27	35	20	12	6	100
Total	19	24	18	21	18	100
Under 60	27	24	15	19	15	100
60 - 64	12	22	17	26	23	100
65 and over	17	29	21	18	15	100

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

Source: Statistics Canada, General Social Survey, 1994.

while 64% of retirees who did not return did. However, evidence of the impact of returning to paid work on retiree's income is inconclusive since those returning to the work force tend to have higher paid positions before they retired. (Table 4.4)

Almost one retiree in three believes his or her financial situation has deteriorated since retirement

In 1994, 30% of retirees believed their financial situation had deteriorated since they retired, 50% believed it had remained the same, and 20% believed it had improved. In general, the opinions of men and women on this issue were similar. (Table 4.5) The small difference observed between men and women in their perception of their financial situation despite the real differences in income is explained, in part, by women's low income before retirement. A large proportion of retired women covered by this study had a low income before retirement. Thus, retiring and becoming eligible for basic OAS and GIS benefits provide some income stability and, in some cases, an improvement. For retired men, the situation is different. They had to rely more often on savings amassed during their career to maintain their standard of living after retirement.

The distribution by age group indicates that older retirees are more satisfied with their financial situation than younger ones. The data indicate that, in 1994, the perception of a deterioration in financial situation was less common among retirees aged 75 and over (21%), than among those under age 65 (46%). This may be explained by the fact that older retirees are better adapted to the lifestyle of retirement than their younger counterparts, for whom the transition is relatively new.

Table 4.4
People who returned to the labour force and income

	Total annual personal income					Total
	Under \$10,000	\$10,000- \$14,999	\$15,000- \$19,999	\$20,000- \$29,999	\$30,000 and over	
	% of all retired people ¹					
Return to the labour force after initial retirement						
Returned	...	...	17 ²	31	33	100
Did not return	21	26	17	20	16	100
Total	21	25	17	20	17	100

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

² High sampling variability is associated with this estimate.

Source: Statistics Canada, General Social Survey, 1994.

Table 4.5
A large proportion of younger retirees believe their financial situation has deteriorated

	Perceived financial situation					Total
	Greatly improved	Somewhat improved	Situation unchanged	Somewhat deteriorated	Greatly deteriorated	
% of all retired people ¹						
Men	4	15	50	16	15	100
Under 65	...	6	44	21	26	100
65 - 69	5	12	51	17	15	100
70 - 74	5	18	53	13	11	100
75 and over	...	23	53	12	8	100
Women	7	14	49	14	16	100
Under 65	...	...	43	17	26	100
65 - 69	...	10	50	19	15	100
70 - 74	8	13	55	11	13	100
75 and over	10	22	47	11	10	100
Total	5	15	50	15	15	100
Under 65	4	7	43	27	19	100
65 - 69	4	13	51	16	16	100
70 - 74	6	16	54	11	13	100
75 and over	7	22	50	9	12	100

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

Source: Statistics Canada, General Social Survey, 1994.

Retirement planning and perception of financial situation

For retirees who could not choose their retirement age, the perception of their financial situation at retirement compared to before is more often negative. In 1994, among retirees who had to leave the labour market for health reasons, 40% reported a deterioration in their financial situation at retirement. In addition, among those who retired when they were without work and could not find other employment, the proportion was 48%.

Tableau 4.6
Retirees with an indexed RPP are more positive about their financial situation

	Financial situation			Total
	Improved	Unchanged	Deteriorated	
	% of all retired people ¹			
With an RPP	18	54	28	100
Indexed RPP	22	55	23	100
Unindexed RPP	14	51	35	100
Without an RPP	21	47	32	100
Total	20	50	30	100

¹ Retirees who reported employment income in the 12-months preceding the survey are excluded.

Source: Statistics Canada, General Social Survey, 1994.

The presence of an RPP decreases the likelihood of perceived financial deterioration at retirement. Thus, 28% of retirees with an RPP felt their situation deteriorated since retirement, compared with 32% of those without an RPP. In addition, pensioners whose plan was indexed to the cost of living were more positive about their financial situation. Of all retirees who had an indexed RPP, 22% felt their situation improved, compared to 14% of retirees whose pension was not indexed. (Table 4.6)

The economic climate of the 1980s and 1990s, and the financial situation of retirees

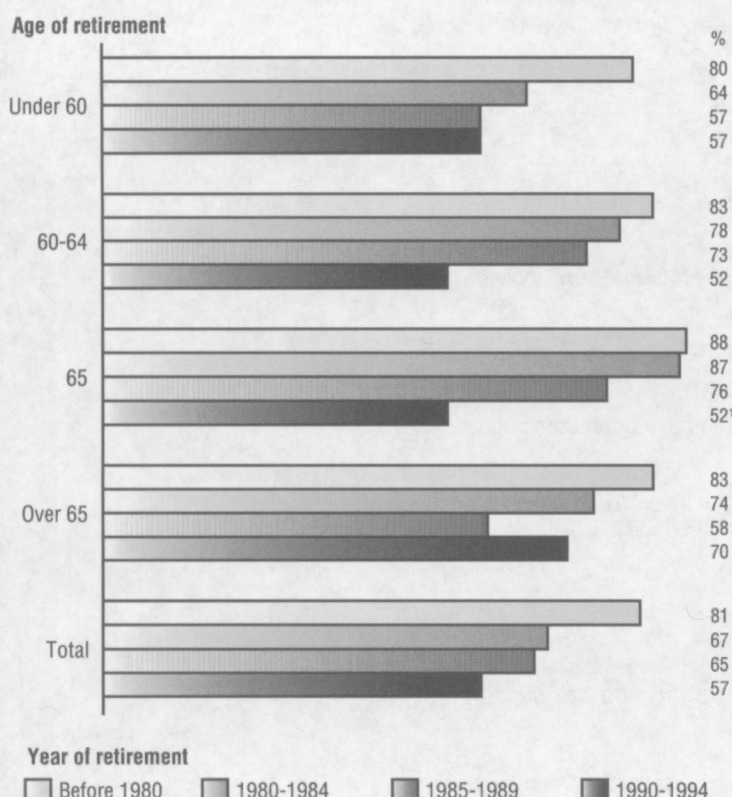
People who have retired since 1980 believe their financial situation has deteriorated, regardless of the age at retirement of the group studied. In fact, the proportion of retirees reporting that their financial situation had improved or remained the same since retirement was about 81% among those who retired before 1980, compared to 57% of those who retired between 1990 and 1994 and this proportion has declined over time regardless of the age at retirement. Thus, among people who retired before age 60, 80% who retired before 1980 felt their financial situation improved or remained the same, while only 57% who retired between 1990 and 1994 felt the same. In addition, among people who retired at age 65, 88% who retired before 1980 felt an improvement or no change in their financial situation, while 52% who retired between 1990 and 1994 felt the same. (Chart 4.2)

Among individuals who retired after age 65, however, there was an increase in the proportion who felt their financial situation had either improved or remained constant between 1990 and 1994 (70%), compared with 1985 and 1989 (58%). In addition, among those who retired before age 60, the proportion who believed their situation did not change or improved had remained constant since 1985. The considerable growth in early retirement incentives during this period perhaps allowed more young retirees to retire with a better financial situation.

The deterioration in the financial situation perceived by retirees reflects the overall economic climate of the last fifteen years. For instance, 13% of people who retired between 1990 and 1994 were unemployed at the time. The decline in Canadians'

Chart 4.2

Proportion of retirees who perceive an improvement or stability in their financial status, by year of retirement and age at retirement



¹ High degree of variability is associated with this estimation.

Source: Statistics Canada, General Social Survey, 1994.

purchasing power since the early 1980s has also had repercussions on the financial situation of retirees.⁵ For those not covered by an RPP or whose plan was not indexed, it proved difficult to maintain their financial situation. Furthermore, fluctuations in the financial markets and interest rates during this period also affected the performance of retirees' investments.

Summary

Almost all retirees (94%) receive income from public sources and more than half receive income from interest, dividends, investments and/or private pensions. The total personal income of retirees is closely linked to the occupation held at the time of retirement. It was also shown that men who retired at ages 60 to 64 received a higher annual income (54% received \$20,000 and over), than men retiring before age 60 (46% received \$20,000 and over), and people retiring at age 65 or after (39% received \$20,000 and over). People returning to the work force after retirement are more likely to have a higher income upon their second retirement, as 64% of people who retired twice received an income of \$20,000 and over. However, this could also reflect the fact that people in a higher income bracket at the time of their initial retirement are more likely to return to the labour force.

Close to one-third of retirees believed their financial situation had deteriorated, relative to the year preceding their retirement. This opinion was more common among younger retirees and people who had been unable to choose their retirement age. Since the 1980s, the proportion of retirees who believe their financial situation has deteriorated has risen considerably.

Notes

- ¹ Statistics Canada, *Canada's Retirement Income Programs: A Statistical Overview*, Catalogue no. 74-507-XPB, 1996, p.11
- ² Statistics Canada, *Pension Plans in Canada: Statistical Highlights and Key Tables*, Catalogue no. 74-401S-XPE, 1993, p. 8.
- ³ Statistics Canada, *Canada's Retirement Income Programs: A Statistical Overview*, Catalogue no. 74-507-XPB, 1996, p.172-173
- ⁴ Due to the small number of people with no income, these data have been combined with those for people with an income of \$5,000 or under.
- ⁵ The purchasing power of Canadians has declined steadily since the early 1980s, from 1.00 to 0.51 in 1994. Statistics Canada, *Consumer Prices and Price Indexes*, Catalogue no. 62-010-XPB, 1980-1994.

Bibliography

- ◆ Statistics Canada. *Pension Plans in Canada: Statistical Highlights and Key Tables*, Catalogue no. 74-401S-XPE, 1993, 49 p.
- ◆ Statistics Canada, *Canada's Retirement Income Programs: A Statistical Overview*, Catalogue no. 74-507-XPB, 1996, 180 p.

CONCLUSION

The preceding analysis has revealed the current trends in retirement and the many paths leading to this stage in the life cycle. In the context of the reform of the security system of the elderly, it is important to stress the issues and potential scenarios available to retirees and people about to retire.

Results from the General Social Survey have shown that a considerable number of retirees rely on public sources of income as their sole source of income, they have a low personal income and do not receive benefits from RPPs. In particular, this situation affects women who have been unable to accumulate sufficient personal savings. Even those currently in the labour market who plan to retire soon have an uncertain financial outlook:

Women born between 1937 and 1946 participate in the paid work force in record numbers. But this seems to be a relatively recent phenomenon. All indications are that when these women were in their twenties and early thirties, they followed what used to be thought of as the "traditional" role for women. Most of them got married, had two or three children, and stayed at home as full-time homemakers until their children were of school age. Returning to the paid work force in their mid-thirties to early forties, many women in this age group will not have had a long period of paid employment in which they have belonged to pension plans or contributed to RRSPs.¹

One response to the financial constraints faced by some retirees may be an extension of working life. The results show that many elderly people take this approach either by working part time or being self-employed. Given the current economic and political situation, there is reason to believe this trend may grow in future. In addition, labour market conditions might favour greater participation by the elderly. For instance, the creation of part-time jobs provides the elderly with more opportunities for paid work. Furthermore, long-term demographic trends indicate there may be a shortage of younger labour, and thus, an increase in demand for older employees.

However, the solution of extending one's life in the work force is not available to everyone. The results show that retirement age is also linked to factors beyond the labour market or financial situation. An appreciable proportion of retirees took early retirement (before age 60) for health or family reasons.

CONCLUSION

Under these circumstances, an extension of life in the work force is rather unlikely. These people are not protected from the financial difficulties that could arise during their retirement. In this regard, most people who retired before age 60 had a personal annual income of under \$15,000.

A return to paid work is subject to certain limitations. Based on the survey data, those leaving retirement and returning to the labour market are usually younger-than-average, fairly well-educated men with experience in managerial or professional occupations. What is the situation of retirees who have sought employment without success? Do many have this experience? And most importantly, is their socio-occupational profile similar to that of retirees who find employment or is this a distinct group? A more detailed analysis of retirees who report employment after retirement would help paint a portrait of the options available to them and of the openness of the job market to this potential labour force.

Finally, the new regulations introduced for retirement benefits and the tax incentives for retirement savings should improve the financial stability of retirees. At present, however, these measures have not achieved their full impact, and many years will have to pass before an assessment of their real effect on the retired population can be made. In the interim, for many retirees or people approaching retirement, the income provided by public pension plans will remain the foundation of their financial stability.

Note

- ¹ Monica Townson, *Women's Financial Futures: Mid-Life Prospects for a Secure Retirement*, Ottawa, Canadian Advisory Council on the Situation of Women, April 1995, p. 59.

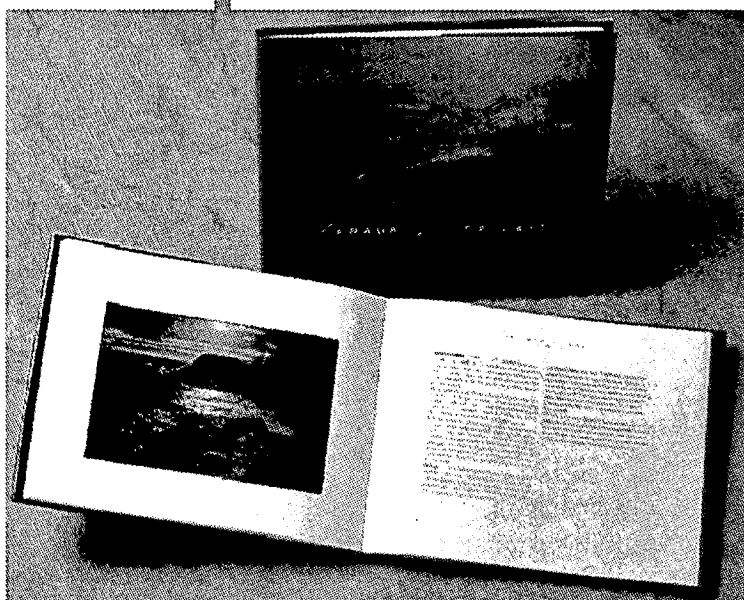
METHODOLOGY

This report unveils data available from the 1994 General Social Survey (GSS) which measures major changes in demographics, social characteristics, and living conditions of Canadians. It marks the first repeat of the education, work and retirement core content area originally covered in the 1989 GSS. However, this latest cycle of the GSS focuses more on the quality of life after retirement and post-retirement activities than the earliest cycle. In addition, the latest cycle contains two new sections – social origin and work interruptions.

The target population of the 1994 GSS consisted of all individuals aged 15 and over living in a private household in one of the ten provinces in Canada. The sample was composed of 11,876 respondents, including a main sample of 10,381 people and an additional sample of 1,495 people between the ages 55 and 74. The data were collected over a 12-month period, from January 1994 to December 1994, using a computer-assisted telephone interview system. The response rate for the 1994 GSS was 81.2%.

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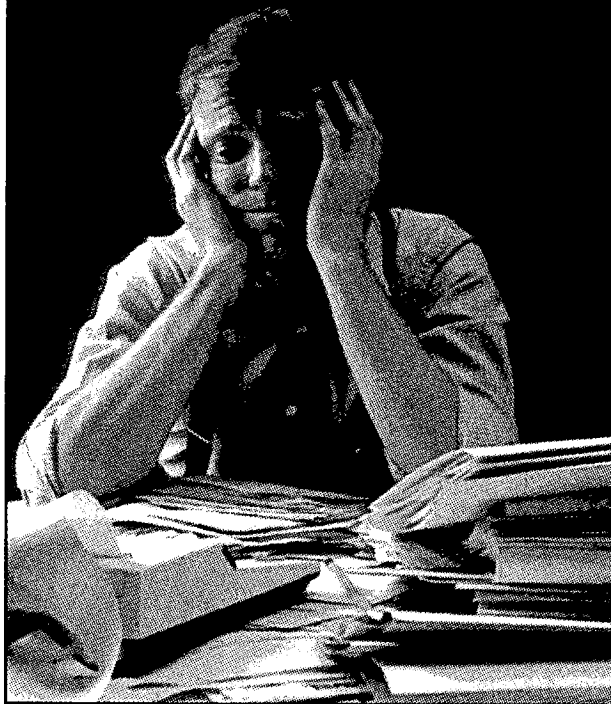
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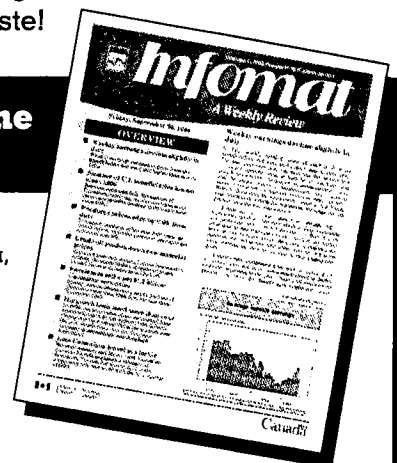
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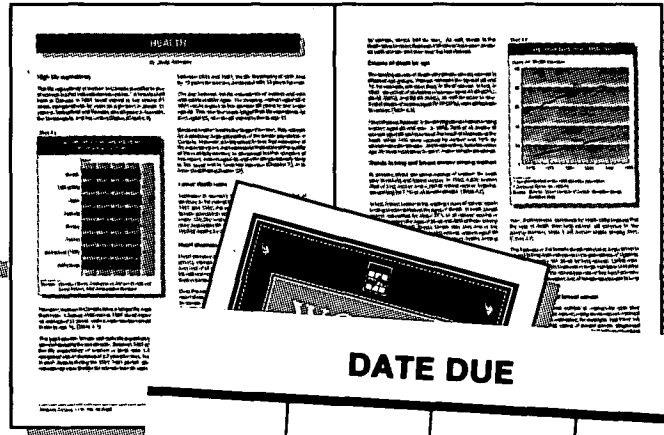




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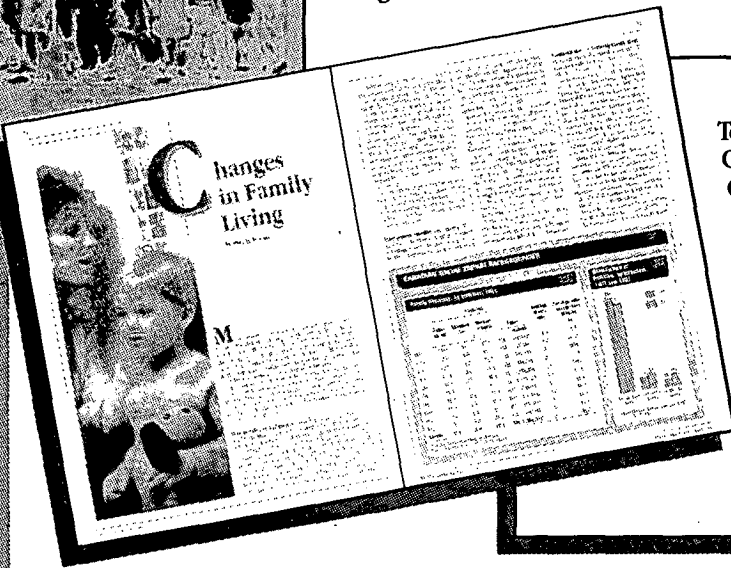
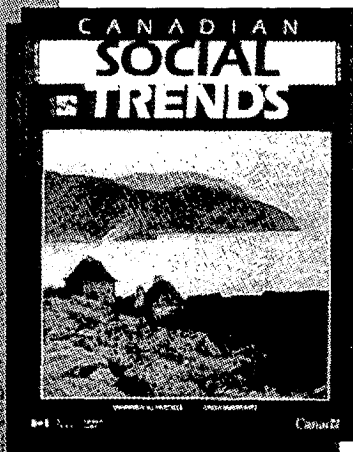
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