

RETIREMENT

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**RETIREMENT HAS AT LEAST TWO
ECONOMIC ASPECTS:**

A LABOUR SUPPLY DECISION

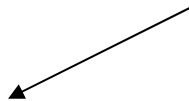
A SAVING/DISSAVING DECISION



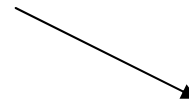
AFFECTS INCOME IN RETIREMENT



INCOME DISTRIBUTION



POVERTY



AFFLUENCE

SAVING/DISSAVING



Who will help me plant the grain of wheat?

"Not I," said the duck

"Not I," said the cat

"Not I," said the dog



"Then I will," said Little Red Hen

Who will help me cut the wheat?

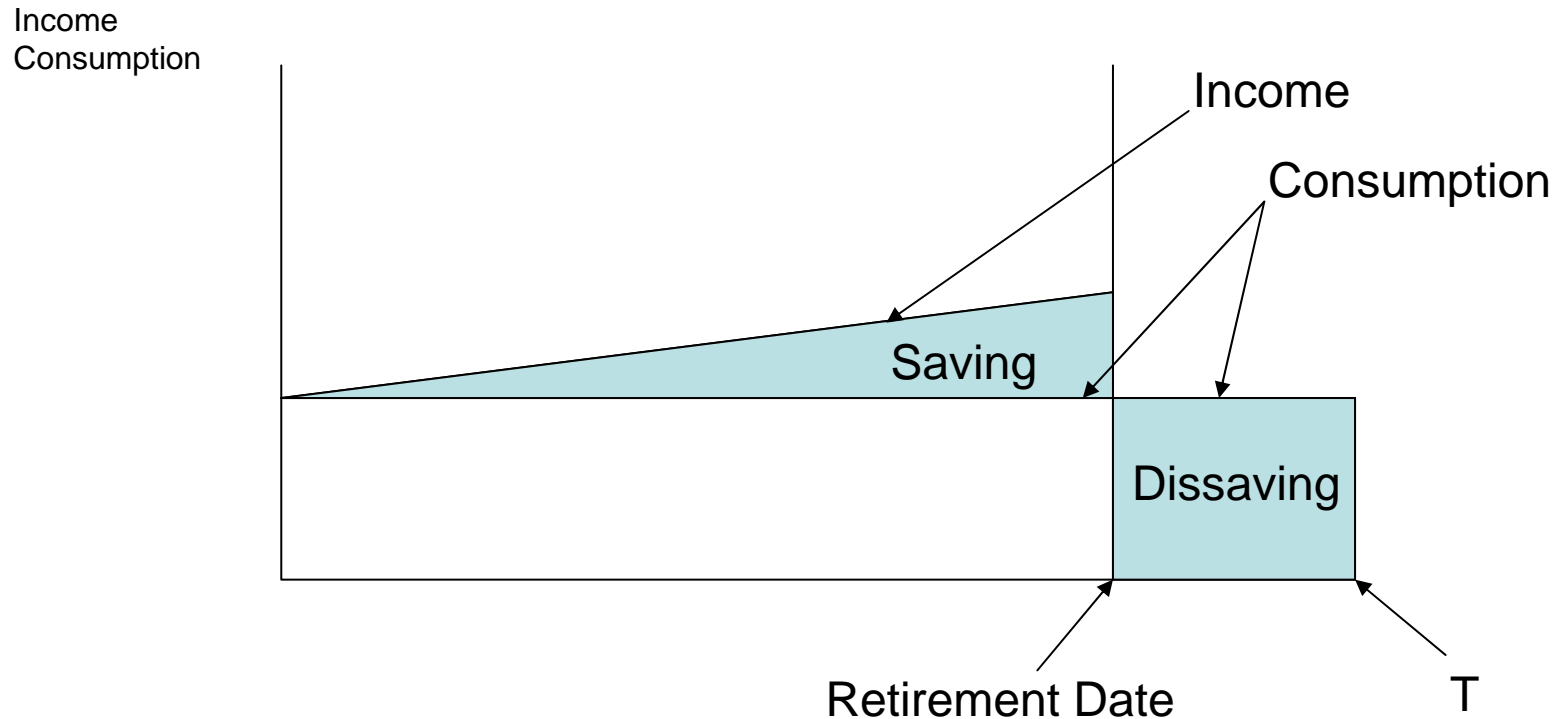
Who will help me thresh the wheat?

Who will help me grind the wheat into flour?

Who will help me make the flour into bread?

Who will help me eat the bread?

LIFE CYCLE MODEL



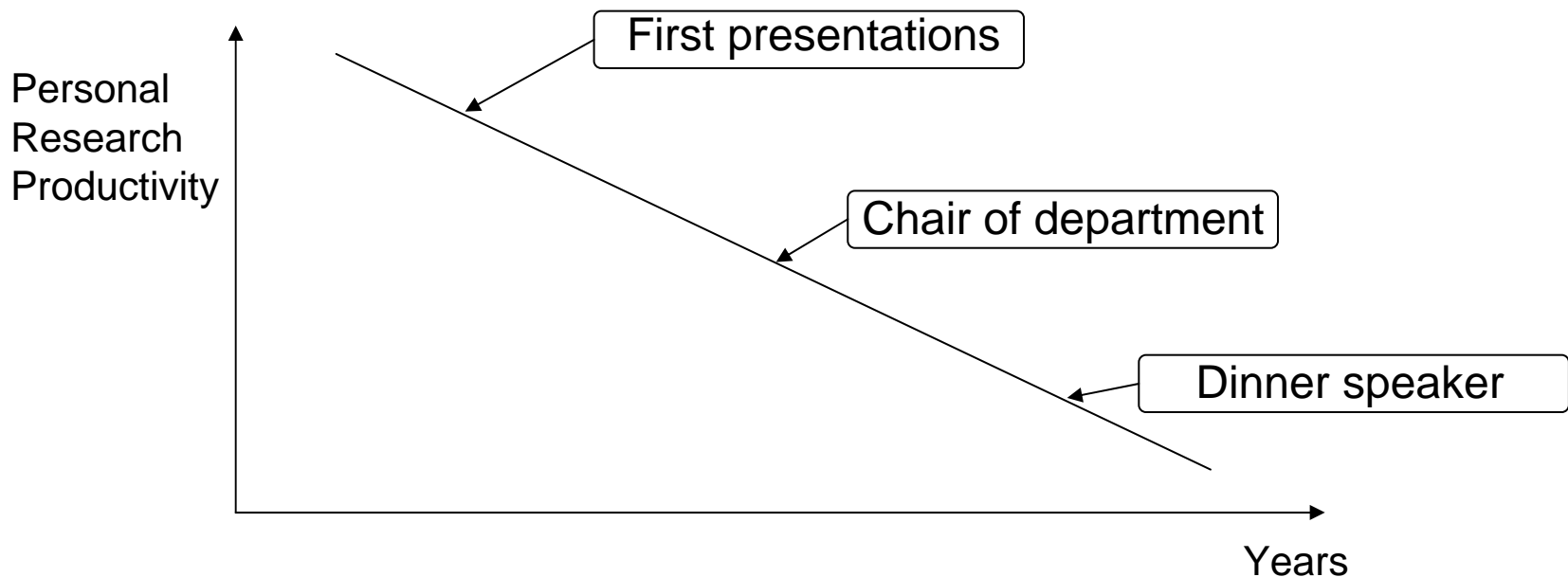
- Live T years
- Consumption stays smooth
- Government transfer income would cut saving
- Postponed retirement would cut saving

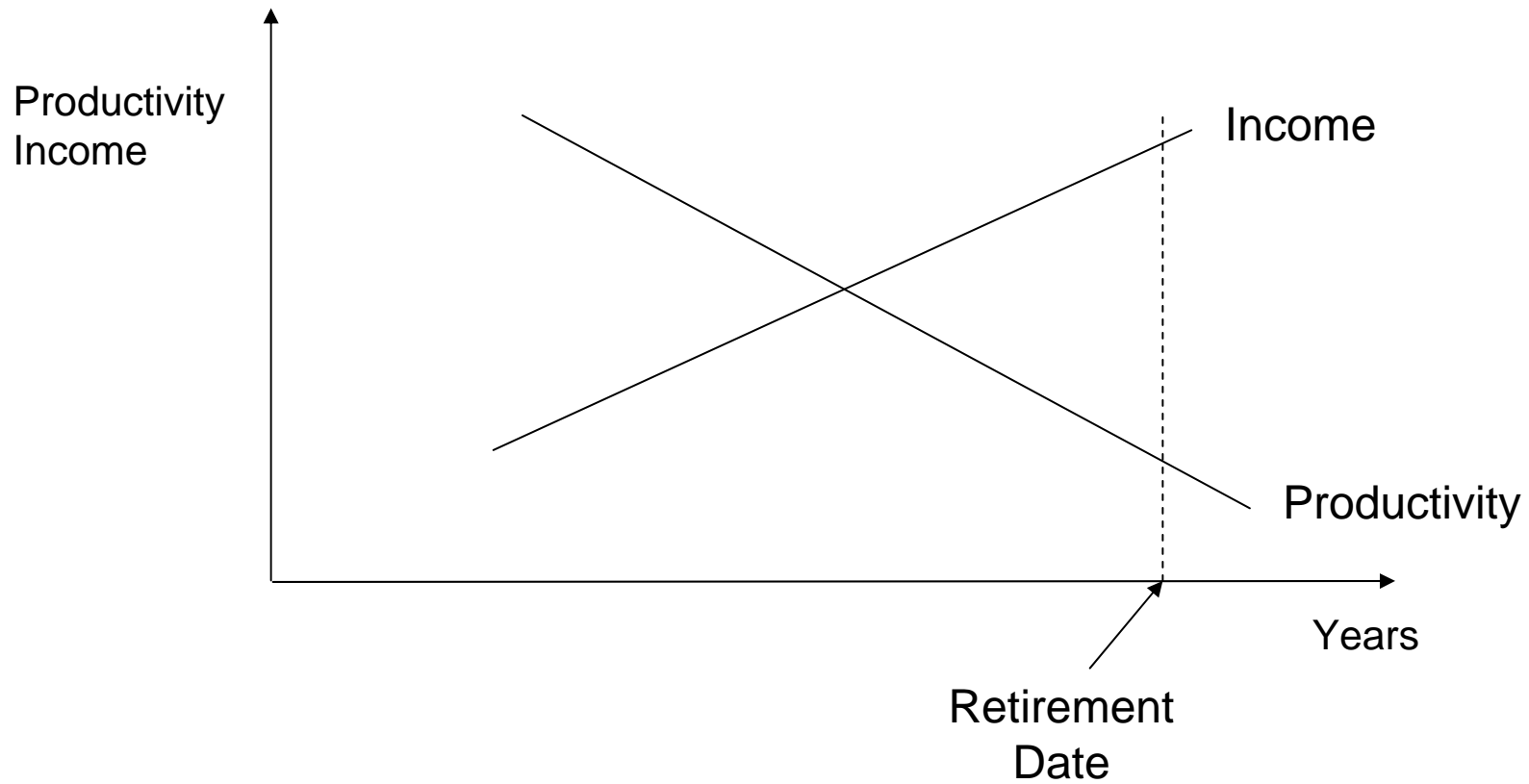
EMPIRICAL ISSUES

- Measured consumption drops 20% to 30% upon retirement
 - Could be a shift to home production
 - No consistent drop in nutrition
- Consumption and labour complements
- Consumption and health complements
- Disincentive effects of government programs
- Model not true for everyone (involuntary retirement)

LABOUR SUPPLY DECISION

- Early retirement
- Late retirement (Myles: judges and academics)





- Why employers do not want mandatory retirement to end
- Why involuntary retirement so bad

OTHER ASPECTS OF LABOUR SUPPLY DECISION

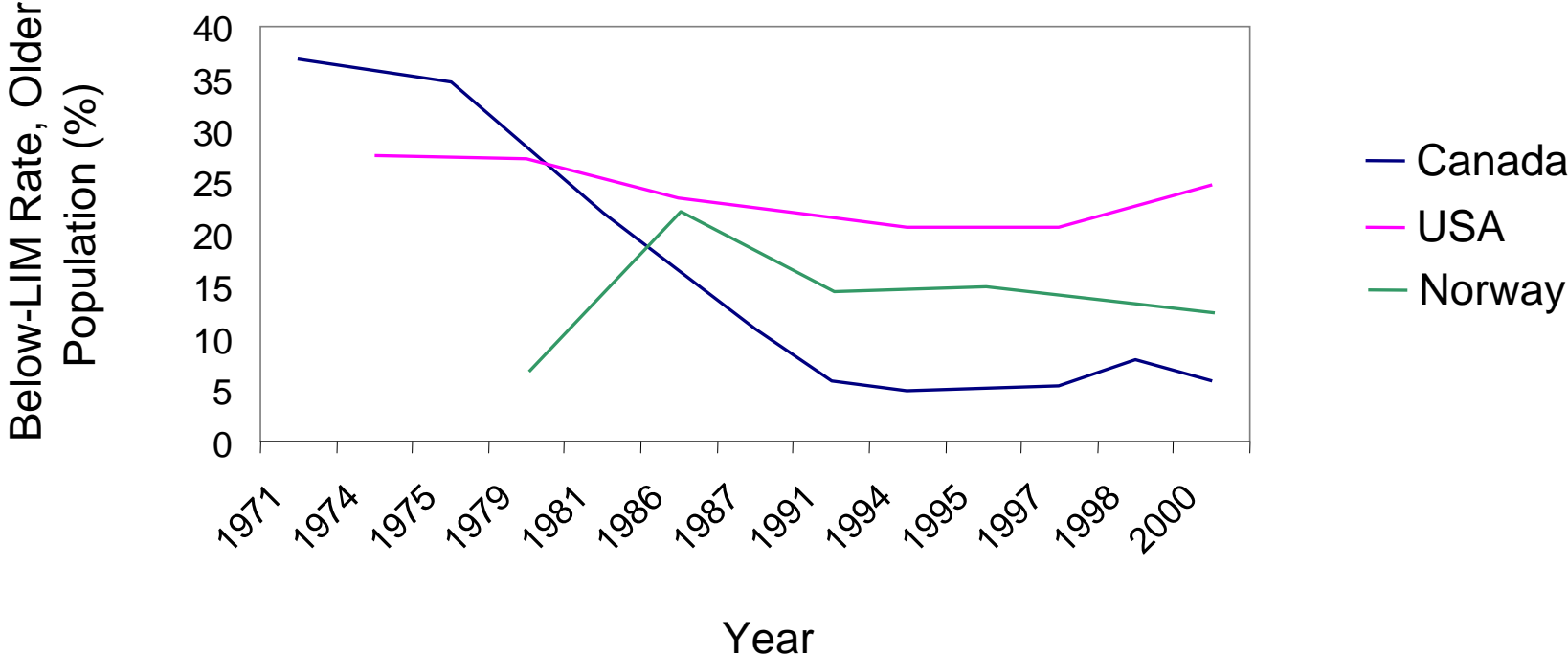
- Working during retirement
- Very small → Why?
 - Fixed costs of employment
 - Disincentives
 - GIS clawbacks
 - OAS clawbacks

POINTS SO FAR

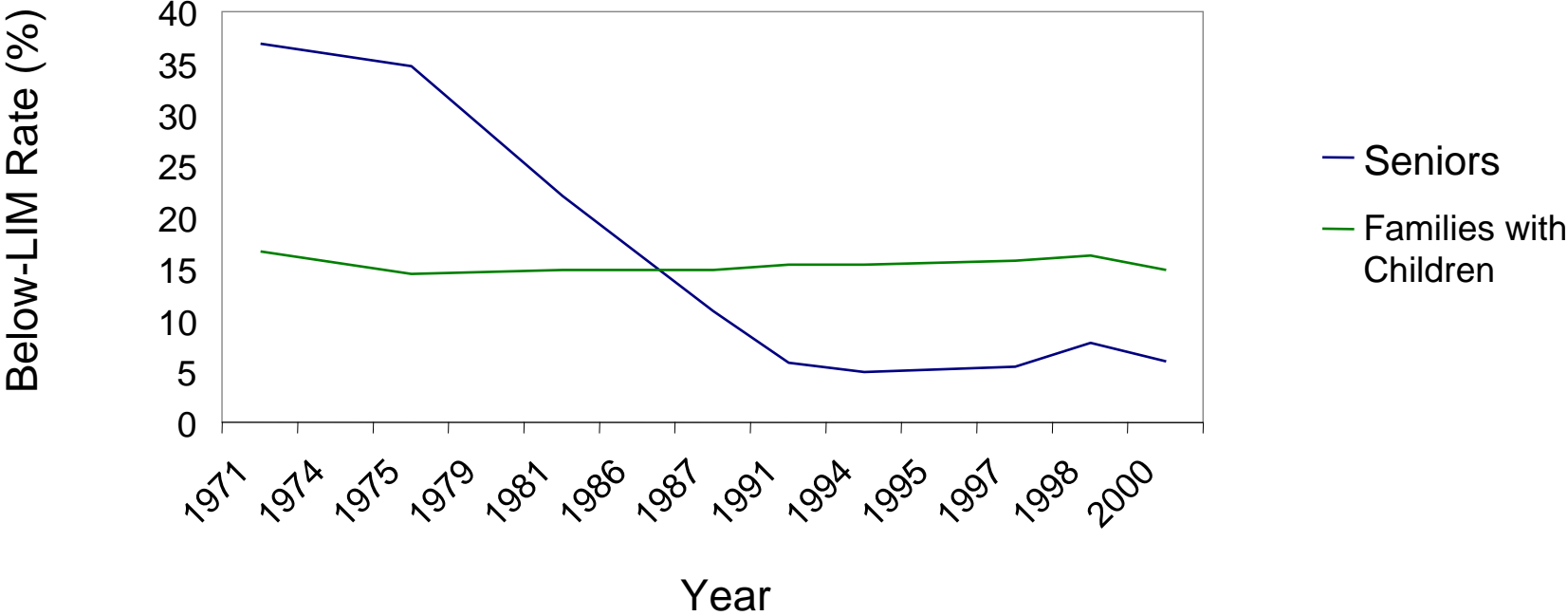
- Two methods of self-providing income during retirement
 - Post-retirement labour supply
 - Saving
- Both affected by government policies

GOVERNMENT POLICY

POVERTY



POVERTY Canada



Who are the 6% in the older population below LIM? (2004)

- 1% recent immigrants
- 3% nonimmigrant women, almost all unmarried, some with dependent children
- 2% nonimmigrant men, mostly unmarried, some with dependent children

THE OTHER END OF THE DISTRIBUTION

- In 2005 about 4 million averaged almost \$28,000 in income. Top 1% averaged about \$340,000. (Threshold \$140,000)
- Top 1% disproportionately male, married
- Top 1% of seniors
 - Received about 20% of all income (general population 13%)
 - Received about 70% of all employment income (general population 10%)

CONCLUSIONS

- Senior poverty disproportionately immigrant, female, unmarried, with children
- Most senior labour income earned by a small minority well above clawbacks: hence clawbacks potentially an issue for saving but not for post-retirement employment