

You can't always get what you want: Retirement preferences and experiences

by Grant Schellenberg and Cynthia Silver

An important aspect of the retirement transition is the extent to which its timing and circumstances match the preferences of older workers. No doubt, people would prefer to leave the labour force under terms and conditions of their own choosing rather than being forced to leave. The underlying issue is that those who are forced to retire may not have had adequate opportunity to prepare for retirement, either financially or psychologically.

This article uses new information from the 2002 General Social Survey (GSS) to examine the match between the retirement preferences and experiences of recent retirees who first retired during the period from 1992 to 2002. It identifies people whose retirement transitions were characterized by a high, moderate or low degree of congruence with their preferences, and examines their characteristics and experiences.

Why experiences may differ from retirement preferences

Often the match between retirement preferences and experiences is defined in terms of the voluntary or involuntary nature of retirement.¹ Voluntary retirees are thought of as older workers who left the labour force because they wanted to, while involuntary retirees are those who left despite wanting to continue working. According to the GSS, about one quarter of recent retirees left work involuntarily.

CST What you should know about this study

The congruence of retirement preferences and experiences is examined using data from the 2002 General Social Survey (GSS). The target population for the 2002 GSS was persons 45 years of age and older residing in private households in the 10 provinces. Nearly 25,000 people responded to the survey.

The 2002 GSS used a subjective definition of retirement that involved several questions. First, people who said their main activity during the previous 12 months was "retired" were identified as retirees. Others were subsequently asked, "Have you ever retired?" and those who said "yes" were also identified as retirees. Finally, individuals who said they had not ever retired were probed further; those who answered "yes" to any of these follow-up questions were also classified as retirees.

This analysis is limited to recent retirees, defined as people who first retired during the years 1992 to 2002 inclusively. This focuses the analysis on the characteristics and experiences of individuals who had made a recent transition to retirement. Only those who retired at age 50 or older are included. This results in almost 4,500 respondents covered by this article.

While the voluntary/involuntary distinction is useful, it fails to capture more subtle degrees of choice in the retirement transition. Voluntary retirees may leave the labour force willingly, but within the context of narrow options such as time-limited early retirement incentives. In this situation, individuals may want to continue working, but decide to retire because they may be concerned about future job termination under less advantageous conditions. Although they left their job voluntarily and exercised choice in making their decision, their first choice of remaining employed was not viewed

as a viable option. Similarly, people who chose to retire because of health problems may view their retirement as voluntary, even though they might have continued working had circumstances been different.

Using GSS data, the match between retirement preferences and experiences can be examined in more detail. In addition to the voluntary/involuntary retirement question, retirees were asked nine questions to establish whether they would have continued to work had working conditions or other circumstances been different.

Nearly 60% of recent retirees responded positively to at least one of these nine questions, indicating they would have continued working if the circumstances had been different. The fact that the majority of recent retirees said that they would have been willing to keep working under certain circumstances may be somewhat surprising, given the appetite that employed Canadians express for early retirement.² However, responses to hypothetical questions must be treated cautiously. Responses may overstate retirees' willingness to have continued working, particularly if they have found their retirement to be less satisfying than they expected. In such cases, the option of continued employment may look appealing in retrospect.

Over one-quarter of recent retirees said they would have continued to do paid work if they had been able to reduce their work schedule without affecting their pension, either by working fewer days (28%) or by working shorter days (26%). Just under one-fifth of recent retirees (19%) said they would have continued

working if they could have taken more vacation without affecting their pension. Altogether, 30% of recent retirees cited at least one of these three pension-related reasons.³ The importance of work arrangements was also evident in the fact that 28% of recent retirees said they would have continued working had they been able to do so on a part-time basis.

Health problems were a consideration for many recent retirees, as 26% of them said they would have continued working had their health been better. Considering financial incentives, 21% of recent retirees said that they would have continued working had their salary been increased. Finally, smaller shares of recent retirees said they would have continued working if mandatory retirement policies had not existed in their workplace (12%) or if they could have found suitable caregiving arrangements (6%). Results were similar for men and women.

The apparent willingness of some recent retirees to have continued working also has implications for labour supply. With the imminent retirement of the baby boomers,

some analysts have stressed the importance of strategies to encourage or enable older workers to defer retirement and remain on the job.⁴ According to the GSS, many recent retirees would have been amenable to such initiatives. However, almost one-half of retirees who would have continued working under different circumstances had experienced health problems. Excluding individuals whose prospects for continued employment were limited by health, 33% of recent retirees said they would have continued working under different circumstances.

A typology of retirees – How closely retirement preferences match experiences

By combining the information on willingness to have continued working rather than retiring with that on the voluntary or involuntary nature of retirement, a better understanding of the match between the retirement preferences and experiences of recent retirees can be achieved. This results in four possible retirement categories.⁵

People who had retired voluntarily and would not have continued doing paid work had circumstances been different may be a best-case retirement scenario. They retired willingly and without second thoughts about leaving; this group represents 38% of recent retirees. They are labelled *high-congruence retirees* to emphasize the fit between their retirement preferences and experiences.

Recent retirees who left the labour force voluntarily, but who would have continued working had circumstances been different, essentially have left the labour force prematurely. Nonetheless, the circumstances were not so unsatisfactory or difficult that they viewed their retirement as involuntary. This group represents 36% of recent retirees, and are labelled *moderate-congruence retirees* to highlight the partial mismatch between their retirement preferences and experiences.

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Many recent retirees would have continued to do paid work

	Total	Men	Women
% of recent retirees who said they would have continued to do paid work if circumstances had been different			
Total	60	61	58
Would have continued to do paid work if...¹			
Could work fewer days without affecting pension	28	29	27
Could work shorter days without affecting pension	26	26	25
Had more vacation leave without affecting pension	19	20	18
Any combination of above three reasons	30	31	30
Could have worked part-time	28	28	27
Personal health had been better	26	27	26
Salary was increased	21	22	20
Mandatory retirement policies had not existed	12	12	12
Could have found suitable caregiving arrangements	6	7	6
Other reasons	11	10	13

1. Respondents could report more than one reason.

Source: Statistics Canada, General Social Survey, 2002.

Recent retirees who left the labour force involuntarily and who would have preferred to continue working exercised less choice and expressed more dissatisfaction in their retirement transition. This group accounted for 24% of recent retirees. A fourth group, making up 3% of recent retirees, retired involuntarily, but would not have kept working in any case. All involuntary retirees have been combined into a single group labelled *low-congruence retirees* to emphasize the mismatch between their retirement preferences and experiences. This group accounted for 27% of recent retirees.

Overall, these three groups represent first-, second- and third-best retirement transitions because of the varying degrees of consistency between retirement choices and preferences. The characteristics and experiences of individuals in these groups differ considerably.

High-congruence retirees

Financial considerations, rather than unemployment, poor health or other factors, were the most frequent reasons why high-congruence retirees left the labour force. More specifically, 79% of them said that one of the reasons for retirement was because it was financially possible to do so and 47%, because they had completed the years of service needed to qualify for a pension. Furthermore, in 2002, over half were receiving income from an employer-sponsored pension and resided in households with incomes of \$40,000 or more. Most (78%) said that their financial situation was better than or the same as it had been in the year prior to retirement.

Health problems were not a central feature in the retirement transition of high-congruence retirees. Only 10% said their health was a factor in their retirement decision and most were in very good or excellent health when they left the labour force (70%). Furthermore, very few high-congruence retirees

CST More than one in four recent retirees retired involuntarily		
	%	Level of congruence
Retired voluntarily – Would not have continued doing paid work	38	High
Retired voluntarily – Would have continued doing paid work	36	Moderate
Retired involuntarily – Would have continued doing paid work	24	Low
Retired involuntarily – Would not have continued doing paid work	3	Low

Source: Statistics Canada, General Social Survey, 2002.

experienced downsizing or unemployment on their way to retirement.

High-congruence retirees were satisfied with their choice as only 16% of them returned to the labour force after their initial retirement. Of returnees, few cited financial circumstances as a reason for returning (20%); most cited reasons related to the intrinsic satisfaction derived from work such as 'wanted something to do', 'asked to help out' and 'enjoyed the work'.

Moderate-congruence retirees

Compared with high-congruence retirees, moderate-congruence retirees typically left the labour force at a younger age. More specifically, 52% of them first retired before the age of 60 compared with 44% of high-congruence retirees.

For many of these individuals, financial considerations and organizational change were factors in their retirement decision. Similar to high-congruence retirees, about three-quarters of moderate-congruence retirees said they retired because it was financially possible to do so and about one-half because they were eligible for a pension. Over one-quarter (27%) of them cited early retirement incentives as a reason, 13% downsizing and 3% unemployment, suggesting that they left work due to organizational restructuring.

Moderate-congruence retirees were similar financially to high-congruence retirees. According to the

GSS, 49% had household incomes of \$40,000 or more. About two-thirds reported that their financial well-being was the same or better than it was during the year before retirement.

Finally, health considerations were a motivating factor in the retirement decisions of 31% of moderate-congruence retirees. About 22% said that their health was fair or poor at the time they retired. Of those who retired for health reasons, 65% said that retirement was financially possible.

The mismatch between retirement preferences and experiences of moderate-congruence retirees was evident in that 32% of them returned to the labour force after their initial retirement, double that of high-congruence retirees. Of those who returned to the labour force, 41% cited financial circumstances as a motivating factor.

Low-congruence retirees

The retirement experiences of low-congruence retirees were very different from other retirees. This was certainly evident because finance-related reasons for retirement were less common. While about three-quarters of high- and moderate-congruence retirees said they retired because it was financially possible to do so, only one-third of low-congruence retirees reported this reason. Furthermore, only 26% retired because they were eligible for a

pension and 13% because they received an early retirement incentive.

In 2002, 37% of low-congruence retirees were receiving income from an employer-sponsored pension. About two in five resided in households with incomes of \$40,000 or more compared with about half of high- and moderate-congruence retirees. In terms of financial well-being, half of low-congruence retirees felt financially worse off in retirement than they were in the year prior to retiring, compared with about one in five high-congruence retirees.

Employment disruption was another pathway into retirement for this group, as 25% said they had retired because their job was downsized and about 15% because of unemployment or mandatory retirement policies. The mismatch between retirement preferences and actual outcomes for the low-congruence retirees was evident in that 32% of them returned to the labour force after their initial retirement, primarily for financial reasons; however, only about two-thirds were successful in finding new employment (65%).

Health was the primary factor forcing low-congruence retirees out of the labour force, with 43% of them citing health as a reason for retirement and 37% saying they were in fair or poor health at the time they retired. Most of these retirees perceived themselves to be in a weak financial situation with only 34% saying retirement was financially possible.

Nearly half of low-congruence retirees said they would have stayed at work if their health had been better. Although tighter labour markets and policies designed to encourage older workers to remain on the job may reduce the number of involuntary retirees, those with health problems severe enough to cause them to retire are unlikely to respond to such changes as long as their health is problematic.

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High-congruence retirees have significantly different characteristics than low-congruence retirees

	Level of congruence		
	High	Moderate	Low
	% (distribution down columns)		
Age at first retirement			
50 to 59	44	52	55
60 to 64	33	29	26
65 and over	23	19	19
Reasons for first retirement¹			
Retirement financially possible	79	74	34
Eligible for pension	47	54	26
Early retirement incentives	19	27	13
Job was downsized	6	13	25
Unemployment	1	3	15
Own health	10	31	43
Mandatory retirement policies	11	12	16
Care for family members	7	9	8
Receives pension benefits from a former employer			
Yes	52	58	37
No	48	42	63
Financial well-being relative to the year prior to retirement			
Better	15	12	10
Same	63	55	40
Worse	22	33	50
Household income			
Less than \$20,000	11	14	28
\$20,000 to \$29,999	18	19	20
\$30,000 to \$39,999	16	18	13
\$40,000 to \$59,999	24	23	19
\$60,000 or more	31	26	20
Health at retirement			
Excellent	40	30	22
Very good	30	23	19
Good	25	25	22
Fair or poor	6	22	37
Satisfaction with life in general			
Very satisfied	38	31	22
Satisfied	40	39	35
Dissatisfied	18	24	30
Very dissatisfied	4	7	13
Labour market involvement after retirement			
Did not return to the labour force	84	68	68
Returned to the labour force	16	32	32
Of those who returned to the labour force...			
% who found paid employment	97	90	65
% who returned due to financial considerations	20	41	60

1. Respondents may report multiple reasons for first retirement and therefore percentages may add to more than 100%.

Source: Statistics Canada, General Social Survey, 2002.

	Level of congruence		
	High	Moderate	Low
	% (distribution across rows)		
Total	38	36	27
Men	37	37	26
Women	38	34	28
Age at first retirement			
50 to 59	33	37	30
60 to 64	42	35	24
65 and over	42	33	25
Marital status at retirement			
Married	39	36	25
Other	31	35	34
Immigration status			
Canadian-born	38	37	25
Immigrant	35	32	33
Educational attainment			
Less than high school	37	32	31
High school/some postsecondary	37	37	26
Certificate or diploma	37	35	28
University degree	42	39	19
Class of worker prior to retirement			
Paid employee	37	37	26
Self-employed	45	31	24
Occupation prior to retirement			
Managerial	40	35	26
Professional/technical	46	38	16
Clerical	36	37	27
Sales/services	34	33	33
Trades/transportation	32	40	27
Primary, processing, manufacturing, utilities	37	33	30
Industry prior to retirement			
Agriculture, primary industries	38	38	24
Utilities, transportation, warehousing	31	44	25
Construction	37	40	24
Manufacturing	38	31	31
Trade	32	31	37
Finance, insurance, real estate and leasing or professional services	37	36	27
Health, education, social services	45	37	18
Food, accommodation, culture and other services	36	35	29
Public administration	39	40	21
Receives pension benefits from a former employer			
Yes	39	41	20
No	36	30	34

Source: Statistics Canada, General Social Survey, 2002.

Perhaps because of their health and financial insecurity, low-congruence retirees were also less satisfied with their lives in general. Fifty-seven percent were satisfied or very satisfied, compared with 70% of moderate- and 78% of high-congruence retirees.

Who was likely to be a high-, moderate- or low-congruence retiree?

The level of congruence was associated with several demographic and labour market characteristics. Men and women had similar levels of retirement congruence. Unmarried people at the time of their retirement were more likely than married people to be low-congruence retirees. This may have been due to greater financial insecurity and more reservations about the retirement transition. Immigrants were more likely than the Canadian-born to be low-congruence retirees, perhaps reflecting less opportunity to prepare financially for retirement. Finally, individuals with a university degree were more likely to have high-congruence between their retirement preferences and experiences.

The pre-retirement type of job was also associated with the retirement congruence. Self-employed workers were more likely than paid employees to be high-congruence retirees. This may occur because they have more opportunity to adjust their work routines and to control the timing and process of their retirement. Furthermore, unlike paid employees, self-employed workers do not typically face premature retirement because of organizational downsizing, mandatory retirement policies or early retirement incentives.

Pre-retirement occupations and industries may also influence the level of congruence. Professional and technical workers were more likely than others to be high-congruence retirees. Those previously employed in health, education and social

services and in public administration industries were more likely than retirees from other industries to have high congruence between retirement preferences and experiences.

Pension coverage was also an important factor. First, pension plan members were less likely than non-members to be low-congruence retirees. This may reflect that pension plan members have longer job tenure and higher rates of unionization and may be less subject to involuntary retirement due to downsizing or unemployment. Plan members also have more financial security than non-members and hence are more willing and able to retire. Second, pension plan members were more likely than non-members to be moderate-congruence retirees. One explanation is that pension plan members became eligible for retirement at relatively young ages and were more likely to have been offered an early retirement incentive to leave their job.⁶ However, while they received financial incentives to leave the work force, they may not have been psychologically or financially ready to retire.

Finally, the timing of retirement itself was associated with the match between retirement preferences and experiences. Those who first retired in their fifties were more likely to be moderate-congruence retirees than others who did so in their sixties or older because they may feel they had just reached their full earnings capacity or were not yet psychologically ready to withdraw from employment. The likelihood of low-congruence retirement was greatest among individuals who retired in their fifties. Within this group, retirement before age 60 was often a result of health problems or unemployment.

Summary

People enter into retirement for many different reasons and through many different pathways. Overall, the characteristics and experiences of high-, moderate- and low-congruence retirees differ markedly in terms of reasons for retirement, health characteristics, financial well-being and life satisfaction.

A number of factors differentiated moderate- and high-congruence retirees. Moderate-congruence retirees typically retired at an earlier age and were more likely to have done so because of pension eligibility, early retirement incentives and downsizing. They were especially more likely to have retired because of health problems. Furthermore, moderate-congruence retirees were more likely than high-congruence retirees to have returned to the labour force, and to have done so because of financial considerations, although non-financial reasons were also important.

Low congruence retirees were less likely than other retirees to have retired because it was financially possible or because they were eligible for a pension, but were more likely to have retired for health reasons or job disruptions. They were more likely than either moderate- or high-congruence retirees to have fair or poor health, to be worse off financially after retirement than before and to be dissatisfied with their lives.



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1. Rowe, G. and H. Nguyen. 2003. "Older workers and the labour market." *Perspectives on Labour and Income* (Statistics Canada Catalogue no. 75-001-XPE) 15, 1: 55-58; Pyper, W. and P. Giles. 2002. "Approaching retirement." *Perspectives on Labour and Income* (Statistics Canada catalogue no. 75-001-XPE) 14, 4: 9-16.
2. Schellenberg, G. 2004. "The retirement plans and expectations of non-retired Canadians aged 45 to 59." *Analytical Studies Branch Research Paper Series* (Statistics Canada Catalogue no. 11F0019MIE2004223, no. 223).
3. Many retirees who did not receive income from employer pensions responded to these questions, perhaps because they answered them in relation to their inclusion in the Canada/Quebec Pension Plans. If the analysis is limited to individuals who received income from employer pensions, the share who said they would have continued working had they been able to reduce their work time without affecting their pension increases to 37%.
4. Hicks, P. 2002. "Preparing for tomorrow's social policy agenda." *Social Research Demonstration Corporation Working Paper Series 2*, 4.
5. Responses to the nine questions regarding willingness to have continued working were used to create a dichotomous variable that identified recent retirees who either 1) would have continued to do paid work under different circumstances or 2) who would not have done so. The resulting yes/no variable was cross-tabulated with information regarding the voluntary/involuntary nature of retirement, resulting in four possible categories.
6. Among recent retirees who were paid employees before they retired, 38% of those receiving pension income indicated early retirement incentives were a factor in their retirement decision, while this was the case for only 7% of those not receiving pension income.