

Employment rate of workers aged 55 and older in Québec: Are improvements in store?

A study conducted this spring¹ by Natixis examined the wide variations in employment rates among workers aged 55 and older² in 18 countries in Europe. The objective of the study was to see if a link could be made between the employment rate and average unemployment rate in each country and the conditions to access pension plans, demographics or other parameters. The study showed that these variables could in fact change the employment rate for workers aged 55 and older, but to varying degrees. In light of the observations shown by this study in Europe, we could ask if Québec could be subject to the same influences. How has the employment rate of workers aged 55 and older changed in the past few years? Are there similarities between Québec and Europe? What should we expect in the next few years? This *Economic Viewpoint* will examine these questions.

¹ Natixis: Why are employment rates of senior employees so low in some countries? May 2010

² Employment rates: Number of workers in the 55+ age group, as a percentage of this age group.

THE EUROPEAN STUDY AND ITS MAIN CONCLUSIONS

The Natixis study was based on the following question: Why is the employment rate of senior employees in some countries so low? When referencing the employment rate of workers aged 55 and older, the variations are quite broad from one country to the next, some rates are in fact twice—if not three times—as high as in other countries. For workers aged 55 to 59, in 2009 the employment rate varied from about 30% in Turkey to just above 80% in Sweden. For workers aged 60 to 64, the rate fluctuated from 18% to more than 60%—in France and in Sweden respectively—for the same year!

But what has the greatest influence: the economic climate, demographics or labour laws? This analysis concluded that for workers aged 55 to 59, employment rates depend largely on the population's unemployment rates. Intuitively, it is understood that low unemployment rates reflect strong demand for labour, meaning that, in a strong market, it is easier for senior workers to either maintain or find a job. Furthermore, the aging of the population (measured here by the percentage of those over the age of 60 as part of the total population) is also a factor, although less so over the longer term.

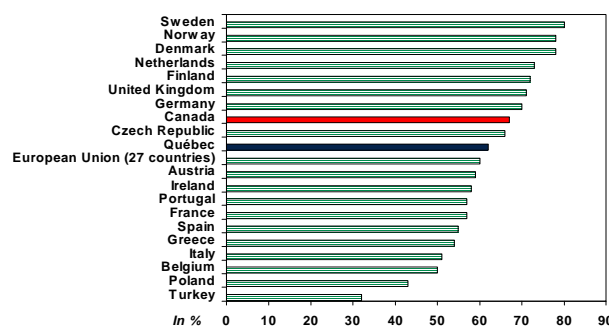
Among workers aged 60 to 64, employment rates rest exclusively on the retirement age prescribed by law. The analysts at Natixis are very clear on this point: the employment

rates for this age group cannot grow without increasing the legal retirement age (or the age limit).

ARE THESE CONCLUSIONS APPLICABLE TO QUÉBEC?

First of all, a few facts have to be laid out. In 2009, in Québec, the employment rate of workers in the 55 to 59 age group was 62.0%. This places Québec below the Canadian national average (67%). However, when compared to the European countries covered by the Natixis study, Québec is above average and even above the average of the 27 countries in the European Union (graph 1).

Graph 1 – Employment rate of workers aged 55 to 59 in 2009: Significant differences



Sources: Eurostat, Natixis and Statistics Canada

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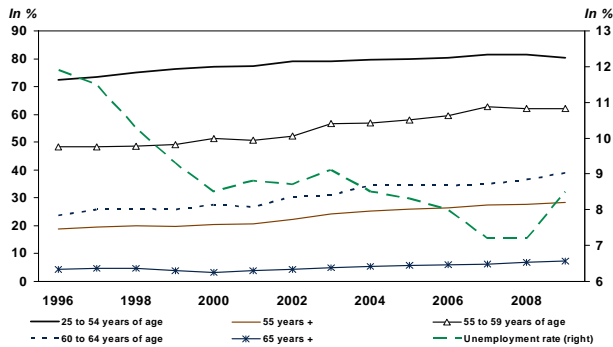
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NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

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Graph 2 – Employment rates have increased in Québec

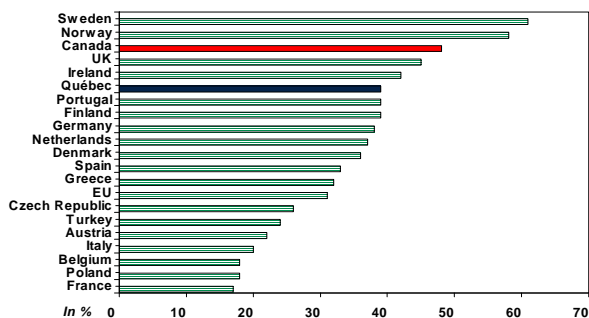


Sources: Statistics Canada and Desjardins, Economic Studies

In 2009, the employment rate in the 55 to 59 age group (62.0%) was in fact less than the employment rate for those aged 25 to 54 (80.4%), which is not much of a surprise. For the period between 1996 and 2009, the employment rate for workers aged 55 to 59 increased, especially from the year 2000 onward (graph 2).

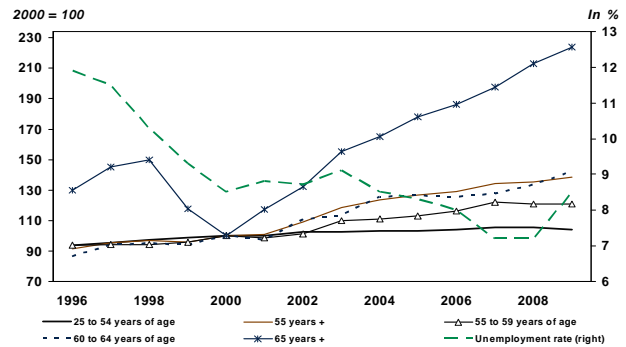
In 2009, the employment rate for workers in Québec aged 60 to 64 was 39.0%, which puts us in the lead among the European countries studied (graph 3). Incidentally, this rate was even higher in Canada (47%). The employment rate also rose between 1996 and 2009, somewhat faster than in the 55 to 59 age group. Graph 4 illustrates the advances in employment rates between 1996 and 2009, based on an index of 2000 = 100. An interesting fact worth noting emerged: while the 65+ age group was not the focus of the study, we cannot overlook the fact that the employment rate of this age group saw the fastest growth within the period studied. Despite the spectacular advances made, and the enthusiasm such results can stir up, we have put this into perspective and point out that employment rates for workers in the 65+ age group have shot up from 4.2% in 1996 to 7.2% in 2009.

Graph 3 – Employment rate of workers aged 60 to 64 in 2009: More significant differences



Sources: Eurostat, Natixis and Statistics Canada

Graph 4 – Growth in Québec's employment rates is clearer when calculated using an index



Sources: Statistics Canada and Desjardins, Economic Studies

WHAT THE EUROPEAN STUDY TELLS US

The Natixis study in Europe put forth three hypotheses to explain the variances in employment rates in the different countries studied. The first one involves macroeconomics and a correlation with unemployment rates. Simply put, when the average unemployment rate is higher, the employment rates among workers in the 55 to 59 and 60 to 64 age groups are lower.

The second explanation is related to the greying of the population that is forcing people to extend their working lives, which is a logical conclusion. Regulations and legislation that dictate legal retirement ages, like a fairly low retirement age, the potential to leave the labour market fairly quickly without being overly penalized, being exempted from looking for a job after a certain age or few financial benefits in extending one's working life are all factors that can limit a person's participation in the labour market after the age of 55.

When comparing unemployment rates and employment rates in Europe, table 1, page 3 and graphs 1 and 3 illustrate that, overall, the lower the average unemployment rate for the period from 1996 to 2009, the higher the employment rates for workers in the 55 to 59 and 60 to 64 age groups. Generally speaking, we can expect that a tighter labour market, which is seeking new hires, will hang on to its older workers and recruit members from this labour pool. This, however, is not always the case, as seen in Sweden, which sets a stunning example: the average unemployment rate in Sweden is within the average of the 18 countries selected for this study, but it gets top spot for the highest employment rate among workers in the 55 to 59 and 60 to 64 age groups.

Table 1 – Average unemployment rate from 1996 to 2009 in %

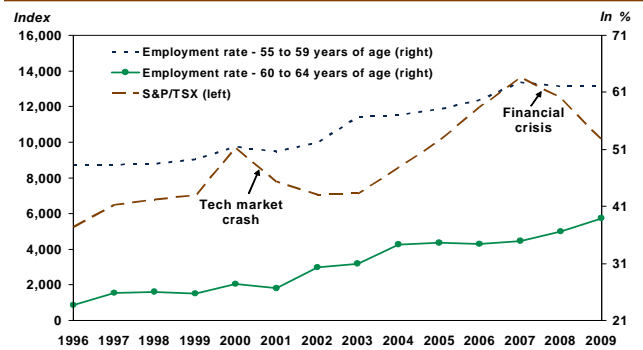
Country	Average
Norway	3.67
Netherlands	4.03
Denmark	4.77
Austria	5.57
United Kingdom	5.87
Ireland	6.36
Portugal	6.40
Czech Republic	6.89
Canada	7.48
Sweden	7.88
Belgium	8.09
Germany	8.60
France	8.97
Italy	8.97
Québec	8.97
European Union (27 countries)	9.38
Turkey	9.52
Finland	9.57
Greece	10.09
Spain	12.12
Poland	14.12

Sources: Eurostat, Natixis and Statistics Canada

WHAT ABOUT QUÉBEC?

A few interesting facts emerge when looking at the unemployment rates in Québec and movements in the employment rates. Graph 4 on page 2 shows that the unemployment rate fell sharply at the end of the 1990s and at the start of this decade. The employment rates among older workers rose only somewhat during this period. However, between 2001 and 2002, we noted a spike in the employment rates in the 55 to 59 and 60 to 64 age groups, and even in the 65+ group. Note that this period immediately followed the stock market crash in 2000 when the techno bubble burst (graph 5).

It was only as of 2004 that the unemployment rate began to really collapse, which could have favoured the presence of workers aged 55 and over in the labour market. At the same time, we noted that the employment rate among older workers continued to rise. One element worth noting is that in 1997, the Québec government prompted into retirement more than 40,000 civil servants aged 55 and older, allowing the employment rate among senior workers to reach its lowest level that year. The employment rate has risen annually since then.

Graph 5 – Employment rates in Québec and the stock market: Are they interrelated?


Sources: Datastream, Statistics Canada and Desjardins, Economic Studies

During the recession of 2009, the average unemployment rate increased while the employment rate for workers in the 25 to 54 age group fell from 81.4% to 80.4%. Surprisingly, no decline was recorded among older workers in Québec's labour market. The employment rate of workers aged 55 to 59 may have stagnated between 2008 and 2009, but it increased among the 60 to 64 age group and in the 65+ group. The unemployment rate rose in 2008 and 2009: the impact affected the employment rate of the 55 to 59 age group, which fell from 62.7% in 2007 to 62.0% in 2008. However, the employment rate continued to climb for workers in the 60+ group.

Did the stock market meltdowns in 2008 and early 2009 help extend the presence of older workers in the labour market? This hypothesis was not retained in the European study. It is possible that, in some cases, retirement funds may have melted away when the markets collapsed. Some workers may have had to delay their retirement while several pensioners could have had no other choice but to get a job for subsistence and to feather their nest egg for the future. However, the increase in the number of senior workers in the past ten years does not seem to be entirely related to a reversal of fortunes on the stock market.

WHAT ABOUT THE U.S.?

And what is happening in the land of free enterprise? First of all, the employment rate of those aged 55 to 59 reached 68.3% in 2009, above the 62% observed in Québec but below the rate posted in the United Kingdom, Finland, Germany, Netherlands, Denmark, Norway and Sweden. The employment rate for the 60 to 64 age group was 51.5%, which places the U.S. right behind Norway and Sweden (at close to 60%), the champions for that same year. In short, the major difference compared to the Europeans is the employment rate for those in the 60 to 64 bracket.

With regard to shifts in the employment rate, we noted that the rate for those aged 55 to 59 and 60 to 64 increased almost each year from 1996 to 2009, as in Québec. However, the recession in 2009 saw the employment rate pull back somewhat for those 55 and older, a reflection of the overall job market in the U.S.

A few factors might have also pushed older workers back into the job market in the United States. Besides the fortunes that were wiped out on Wall Street, the retirement age reform announced back in 1983—the effects of which were spread out over many years—may have had an impact. This reform was introduced strictly for those born in 1938 (who turned 62 in 2000) and extends to the generation born in 1960 (which will reach 62 in 2022). Prior to this reform, 65 was the legal age to receive a full pension after paying into the system for 35 years. In 2008, the legal age (again for a full pension) was 66, and this will stretch to 67 for the generation born in 1960. Incentive or not, we have to recognize that the employment rate for workers aged 60 to 64 was clearly much higher than the rate seen in Québec last year (38.9%).

WHAT ABOUT THE AGING OF THE POPULATION?

The European study showed that the aging population is having a positive impact on employment rates for workers in the 55 to 59 age bracket. To reach this conclusion, the portion of the population over the age of 60 had to be singled out from the total population (table 2). In doing so, a link was noted between the high number of the 60+ population and the higher employment rate among workers aged 55 to 59. However, this does not hold true in every case, as we can see in Italy, which took top honours in having the highest population in the 60+ group in 2008 (25.7%) and an employment rate of about 51% for the 55 to 59 group that same year, placing Italy in 16th place, among the lowest rates of all the countries studied. For Sweden, Germany and Finland however, the link between the employment rate and the 60+ population is much clearer.

In Québec, the percentage of people over the age of 60 in 2008 was 19.5%, placing Québec among the lowest (5th) of all countries studied. On the flip side, Québec still enjoyed a higher employment rate for the 55 to 59 age group than more than half of the 18 countries that were part of the European study. Moreover, it is interesting to compare growth in the

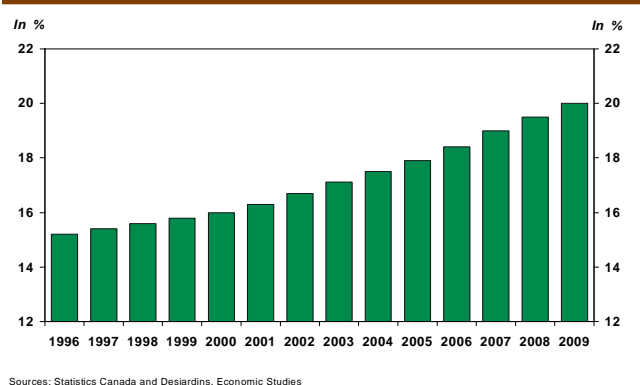
Table 2 – Over-60 population as a % of total population

Country	In % for 2008
Turkey	10.02
European Union (27 countries)	10.93
Ireland	15.47
Poland	18.14
Québec	19.50
Norway	20.44
Netherlands	20.83
France	21.28
Czech Republic	21.28
Spain	21.48
United Kingdom	21.73
Denmark	22.46
Belgium	22.59
Austria	22.65
Finland	22.98
Portugal	23.13
Greece	24.15
Sweden	24.34
Germany	25.39
Italy	25.72

Sources: Eurostat, Natixis and Statistics Canada

employment rates of those aged 55 to 59 and 60 to 64 with growth recorded in the 60+ demographic in Québec’s total population (graph 6). In Québec’s case, the rising employment rate and the aging of the population seem to be moving in sync with each other.

Graph 6 – Percentage of Québec’s total population aged 60 and up is growing



HOW IMPORTANT IS THE LEGAL RETIREMENT AGE WHEN DECIDING TO REMAIN ON THE JOB?

In the Natixis study, there seems to be a correlation between the legal retirement age and the employment rate of employees aged 60 to 64. Table 3, which provides an overview of the different practices in each country, shows that the legal retirement age for men does not vary greatly from country to country. The oldest age is 67 and most countries have set their legal retirement age at 65, with two exceptions: 62 is the legal retirement age in the Czech Republic and employees can legally retire at 60 in France. However, many legislators have recently reviewed the legal retirement age with a view to increasing it in the next few years.

The most striking differences are found in the retirement ages for women, which vary between the ages of 60 and 67. In eight of the 18 countries studied, women can retire at a younger age than men. In five countries, the gap is five years, with men retiring legally at age 65 and women at age 60.

Table 3 – Legal retirement age

Country	Men	Women
Sweden	65 years	65 years
Norway	Flexible**	Flexible**
Denmark	67 years	67 years
Netherlands	65 years	65 years
Germany	65 years	65 years
Finland	65 years	65 years
United Kingdom	65 years	60 years
Czech Republic	62 years	61 years
European Union (27 countries)	-	-
Austria	65 years	60 years
Portugal	65 years	65 years
France	60 years	60 years
Ireland	65 years	65 years
Spain	65 years	65 years
Greece	65 years	60 years
Italy	65 years	60 years
Belgium	65 years	64 years
Poland	65 years	60 years
Turkey*	60 years	58 years
Québec	-	-
Canada	-	-

*: Legal age to be increased to 65 in 2048

** : Betw een 62 and 67 years of age

Sources : Eurostat and Natixis

The legal retirement age in Denmark is 67, the highest among all the countries included in the study. Denmark also enjoys one of the highest employment rates for the 55 to 59 age group: 78% in 2009. This rate falls to 36% for those in the 60 to 64 age group however, leaving Denmark in the middle of the pack for this age bracket. Sweden and Norway both enjoy some of the highest employment rates in the 60 to 64 age bracket, at about 60%. The legal retirement age in Sweden is 65 whereas Norway's varies between 62 and 67 years of age. In short, the legal retirement age is clearly not the only factor in deciding when to retire.

Québec does not have a legal retirement age. In fact, according to the Québec government, "*Mandatory retirement constitutes a form of discrimination according to the Charter of Human Rights and Freedoms and, more explicitly, is forbidden by the Act Respecting Labour Standards.*"³ So why do most people believe that retirement at 65 is mandatory? According to the Régie des rentes du Québec (RRQ), most pension plans are based on a retirement age of 65, while some plans call for retirement at a younger age. For the RRQ, the normal retirement age "*is the age at which payment of a retirement pension under [a] plan usually begins.*"⁴ In Canada, workers have the right to receive full pension benefits from the Canada Pension Plan as of the age of 65.

Labour laws do not determine the retirement age in Canada, with the exception of certain professions, i.e. members of the military, judges and firefighters. However, according to the *Human Rights Act*, "*it is not a discriminatory practice under the Canadian Human Rights Act to terminate an individual's employment because that individual has reached the normal age of retirement for employees working in similar positions.*"⁵

WHEN DO WORKERS REALLY RETIRE?

In the study that covered 18 European countries, the average retirement age in Ireland peaked at 64.1 years of age in 2006. Norway and Sweden followed right behind with retirement ages of 64 and 63.8 respectively in 2008. The countries with the lowest retirement ages were Poland in 2007 and France in 2008, both tied at 59.3 years. The estimated average retirement age in the European Union was 61.4 (Table 4, page 7).

³ Québec government, *Abolition de la retraite obligatoire pour le travailleur* (in French only).

⁴ Régie des rentes du Québec.

⁵ Human Resources and Skills Development Canada, *Mandatory Retirement in Canada*, General legislation.

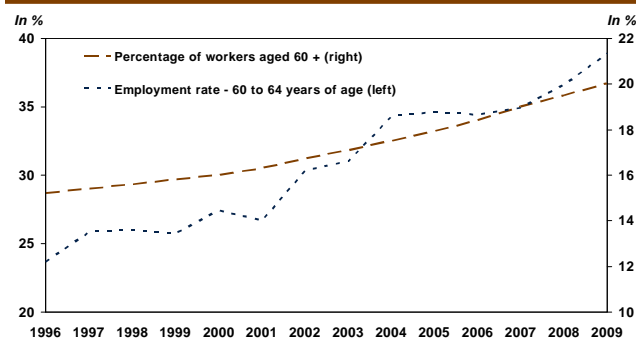
Where does Québec rank on this front? This question can be answered in several different ways. Québec does not compile statistics similar to what is done at the federal level in the Labour Force Survey (LFS). In a document published in 2010 entitled *The Transition from Working Life to Retirement*, the RRQ stipulates that, in order to make comparisons with other countries, the calculation can be made based on activity rates (a person is considered active if he or she holds or is actively seeking a job) per age group. Using this calculation method, retirement is defined, so to speak, as a person's withdrawal from the labour force without reference to whether or not the person is receiving retirement benefits. Based on this definition, Québécois generally retired at an average age of 62 in 2007.

However, other calculation methods point to younger retirement ages when retirement is defined as "a reduction in a person's income producing activities and a substitution, at least partial, of work income with retirement income."⁶ In this case, the retirement age in 2006 would have been 59.9 for men and 59.5 for women.

SHOULD WE EXPECT TO EXTEND OUR WORKING LIVES?

From 1996 to 2009, the employment rate of workers aged 55 to 59 remained higher than for those in the 60 to 64 age group, but it rose faster in the latter group (see graph 4 on page 2). Furthermore, the employment rate is rising in line with the aging of the population, especially in the 60 to 64 age group (graph 7), and it increased in tune with the drop in the unemployment rate; it even continued to climb despite rising unemployment rates in 2009.

Graph 7 – In Québec, the employment rate of workers aged 60 to 64 advances in line with the aging of the population



Sources: Statistics Canada and Desjardins, Economic Studies

Can the employment rate keep rising in Québec for workers in the 55 to 59 and 60 to 64 age groups? In light of what we have observed especially in Sweden, Norway and the United Kingdom, the employment rates among older workers can certainly keep climbing, but to what extent remains to be seen. Other factors than those mentioned earlier could very well come into play.

More talk about extending our working lives is being heard in the public forum. Whether this is a solution to the expected labour shortage owing to an aging population or a way to prevent public and private pensions from quickly running out of funds, many people are now on board when it comes to keeping older workers in the labour market. Sometimes, we even forget that the loudest supporters of keeping workers 55 years or over in the workforce are the workers themselves! The idea of pensioners returning to the labour market after taking an early retirement is another interesting aspect of this phenomenon.

Statistics Canada conducted a study a few years ago on Canadians who had retired between 1992 and 2002. It was estimated that 22% of those who had opted for retirement after the age of 50 had in fact found paid work in post-retirement. Most people got back into the labour market due to financial concerns above all else. Statistics Canada expressed their motives as follows: "Although financial concerns were by far the most common reason for returning to work, they were cited by only 38% of respondents. This suggests that non-financial considerations were important as well. Indeed, 22% of retirees returned to employment because they did not like retirement, 19% mentioned the intrinsic rewards offered by work, and 14% felt they were needed or wanted to help out. Overall, 55% cited at least one of these three non-financial reasons."⁷

Workers who decide to extend their working lives while holding the same job avoid losing their seniority, the advantages seniority brings and any job-related benefits.

⁶ Régie des rentes du Québec, *La transition travail-retraite*, 2^e édition, données de 1991 to 2007, 2010, p.7 (in French only).

⁷ Statistics Canada, *Post-retirement employment*, Perspectives on Labour and Income, Vol. 6, No 9, September 2005.

Table 4 – Average retirement age

Country	2008
Sweden	63.8 years
Norway	64.0 years
Denmark	61.3 years
Netherlands	63.2 years
Germany	61.7 years
Finland*	61.6 years
United Kingdom	63.1 years
Czech Republic	60.6 years
European Union (27 countries)	61.4 years
Austria*	60.9 years
Portugal*	62.6 years
France	59.3 years
Ireland**	64.1 years
Spain	62.6 years
Greece	61.4 years
Italy	60.8 years
Belgium*	61.6 years
Poland*	59.3 years
Turkey	-

*: 2007 data

**: 2006 data

Sources: Eurostat and Natixis

In addition, the estimates arrived at in the Castonguay report, *La longévité, une richesse*, suggest that if workers were to extend their working lives, Québec's economy would end up the big winner. It is estimated that if the participation of workers in the 55 to 64 age group increased to 86.9%, and those in the 65 to 69 age group rose to 21.6%, Québec's labour force would not suffer any declines in the next 20 years. At the moment, Québec's labour force is expected to decline as of 2013. It has often been demonstrated that economic growth would decline much less if we could keep up participation in the labour market. In fact, the Castonguay report indicated that by increasing the participation rate of workers in the 65 to 69 age group, Québec could maintain economic growth of about 2% per year.

For the time being, the impact of an aging of the population and a tighter labour market—which usually mean a drop in unemployment rate—seems to have already been felt. To this we can add the stock market's meltdown, which may have dented some nest eggs in 2007 and in 2008, pushing some workers back into the labour market involuntarily. Since unemployment rates are expected to fall in the next few years and little can be done in the short term to stem the aging of the population, we have to expect the employment rates of workers in the 55 to 59 and 60 to 64 age groups and in the 65+ group to increase.

In 2009, Québec had 600,000 workers aged 55 or more. This is almost double the number recorded in 1999 (305,000). The portion of total jobs held by this group jumped from 9.2% to 15.5% during this period.

Other measures could see this participation rate grow, however. The Québec government updated its legislation on retirement in 2008 and, as a result, it is now easier for those who have supplemental pension plans to opt for phased retirement. From now on, workers who are receiving pension benefits because they opted for phased retirement can continue to make contributions to their plans while working only part of the time, while boosting their retirement pension.

In addition, the new provisions now allow for increases to the RRQ retirement pension for all retirees who remain in the labour market after reaching 60 years of age, whether they are working full time or part time.

Lastly, and more recently, the Québec government has set up a commission to study the issue of active aging in Québec and find solutions that would help workers 55+ stay on the job.

Time will tell if these measures have contributed in any meaningful way to the employment rates for those in the 55 to 59 and the 60+ age brackets. Québec's employment rate is likely to rise in the next few years, but will measures as those amplify the movement? Stay tuned.

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