



Growing Older, Working Longer

The New Face of Retirement

By Monica Townson

IT'S NOT SURPRISING THAT as the leading edge of the baby boom generation reaches its late 50s, retirement has become a major preoccupation — especially when the springtime ritual of the RRSP season rolls around. A bombardment of ads encourages us to believe that, if only we follow the right advice and invest in the right plan, by the time we're in our 50s, we'll be able to spend the rest of our lives lying on a sandy beach in the Caribbean, traveling around Europe, or relaxing on the golf course, without a care in the world. "Freedom 55," originally presented as a clever marketing slogan for a major insurance company, has now become the goal everyone is persuaded to aim for — that time when, free of the burden of work and economically secure, we'll have years of leisure ahead of us.

But there is now growing uncertainty about retirement — how and when it might happen and what form it might take. More and more people

will not be able to achieve their dreams of early retirement. Volatile stock markets and low interest rates have pushed workplace pension plans into deficit positions and undermined the value of individual retirement savings. Many people are no longer sure about just when they'll be able to stop working, or even if they'll ever be able to stop. And many of those who retired early are now going back to work — some for financial reasons, others because they prefer to keep active. Increased life expectancy has helped fuel the trend. After all, if you retire at 55, you may still have another 30 years or perhaps one-third of your life ahead of you.

As the big generation of baby boomers gets set to retire, doom and gloom predictions have become the order of the day. According to some, Canada just will not be able to afford to support its aging population. Their solution: shift the burden on to older people themselves. As

they grow older, they will be expected to work longer and fend for themselves. This is the new face of retirement.

Ironically perhaps, some policy makers are now trying to present the aging population as a “golden opportunity” rather than a “crisis.” Federal officials have said “the coming retirement of the baby boom generation, if accompanied by good social policies, may provide an opportunity to make major social and economic gains.” The view now is that tomorrow’s generation of older people will be skilled and potentially productive in an economy based on knowledge and services. According to this perspective, the growth of healthy life expectancy raises the possibility of increasing both time spent in work and time spent in leisure, with gains on both economic and social fronts. The process could eventually lead to a new definition of “retirement” and radical new policies that will change the way we look at the aging process, the proponents of this view say.

For instance, a major federal government research project has been looking at policies that might change the way people combine work, leisure, caregiving, and education over a lifetime instead of emphasizing only what policies are needed once they reach age 65. The approach, promoted as “life course flexibility,” is presented as giving older people more “choice” and greater “flexibility” is planning for their old age.

The danger, of course, is that if they will not do it voluntarily, older people may be forced to go on working against their will. It could be done by raising the age of eligibility for public pension programs, as the United States and other countries have done. But it’s worth noting here that, while the U.S. is raising its age of eligibility for Social Security to 67 from 65 over the next 20 years, many other countries, which had much lower ages of eligibility for their public plans, are only moving now to age 65. Some countries, such as the United Kingdom, which had lower eligibility ages for women than for men, are sim-

ply increasing the age of eligibility for women to match that of men — generally age 65.

But raising the age of eligibility for public pensions such as Old Age Security and the Canada Pension Plan — as some of the doomsayers have suggested — would hit hardest at lower-income elders who must rely on these programs as their major sources of retirement income. They would be forced to go on working until they qualified for benefits. Higher-income earners, who are more likely to belong to workplace pension plans or have RRSP savings, get most of their retirement income from these sources so will always have more options and more choices about when to retire.

“Active aging” may well become the new policy buzzword and it will almost certainly be official policy. As the World Health Organization sees it, “years have been added to life, now we must add life to years.” Once again, the danger is that the approach will become coercive. The experts say that could be avoided if policy takes an enabling and facilitating role and is responsive to age, gender, race, culture, and other differences. But we should make no mistake about it — the fundamental purpose of all this is to get people to work longer as they grow older.

Governments around the world are now trying to persuade people to postpone their retirement and go on working to ease pressure on pension plans. But it’s not just the cost of pensions that is fuelling the development of policy here. Workers who produce the goods and services the economy needs are essential to economic growth and prosperity. There is growing concern that, as the baby boom generation retires, fewer workers will be available to support the growth of the economy and produce the goods and services needed by all Canadians. A possible shortage of skilled workers is being used as the rationale for persuading boomers to go on working, although it’s still not clear just how real the potential shortage is.

Canada is being urged by international bodies such as the OECD to get rid of early retirement incentives, to abolish mandatory retirement and to take other measures to persuade people to go on working and to raise the age of retirement. In Canada right now, the typical age of retirement is around 62. Some provinces in Canada have already abolished mandatory retirement, but it seems to have had little impact on increasing the age at which people retire. In fact, at 59.8 the average age of retirement in Quebec, which abolished mandatory retirement long ago, is one of the lowest retirement ages in Canada. As well, abolition of mandatory retirement is highly controversial and raises a number of issues relating to discrimination against older workers.

In the UK, the government has introduced huge financial bonuses for people who will put off claiming their state old age pension. In Quebec, changes to the Quebec Pension Plan have been proposed to encourage people to postpone claiming a QPP retirement pension. Federal and provincial finance ministers have suggested they will consider measures for the Canada Pension Plan to help those who want to go on working.

Reflecting the move to shift responsibility for retirement provision away from collective actions and programs and on to individuals, many employers are creating two-tier pension systems, where younger workers get much less generous benefits. Companies have closed their defined benefit pension plans where a pension related to earnings and years of service is guaranteed, often putting new hires into defined contribution plans and group RRSPs where retirement income depends on investment returns and no particular pension is promised.

Regardless of policy measures adopted by governments, there are already signs that people increasingly believe they will have to go on working longer or take some other kind of job after a formal retirement from a long-term “career” job. More and more workers are doing just that. They are switching from full-time to part-time work;

continuing to work for the same employer as a self-employed contractor instead of an employee; or perhaps starting a business on their own after leaving a long-term job. In fact, we probably need a new word to describe what happens when workers grow old, because retirement has become a process: it’s no longer a point in time when work stops and leisure begins.

Over the past 20 years, we’ve heard a lot about pensions and we’ve had endless discussions about the pension system. We haven’t yet really turned our attention to retirement and what it means. But there’s no doubt we’ll see the issue of retirement appearing on the policy radar screen over the next few years as the baby boomers start entering their sixties. We may see policy changes that will make it harder for people to take early retirement. We’re already seeing more and more people planning to go on working because they feel they will not have saved enough money to support themselves in retirement.

Coverage of workplace pension plans has been going down so that less than 40% of Canadians now belong to a registered pension plan through their work. As well, most people don’t seem to be able to save on their own and there’s now a huge backlog of unused RRSP contribution room being carried forward. To make matters worse, surveys show most Canadians know little about the pension system; they don’t understand the kind of pension plan they may or may not have at work; and they know even less about the public pension programs such as Old Age Security and the Canada Pension Plan, how they work and what benefits they provide.

It’s also worrying that many of the policy makers who want people to go on working longer seem to think we have already solved the pension problem. That’s not the case. While poverty rates among seniors have improved significantly over the past couple of decades, some groups — particularly older women on their own — are still facing very high rates of low-income. We’ll need to address that. As elders form an increasing per-

centage of the population, and more of them have to continue in paid employment, we will have to deal with other difficult issues such as discrimination against older workers

Special programs may be developed for older workers. These might include special training programs or other employment initiatives to ensure that older workers have the updated skills they need to find or continue in work, and that there are real opportunities for them to continue in paid employment if they want to. Preventing discrimination against older workers will be essential if people are to be expected to work until later ages. The European Union, for example, issued an Employment Directive in 2000 that prohibits age discrimination in employment and vocational training.

We should also be concerned about the trend to move away from collective responsibility and societal concern for Canada's population, shifting responsibility to individuals to try and make it on their own. Many of them won't be able to do that and we could face growing rates of senior poverty in the future, reversing the gains we've made over the past 20 years or so.

Will inter-generational conflict be revived? Conflict between the different generations over how public pensions were to be paid for was a big issue in the late 1990s when changes in the Canada Pension Plan were being contemplated. Pay-as-you-go plans, such as the CPP, are financed by contributions from the working age population. But, when the percentage of older people is increasing in relation to those of working age, contributions to these types of plans must increase to provide benefits for increasing numbers of retirees. It was suggested that younger Canadians would resent having to pay higher contributions to the plan to finance growing numbers of retired people.

Changes in the way in which the CPP is funded, implemented in 1998, were intended largely to address potential inter-generational conflict. The establishment of the CPP Investment Fund

was made possible by a sharp increase in contribution rates over a brief period of time, generating surplus funds that could be invested to provide an additional source of income for the plan to help pay benefits when the baby boom generation would be retiring in about 20 years from now. In some respects, this was seen as requiring members of the baby boom generation to contribute more now to finance their own pensions payable down the road.

But discussion of inter-generational conflict issues among progressive scholars has always emphasized that a full accounting scheme of the allocation of retirement costs among the working and retired populations requires the inclusion of both the public and private side of the national ledger. They have also pointed out that the well-being of future generations does not depend on the design of pension plans, but rather on the productive capacity — schools, hospitals, infrastructure, and so on — that one generation leaves to the next.

Canada is already going down the road of working longer. Mandatory retirement is being abolished; early retirement incentives are being abandoned; and there's growing concern that people may be forced to go on working as they grow older — whether they want to or not. Policy makers may be sugar-coating the pill when they describe this as “increasing choice” and giving people a “better range of alternatives” as they grow old.

This book looks at how what we used to call “retirement” is changing, and what it may mean. It reviews changes already under way and at the growing uncertainty about retirement and it discusses how the current retirement income system is coping. We also consider new and more positive perspectives on the aging population in some detail and follow the demise of the early retirement dream. And we discuss how older workers might be protected in this changing environment. The idea of “increasing choice” and giving people a “better range of alternatives” is

receiving growing emphasis in policy development, but what does it mean and what could be the likely consequences?

Where do we go from here? Most workers see being able to retire as a benefit of having a decent retirement income. As national wealth has increased in the more affluent democracies, workers have chosen to use some of their increased productivity to purchase more years of retirement. But policy makers now pursuing the “life-course flexibility” approach are not simply trying to persuade people to reallocate work and leisure over the life-course. They want to change the balance of work and leisure in favour of more work. The example of the French workers, who took to the streets in June 2003 to demonstrate against proposals that would force them to work longer for a full pension, should remind us that this is going to be a political issue.

All the signs are that Canadians don’t want to work longer. Ultimately, many people may not have much choice in the matter. Unless we address some of the shortcomings of the retirement income system, they will have to go on working to support themselves as they grow older.

But it is worth noting here that, as elders form an increasing percentage of the population, their influence on public policy may well increase as they exercise their democratic options. In the meantime, the new face of retirement will continue to evolve — with or without government intervention. We will need to keep a watchful eye on the process to make sure the much-vaunted freedom of choice about life-course and retirement really does offer the free choices Canadians want to have without replacing the collective responsibility that ensures all citizens are equally protected.



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