



# Working After Age 65

## What is at Stake?

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### Highlights

- The OAS and GIS combined today provide one third of the income of all seniors aged over 65, and fully one half of the incomes of seniors with individual incomes of less than \$20,000.
- One in four (24%) persons aged 65 to 70 is still working, up from 11% in 2000.
- Four in ten (39%) workers aged 65 to 69 (32% of men and 51% of women in that age group) work part-time, compared to just 12% of so-called “core-age” workers aged 25 to 54.
- Forty percent of workers over 65 are self-employed.
- Half of self-employed workers over 65 earn less than \$5,000 per year.
- Fully one in three or 33% of employees over 65 are low-wage — defined as earning less than two-thirds of the median hourly wage.
- A 2008 Statistics Canada survey of older workers (55+) found that only 30% had retired because they were financially ready.
- More than 50% of fully retired workers over 55 have three or more chronic health conditions (such as high blood pressure, diabetes, or arthritis), and one in four fully retired workers over 55 list poor health as their reason for retirement.

- Delaying the age of eligibility for OAS and GIS will result in significantly reduced incomes for those who are unable to replace OAS/GIS income from earnings in low wage jobs. It would take considerable hours in low wage jobs or from self-employment to replace the maximum OAS/GIS benefit of about \$14,000 per year for individuals, or even to replace the basic OAS benefit of just over \$5,000 per year.

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## Introduction

It is argued by some that eligibility for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) at age 65 discourages older Canadians from remaining in the workforce, and that we need to keep them working longer to avoid present and future labour shortages and a sharp rise in the so-called “dependency” ratio (the ratio of retirees to the working-age population). Accordingly, the federal government proposes to phase-in an increase in the age of eligibility from age 65 to age 67, affecting Canadians who are now 54 and younger.

The purpose of this paper is to look at some of the realities of working past age 65, and to examine what an increase in the OAS eligibility age will mean for those who will have no choice but to work longer in the future.

The OAS program provides an annual payment to virtually all seniors over age 65 of just over \$5,000 per year. The OAS/GIS program is especially important to low income households after the age of 65. One in three seniors over age 65 qualifies for the income-tested Guaranteed Income Supplement to OAS which provides a bare-bones minimum annual income. (The average GIS benefit is about \$5,000 per year, and the maximum is \$8,800 per year.) The OAS and GIS combined today provide one third of the income of all seniors aged just over age 65, and fully one half of the incomes of seniors with individual incomes of less than \$20,000.<sup>1</sup>

Raising the age of eligibility for OAS/GIS to age 67 would have a negative impact on the incomes of all seniors in the age-65-to-67 age bracket, but by far the greatest impact would be on those who have little or no retirement savings and limited benefits from the Canada Pension Plan (CPP).

Partly as a result of limited public pensions and low retirement savings, a significant proportion of seniors already work past 65.

Data from Statistics Canada’s *Labour Force Survey* show that one in four (24%) persons aged 65 to 70, is still working, up from 11% in 2000. The rate has been trending sharply upward for a number of reasons. Many seniors with limited incomes are working longer due to the sharp decline in workplace pension coverage and inadequate retirement savings. Others are working longer because they want

to, and find work interesting. This is most often the case for higher income professional and managerial workers.

Neither the OAS/GIS program, nor the CPP, have a requirement to cease paid work. To the contrary, OAS recipients who qualify for the GIS are encouraged to work because they are allowed to earn up to \$3,500 per year before GIS benefits are reduced.

Clearly, age 65 is not the trigger for retirement that it used to be, and an increasing proportion of older Canadians already stay in the workforce well past that age.

It is often stated, wrongly, that Canadians are working less, and spending more and more of their lives in retirement. In point of fact, Statistics Canada has recently reported that the expected length of working-life for Canadians has increased in line with life expectancy since the mid-1990s, so the expected length of time spent in retirement has been stable.<sup>2</sup> The average Canadian 50-year old can now expect to work for another 16 years, or to age 66. (The average retirement age which is lower is pulled down by a relatively small group of persons who retire early, while most workers now work well into their 60s.<sup>3</sup>)

It is time to have an informed debate on the desirability of raising the age of eligibility for OAS retirement in Canada. While more persons aged 65 and over are still in the paid workforce, a very large proportion of those workers today are in part-time jobs and in self-employment, often with low incomes. Forcing lower paid workers to work from age 65 to 67, by depriving them of access to the OAS and the GIS, would mean that an important subgroup of seniors would likely experience very significant reductions in income compared to the status quo. To some degree, it would also force older workers to compete with younger workers for entry-level, part-time jobs. And a significant group of older workers are unable to work past age 65 due to ill health and caring responsibilities.

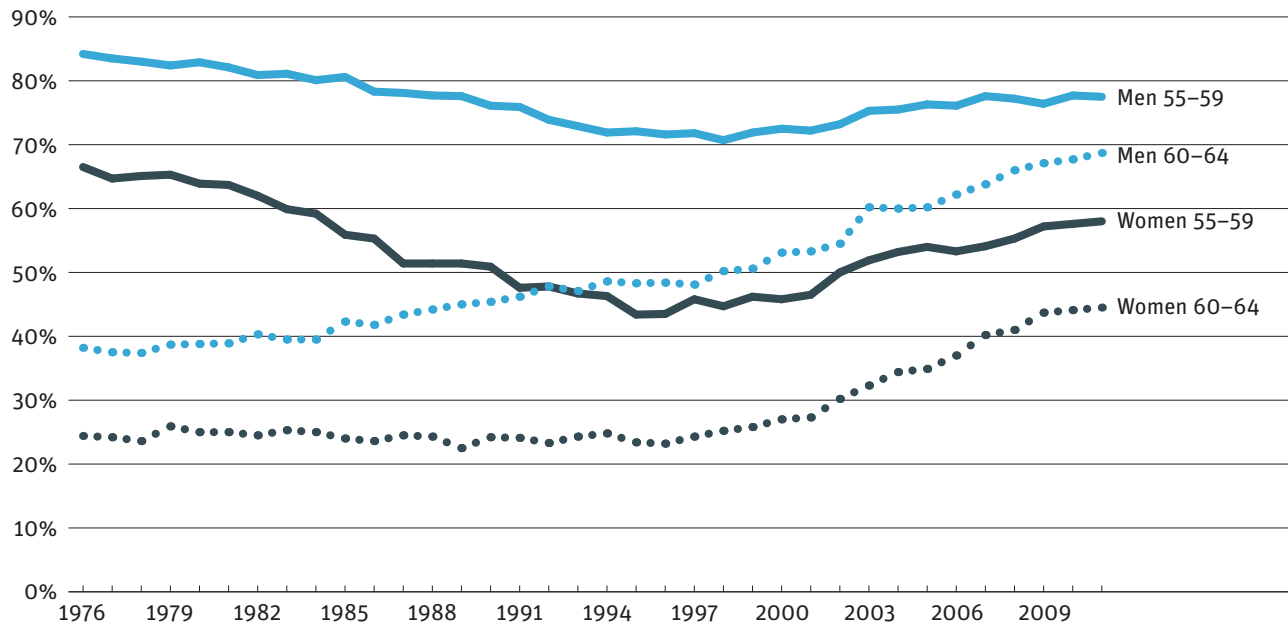
Other older workers could be encouraged to work longer through positive measures rather than using the “stick” of reduced eligibility for OAS.

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## More Seniors at Work

The nature of work has changed significantly over the past few decades. Increasing numbers of women have been employed for most of their working lives, so their retirement patterns have become more like those of men. (Women do, however, tend to retire earlier than men since they are usually younger than a male partner and often choose to retire at the same time.) Back in the 1970s and into the 1980s, many workers were able to retire in their early 60s, or even their late 50s, because they were eligible for workplace pensions. Since that time, workplace pension coverage has declined sharply, especially for men and in the private sector. Savings through RRSPs have not made up the gap, and investment returns have been low. Canadians

**FIGURE 1** Labour Force Participation Rates of Canadians, 55 to 64



Source: Statistics Canada, Labour Force Survey

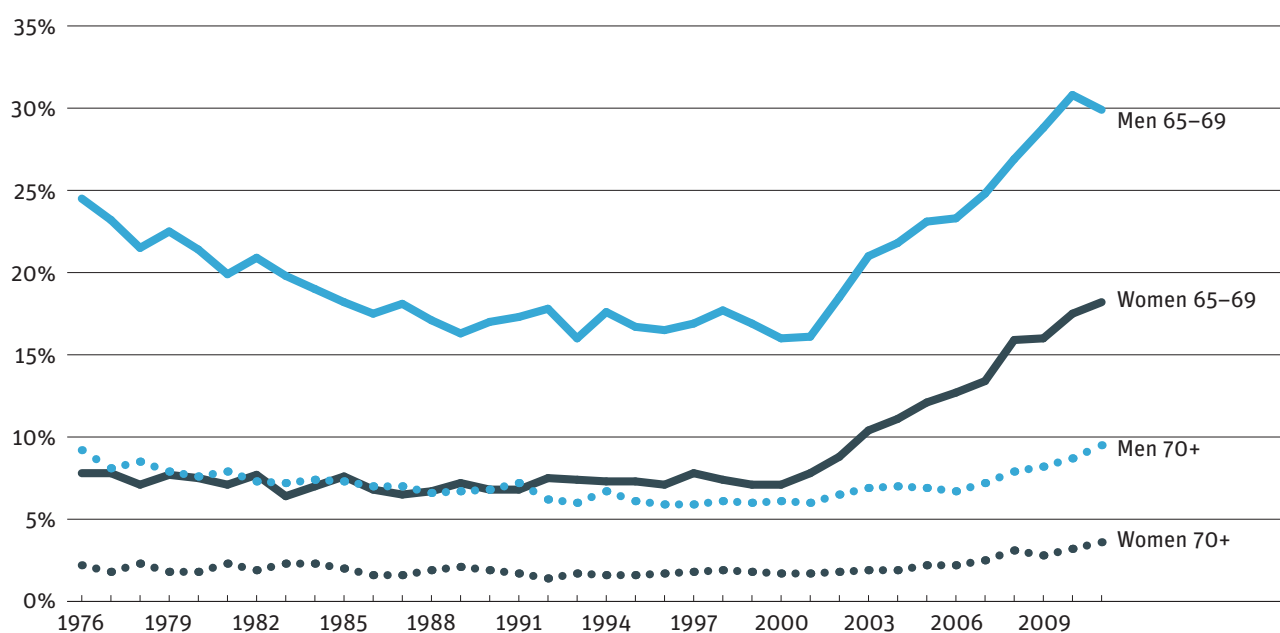
are living longer in good health, and so many are choosing to work longer, especially those who are not in physically demanding and stressful jobs.<sup>4</sup>

Figure 1 shows the changing rates participation in the labour force between 1976 and 2011.

Women aged 55 to 59, and 60 to 64, have steadily increased their labour force participation rates from much lower levels than men since 1976. Meanwhile, the participation rate of men aged 55 to 59 has held steady at about 80%, after dipping slightly in the 1990s, while the participation rate of men aged 60 to 64 has been rising steadily since the late 1990s. Today, only about four in ten men in their early 60s, and less than six in ten women in that age group, have left the paid workforce.

For Canadians over 65, a similar picture emerges. There was a gradual decline in the participation rate of men over the age of 65 between 1976 and 2000. However, since 2000, participation rates for men 65 to 69 have almost doubled, rising from 16% to 30% in 2011. Participation rates for women over 65 have more than doubled over the same time period, from 7% to 18%. This likely reflects a number of factors, such as a longer life span, the decline in workplace pension coverage, and the changing nature of work by occupation and industry.

**FIGURE 2** Labour Force Participation Rates of Canadians Over 65



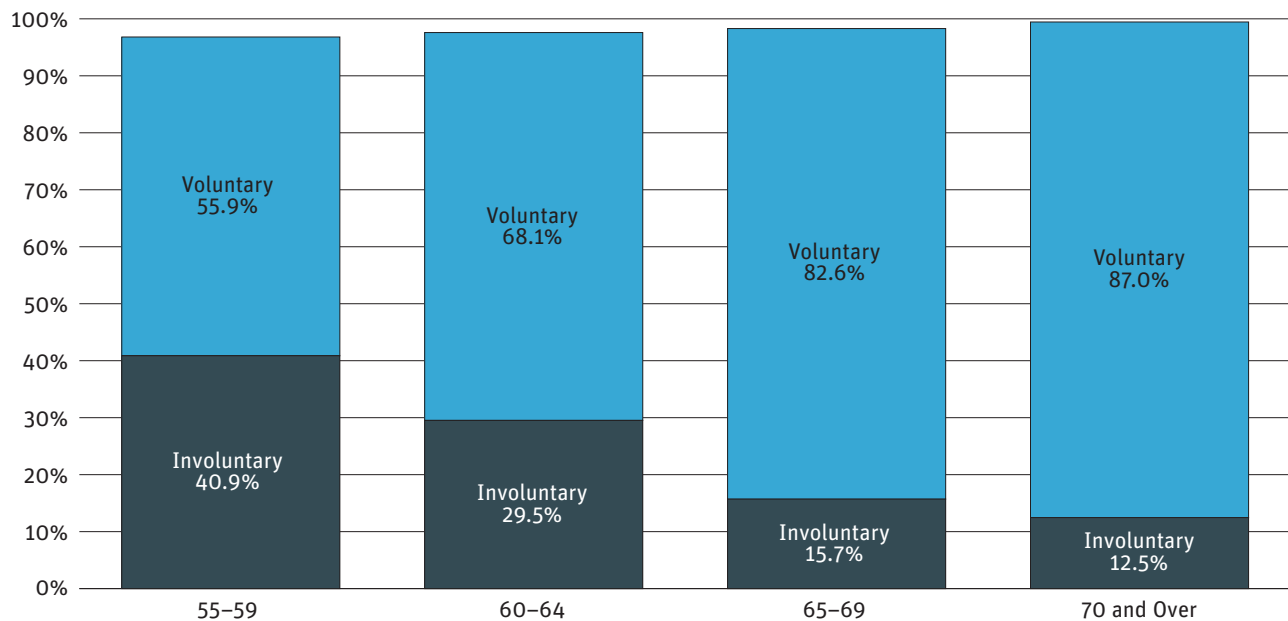
Source: Statistics Canada, Labour Force Survey

**TABLE 1** Selected Labour Force Characteristics by Age and Sex

	All			Men			Women		
	25-54	65-69	Over 65	25-54	65-69	Over 65	25-54	65-69	Over 65
Participation Rate (%)	86%	24%	12%	91%	30%	17%	82%	18%	8%
Unemployment Rate (%)	6.2%	5.4%	4.8%	6.4%	6.1%	5.0%	6.0%	4.4%	4.3%
Full-time (% of employees)	88%	61%	58%	94%	68%	65%	80%	49%	46%
Part-time (% of employees)	12%	39%	42%	6%	32%	35%	20%	51%	54%
Self-employed (% of employed)	14%	34%	40%	17%	39%	47%	11%	25%	30%
Full-time (% of population)	71.0%	13.7%	6.6%	79.9%	19.1%	10.2%	62.1%	8.5%	3.5%
Part-time (% of population)	10.0%	8.9%	4.8%	4.8%	8.9%	5.5%	15.1%	8.9%	4.2%
Average weekly wage	\$936	\$673	\$647	\$1,059	\$783	\$748	\$811	\$545	\$522
Bottom 90%	\$818	\$534	\$502	\$933	\$620	\$587	\$705	\$435	\$412
Top 10%	\$2,016	\$1,927	\$1,905	\$2,195	\$2,261	\$2,207	\$1,761	\$1,538	\$1,531
Percentage Low Wage	15%	31%	33%	11%	28%	31%	19%	34%	37%

Source: Statistics Canada, Labour Force Survey

**FIGURE 3** Primary Reason for Working Part-time, Canada, 2011



Source: Statistics Canada, Labour Force Survey

## Seniors' Jobs are Different

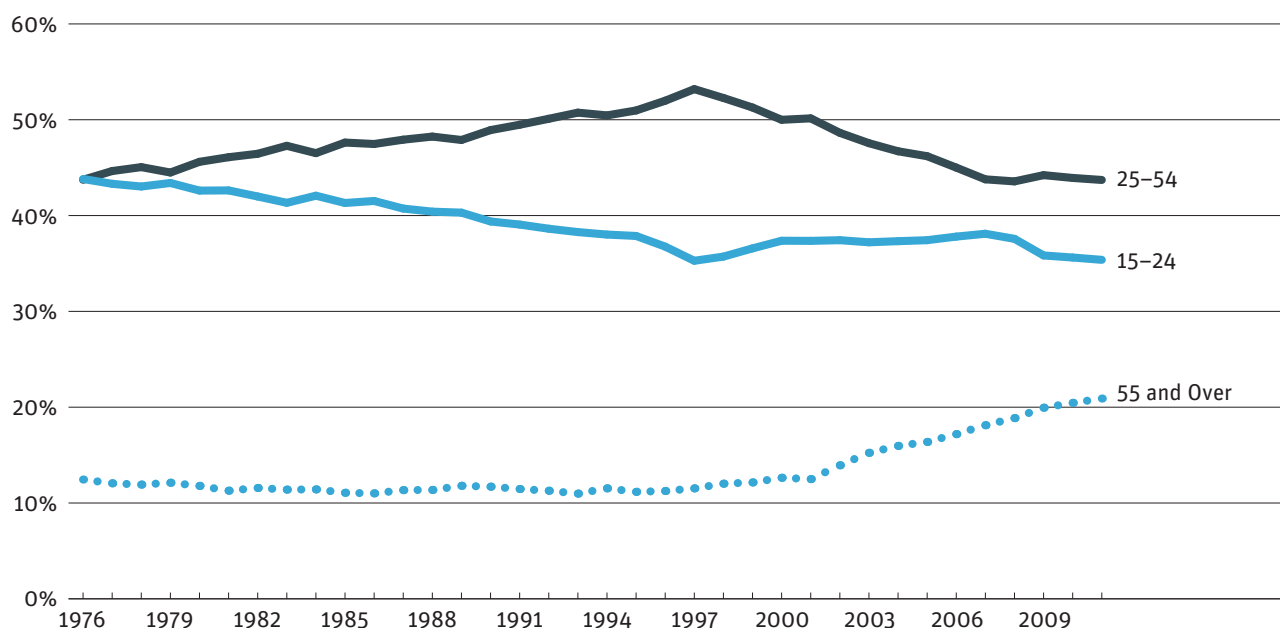
The needs and opportunities of workers over the age of 65 are different from those of younger workers. A quick comparison of selected labour market statistics reveal some of these differences.

One striking difference is the incidence of part-time work. Four in ten (39%) workers aged 65 to 69 (32% of men and 51% of women in that age group) work part-time compared to just 12% of so-called “core-age” workers aged 25 to 54. While the great majority work part-time on a voluntary basis (*Figure 3*), the fact remains that part-time jobs have lower hourly wages on average, and provide lower levels of weekly and annual earnings than do full-time jobs.

The proportion of all Canadian part-time workers who are 55 and over has doubled since the mid-1990s. Older workers now make up one fifth (20%) of the part-time workforce, almost double the level of a decade ago. Those over age 65 make up 7% of the part-time workforce, up from 3% in 2000. Meanwhile, the proportion of part-timers who are core-age workers has been steadily shrinking.

Another striking difference between workers over age 65 and core-age workers is that a much greater proportion of the former are self-employed. While 14% of all workers aged 25 to 54 are self-employed, 40% of workers over 65 are self-employed. Using 2006 Census data, a recent study<sup>5</sup> finds that self-employed seniors are con-

**FIGURE 4** Part-time Workforce by Age, Canada, 1976–2011



Source: Statistics Canada, Table 282-0002

centrated in fewer industries than younger workers. For example, 25% of self-employed seniors are farmers, and self-employed seniors are also more likely to work in construction, utilities, or business services.

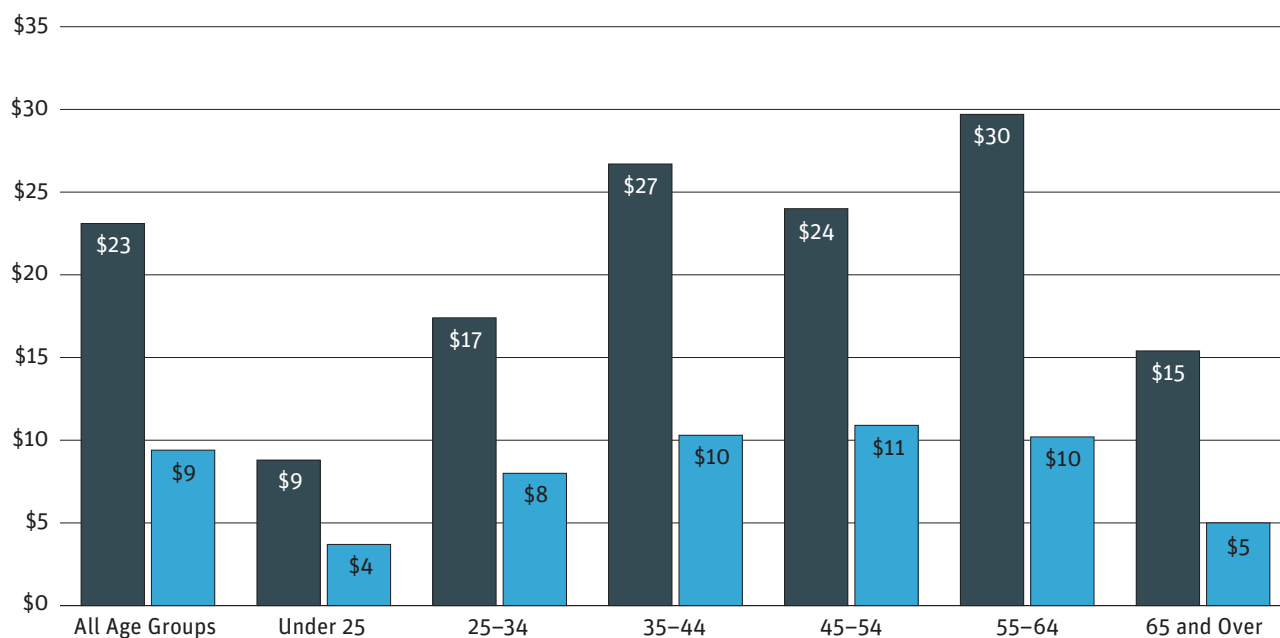
The income of the self-employed varies significantly. *Figure 5* shows the average and median earnings for self-employed workers in 2009 by age group. (Averages are raised by the high incomes of a few self-employed workers. The median earnings number is the midpoint and means that half in the age group earn more, and half earn less.) For all age groups, median earnings are much smaller than average earnings, and this trend becomes more pronounced for those over 55.

Half of self-employed workers over 65 earn less than \$5,000 per year from their self-employment labour, well below the level of other age groups.

Seniors were more likely to be self-employed if they had a university degree, or if their household income was in the top 20%. Seniors were less likely to be self-employed if they had immigrated to Canada in the past ten years, or if they identified as Aboriginal. Self-employment seems to provide a flexible path to full retirement for those seniors who already possess the necessary financial and human capital.

Turning to earnings, the average weekly earnings of older workers are only about two thirds those of core-age workers, as one would expect from the fact that more work on a part-time basis. However, the weekly earnings of the top 10% of earners are quite similar between age groups. Looking at the bottom 90%, workers over 65 earn only 60% of the average weekly pay of workers aged 25 to 54.

**FIGURE 5** Average and Median Annual Earnings of Self-Employed Workers



Source: Statistics Canada, Income in Canada, Table 202-0404

Since older workers sometimes reduce their hours worked, it is important to look at average hourly wages, too. Fully one in three or 33% of employees over 65 are low wage – defined as earning less than two thirds of the median hourly wage, or less than \$13.33 per hour, in 2011. This compares to only 15% of those aged 25 to 54.

## Occupations

The proportion of workers in generally low paid sales and service occupations is significantly higher for both men and women workers over 65 than for workers 25 to 54 – one in four compared to one in five. A smaller proportion of older women work in white-collar occupations (which includes management, professional occupations, health, and administrative occupations), and a smaller proportion of older men work in blue-collar occupations.<sup>6</sup> This is likely due to the fact that many men cannot continue to work in physically demanding jobs in industries like construction and manufacturing.

The higher proportion of working seniors employed in sales and service occupations likely reflects both growing demand for workers in that sector and the fact that these occupations offer the opportunity to work part-time.



**TABLE 2** Occupations by Age and Sex

	All		Men		Women	
	25–54	65 and Over	25–54	65 and Over	25–54	65 and Over
White-collar	56.5%	50.7%	44.5%	44.1%	69.6%	61.5%
Sales and Service	19.8%	25.0%	16.4%	21.5%	23.6%	30.9%
Blue-collar	23.7%	24.3%	39.1%	34.4%	6.8%	7.6%

Source Statistics Canada, Labour Force Survey

**TABLE 3** Average Hourly Wage by Age, Sex, and Occupation

	All		Men		Women	
	25–54	55 and Over	25–54	55 and Over	25–54	55 and Over
Management Occupations	\$35.25	\$39.20	\$37.49	\$40.29	\$32.25	\$37.27
Health Occupations	\$27.41	\$28.49	\$28.65	\$29.25	\$27.21	\$28.38
Social Science, Education	\$30.10	\$34.17	\$32.94	\$37.59	\$28.91	\$32.08
Sales and Service	\$17.89	\$16.58	\$20.82	\$19.15	\$15.59	\$14.71
Trades, Transport, and related occupations	\$23.93	\$22.98	\$24.30	\$23.48	\$18.63	\$16.10
Primary Industry	\$22.64	\$20.52	\$23.74	\$21.49	\$16.70	\$15.50
Processing, Manufacturing, and Utilities	\$20.11	\$19.27	\$21.81	\$21.38	\$16.18	\$15.16

Source Statistics Canada, Table 282-0070

Seniors working in white-collar occupations earn a higher average wage than their younger counterparts, but those employed in sales and service and blue-collar occupations earn a lower average wage than their younger counterparts (see *Table 3*).

## Not Everyone Can Postpone Retirement

Some Canadians are forced to retire early for health reasons, and extending the age of eligibility for OAS/GIS would have especially severe consequences for persons who would not be able to replace lost OAS/GIS benefits with earnings.

A 2008 Statistics Canada survey of older workers<sup>7</sup> (55+) found that only 30% had retired because they were financially ready. One in five (20%) retired because they had been displaced by layoffs or plant closures. It is important to note that half of older workers who found other employment after layoffs or plant closures faced significantly reduced wages (at least 25% less than their previous job).<sup>8</sup>

More than 50% of fully retired workers over 55 have three or more chronic health conditions (such as high blood pressure, diabetes, or arthritis), and one in four fully

retired workers over 55 list poor health as their reason for retirement.<sup>9</sup> A 2008 Statistics Canada survey of older workers<sup>10</sup> (55+) found that 75% of those unemployed and not looking for work cited long-term disability as the reason. An additional 14% cited short-term disability as a barrier to paid work.

Another study<sup>11</sup> on how health affects retirement age found that physically demanding and stressful jobs lead to earlier retirement. Physically demanding jobs are more likely to influence men's retirement decisions, and stressful work environments with limited control over decision-making are more likely to influence women's retirement decisions. Many older workers will have difficulty remaining in the workforce due to poor health, even if they are not financially ready to retire.

Other older workers — about 7% of current retirees — retired to provide care for a partner.

Some voluntary and involuntary retirement can be prevented through positive measures such as by assisting older workers who have been laid off, and by encouraging employers to provide a more positive, flexible, and supportive work environment. But the “stick” of raising the eligibility age for OAS/GIS will penalize a significant group of older workers in ill health.

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## Supporting Seniors Who Want to Work

A commonly suggested way for employers to retain seniors is to offer flexible work arrangements, including working from home, part-time work, flexible job hours, extended leaves of absence, job-sharing, and phased retirement. Studies suggest that surprisingly few Canadian employers have adopted these kinds of policies.<sup>12</sup>

Another critical component is allowing workers to receive their pension alongside their wage. This allows workers to reduce their work hours without financial hardship, and allows employers to retain valuable older workers who might otherwise have fully retired.

Another commonly cited barrier to seniors' labour force participation is negative stereotypes of older workers, with about half of seniors polled indicating that they felt age discrimination in the workplace was common.<sup>13</sup> The report of a 2008 HRSDC expert panel on older workers recommended that the federal government take on a public awareness campaign to combat negative stereotypes of older workers.<sup>14</sup>

Older workers who are displaced from the labour force because of plant-closure or layoff often face longer periods of unemployment than younger workers, end up in lower paying jobs, or retire earlier than they otherwise would have.<sup>15</sup> Creative job-matching, skills-matching, and retraining programs would help address the barriers that displaced older workers encounter.<sup>16</sup> One example is the Manitoba Chamber of

Commerce pilot project Third Quarter, which matches seniors and employers using an online database with an emphasis on seniors' skills rather than occupation.<sup>17</sup>

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## Conclusion

Seniors contribute significantly to Canadian life through paid and unpaid work. When Canadians are healthy, many are already delaying retirement and choosing to work longer. Some professional and managerial workers choose to work longer. Others do so because they do not have sufficient savings to retire.

An important subset of seniors over age 65 are working part-time and in self-employment, and also have low incomes from work. Delaying the age of eligibility for OAS and GIS will result in significantly reduced incomes for those who are unable to replace OAS/GIS income from earnings in low wage jobs. It would take very considerable hours in low wage jobs or from self-employment to replace the maximum OAS/GIS benefit of about \$14,000 per year for individuals, or even to replace the basic OAS benefit of just over \$5,000 per year. Raising the age of eligibility is also problematic for seniors who are in very physically demanding and stressful jobs, and for those in ill health who are unable to continue in paid work.

Some people, most often professionals and managers who are in good health and able to find work which suits their needs and interests, do willingly work past age 65. Others can be encouraged to work longer through positive workplace policies.

Choosing to work longer is one thing, but forcing Canadians without workplace pensions or large savings to work full-time past age 65 is unfair, especially given the high probability that the jobs many are able to find will be part-time and low paid.

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## Notes

1 Jackson, A. Raising the OAS Eligibility Age Would Raise Poverty in Old Age. Retrieved March 10, 2012, from: <http://www.progressive-economics.ca/2012/02/02/raising-the-oas-eligibility-age-would-raise-poverty-in-old-age/>

2 Carrière, Y. and D. Galarneau. (2011). "Delayed Retirement: A New Trend?" Perspectives on Labour and Income. Vol. 23 (2). Statistics Canada Catalogue No. 75-001-X. p.3-16.

3 Ibid.

4 Ibid.

- 5** Uppal, S. (2011). "Self-employed Seniors," Perspectives on Labour and Income. Vol. 23 (1). Statistics Canada Catalogue No. 75-001-X. p.3-14.
- 6** Occupations classified here as Blue Collar include: Trade, Transport, Equipment Operators, Farming, Forestry, Fishing, Mining, Processing, Manufacturing, and Utilities.
- 7** Pignal, J., S. Arrowsmith, and A. Nes. (2010). "First Results from the Survey of Older Workers, 2008," Statistics Canada Catalogue No. 89-646-X. <http://www.statcan.gc.ca/pub/89-646-x/89-646-x2010001-eng.pdf>
- 8** Ibid, pg.7.
- 9** Park, J. (2011). "Retirement, Health, and Employment Among Those 55 Plus," Perspectives on Labour and Income. Statistics Canada Catalogue No. 75-001-X. p.5-13. <http://www.statcan.gc.ca/pub/75-001-x/2011001/pdf/11402-eng.pdf>
- 10** Pignal, J., S. Arrowsmith, and A. Nes. (2010). "First Results from the Survey of Older Workers, 2008," Statistics Canada Catalogue No. 89-646-X, <http://www.statcan.gc.ca/pub/89-646-x/89-646-x2010001-eng.pdf>
- 11** Park, J. (2010). "Health Factors and Early Retirement Among Older Workers," Perspectives on Labour and Income. Vol. 11, No. 6. Statistics Canada Catalogue No. 75-001-X. p.5-13. <http://www.statcan.gc.ca/pub/75-001-x/2010106/pdf/11275-eng.pdf>
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- 13** CARP. (2011). CARP Older Workers Poll. <http://www.carp.ca/wp-content/uploads/2011/12/Older-Workers-Report2.pdf>
- 14** Expert Panel on Older Workers. (2008). Supporting and Engaging Older Workers in the New Economy. Human Resources and Skills Development Canada. [http://www.hrsdc.gc.ca/eng/publications\\_resources/lmp/eow/2008/older\\_workers\\_2008.pdf](http://www.hrsdc.gc.ca/eng/publications_resources/lmp/eow/2008/older_workers_2008.pdf)
- 15** Finnie, R. and D. Gray. (2011). Labour-Force Participation of Older Displaced Workers in Canada: Should I Stay or Should I Go? Institute for Research on Public Policy Study No. 15. [http://www.carp.ca/o/pdf/irpp\\_study\\_no15.pdf](http://www.carp.ca/o/pdf/irpp_study_no15.pdf)
- 16** National Seniors Council. (2011). Report on the Labour-Force Participation of Seniors and Near-Seniors, and Inter-generational Relations. Government of Canada. [http://www.seniorscouncil.gc.ca/eng/research\\_publications/labour\\_force/labour\\_force\\_participation.pdf](http://www.seniorscouncil.gc.ca/eng/research_publications/labour_force/labour_force_participation.pdf)
- 17** Ibid.

