
Pension coverage and retirement savings of Canadians over the last two decades

René Morissette

Yuri Ostrovsky

Business and Labour Market Analysis Division

Statistics Canada



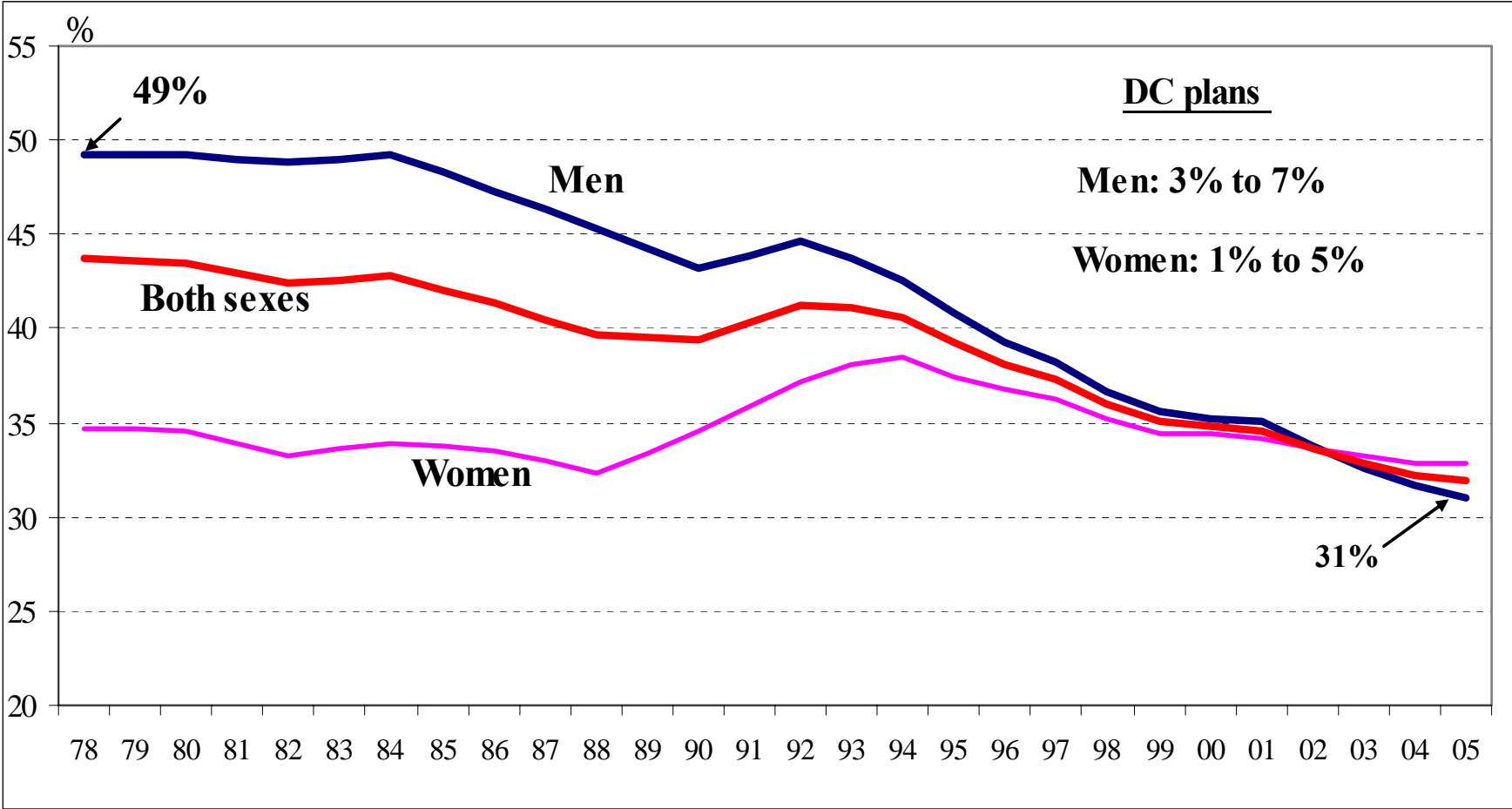
Plan

- ◆ RPP coverage at the individual level
- ◆ RPP coverage + retirement savings at the family level
- ◆ Some questions for the future



The decline in workers' coverage by DB plans (RPPs) more than offset the growth in coverage by DC plans (RPPs) since the late 1970s

% of employees covered by defined-benefit RPPs, 1978-2005



Falling unionization rates and employment shifts towards low-coverage industries were strongly correlated with the drop in RPP coverage between the mid-1980s and the mid-1990s

Changes in RPP coverage, 1986-1997

	<u>Men 25-34</u>	<u>Men 35-54</u>
Δ in RPP coverage: (percentage points)	-7.8	-4.8

Associated with :

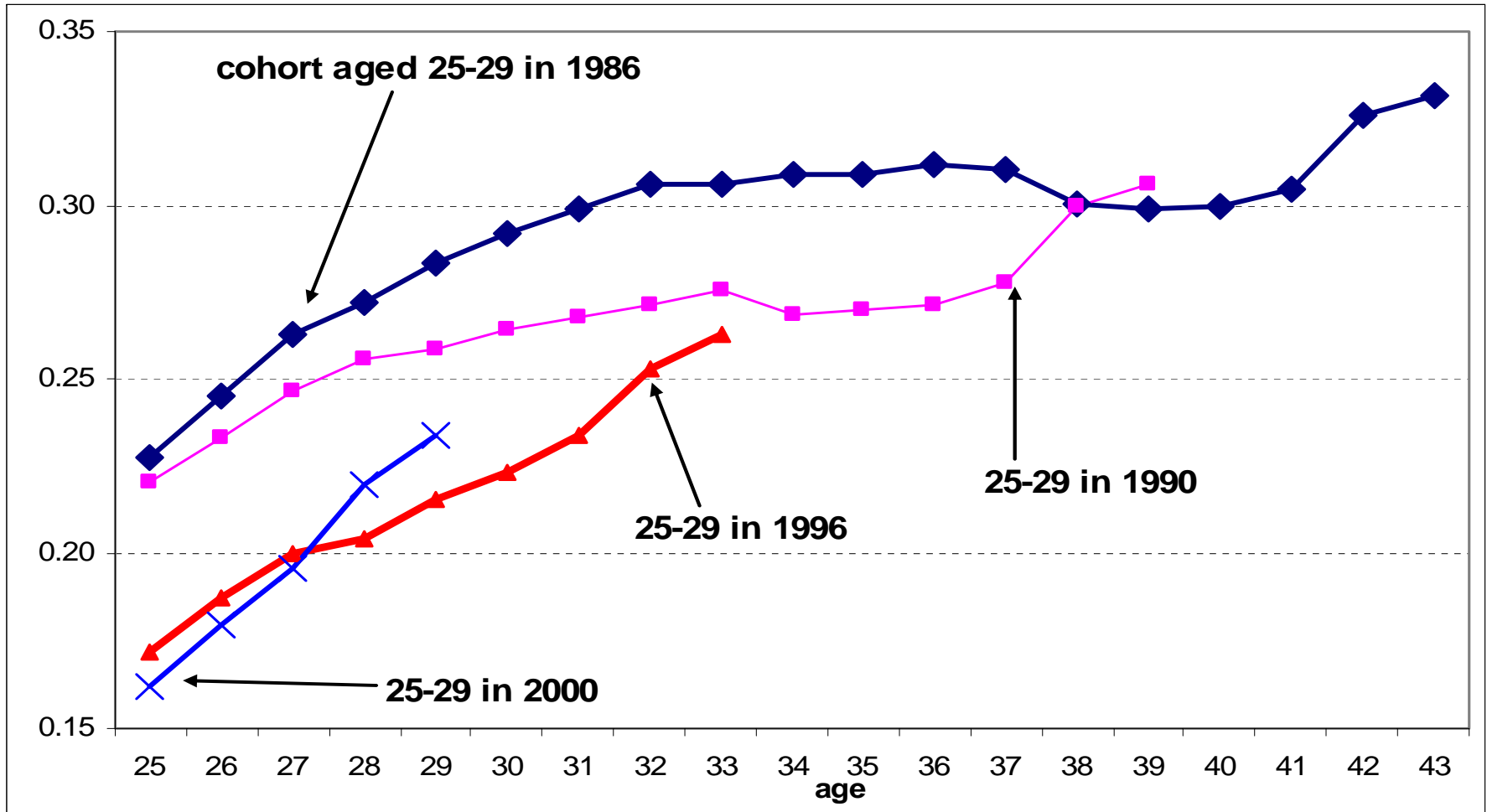
Industry:	-3.1	-1.7
Unionization:	-5.0	-2.0

Source: Morissette and Drolet [CJE, 2001]



The decline in RPP coverage has led to a downward shift in the age-coverage profile of young men

% of men 25-29 contributing to RPPs, by cohort [1986-2004]

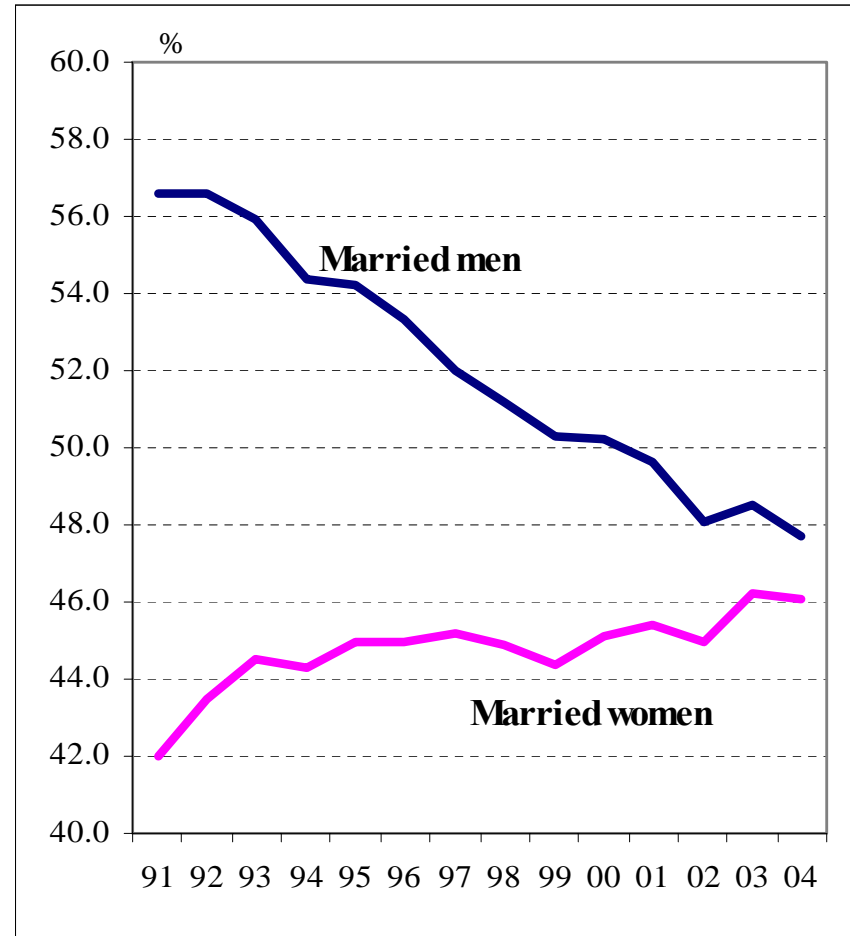
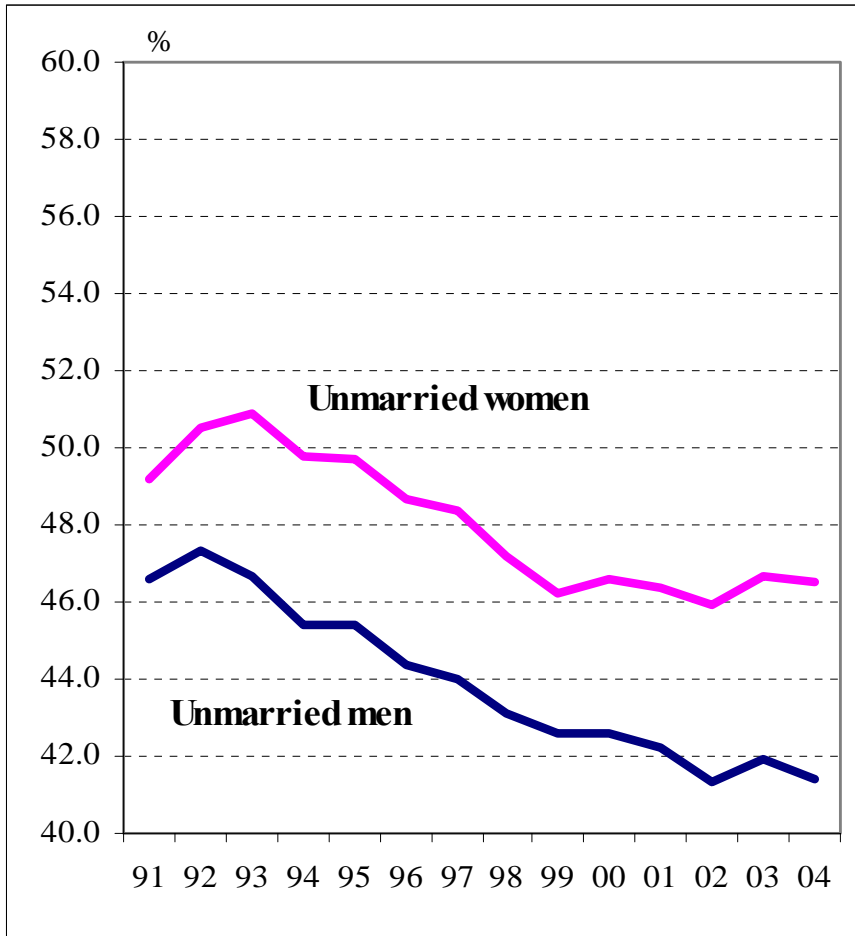


While RPP coverage fell among unmarried women (35-54), it rose among their married counterparts

% of taxfilers aged 35-54 with a RPP, 1991-2004

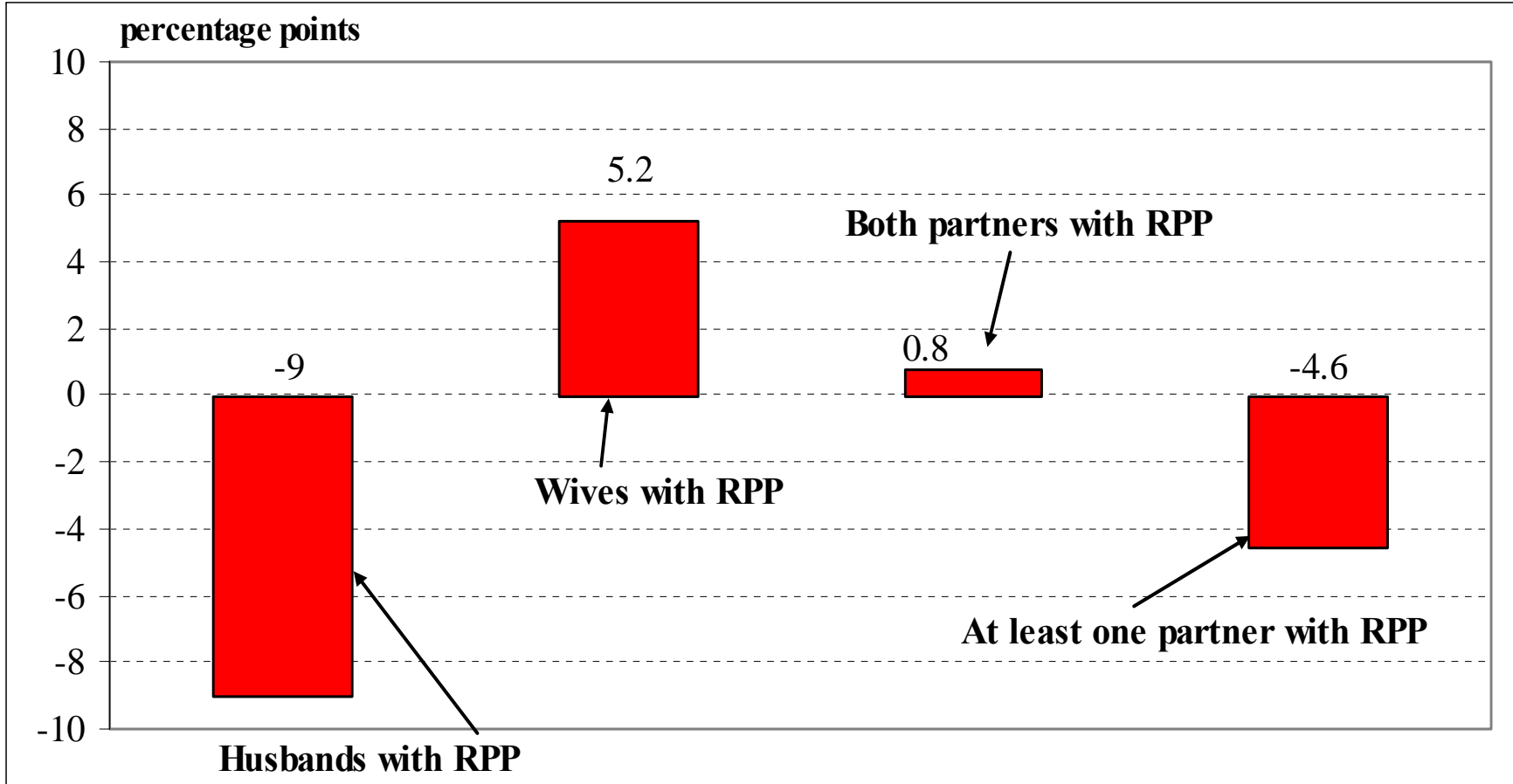
Not married/Common-law

Married/Common-law



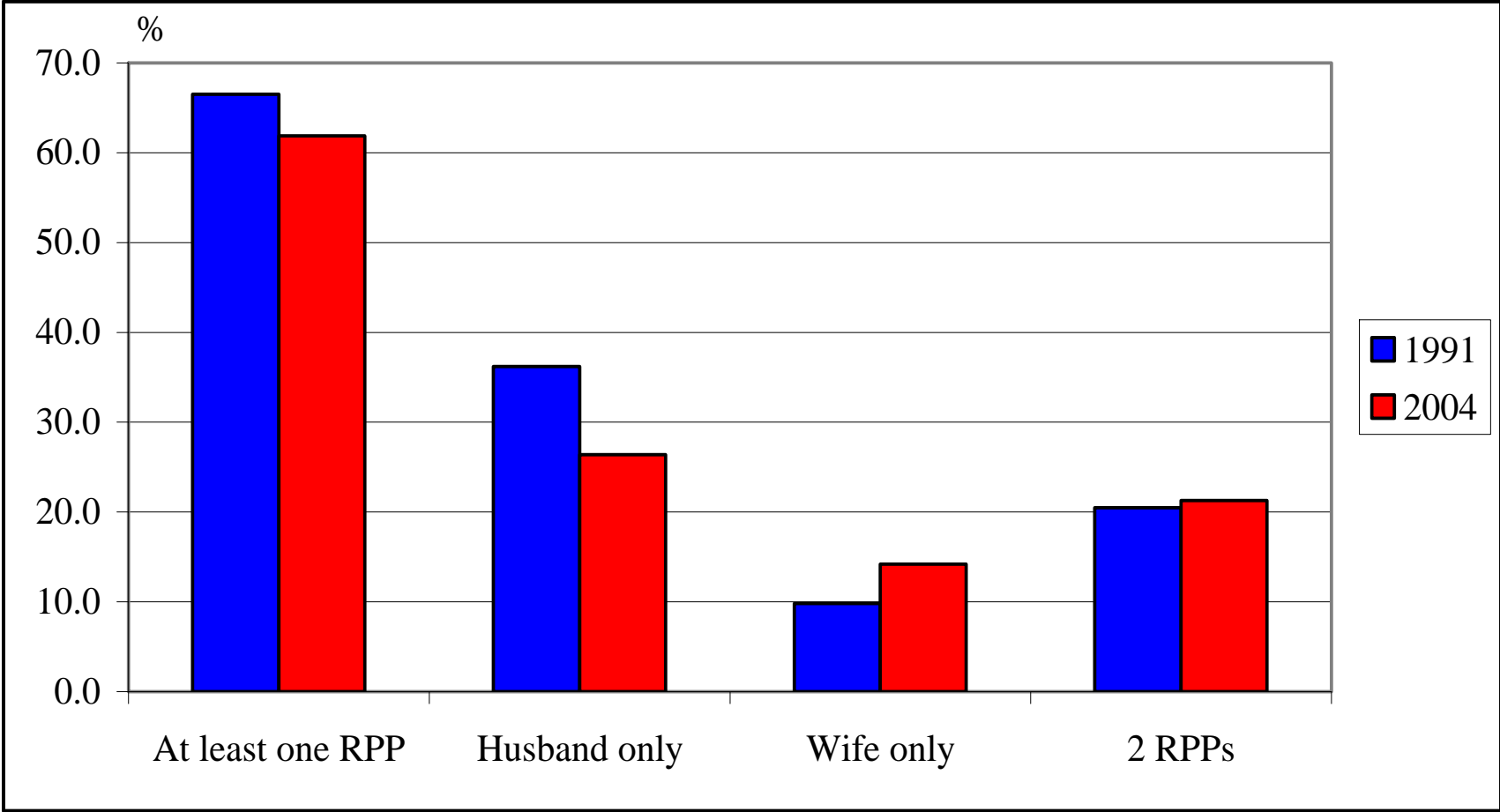
As a result, wives' growing RPP coverage helped mitigate the decline in husbands' coverage

Changes in RPP coverage among couples with husbands aged 35-54, 1991-2004



The % of prime-aged couples with at least one RPP fell from 66.5% in 1991 to 61.9% in 2004

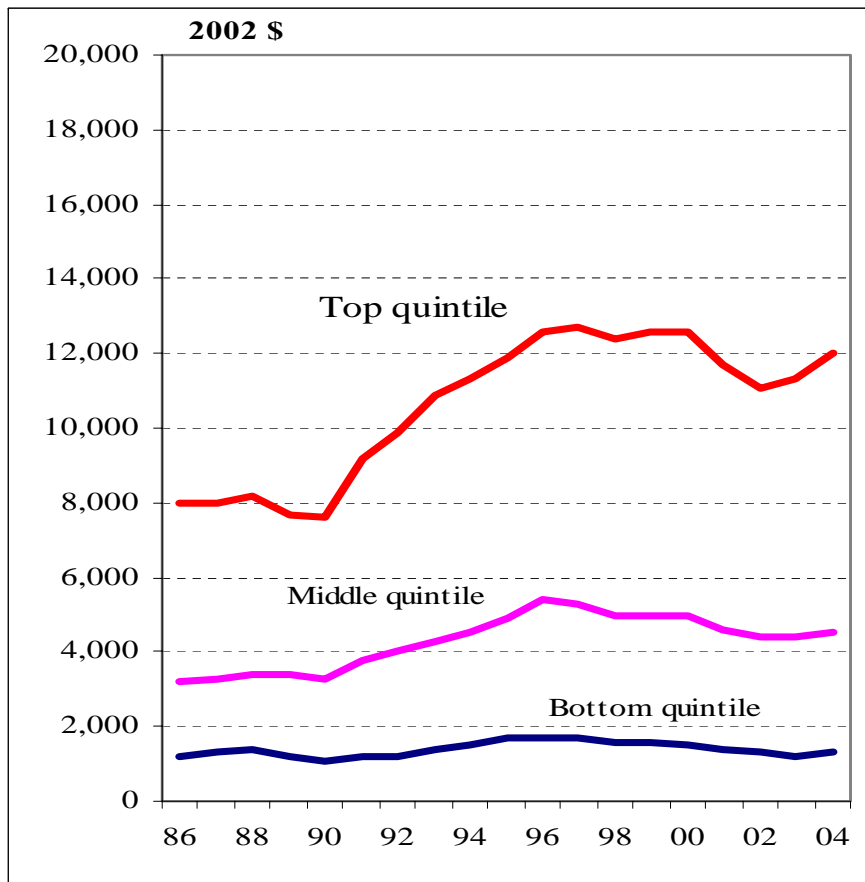
RPP coverage of couples with husbands aged 35-54, 1991-2004



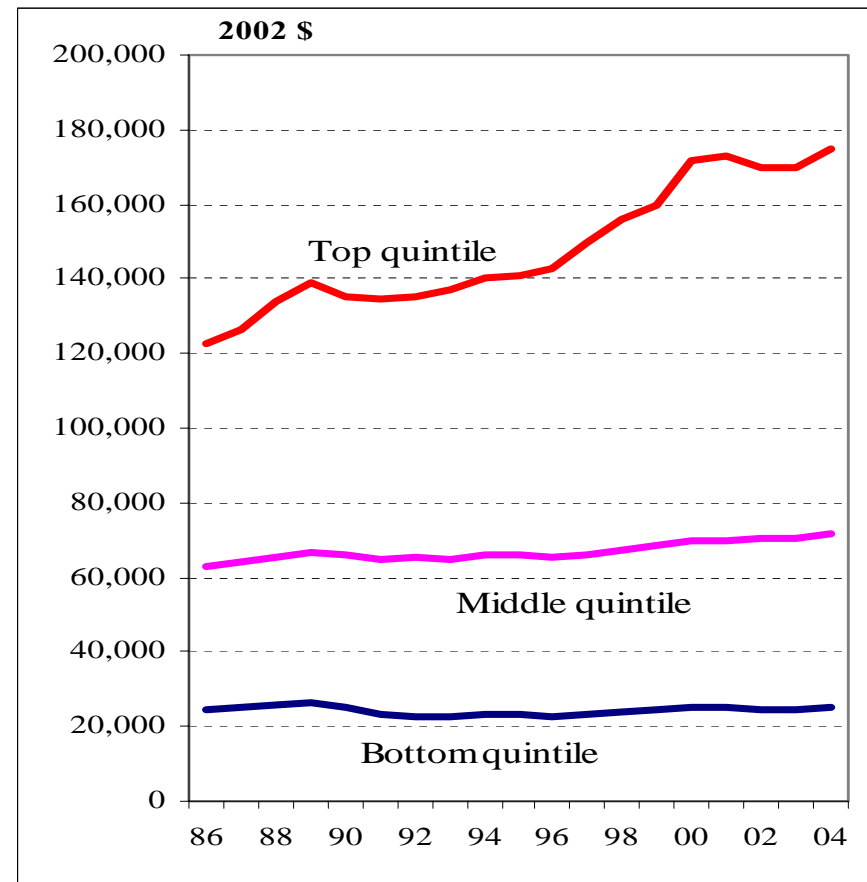
Couples' contributions for retirement have become more unequally distributed than they were in the mid-1980s

Combined RPP and RRSP contributions & earnings of couples, by quintile
 couples with husbands aged 35-54

Combined RPP and RRSP contributions

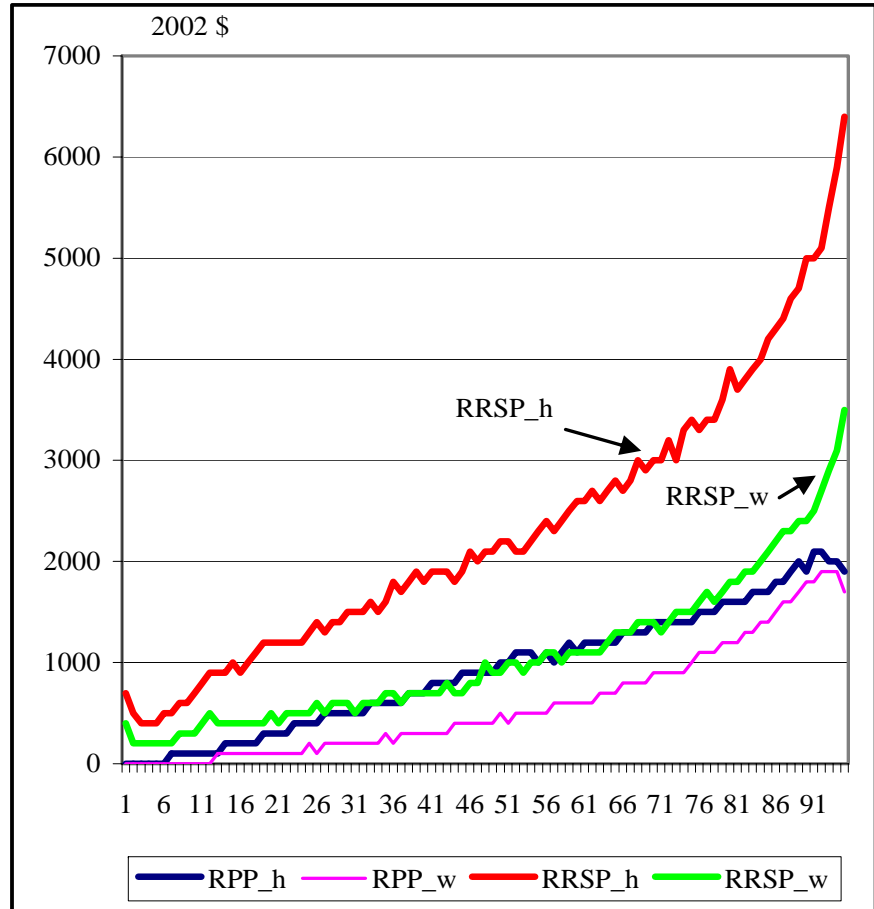
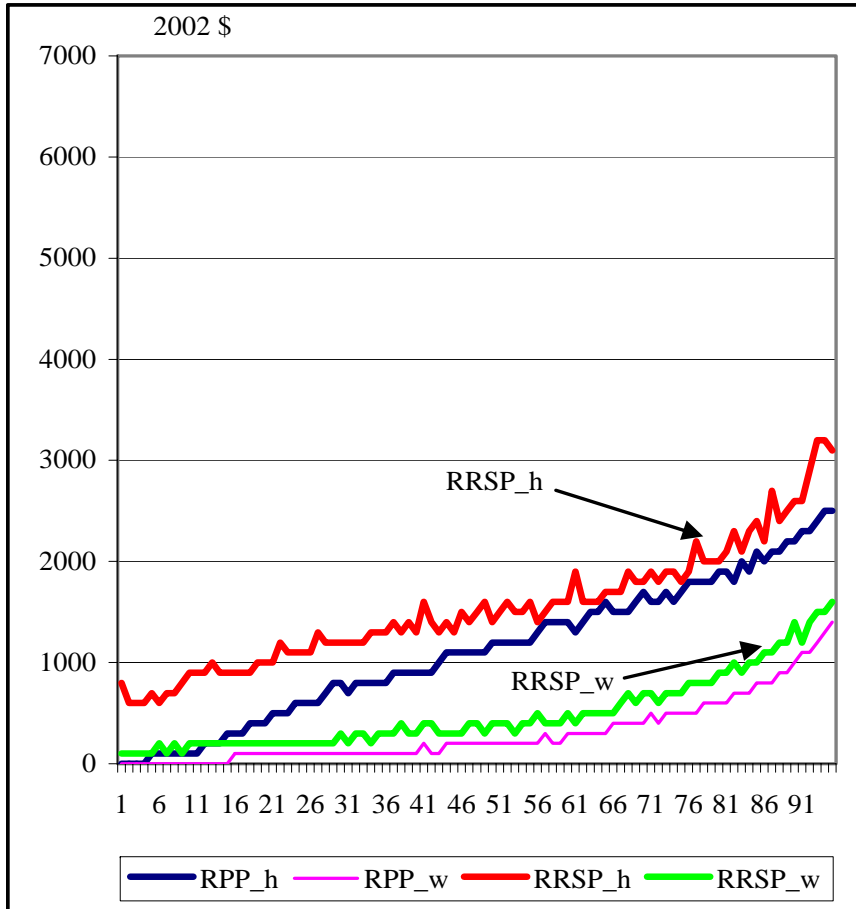


Earnings

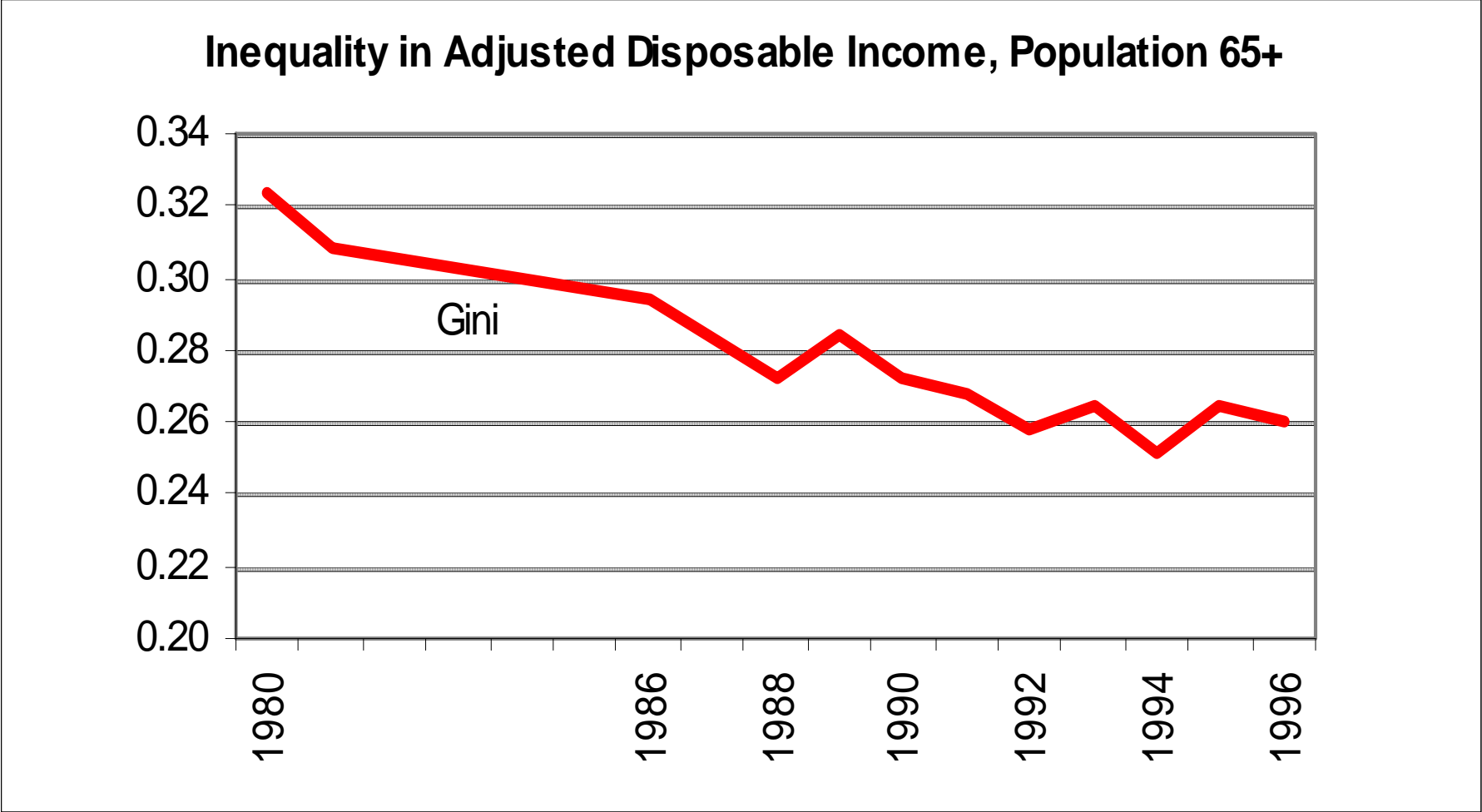


The growth in inequality in contributions resulted mainly from growing inequality in RRSP contributions

Retirement savings of husbands and wives, by percentile of couples' earnings
 1986 2004



This growing inequality in families' contributions towards retirement could eventually tend to raise family income inequality among the elderly, after two decades of declines



Summary

- ◆ 1. Falling unionization + employment shifts towards low-coverage industries = important factors behind drop in coverage during mid80s – mid90s
- ◆ 2. Wives helped mitigate the decline in RPP coverage for husbands
- ◆ 3. Families' financial contributions for retirement becoming increasingly unequal (as well as their stock of wealth)
- ◆ 4. Part of the reduction in income inequality achieved among the elderly might be lost in the years to come



Questions

- ◆ 1. Impact of population aging/potential labour shortages on young men's coverage? Continuation vs reversal of trends?
- ◆ 2. Implications at the family level : which men will women with an RPP marry? Those with or without RPPs? Growing polarization in coverage ?
- ◆ 3. Implications of move away from DB towards DC plans regarding worker mobility?

