

Catalogue no. 11-630-X  
ISBN 978-0-660-25920-8

## Canadian Megatrends

# Pensions: The ups and downs of pension coverage in Canada



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- . not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0<sup>s</sup> value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- <sup>P</sup> preliminary
- <sup>r</sup> revised
- X suppressed to meet the confidentiality requirements of the *Statistics Act*
- <sup>E</sup> use with caution
- F too unreliable to be published
- \* significantly different from reference category ( $p < 0.05$ )

Published by authority of the Minister responsible for Statistics Canada

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# Pensions: The ups and downs of pension coverage in Canada

## CANADIAN MEGATRENDS

Most of us expect to grow old; at least that's what the data say...83.6 years for women, 79.3 years for men.

Since most workers retire in their 60s, Canadians can anticipate at least 15 to 20 years of retirement living.

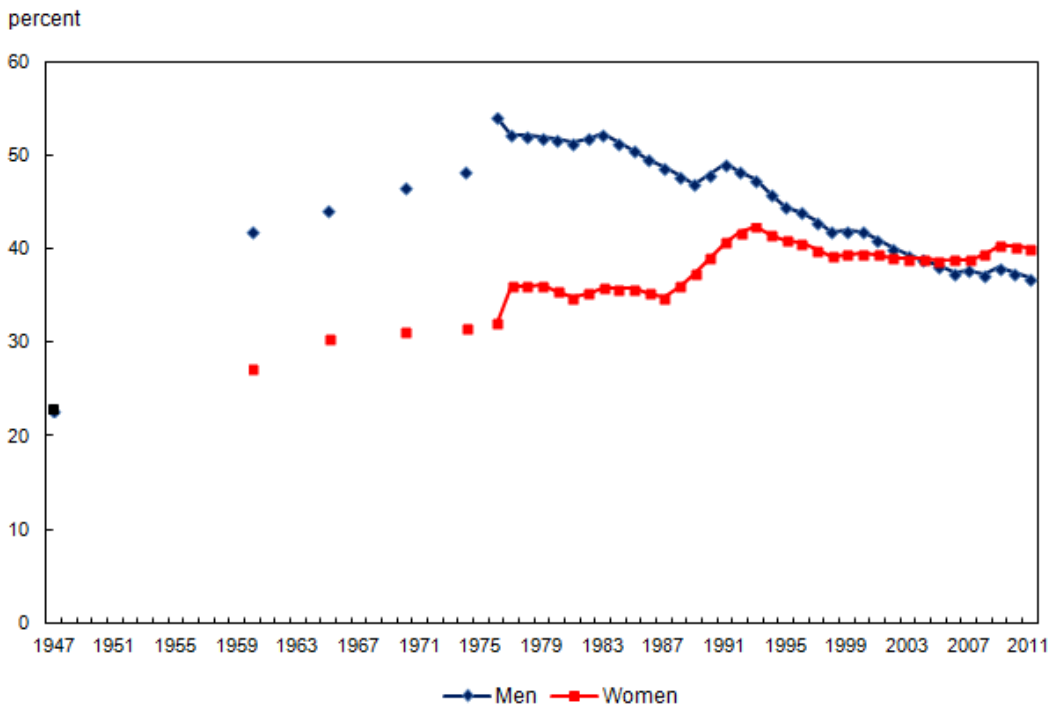
Canadians prepare to fund those years in a variety of ways; one of them is with an employee pension, also referred to as a Registered Pension Plan (RPP). Nowadays, women are more likely to have a pension than men, but it hasn't always been that way.

### 1900 to 1975: Employee pension coverage grows to include over half of male workers

At the end of the 19th century, pensions were offered to certain employees of the federal public service, the railways and some commercial banks, but to few others. By the late 1940s, about 1 in 5 employees had a RPP at their job.

Among men, RPP coverage increased substantially from the late 1940s to the late 1950s, and continued to increase, albeit at a more moderate pace, from the late 1950s to the mid-1970s. By the end of the 1970s, more than half of all male employees had an RPP at their job.

**Chart 1**  
Percentage of male and female employees with a registered pension plan, 1947 to 2011



**Note:** The 1947 numbers show pension coverage for both sexes.

**Source:** Pension Plans in Canada Database, 1977 to 2011, and previous Statistics Canada publications on pension plans.

## 1980 to 2000: Pension coverage falls for men, but rises for women

In the early-1980s, RPP coverage among male employees began to decline, falling below 50% in 1986. Coverage continued to decline throughout the 1990s and fell below 40% in 2003. The rate has remained around 37% since then.

Pension coverage among female employees rose from 27% in the early 1960s to 36% by the late-1970s. Between the mid-1980s and the early 1990s, the pension coverage of women increased to just over 40%. It has hovered at or near this level since then.

### Changing workplaces, changing pension coverage

Several factors may have contributed to the changes in pension coverage among men and women in recent years. Longer life expectancy and lower rates of return on financial markets may have reduced employers' incentives to offer defined-benefit plans, that is, pension plans in which benefits correspond to a set amount or are determined based on the number of years of service. Growing competition within industries and from abroad may have increased pressure on firms to reduce labour costs and thus, may have altered the propensity of firms to offer pension plans.

Previous work by Statistics Canada researchers has shown that about three-quarters of the decline in the RPP coverage of men between the mid-1980s and the mid-1990s was associated with shifts in employment away from industries with high-RPP coverage, such as manufacturing, and declines in unionization.

For instance, the proportion of men employed in public administration and manufacturing fell during that period while the proportion of those employed in sectors such as retail trade, and accommodation and food services increased. Along with declines in unionization, these changes in the distribution of employment for men have tended to reduce their rate of pension coverage.

The story is different for women. Part of the increase in the pension coverage of women was related to occupational shifts in employment and the growing propensity of women to hold relatively well paid jobs, which tend to have higher pension coverage.

For example, 42% of female paid workers aged 35 to 54 were professionals, managers or held positions in natural sciences or social sciences in 1997, up from 36% in 1986. As women increased their presence in highly paid occupations, they ended up accounting for the majority (56%) of financial auditors and accountants—considered collectively—in 2014, up from 42% in 1987. These movements in the occupational profile of women contributed to raising their pension coverage.

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## Definition

**Registered Pension Plan (RPP):** Pension plans for employees sponsored by employers or unions and usually funded through contributions by both employees and employers.

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