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The long goodbye: demographer David K. Foot on Canada's retirement 'boom'

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TORONTO — David K. Foot is a professor in the Economics Department at the University of Toronto and co-author of the "Boom Bust & Echo" series of books about the impact of demographics on Canadian society.

To anyone who owns a car, renewing an auto insurance policy is just another of life's mundane little chores. But in 2012, it nicely illustrates one of the most pressing challenges facing Canada's aging society.

At a certain age — one that the latest census figures show an increasing number of Canadians are reaching as the leading edge of the baby boom hits 65 — the insurance company is required to ask a pointed question: "Do you use your car for work, or are you retired?"

These days, the answer might not be so simple.

Perhaps you've moved on from your nine-to-five job, but run a consulting business out of your home. Or you drive to a location downtown twice a week to do part-time work for your previous employer, where they still value your decades of experience and expertise.

As far as the insurance company is concerned, it probably won't matter: you can't be retired and not retired at the same time. You have to be one or the other in order for them to determine the insurance rates on your vehicle.

We need to start to rethink — what if someone is half-retired? If I'm retired only half the time, and the other half of the time I'm not retired, then there ought to be a way to build that into my insurance premiums for my automobile.

Pension benefits provide another decidedly more important example.

Let's say I work 'half-time,' working every morning, and I go home at 1 o'clock and every afternoon I'm off. In the mornings, I want to continue to accrue pension benefits — and am willing to pay taxes — and in the afternoon I want to be paid my pension. The same day, I both contribute and withdraw.

In the coming years, a lot of people are going to be "semi-retired," like working three days a week for 60 per cent of their salary. We need to redefine pension systems and economic systems so we can better accommodate the needs of Canada's aging society.

The number of seniors in Canada — nearly five million in 2011 — increased 14.1 per cent since 2006, the latest census data released Tuesday indicate. They accounted for 14.8 per cent of the Canadian population last year, up from 13.7 per cent five years earlier.

And of those who are part of Canada's "working-age" population of 15 to 64, some 42.4 per cent are aged 45 or older, the vast majority of them baby boomers.

The traditional retirement age of 65, established in Germany in 1916, was the product of an era when life expectancy was significantly lower, so it wasn't too threatening — not many people got there, and so it wasn't such a big deal.

But life expectancy rose consistently throughout the 20th century, initially as society successfully managed to navigate challenges such as high rates of infant mortality and mothers dying during childbirth. Meanwhile, over the course of the last 30 or 40 years, improvements in health care and education have allowed older people to live longer as well.

Indeed, a report last week from the Canadian Institutes for Health Information found that far fewer Canadians are dying before the age of 75 than they were 30 years ago. In 1979, 373 out of every 100,000 Canadian deaths could have been averted or prevented through timely care or disease prevention, the report found. By 2008, the number had dropped to 185 per 100,000 people.

Canada has the third lowest rate of avoidable deaths among G7 countries, behind Japan and France, the report said.

It cited public policy changes such as drinking and driving and seat belt laws, advances in medical science in areas such as cardiovascular disease, and societal attitudes towards alcohol, tobacco, healthy eating and regular exercise as reasons why Canadians are living longer.

Life expectancy in the post-war period has gone up by about two years every decade — a plodding, gradual improvement which, like most demographic challenges, arrived slowly but inevitably, never announcing itself with any urgency. And because it's generally much easier to go with old policies than introduce new policies — particularly politically, because they can be destabilizing — this has gradually crept up on us.

So we're now at the stage where life expectancy is 81 and retirement age is still 65 — or in some countries, 67. The gap between life expectancy and the retirement age has just grown enormously — which is great, if you can afford it. We've got more and more years now of healthy retirement, and we've got to count that as a success in our society, not a problem.

As a result, with the first baby boomers now turning 65, we've got a whole 20 years of the boomer generation poised to make some major decisions in their mid-60s. What are they likely to do?

At the individual level, if you're healthy, you keep working; if you're not healthy, you want to retire. But if you're healthy — and more and more people are healthy at 65 now, again a measure of success of our economic and health care system — you're probably going to want to keep working, but not full time.

Many of them are becoming grandparents, or hope to become grandparents, and so spending a little more time with their grandkids is a high priority. Many have been through the stresses of management or responsibility in their offices, and they're ready to get rid of some of that stress now. Some want to travel. So a lot of people are gradually heading to the stage where they'd like to keep working because they're healthy, but not full time for personal reasons.

It's an ideal way to create room in the workforce for younger Canadians as well. If someone goes on half-salary at 60 for half-time, the payroll savings could be used to cover the full salary of a 22- or 23-year-old. They're far from interchangeable — the skill set of a 23-year-old is vastly different from that of a 60-year-old — but they complement each other nicely in terms of enthusiasm, technological awareness, experience and institutional knowledge.

We're at the stage now where we should be thinking of people gradually easing into retirement. At the other end, it makes a lot more sense to gradually ease into the workforce, too. That's what apprenticeships used to do — they allowed a person to be in school and simultaneously learn something about how their schoolwork can apply in the real world. And it doesn't just have to be a manufacturing job — any white-collar profession can lend itself to apprenticeships as well.

At the other end of the work life, to gradually have the opportunity to ease into retirement — so someone isn't retired or not retired, they're just semi-retired and in the process of gradually retiring — makes a lot more sense.

But we've got to be realistic: an aging society does have some limitations, and we need those limitations to be recognized and adjusted for, and — if they involve a little less productivity — a little less compensation.

Case in point: somebody's much more likely to have arthritis in their 60s than they are even in their 40s. And arthritis can have all sorts of implications about your productivity on the job, particularly if it involves any lifting. If you're working in a nursing home and you have to lift someone for a bath, for instance: you may be very, very good at the caring aspects of working in a nursing home, but if you've got arthritis, it's going to be very difficult to lift someone for a bath.

Changing demographics occur very slowly, and we've moved increasingly towards short-term incentives in the political system and in the economic system. Our politicians are elected for three or four-year terms, so they only have a couple of years in the middle to make a difference. Well, demographics don't change much in a couple of years. In the private sector, we give our senior executives annual bonuses, so they're basically thinking one year at a time. So senior decision makers are not thinking long-term — and demographic change is long-term.

So we've been caught off guard. But the idea that someone may be partially retired is going to be more and more of a challenge — both in the workplace and for pensions, automobile premiums and a host of other policies in the public and private sectors. We need to get our heads around it.

— With files from James McCarten