

# **A NEW PERSPECTIVE ON TRAJECTORIES OF WORK-TO-RETIREMENT TRANSITIONS**

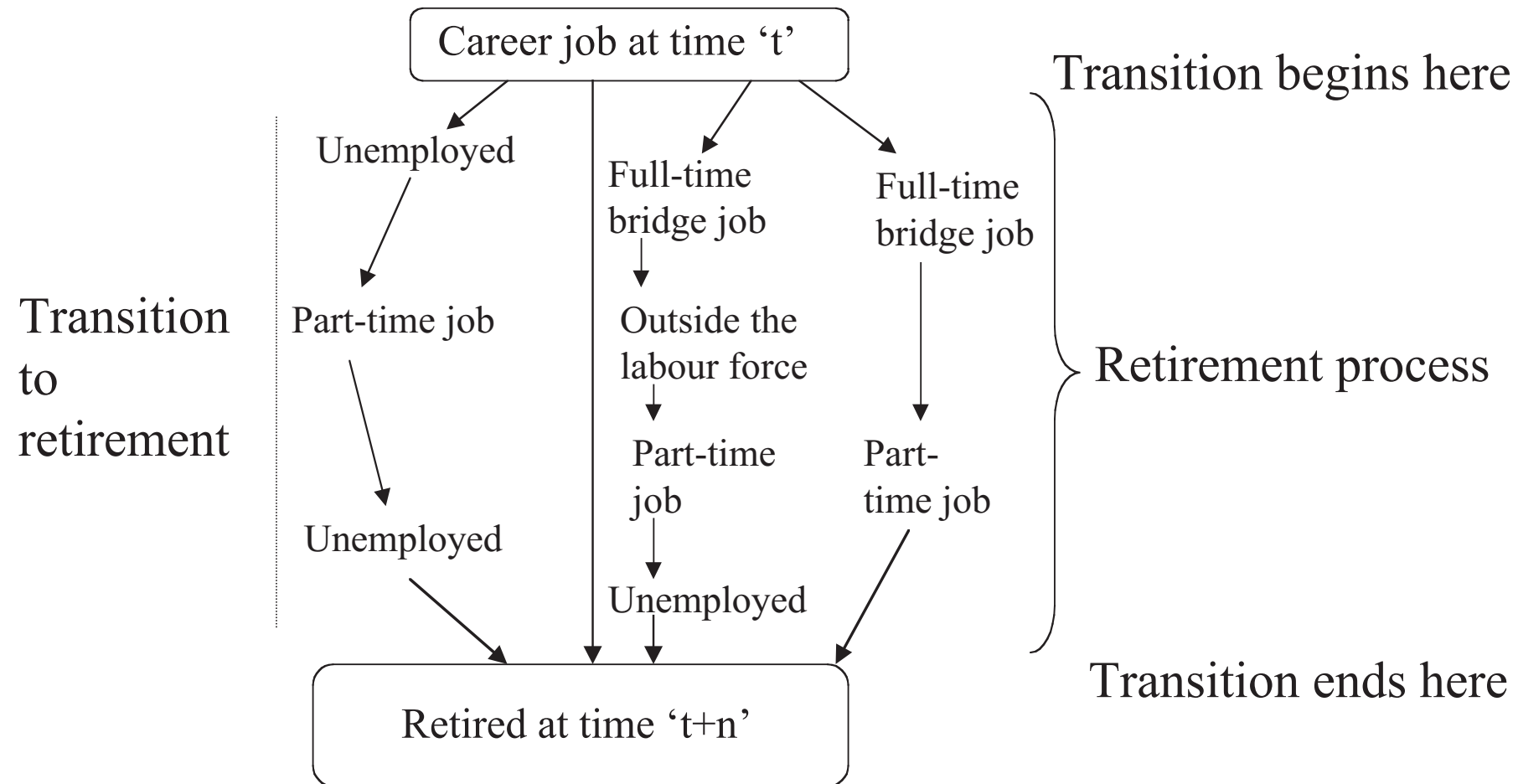
by

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Data source note: With one exception all charts shown here are derived from Statistics Canada's Survey of Labour and Income Dynamics longitudinal file.

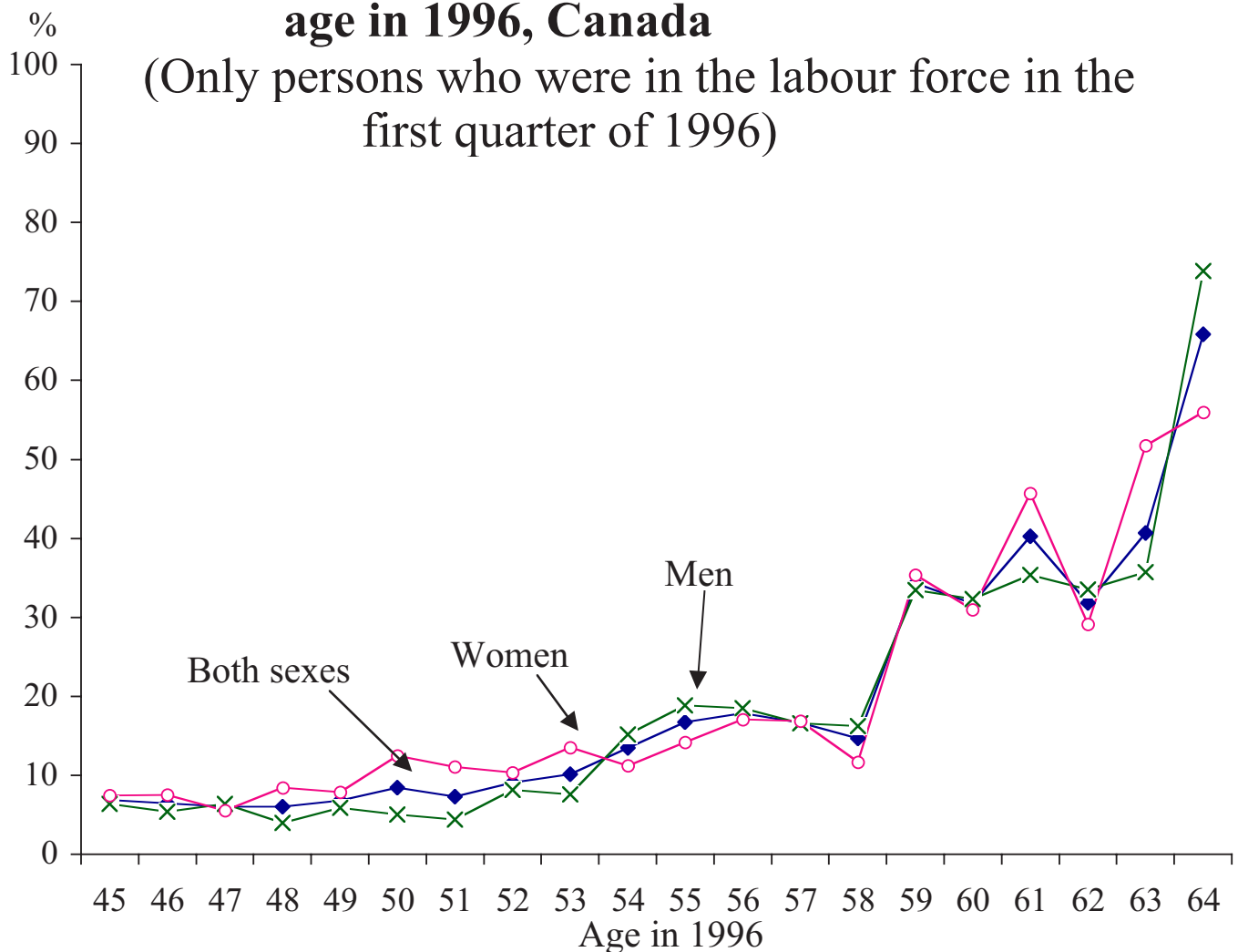
**A trajectory of transition to retirement is a sequence containing a number of changes among positions.**

**Trajectories are multifarious. Below are four patterns of transition and their associated trajectories**



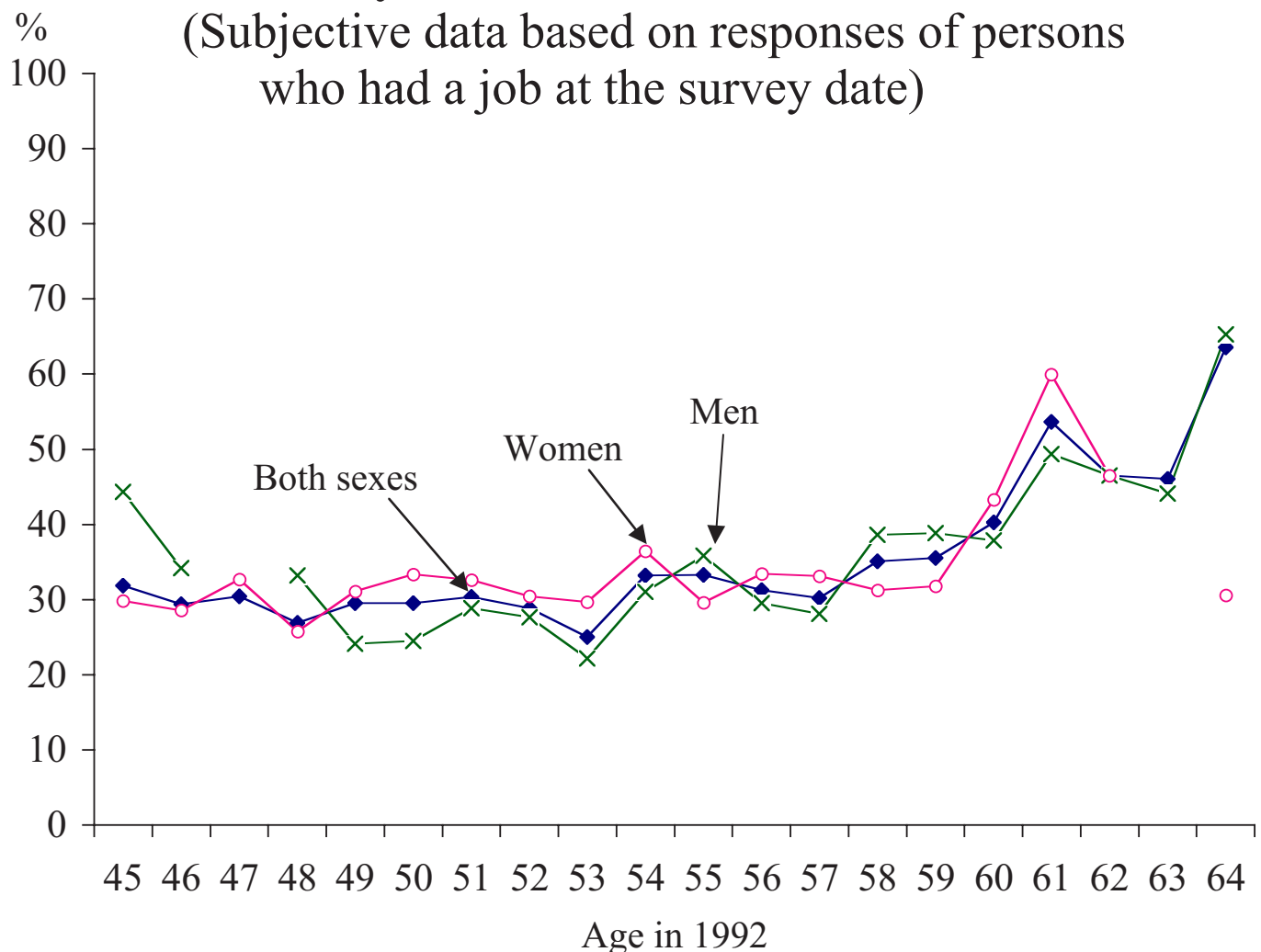
## Percentage who started their transitions to retirement during the 1996-97 period, by sex and age in 1996, Canada

(Only persons who were in the labour force in the first quarter of 1996)



Caption: In Canadian datasets, we approximate being in the transition to retirement by means of a set of weighted behavioural characteristics (departure from the labour force, receiving retirement related income, working reduced hours, etc.).

## Percentage who were partially retired or will retire within the next year, United States, 1992



Source: Health and Retirement Survey, Wave 1, University of Michigan, USA.

**Caption:** In the American Health and Retirement Survey (HRS), the transition to retirement is estimated via an attitudinal question: “Are you retired?”. Both Statistics Canada and HRS data indicate a marked upward slope of the curve at ages 57-58.

# **FIVE PROPERTIES OF TRAJECTORIES OF TRANSITION FROM WORK TO RETIREMENT**

**Speed of closure of a trajectory** -- a person is said to have closed her/his trajectory when (a) she/he has left the labour market and has been in receipt of some form of retirement-related income for at least six-consecutive months, and (b) following those six months she/he did not return to the labour market up to the end of the period of observation. The sooner the person begins this period of uninterrupted departure from the labour force the faster is her/his speed of closure.

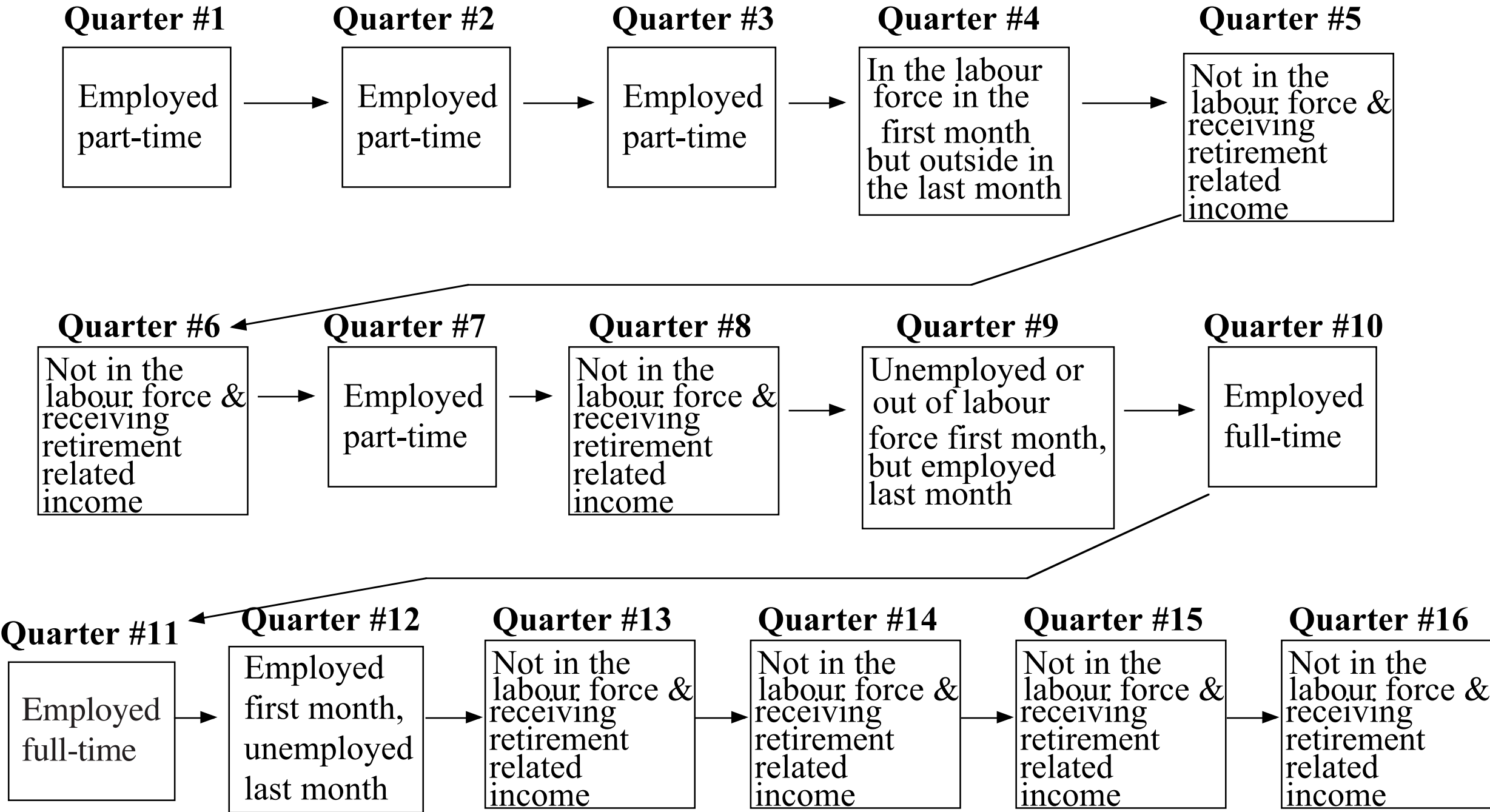
**Exposure to events that threaten to reduce standard of living in retirement** - an event (such as unemployment or involuntary job change) is said to "increase vulnerability" when it is deemed to have increased the risk of setback or damage to whatever plans or arrangements the person has already made concerning standard of living in retirement.

**Instability of market-related status** -- the greater the number of changes of position within a trajectory, the greater is its coefficient of market-related instability.

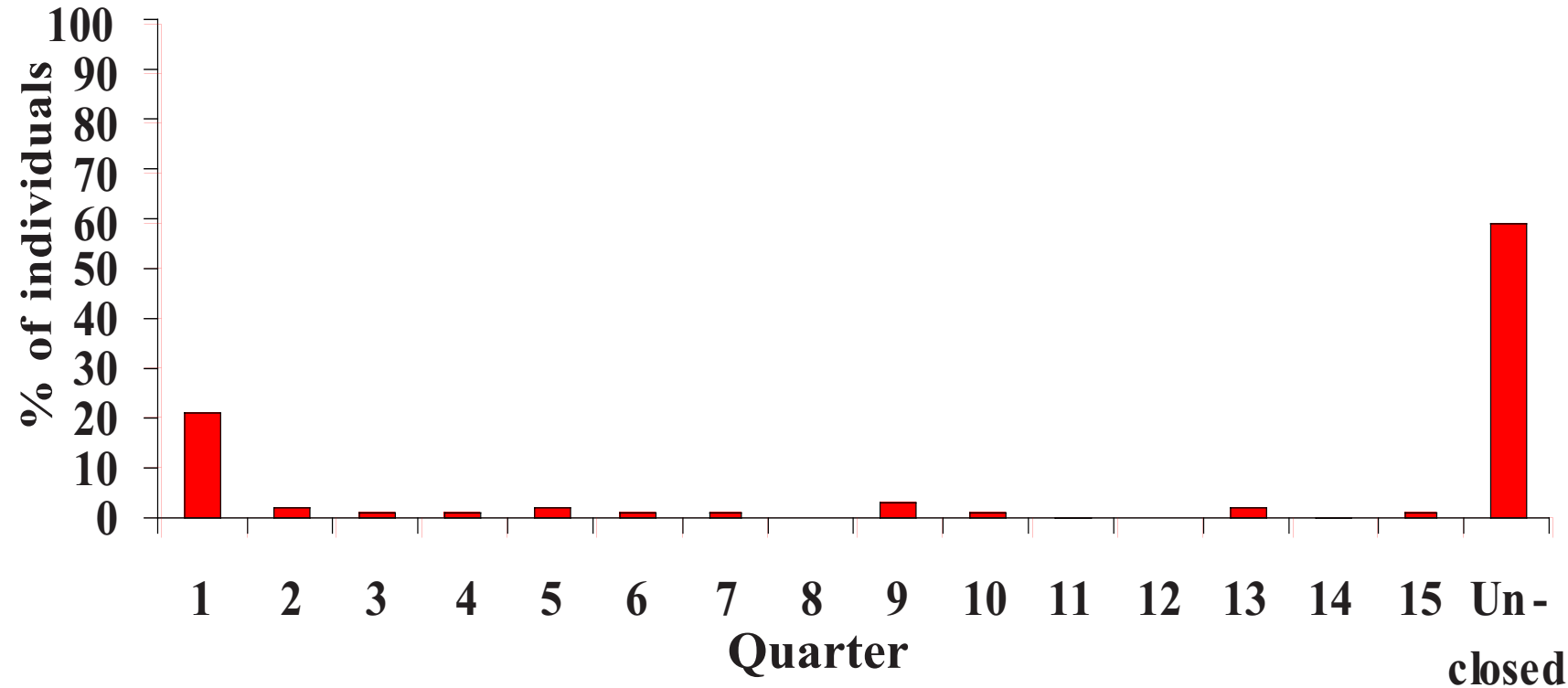
**Presence of flexibility** – access to choice among alternative activities that would form part of the work-to-retirement transition. Certain kinds of movements can be used as indirect indicators of this flexibility; e.g. voluntary job changes, and changes of hours of work within the same job.

**Propensity for returning to the labour market after departure** – (a) the number of times a person is classified as being in the labour force following a period when she/he was deemed to be not in the labour force, and (b) the durations of jobs held after returning to the labour force. The greater the number of returns and the longer the job durations, the higher is the score. This varies inversely with speed of closure.

Example of a complex trajectory



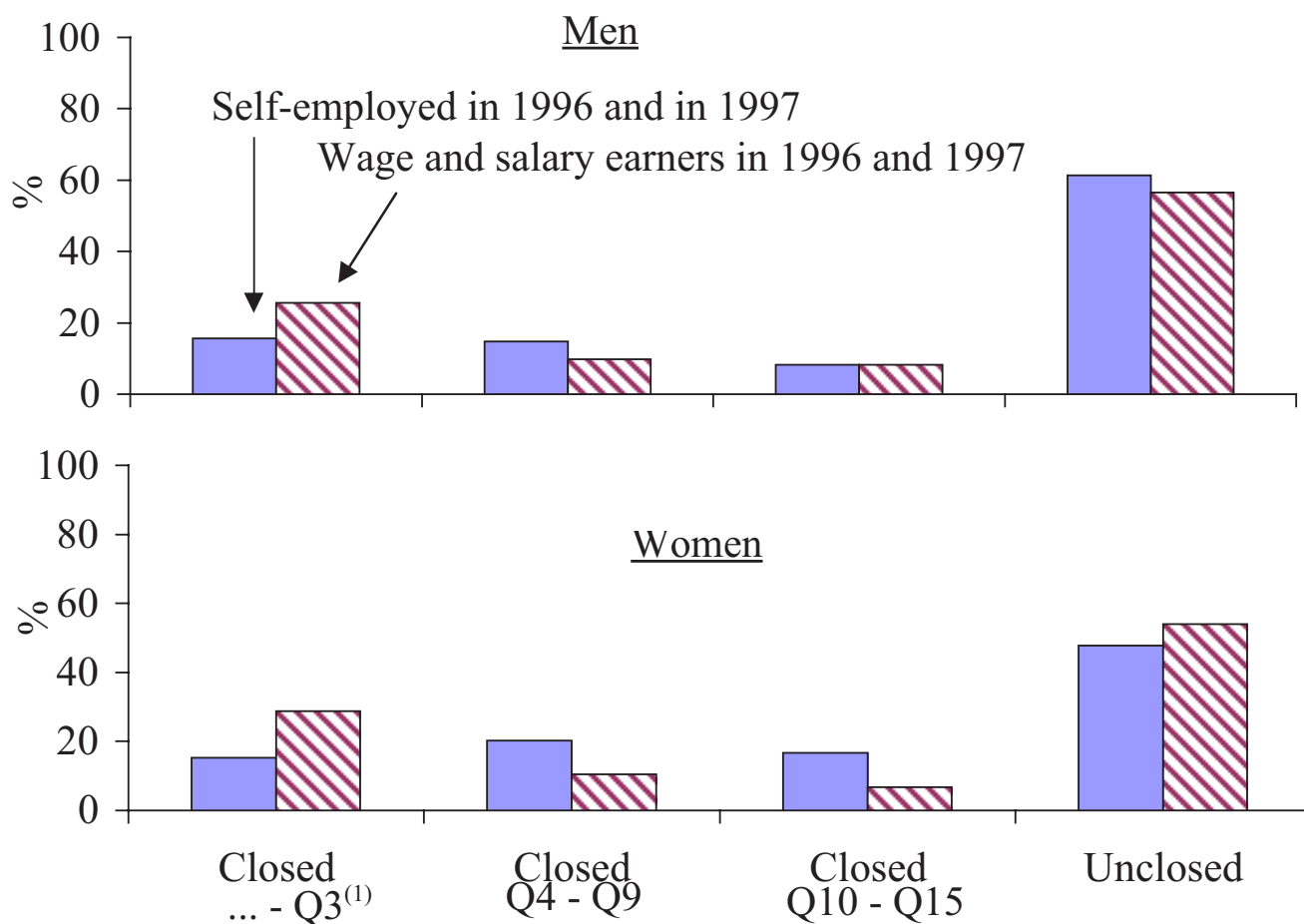
**Distribution of the index of speed of closure of trajectories for persons who were wage and salary earners in 1996 and 1997, cohort aged 45-64 in 1996, Canada**  
(Only those who were judged to have started their transitions during 1996-97)



Caption: Speed of closure is a measure of the time interval from the start of the transition to termination of the transition. The vast majority of transitions closed in or before the first quarter of 1998 or were unclosed at the end of 2001. Small local modes are located at the first quarter of 1999, 2000 and 2001.

# Speed of closure of trajectories of transition to retirement by self-employment status, cohort aged 45-69 in 1996, by sex, Canada

(Persons who were judged to have started their transitions during 1996-97)

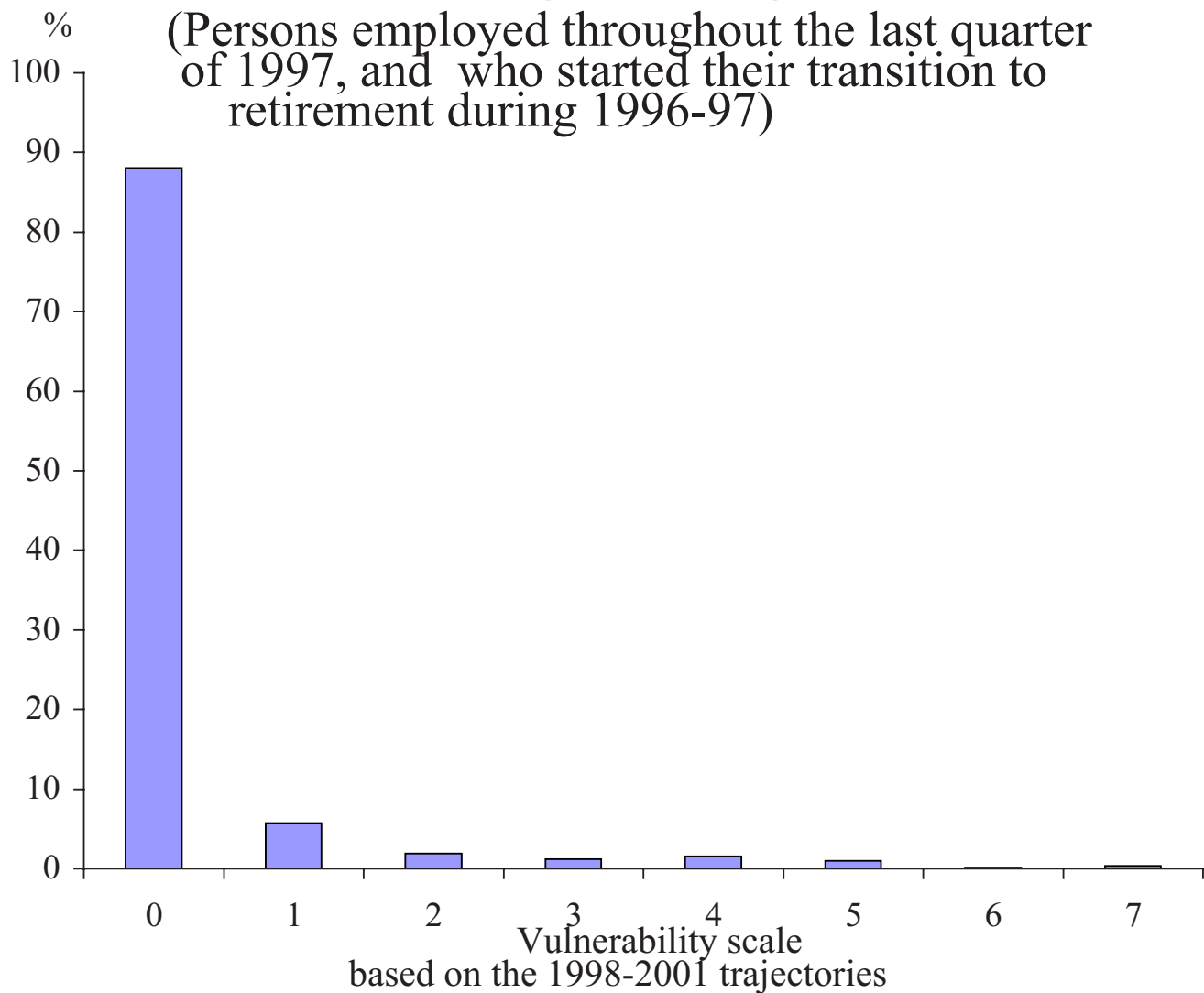


<sup>(1)</sup> The trajectory was closed before or during Quarter 3.  
Quarter 3 is July to September, 1998.

**Caption:** In closing their transitions to retirement, self-employed workers and wage-earners have 2 different profiles. Among women, unlike men, wage earners have the higher percentage of unclosed trajectories.



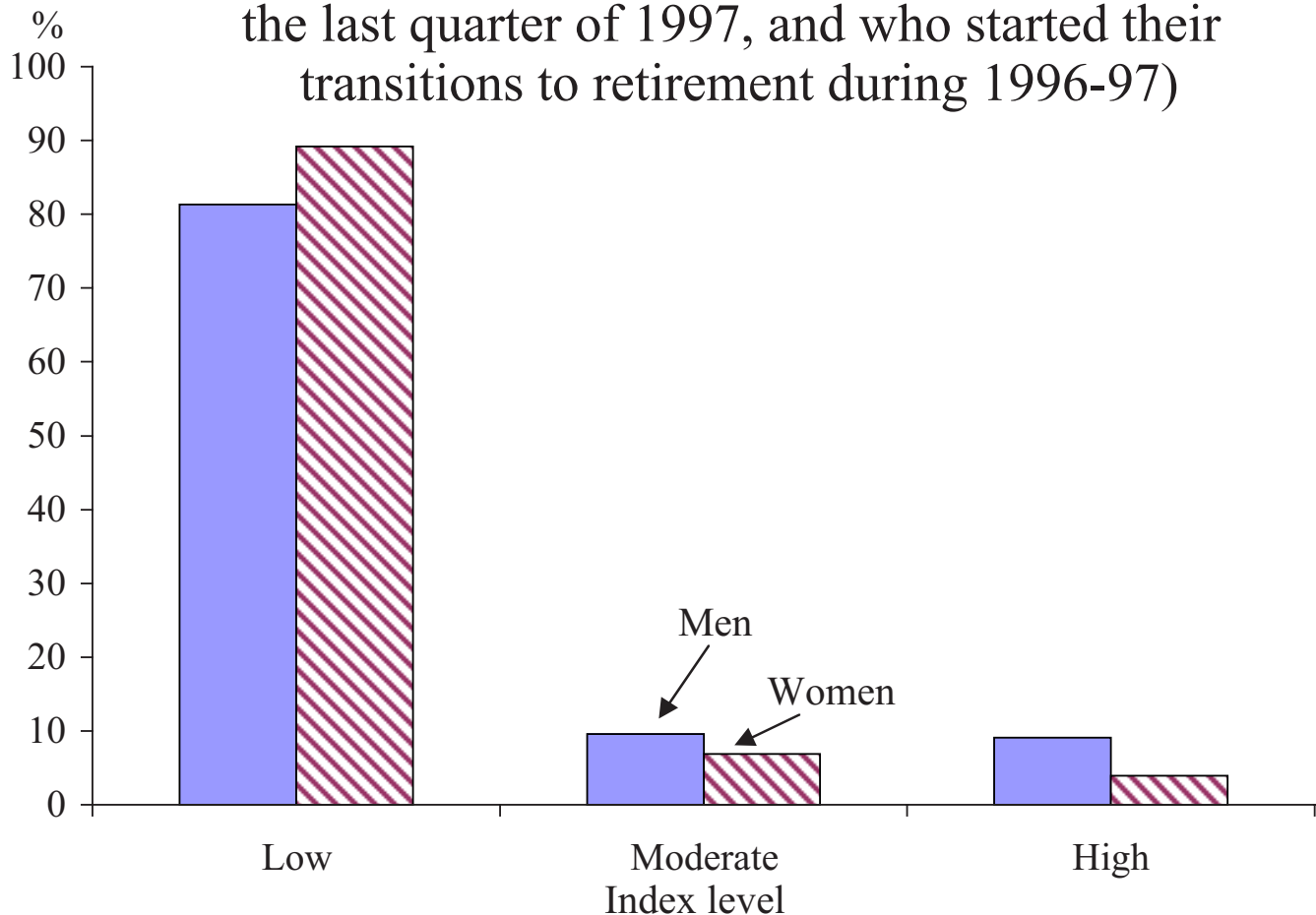
## Distribution of the index of exposure to events that reduce standard of living, cohort aged 45-69 in 1996



Caption: The trajectories of the majority of transitors do not contain market-related events that would increase risks of loss, setbacks or damage regarding their planned standard of living in retirement.

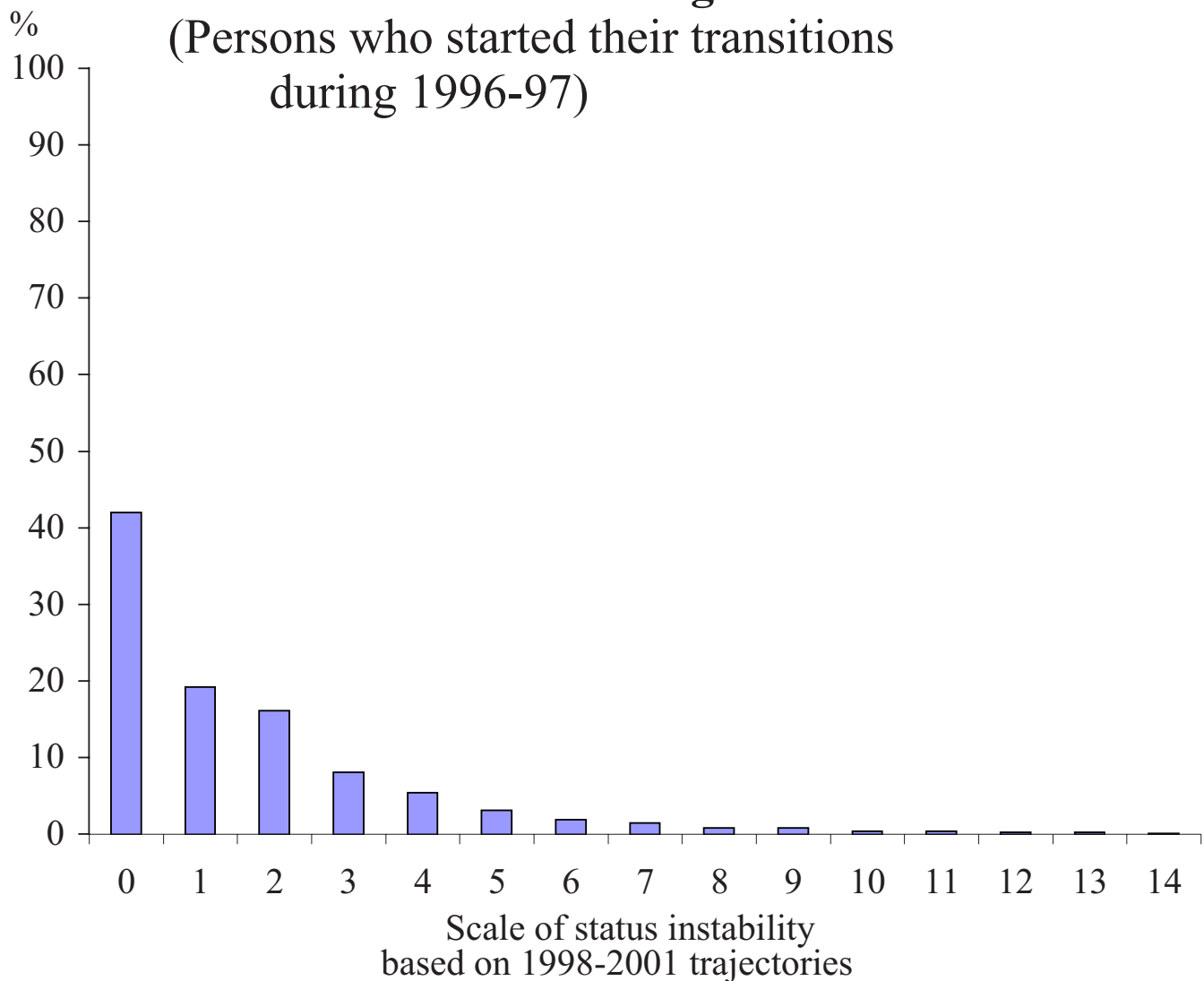
## Index of exposure to events that reduce the standard of living, by sex, cohort aged 45-69 in 1996

(Persons employed as wage and salary earners in both 1996 and 1997, who were employed throughout the last quarter of 1997, and who started their transitions to retirement during 1996-97)



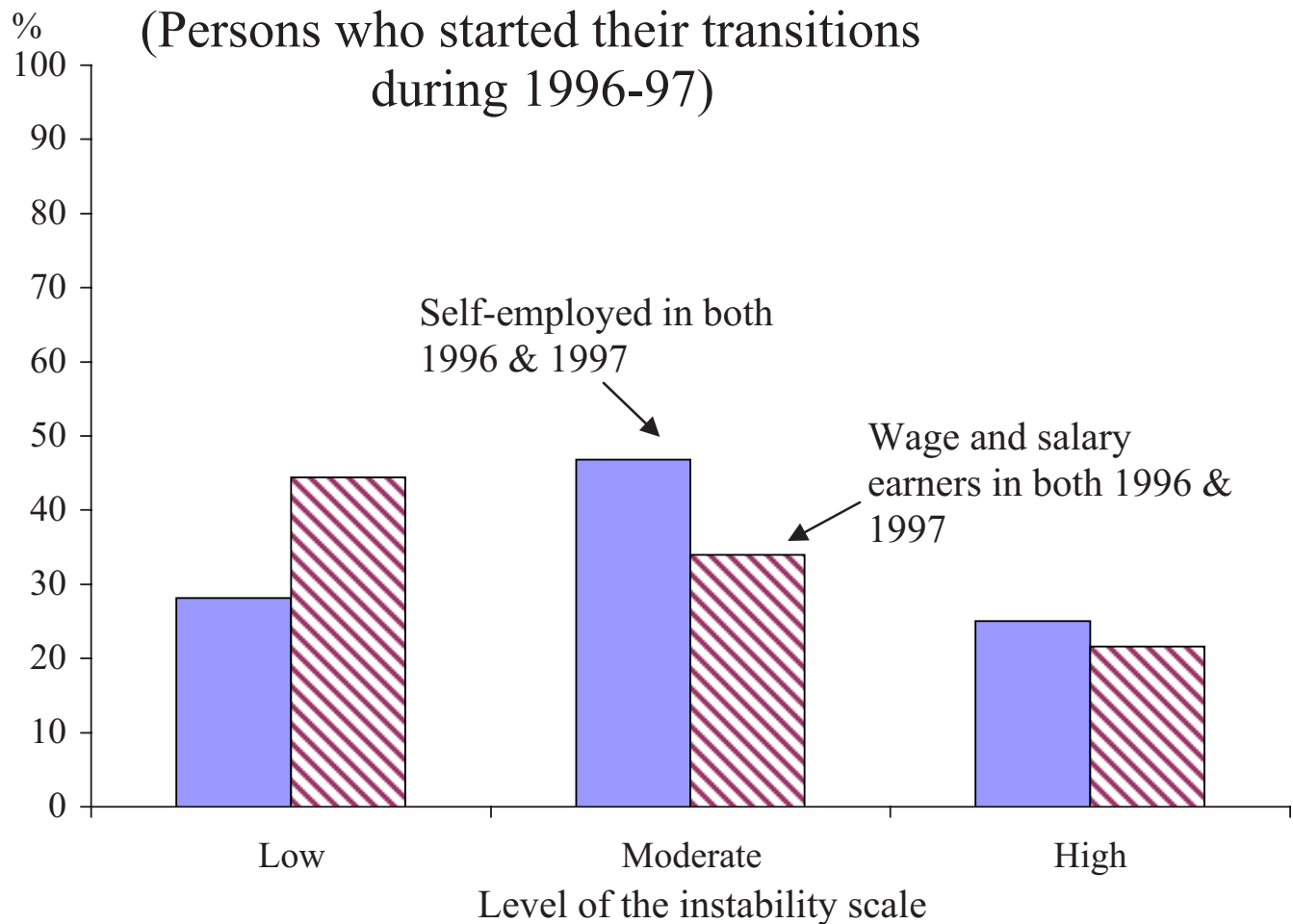
Caption: In general, market-related events make men slightly more vulnerable than women in the course of their work-to-retirement transitions.

## Distribution of the index of frequency of changes of labour market status cohort aged 45-69 in 1996



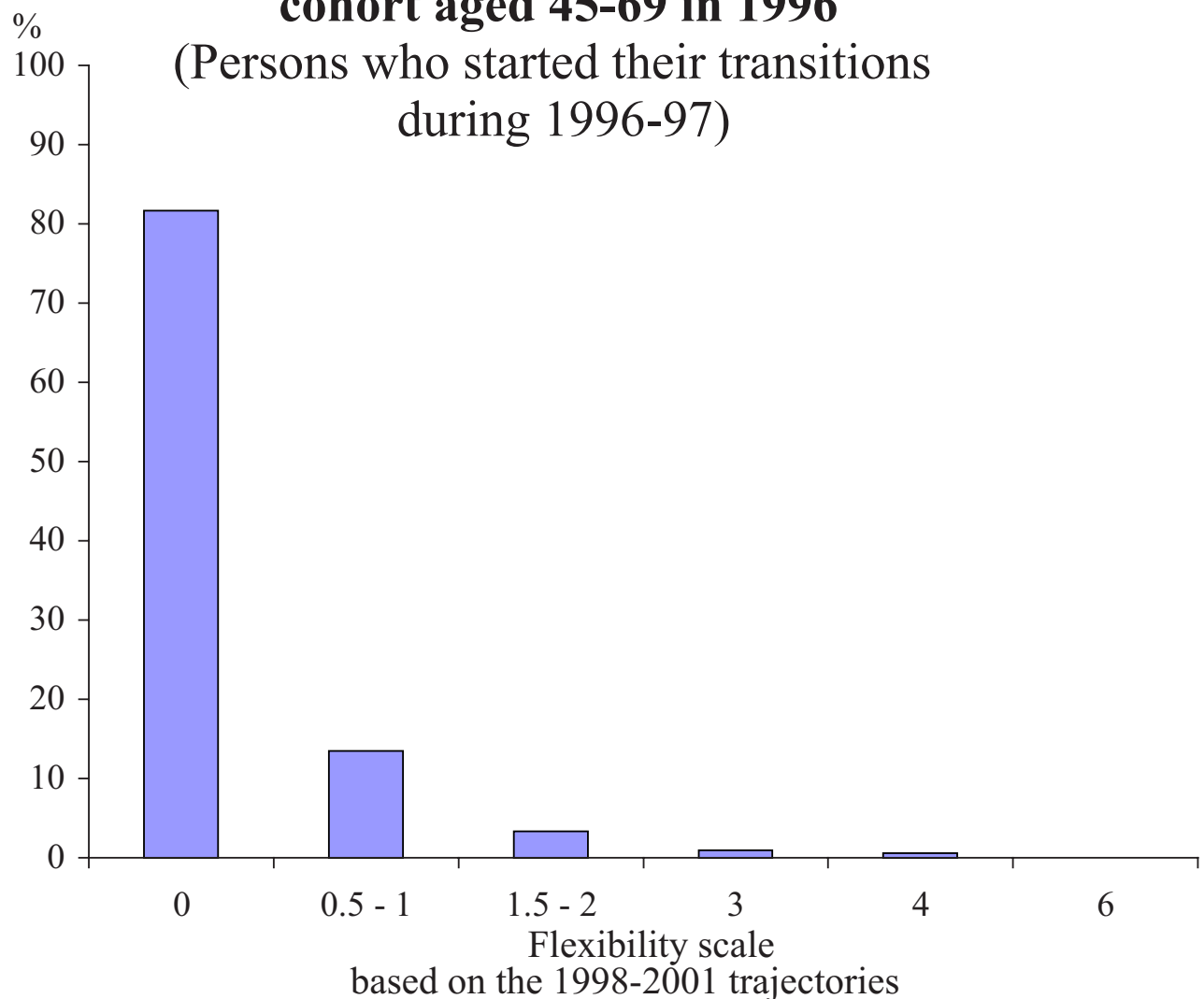
Caption: Over 40% of transiterers experienced no change of position in their labour market status while transiting to retirement; 19% of transiterers had one change of position, and 16% of transiterers had 2.

## Index of instability in labour market status, by type of employment in 1996 & 1997, for persons married and aged 45-69 in 1996



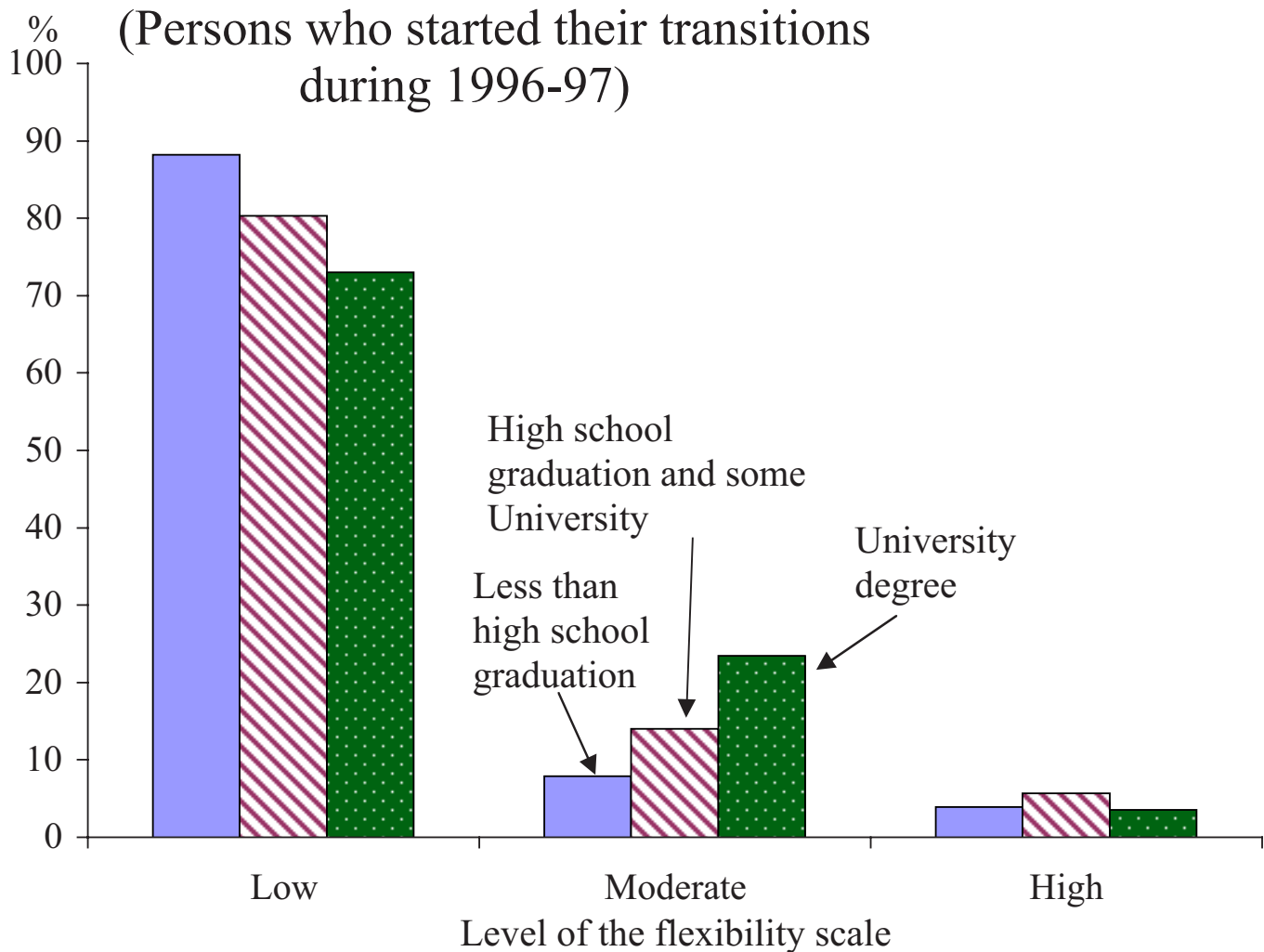
Caption: Holding marital status constant, we see that self-employed workers and wage earners do not face the same instability levels with regard to their transition to retirement. Instability is greater for the self-employed.

## Distribution of the index of flexibility in the work-to-retirement transition, cohort aged 45-69 in 1996



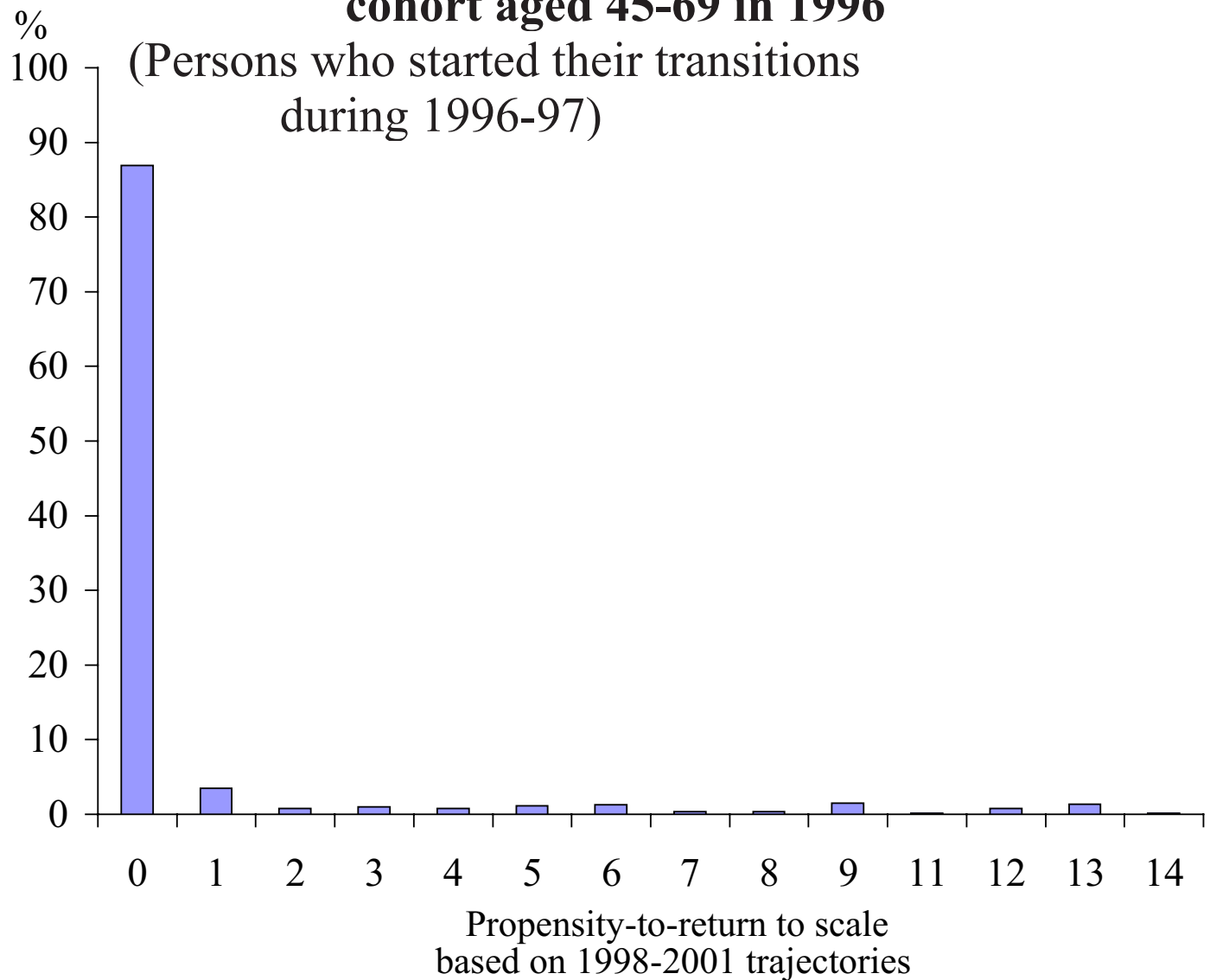
Caption: Very few trajectories indicate some kind of flexibility in transition to retirement, in terms of voluntary job changes, changes of hours worked, etc.

## Index of flexibility in the work-to-retirement transition, by education, cohort aged 45-69 in 1996



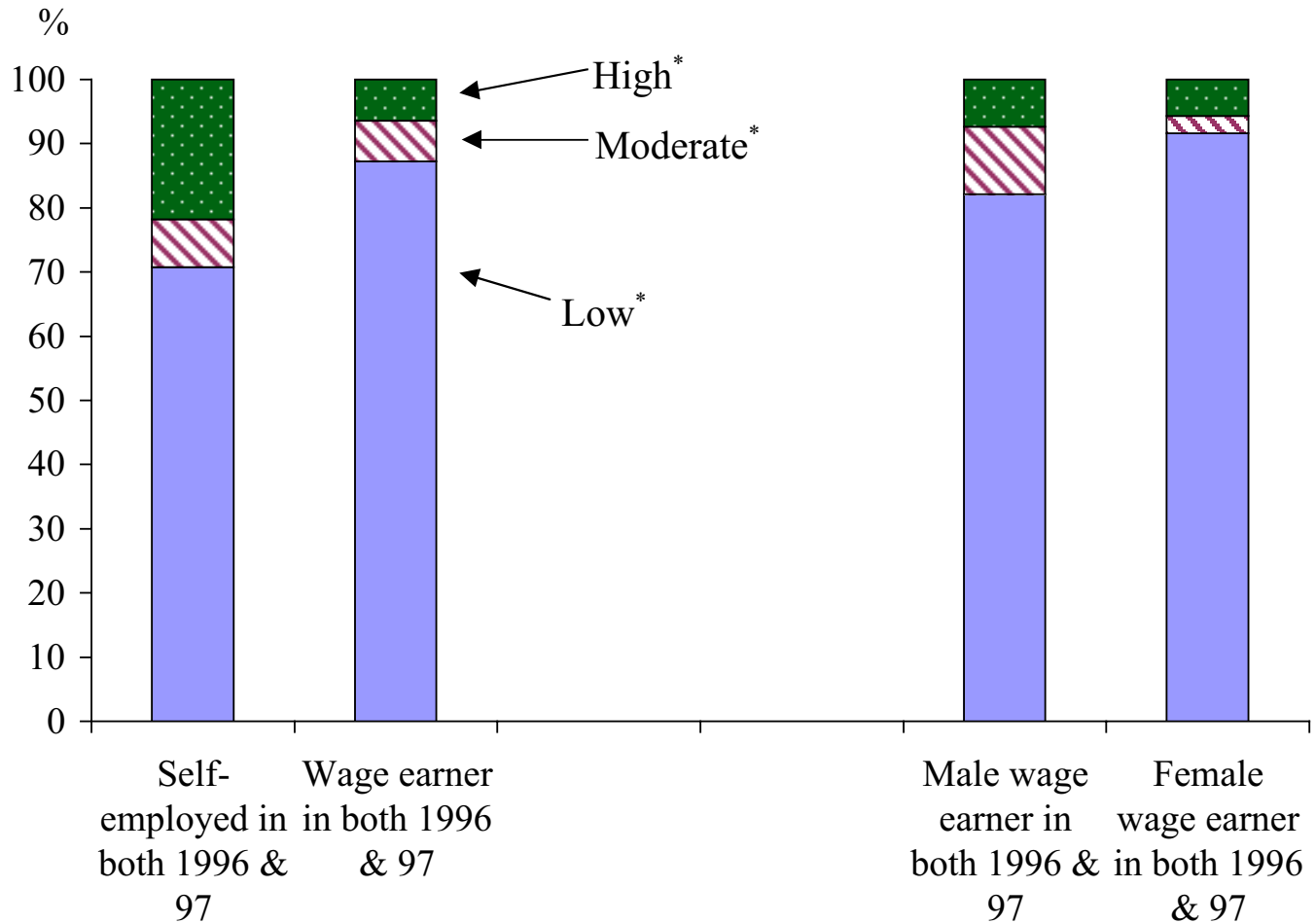
Caption: Among educational groups, flexibility in the work-to-retirement transition is highest for those who have a university degree.

**Distribution of the index of propensity to return to the labour market after leaving it during 1996-97, cohort aged 45-69 in 1996**



Caption: Only about 15% of transiterers return to the labour force after leaving it.

**Index of propensity to return to the labour market  
after leaving it during 1996-97, by type of  
employment, and by sex, cohort aged 45-69 in 1996  
(Persons who started their transitions during 1996-97)**



\* Level of propensity-to-return scale.

Caption: The self-employed are more likely than wage earners to return to the labour force after leaving it. Men are more likely than women to return to the labour force.