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**From:** Benoit Dostie and Todd Morris  
**To:** Pension Policymakers  
**Re:** HOW MUCH DO CANADA'S WORKERS WANT, AND VALUE, EMPLOYER PENSIONS?

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In 2001, the average Canadian private-sector worker was willing to give up about 3.3 percent of their earnings to land a job that came with a pension.

By 2019, that number had tripled to 10.1 percent. That is not a rounding error. It is the clearest signal the Canadian labour market has sent in a generation that workers are fearful about retirement – and willing to pay real money to feel less fearful.

Equipped with [linked Statistics Canada's census](#) of every registered pension plan in the country to tax records covering all tax filers between 2001 and 2020, we found that Canadians' hunger for retirement security has increased over time. However, the pension offerings for private sector workers have been heading the other way – and policymakers need to begin to acknowledge that it is a problem.

The evidence shows that workers will sacrifice wages for a pension. On average, Canadian private-sector workers forgo 6.3 percent of earnings – roughly \$3,000 a year for a typical worker – to hold a job with pension coverage. That valuation has steadily climbed from 3.3 percent in 2001-02 to 10.1 percent in 2019-20.

Not all pensions are equal – and workers know it. Defined benefit (DB) plans are valued at 7.4 percent of earnings, defined contribution (DC) plans at 5.2 percent, and hybrid arrangements at 6.2 percent. Predictability, not complexity, are what workers want. That said, pensions reduce mobility, especially DB ones. Workers with DB coverage are roughly 40 percent less likely to change jobs each year than workers without an employer pension plan. That helps firms retain talent, but it also raises serious questions about whether Canada's labour market is allocating workers efficiently.

Also, headline coverage statistics can mislead if they are not read carefully. Statistics Canada's official numbers for pension coverage may lead to confusion because they double-count workers with multiple pension affiliations. Once that distortion is removed, and when we zoom in on full-time workers, only about 17 percent of core-age private-sector workers were in a pension-covered job in 2020. And the share of those workers in DB plans collapsed from 70 percent in 2001 to 39 percent in 2020.

Stitch these findings together and a stark picture emerges. During the last two decades, private-sector pension coverage has eroded as have DB plans. However, workers signal – in the most economically meaningful way possible, by accepting lower wages – that they want exactly the opposite.

Without these plans, workers have to save on their own. They must develop a high level of financial literacy to manage their savings objectives for retirement alongside the suite of public sources of retirement incomes in Canada. Though some Canadians can surely manage this, it's by no means an easy prospect.

Three priorities should drive the federal and provincial response.

**First**, reframe Statistics Canada's headline coverage statistics and begin to include linked administrative measures. Policy should be built on the best available data.

**Second**, review financial literacy education and intervention programs that become more important if there is more personal responsibility for retirement preparedness.

**Third**, accept that voluntary employer provision in the private sector, as currently designed, is not automatically going to close the gap. If pension scarcity is now a feature, not a bug, of Canada's private labour market, policy needs to examine options to consider [nudging employer pension](#) offerings to make up the difference.

The evidence shows that Canadian workers want and value employer pensions. Much like Canada's policymakers have gotten their arms around slow moving pension issues, like the long-term financial pressures facing the Canada and Quebec pension plans in the 1990s, they should do the same with private pensions. Policy changes can even target those most in need, namely private sector workers.

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