



Expert Panel on Older Workers

SUPPORTING AND ENGAGING
Older Workers in
the New Economy



Members of The Expert Panel on Older Workers

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Acknowledgments

This report would not have been possible without the diligence and dedication of all of those who worked for and assisted the Panel. Panel members would like to acknowledge and thank:

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The Panel would also like to thank the Atlantic Province Economic Council (APEC), the Institute for Public Policy Research (IRPP), the Public Policy Forum (PPF), Mado Desforges, the Canada West Foundation (CWF) and the Simon Fraser University Public Policy Program (SFUPPP) for coordinating and inviting people to the regional roundtables. A special thank you to the report production team and to the people who are the real voices in this report: the stakeholders, academics who provided the expert advice, representatives of provincial, territorial and federal governments who guided us through the regional and policy dimensions in respective jurisdictions and finally to Canadians and associations who we were not able to meet but who took the time to register their ideas through formal submissions.

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Executive Summary

The Canadian economy is under constant pressure to adapt — and it does so remarkably well. As the Panel writes this report, the Canadian dollar is at a 30-year high and unemployment rates are at 30-year lows. However, adaptation creates pressures — on businesses, on the people who work in these businesses, and on governments to provide the correct framework to allow this necessary adjustment to occur.

The Expert Panel on Older Workers was established as a response to two divergent pressures that threaten the high standard of living that Canadians are currently enjoying. First is Canada's changing demographics. The Canadian population is aging, and that will have significant impact on the Canadian economy and could reduce its growth potential. The second pressure is how to provide for those Canadian workers — in this case, older workers — who are displaced as the economy adapts.

The Minister of Human Resources and Social Development Canada established the Expert Panel on Older Workers on January 23, 2007. The Panel members were selected for their experience in studying policy issues. They comprised retired Senator the Honourable Erminie Cohen, who was appointed Chair; Bill MacKinnon, Chief Executive Officer and Senior Partner, KPMG Canada; Craig Riddell, Professor, University of British Columbia; and Diane Bellemare, Senior Vice President and Chief Economist, Conseil du patronat du Québec. In the spring of 2007, Diane Bellemare resigned from her position with the Expert Panel. The government subsequently appointed Ms. Françoise Bertrand, President and Director General of the Fédération des chambres de commerce du Québec.

The Panel's task was to consider the current situation and future prospects of older workers, and to make recommendations to the government. Although a broad range of social and economic factors affects the situation of older workers, the mandate established a clear labour market focus. The Panel, after determining for the purposes of this study that older workers are those 55 years and older, established two overarching themes to guide its work:

- enhancing the labour market prospects of older workers; and
- supporting older worker adjustment, with special attention to the circumstances of displaced older workers.

The Panel started its examination with consultations to find out the level of awareness of Canadians on this topic and to hear what Canadians had to say.

The Consultations

The consultation process on older workers was both central and critical to the work of the Expert Panel. The consultations were aimed at hearing the concerns and issues confronting them, as well as the challenges facing employers, unions, governments and the many and varied organizations that represent individual Canadians and older workers. A discussion paper provided background on the labour market issues affecting older workers and initiated a dialogue with interested stakeholders. Meetings with provincial and territorial representatives were rounded out through consultations with interested stakeholders in the broader private, not-for-profit and other non-governmental sectors. The Panel met with academics whose work centres on labour market and workplace issues related to this target group. It also called on international experts to gain insight into what other countries are doing to address the issues of an aging labour force. Experts from the US also spoke about the dynamics of displaced workers in their country and the impact of policies designed to help them gain re-employment.

Through the consultations and submissions from all of these stakeholder groups, the Expert Panel was able to learn about the broader strategic issues confronting governments, the challenges and opportunities employers must address from a human resource management perspective, and the concerns and problems individuals face in their personal lives. The Panel was impressed with the knowledge and awareness of the issues of the participants; inspired by the passion with

which participants expressed their concerns; and struck by the extent to which many of the participants articulated thoughtful, reasoned policy options and alternatives.

What the Panel learned is that, like the country itself, views diverge on how to address these two broad themes both within and between provinces and territories and across the different stakeholder groups.

A few things were obvious. Canadians for the most part understand and accept the need for economic adjustment. They recognize the need to support diverse forms of learning and training activities during the entire course of a career. They also believe that those closest to the problems have the best chance of solving them.

There was a large amount of support for improving the participation of older workers in the labour market. One of the major barriers to engaging them in the labour force was thought to be myths about the need to retire early in order to more fully enjoy life and to make room for the younger generation. The Panel found that many older workers still have years of potential contributions to the labour force, are healthier, live longer and are more productive than previous generations. The psychology developed around “freedom 55” is changing as many Canadians are looking for opportunities to continue to contribute either out of necessity or out of a sense of self-fulfillment. Stakeholders were clear that governments should be active in efforts to maximize participation rates among older workers.

Canadians also expressed a strong view that private and public policies ought to support flexibility and choice throughout people’s lives.

The Panel’s Findings and Recommendations

Enhancing Labour Market Prospects

The Panel acknowledged the importance of population aging as a fundamental underlying dynamic that will determine the situation of older workers. This development is significant because it stands to alter, quite fundamentally, the make-up of the labour force and the functioning of the labour market. It also has

consequences for individual employees and employers who must adapt and make decisions within an environment characterized by new labour market and workplace realities.

A key dimension of the labour market prospects of older workers is their participation in work. The Panel examined the overall extent and characteristics of their participation in today’s labour market. The Panel paid particular attention to barriers to increased participation as well as the factors that underpin successful participation and attachment to work. The Panel also considered the prospects for improving the participation of the next generation of older workers, in the context of an aging labour force. An individual’s level of “human capital,” including their levels of literacy, training and formal education, is a major factor determining their long-term success in the labour market. The Panel therefore carefully considered the roles of governments, employers and individuals in encouraging, supporting and promoting the training, education and lifelong learning required to enhance the prospects of current and future cohorts of older workers.

The Expert Panel examined the range of current government policies that affect older workers’ participation. This included examining policies that affect them in terms of when and how they transition between jobs and from work to retirement. The Panel identified important, specific areas for government involvement relating to mandatory retirement, pensions and new transition approaches to retirement.

As a result of these policy reviews, the Panel proposes the following:

Recommendation 1:

That the federal government, in consultation with the private sector, unions and civil society, undertake a comprehensive and sustained awareness campaign to promote the value and benefits to individuals and employers of continued and active participation in the labour force, to reduce ageism and to remove negative stereotypes surrounding older workers.

Recommendation 2:

That the federal government eliminate mandatory retirement in the federal jurisdiction by amending the *Canadian Human Rights Act* to extend the coverage of the Act by removing exceptions that have the effect of permitting mandatory retirement for persons aged 65 and older. This amendment of the *Canadian Human Rights Act* should be undertaken in a manner that allows for flexibility by respecting current *bona fide* occupational requirements based on age.

Recommendation 3:

That the federal government work with provincial and territorial governments to promote the value, benefits and importance to individuals and employers of increasing the levels of training and literacy, both in the workplace and through other programs, and to also promote the need for continuous learning throughout individuals' working lives.

Recommendation 4:

That the federal, provincial and territorial governments work together to undertake and implement changes to the tax and pension systems that would remove systemic barriers and disincentives to work, with the aim of achieving a program design that provides choices and flexibility for older workers who wish to participate in the labour force and earn income.

Recognizing that this will require coordination of changes to pension and tax systems across jurisdictions, the governments should:

- **move to eliminate the work cessation clause in the Canada Pension Plan;**
- **allow eligible individuals to work and receive benefits while still contributing to a pension plan;**
- **minimize work disincentive effects associated with the Guaranteed Income Supplement clawback provisions; and**
- **continue to promote phased retirement through facilitated changes in the tax and pension systems.**

Supporting Older Worker Adjustment

The second theme is supporting older worker adjustment in the labour market. Particular emphasis is placed on the special challenges and circumstances of older workers displaced from their jobs. In the course of their work, the Panel encountered significant information gaps surrounding older workers— in particular, displaced older workers — in Canada. If governments, employers and individuals are to make informed decisions and choices, the Panel considers that more information and analysis needs to be available on an ongoing basis.

In supporting labour market adjustment, the Panel was again mindful of the need to consider the appropriate roles for individuals, unions and employers to address some of the issues faced by older workers. But especially in those situations where they adjust slowly or unsuccessfully to job losses, the Panel was concerned about the best role and scope for government policy in addressing the adjustment challenges confronting those workers. Given this concern, the Panel carefully examined the current federally funded program that supports older worker adjustment, the Targeted Initiative for Older Workers (TIOW), as well as other potential policy options to assist displaced older workers.

While displaced older workers generally have available a range of existing programs that provide income support as well as active support for adjustment, there may exist gaps in these programs. Emerging labour market conditions may also require an adjustment to existing programs that currently support older workers, such as Employment Insurance (EI). Two particular policy areas concerned the Panel. The first was whether the current supports available to older workers within EI are adequate. The second was whether existing policies adequately support the prospects for older workers' long-term employability, especially if barriers and disincentives exist for them to become re-employed.

In light of the above, the Panel proposes the following:

Recommendation 5:

That the federal government authorize Statistics Canada to design and implement a new national Survey of Displaced Workers as a

regular supplement to the Labour Force Survey. The new survey should be conducted at least biennially and in a manner that permits analyses on older worker transitions between work and retirement. It should include relevant information about permanent job losses experienced during three or more years prior to the survey.

Recommendation 6:

That the federal government authorize Statistics Canada to design and implement a new national longitudinal Survey of Work to Retirement Transitions. The new survey should be conducted at least biennially and preferably annually. The survey would permit longitudinal analyses of older worker transitions from work to retirement and should include information about the factors that influence workers' retirement decisions.

Recommendation 7:

That the federal government establish a centre for the study of the implications of the aging population on the labour market, the economy, competitiveness and productivity. The role of the centre would be to:

- collect relevant information about older workers;
- conduct research and analysis on the economic implications of the aging population, and increase public awareness of the realities of the aging labour force and the economic issues associated with the aging population; and
- disseminate relevant up-to-date information and knowledge about the economic aspects of the aging population to employers, individuals and other interested and affected stakeholders.

Recommendation 8:

That the regulations under the existing EI program be changed so that severance payments made to workers who become unemployed after a period of long tenure in the workplace and who have not been EI recipients on a regular basis, are no longer considered earnings for purposes of EI. This

would enable those claimants to collect EI Part I benefits after the 2-week waiting period.

For the purpose of the recommendation, the operational definitions of "long tenure" and "regular basis" need to be determined. As guidelines, the Panel suggests that these benefits be available to unemployed workers who had been employed for at least 10 years and had not collected benefits in the last five years.

Recommendation 9:

That the federal government, under the existing EI program, initiate through EI Part II (innovation and research capacity) a demonstration project to test the viability and cost effectiveness of a wage insurance plan that would help to mitigate the income losses faced by displaced older workers and thereby encourage these workers to more rapidly return to employment.

Recommendation 10:

That the *Employment Insurance Act* be modified such that workers who become unemployed after a period of long tenure in the workplace, and who have not been EI recipients on a regular basis:

- (i) be eligible to receive benefits for longer than they are eligible to receive them under the current program; and
- (ii) that the extended duration of benefits and mobility assistance (see Recommendation 11) for these long-tenured employees not depend on the unemployment rate in the region, as is the case for special benefits such as maternity, parental, compassionate and sickness benefits.

For the purpose of the recommendation, the operational definitions of "long tenure" and "regular basis" need to be determined. As guidelines, the Panel again suggests that these extended benefits be available to unemployed workers who had been employed for at least 10 years and had not collected benefits in the last five years.

Recommendation 11:

That the *Employment Insurance Act* be modified such that the suite of measures under EI Part II be expanded to include a specific mobility assistance measure with a commensurate adjustment to the budget allocated to EI Part II.

Recommendation 12:

The Panel strongly recommends that the federal government engage in a fundamental review of the *Employment Insurance Act*.

Recommendation 13:

That the termination date of the current TIOW program be extended until the government has modified the EI program to provide improved benefits to long-tenured displaced older workers (see Recommendation 10); that mobility assistance measures and commensurate funding be added to any new TIOW agreements being extended or negotiated; and that the TIOW program be modified to provide for financial mobility assistance as an eligible program activity.

Introduction

1. The Panel's Approach

This report is based upon the study of older workers conducted in 2007 by the Expert Panel on Older Workers. The report examines how they are positioned within the broad labour market context, and considers the impacts of population aging on Canada's economy and labour force, barriers to their participation in the labour market, the circumstances of displaced older workers, and their labour market prospects.

The work of the Panel was supported by the consultation and research functions of the Secretariat for the Expert Panel on Older Workers. The Panel took a broad approach to consultation with provincial and territorial governments; key stakeholders from the academic, employer and labour communities; and other groups such as non-governmental and not-for-profit organizations. To launch the consultation process, the Panel released a discussion paper to provide background on the labour market issues affecting older workers, especially those who are displaced, and to initiate a dialogue with stakeholders.

The consultation process was national in scope and consisted of three components. The first component consisted of formal consultations between the Panel and provincial and territorial ministers or their representatives. During the course of these consultations, the Panel heard about issues that were both regionally and nationally significant.

The second component comprised a consultation process in which interested stakeholders in the broader private, not-for-profit and other non-governmental sectors were heard. This process was undertaken through a series of regional roundtables held in Calgary, Montreal, Saint John, St. John's, Toronto and Vancouver.

In the third component, the Panel met in Montreal with academic experts for a roundtable discussion on economic, labour market, workplace and other issues related to older workers. See Appendix B for a list of all of the consultations and roundtables.

Throughout the process, the Panel encouraged interested stakeholders to submit their views on the issues. Thirty-four submissions were received and posted on the Expert Panel's Web site.¹ Communications from the public were directed through the Secretariat for the Expert Panel for consideration. In these ways, the Panel was able to conduct a broad-based, public consultation process that canvassed the views and concerns of a broad range of stakeholder groups from across Canada.

The Expert Panel sought the most up-to-date research evidence to support its deliberations. It benefited from the Secretariat's access to research from the Labour Market Policy group within Strategic Policy at Human Resources and Social Development Canada (HRSDC). This information included profiles of key dimensions of the labour market experience; characteristics, programs and unemployment experiences of older workers; and in-depth focus group studies on older workers. To make this research available to individuals, public stakeholders, and provinces and territories, executive summaries produced through HRSDC and other organizations throughout Canada and internationally were posted on the Panel's Web site. See Appendix C for a description of the new research utilized by the Panel.

The consultation process was wide-ranging and comprehensive. In addressing its mandate, the Panel considered the results of the process together with the submissions and all available research evidence.

2. The Plan of the Report

The Report of the Expert Panel is organized into four main parts. Part I provides a context in which to understand the situation of older workers in the labour market, and an in-depth analysis of their experiences and the obstacles confronting them. It identifies the main characteristics of the Canadian economy and labour market relevant to older workers, and assesses the various aspects of the aging of the population and the challenges this presents. As well, Part I reviews the efficacy of Canadian

and international labour market policies, including various active and passive measures, and considers the evidence and lessons from the Canadian experience with economic adjustment programs targeted to older workers.

Part II describes what the Panel heard from Canadians through the consultation process with provincial and territorial governments, stakeholders in the broader public, and academic researchers. This process provided a rich and detailed set of views and analyses concerning the challenges faced by older workers; the strengths and gaps in current policies; future policy priorities; and the potential roles for individuals, employers, unions and governments in meeting their needs, especially those who are displaced. This consultation process also provided a high-level view of how these challenges might be addressed.

The Expert Panel's recommendations are set out in Parts III and IV of the report.

Part III, which deals with enhancing the labour market prospects of older workers, is divided into five sections. The first section considers the importance of enhancing older workers' choice and flexibility in the labour market, in terms of making work-to-retirement transitions as well as the extent of their participation in work. The second section identifies the main issues and challenges confronting them. These challenges include discriminatory workplace practices, out-of-date human resource practices, insufficient education, skills and training, the need for lifelong learning, and outdated government policies that may have elements that limit older workers' choices or create disincentives to work. The third section focuses on how best to approach removing barriers to older workers' participation and success in the labour market, including age discrimination and outdated government policies. The fourth section deals with the issue of promoting "best practices," from the standpoint of enhancing the labour market prospects of older workers, by supporting training, literacy and lifelong learning. The final section addresses transitions into retirement, the need for flexibility and choice regarding retirement options, and issues and limitations of current policies and programs — particularly pension plans and other income support programs. The Panel's recommendations regarding enhancing older workers' prospects are presented in Part III.

Part IV focuses on how best to support older workers' adjustment in the labour market. Section one covers the need to improve the labour market information available to individuals, employers, researchers and policy makers. The second section focuses on how best to support displaced older worker adjustment in Canada. Three elements of support are considered, including ensuring adequate adjustment assistance, renewing the EI program, and updating the TIOW — the current federally funded adjustment program for older workers established in 2006.

PART I

Older Workers in the Canadian Economy

1. The Overall Economic and Labour Market Context

The Performance of Canada's Economy

The Canadian economy performed well over the past two decades in terms of overall growth and labour market performance. The aggregate gross domestic product doubled since 1980, and the annual rate of growth since 2000 has been in the range of about 3.0%.² These rates compare favourably with other Organisation for Economic Cooperation and Development (OECD) countries and the G7.³ While productivity growth has also been sustained over the past several decades, Canada's productivity performance has been weak compared with other OECD countries, especially the United States.⁴

From a high of over 11% in 1993, the unemployment rate has steadily declined over the past decade.⁵ By 2007, the Canadian unemployment rate had reached its lowest level (at 6.0%) in over three decades.⁶ The performance of Canada's labour force has been especially strong compared with that of other OECD countries: the size of Canada's labour force has expanded by over 45% since 1980, and the labour force participation rate now exceeds 67%.⁷

Overall, Canada's economic performance compares well with other major OECD countries. One factor contributing to this strong performance is economic and labour market flexibility.⁸ Production responds well to economic shocks and the labour market is flexible in that there is a significant degree of adjustment — and the adjustment takes place relatively quickly. The Canadian economy and labour market experience, however, have not been uniform across all sectors or regions of the country, nor have the costs of adjustment been borne equally across segments of the labour force.

Economic growth has varied considerably across sectors, with the strongest growth in the

service sector, whereas the goods sector has experienced more modest growth.⁹ Employment growth rates have also varied across industries and regions of the country, being weaker in certain industries and in some regions, while quite strong in others.¹⁰

Recent strong economic growth in Alberta, for example, has resulted in demand exceeding supply in many skilled occupations, accompanied by very low overall unemployment rates compared with the rest of Canada, and upward pressure on wages.¹¹ These labour market outcomes have resulted in pressures for “upside” adjustments. These adjustments typically take the form of labour mobility from higher to lower unemployment regions and, in the longer term, increased training in trades and other occupations that are in high demand. In marked contrast, areas of Atlantic Canada and regions of Quebec and Ontario continue to experience relatively high unemployment rates, limited job growth and job losses in some key sectors of these regional economies (e.g., segments of manufacturing and primary industries).¹²

Employment in Canada expanded from roughly 11 million workers in 1980 to over 16 million in 2006. During most years since the mid-1990s, employment growth rates have been in the range of 2.0% to 2.5%. Growth has occurred in all forms of employment, including full-time, part-time and self-employment. In the economy as a whole, employment growth has been more evident in the service industries than in the goods-producing sector.¹³

Since 1990, employment growth has been quite sizeable, particularly in industries such as business, building and related services, construction, and accommodation and food services. But over this period the variation in growth in these industries across provinces has also been large. Construction employment growth, for example, ranges from a modest 4.6% in Quebec and 6.6% in Nova Scotia, to around 26% in Manitoba and Saskatchewan, and over 100% in Alberta.¹⁴

The overall labour force participation rate steadily increased throughout the 1970s and 1980s to reach a high of around 67% by the end of the 1980s; it then declined somewhat during the early 1990s, before steadily increasing again to about 67% during 2003–2007.¹⁵ Labour force participation rates also vary by age, with those aged 55–64 having a participation rate around 59% and those aged 25–54 having the highest participation rate, at over 80%.¹⁶

There are also some pronounced variations in labour market outcomes between workers of different characteristics. Some characteristics — such as having high levels of education, access to training and being employed in high-growth industries — are associated with very positive labour market outcomes. Workers with these characteristics tend to have high earnings growth, low risk of unemployment and high employment rates.¹⁷

But some segments of the labour force, including older workers and immigrants, have not fared so well. Older workers, once displaced from their jobs, tend to have longer periods of joblessness and relatively greater wage loss. Faring less well are successive immigrant entrants into the labour market — and there remains a large proportion of the labour force that earns very low wages.¹⁸

The past 25 years have also been characterized by widening inequality in the earnings and incomes of Canadians.¹⁹ After accounting for inflation, the earnings of those with relatively high initial earnings have increased, while the earnings of those with below-average incomes have stagnated or declined. The increases in earnings among those at the very top of the income distribution — such as the top 5% or the top 1% — have been especially dramatic. Thus most of the gains from economic growth since 1980 have gone to those who already earned relatively high incomes. The standard of living of the average Canadian family changed very little during this period, in contrast to earlier eras when the benefits of economic growth were widely shared.

Therefore, while the overall economy and labour market have performed very well, the growth and the benefits of growth have not been uniformly distributed. Economic and employment growth has occurred unevenly across regions and industries, and income growth has occurred unevenly

across individuals and families. A number of segments of the population and labour force have prospered and others have not.

Challenges Confronting the Canadian Economy

The structure and characteristics of the Canadian economy and labour market have been transformed over the past several decades by underlying forces of change. The first of these forces is the intensification of international competition and globalization. Capital and product markets are now worldwide; so, too, is the production of goods and services. International corporations are able to shift investments and facilities to take advantage of emerging markets and to exit declining ones.

These developments have intensified the level of competition that Canadian firms experience. Some industries that once faced the prospect of competition only from within North America, such as fish processing, have become the latest to experience strong competition from countries such as China. For other industries, such as auto assembly manufacturing, shifts in the competitive balance between global producers in favour of foreign manufacturers are threatening jobs in Canada's manufacturing heartland.

A second major pressure is technological change, which has created whole new industries and transformed the production systems and workplaces of old ones. It has fundamentally changed the way work is done, increased education and skill requirements, and heightened the pace of learning requirements. Technological change challenges firms to be innovative and to constantly adopt new technologies in order to increase productivity and successfully compete in the world's marketplace.

The aging of the Canadian population is a third major pressure.²⁰ This internal factor has resulted from the combination of the aging of the large “baby boom” generation and the declining fertility rate, which is slowing the growth in the overall population and will reduce the growth of the working-age population and the labour force.

The stock and quality of human capital is a major determinant of productivity growth and therefore of Canada's ability to compete.²¹

Canada compares quite favourably with some other major OECD countries in terms of the skill and education levels of its work force, but it remains below the United States and some major OECD countries in the percentage of the adult population with a university degree.²² Over the past decade, moreover, Canadian expenditure on education has declined relative to other developed countries.²³ With the demand for highly skilled workers expected to continue to grow, there is concern about future trends in the quantity and quality of Canada's labour supply.

While the rate of growth of Canada's labour force has been quite high over the past decade (ranging from about 1.5% to 2.9% per year over the period), it is expected to slow considerably in the decades to come, with some projections suggesting that it could stagnate at just slightly higher than zero.²⁴ Since the labour force is a major determinant of the economy's output of goods and services, slower labour force growth will result in reduced rates of economic growth, a consequence that is likely to have wide-ranging implications for Canadian society.

2. Canada's Labour Market and the Experience of Older Workers

Older workers are an increasingly important segment of the labour force in most industrialized countries, including Canada — primarily because of the aging of the "baby boom" generation. During the period 1976–2006, the proportion of the total Canadian population aged 55–64 increased from 11% to 14%, while the proportion of workers in the same age group (as a fraction of the total labour force) increased from 10% to 12%.²⁵

Workers aged 55 and older have generally fared well in the Canadian labour market.²⁶ From the mid-1990s to 2006 the employment rate increased from just over 22% to about 30%. But when employed, it is more common for older workers to be in non-standard work arrangements that involve fewer hours of work and less stability.²⁷

Just as among other worker groups, there are significant urban–regional differences in labour market outcomes among older workers. For example, in 2006 in each province, with the exception of Manitoba, the unemployment rate among older workers was lower in urban than

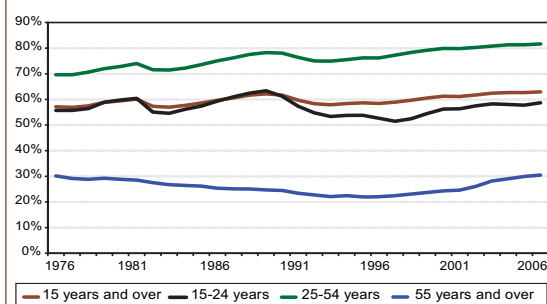
in rural areas while, with the exception of Saskatchewan, both labour force participation and employment rates were higher in urban relative to rural regions. Canada continues to have a significant number of single-industry communities, many of which are based in broader resource or traditional manufacturing industries and located in rural areas. The closure of the primary firm in single-industry communities represents a significant adjustment challenge for the displaced workers as well as for the affected community.

Employment Rates

Employment rates among individuals of all ages have trended upward since 1976. But employment rates vary considerably by age group (see Figure 1.) The employment rate is highest among those in the prime working years of 25–54, at around 80%. Older persons, including those aged 55 and over, have the lowest employment rate, at less than 40%. Employment rates among individuals aged 55 and over decreased from the mid-1970s through the mid-1990s before increasing again to reach about 30% by 2006.²⁸ In 2006, the employment rate among those individuals aged 55 to 64 was 56% compared with 82% among those aged 25 to 54 years.²⁹

Figure 1

Employment Rates by Age Group, 1976 to 2006



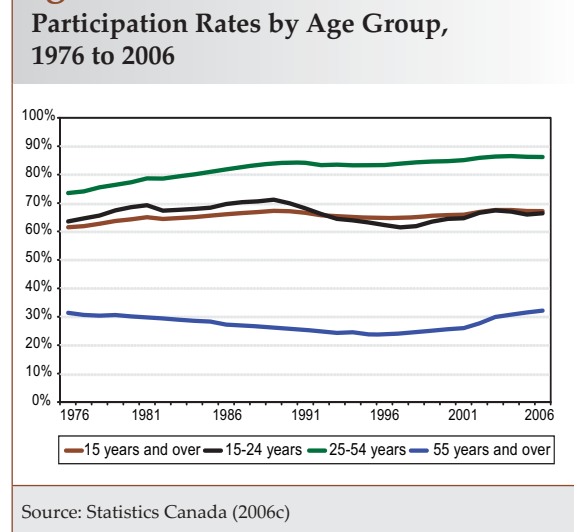
Source: Statistics Canada (2006c)

Participation Rates

Participation rates among all older workers, including those aged 55 and over, decreased from the mid-1970s through the mid-1990s to about 24%, before increasing again to reach

about 32% by 2006 (see Figure 2).³⁰ The participation rates of workers aged 55 to 64 declined from about 53% in 1976 to just under 50% in the mid-1990s before increasing again to 59% in 2006.³¹ Although the participation rate of older workers has improved over time, there is room for further increases. In particular, this is evident among those workers aged 55 to 64, where Canada fares poorly relative to the United States.³² The labour force participation rates of older workers vary across provinces as well. The participation rate is the lowest in Atlantic Canada, with the exception of Prince Edward Island (for example, at 51.3% in New Brunswick in 2006), and in Quebec (at 52.0%), and the highest in Western Canada, especially Alberta (at 69.7% in 2006) (see Appendix D).

Figure 2



These aggregate changes in the employment and participation rates mask significant differences between older males and older females. Whereas the employment and participation rates of older females were fairly stable from the mid-1970s through the 1980s, and have steadily increased since the early 1990s, older males experienced a fairly marked decline up to the mid-1990s, with rates on the rise only since the late 1990s (see Appendix D).

The possibility of increasing the labour supply of older workers offers the prospect of ameliorating the effects of the decreasing growth rate of the labour force. But the potential impact of such an increase tends to be mitigated by the tendency

of older workers to have lower participation rates and to work fewer hours.

Non-standard Employment

One of the major changes in the Canadian labour market has been the relative shift away from full-time jobs toward non-standard employment.³³ Non-standard employment takes many forms, ranging from part-time work to casual employment and self-employment. Taken together, these non-standard forms now account for about one-third of all employment. While many of these jobs involve fewer hours and lower earnings — often because they involve fewer hours of work — they also offer flexibility.

A large proportion of older workers have non-standard forms of employment.³⁴ These types of work arrangements can afford older individuals a significant degree of flexibility in their lives. Older workers can better manage the balance between work and family, and retired workers can re-enter the labour market, participate at a level they choose, supplement their retirement income and be involved in meaningful work.

Yet the growth in part-time employment could also reflect lack of full-time work opportunities, and part-time or other non-standard jobs may not always be the first choice of older workers. Consequently, some older workers may end up with non-standard jobs with more limited working hours than they would like. While non-standard employment offers older workers the opportunity for increased choice and flexibility in how they participate in the labour market, many wish to contribute and be productive through full-time employment.

City of Calgary uses rehirement to retain corporate knowledge

Designed to address an immediate succession crisis or a potential loss of crucial knowledge, the City of Calgary has a policy that allows a manager to hire back an employee with at least 30 years' pensionable service for a one-year term the day after this employee retires.

The intent of the rehirement must be to position the corporation to find a successor or develop a new way of doing the work. And the circumstances must be exceptional — the retirement has to have the potential to damage the corporation, and the rehirement must be approved by senior management.

"Rehirement provides a win-win scenario. The city wins because it is able to retain valuable corporate knowledge and ensure this knowledge will be appropriately transferred without the additional cost of high consulting fees," explains Britt Wilson, who works in the City of Calgary compensation division. "The employee wins because he or she is collecting a pension under the province of Alberta's statutory plan in addition to a regular salary from the city."

The Retiree Exempt Employment Pool (REEP) is another City of Calgary rehiring initiative. REEP allows city managers to access a pool of retired employees for short-term work, particularly to backfill absences, without a competition.

"The advantage to the corporation is that we gain access to a group of workers who know the city and are looking for work. They can really hit the ground running," Wilson says.

Rehirement and REEP started in 2005. Only non-union employees are eligible — that's about 10 percent of city staff — but Wilson says the City of Calgary would like to see the two initiatives grow.

"We would particularly like our managers to be able to use REEP more. We know that Home Depot and Tim Hortons are accessing our retired workers. We'd like to be able to hire them back ourselves."

Unemployment Rates

The strength of the current period of economic growth is reflected in rising employment rates and declining unemployment. In some regions, such as Western Canada, growth has been so strong that the demand for some categories of labour appears to exceed supply. Labour market adjustments, such as the movement of workers from higher to lower unemployment regions, have served to reduce this excess demand for labour. Even so, economic growth requires a steady rate of increase in labour supply.

Older workers as a group tend to have lower unemployment rates than the overall labour force. Among older workers aged 55–64, the unemployment rate is generally lower as one moves from the eastern provinces to western Canada. In 2006, the unemployment rate in Atlantic Canada ranged from 7.0% to 14%; in Quebec it was 7.1%; in Ontario it was 4.7%; and in the western provinces it ranged from 2.5% to 4.2%. In each province, the labour force participation rate of older workers is lower than the rate among all workers, and the pattern for the participation rate is generally higher from east to west (see Appendix D). However, one distinctive characteristic of older workers is that once they become unemployed they tend to experience longer spells of unemployment before finding a new job;³⁵ and they experience greater earnings losses compared to their level of earnings prior to losing their job.³⁶

3. Shifting Demographics: The Aging Work Force and Labour Supply Requirements

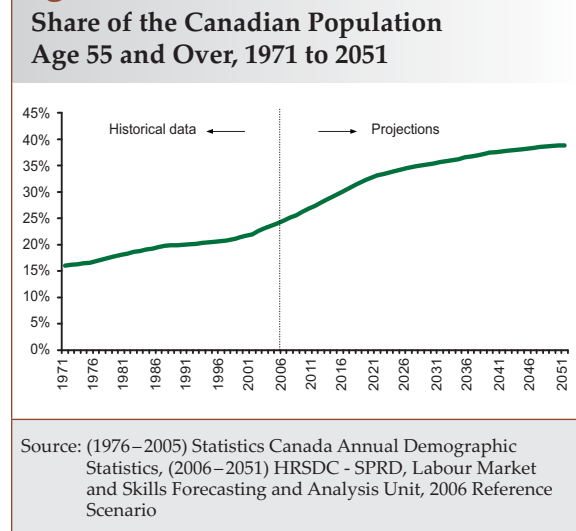
The Aging Population of Canada

While the aging of the Canadian population is a particularly significant development in broader social terms, it is also important in economic terms. It has implications for the growth rate of the labour force and, at least potentially, for productivity and economic growth. Across industrialized countries, population aging has been primarily influenced by a significant decline in fertility rates. From 1970 to 2000, fertility rates declined in Canada from 2.34 to 1.51, in the United States

from 2.43 to 2.06, in the United Kingdom from 2.43 to 1.64, in France from 2.47 to 1.88, and in Japan from 2.13 to 1.36.³⁷

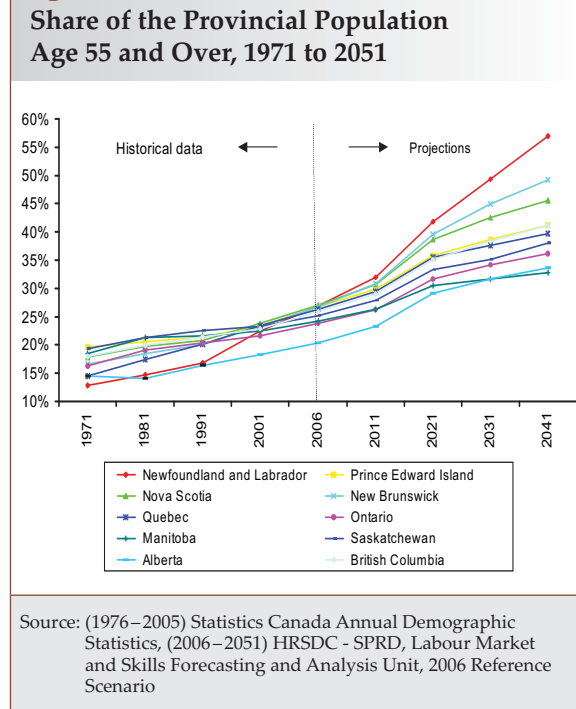
As the “baby boom” generation ages, the share of the Canadian population aged 55 and older is increasing quite rapidly. The portion of the population aged 55 and older increased from just over 15% in 1971 to about 20% by the end of 1991. From the early 1990s to the present, it rose again to approximately 25%, and is projected to reach about 30% by 2016 (see Figure 3). The increase is accelerating and increases are expected to continue in the decades after 2006.

Figure 3



The overall pattern of a steady increase in the share of older individuals in the population over the past four decades is apparent across all provinces, but proportions vary: Alberta has the lowest rate of increase, and Manitoba and Saskatchewan the highest. The magnitude of the growth of this segment of workers also varied across provinces during the period 1990–2006, with the biggest growth occurring in Alberta and British Columbia (see Figure 4).

Figure 4

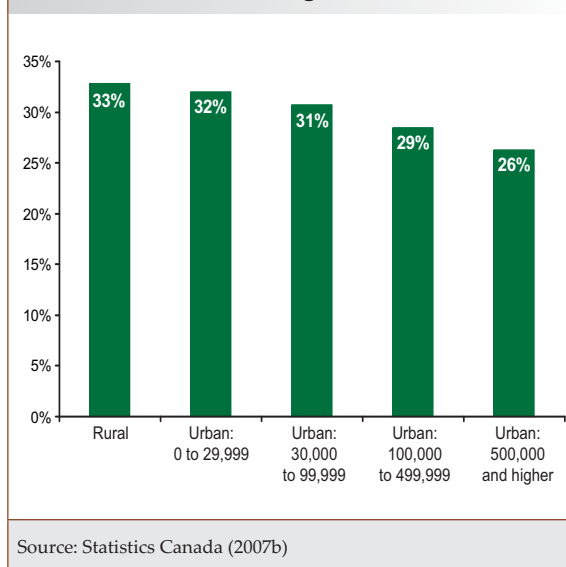


Furthermore, there is a marked regional dimension to the aging of the population, with projected patterns of divergence across provinces showing a significant increase after 2010. The projections, even less than 15 years out (to 2021), indicate a truly considerable aging of the population in Atlantic Canada — and especially compared to the shares of the population aged 55 and over in the Atlantic provinces up to 1990. In the western provinces, population aging occurs, but does so less rapidly over time compared to the other provinces (see Figure 4).

The aging of the Canadian population also has an important urban-rural dimension: the greater the degree of urbanization, the smaller the share of the population aged 55 and older. Using 2004 as an example, the range of the share was about 33% in rural areas, 31% in medium-sized urban areas, and only 26% in large metropolitan areas (see Figure 5). This may be explained in part by the fact that most immigrants to Canada are younger and take up residence in larger cities.

Figure 5

Share of the Population Age 55 and Over in Rural and Urban Regions, Canada, 2004



The Aging Canadian Labour Force and the Implications for Labour Supply

Over the past several decades Canada has enjoyed a significant increase in the growth rate of the work force because of the combined effects of the movement of the large “baby boom” generation through the prime working years and rising labour force participation of women, fortified by significant levels of immigration. This reinforced labour force contributed to Canada’s strong overall record of employment growth, as well as overall economic growth (see Appendix E).³⁸

However, an aging “baby boom” generation is creating an older work force. This change in demographics is expected to have a significant impact on labour supply since older workers work, on average, fewer hours (e.g., part-time)³⁹ and have lower labour force participation rates.⁴⁰ Any tendency toward early retirement also stands to have an adverse effect on labour supply. Although the trend toward early retirement that was clearly evident up to the mid-1990s has reversed somewhat in Canada, the average retirement age remains well below age 65.

An important implication of the expected slow-down of labour force growth is its potential effect on the growth of total output, as well as output per person. If these effects occur, they would adversely impact Canadians’ standard of living and pose a significant challenge to the Canadian economy.

There are several factors that can affect the rate of growth in the labour force. One is the level of immigration; another is the participation of workers in the labour force.

Immigration has been an important source of labour force growth in Canada over the past several decades. But the slowdown in the growth rate of the labour force is projected to be so significant that not even considerable increases in immigration levels are expected to halt the decline. Furthermore, Canada will be competing with other countries for talent, so substantial increases in immigration may not be feasible. Thus it appears that immigration will be quite insufficient to compensate for the effects of population aging on labour supply.

Another key factor that will determine labour supply is the extent of the participation of older workers in the labour market, especially since they will increasingly account for a larger share of the population. There are two dimensions to increasing the participation rate of older workers: a higher level of participation at each point in their careers, and extending the duration of their working lives. Yet, some older workers face considerable obstacles to labour force participation, including employer attitudes, access to training, and disincentives and barriers to working past the traditional retirement age.⁴¹

It has been estimated that increasing the labour force participation rates of older workers could appreciably enlarge the size of the entire labour force over time, thereby counteracting the trend toward a decreasing growth rate.⁴² This would also have positive effects on the overall level of economic growth, resulting in greater total output and output per person.

4. The Labour Market Challenges Faced by Older Workers in Canada

Adjustment and Labour Force Flexibility

While older workers have improved their labour market situation in recent years and generally fare well compared with other segments of the labour force, some may be more economically vulnerable than others. This is particularly so when older workers with long tenure are subject to job loss.

Among unemployed workers, a high proportion of those aged 55–64 tend to lose their jobs involuntarily.⁴³ Once unemployed, older workers tend to stay unemployed longer on average. In addition, the incidence of long-term unemployment increases with age.⁴⁴ There is also evidence from the United States that older workers can experience much lower re-employment rates following displacement.⁴⁵ Older workers, especially those with long tenure, also experience relatively greater wage or earnings losses resulting from job displacement because their new job typically pays much less than the job they lost.⁴⁶

Older workers also face other challenges: they can be concentrated in declining industries and in single-industry communities; they can confront challenges in the acquisition of human capital, including training and education; they can experience employer bias with regard to training and hiring; and they can face high costs of adjusting in the event of a job loss (e.g., in terms of relocating). Some industries, such as textiles or clothing, which are often concentrated in specific regions, have been in long-term decline; while others, such as pulp and paper, and sawmills, have experienced a sharp decline in recent years.⁴⁷

The impact of large-scale adjustments on older workers is expected to be high in single-industry communities. As emerging industries grow and some traditional industries decline in relative importance in the labour market, there is a need for “upside” as well as “downside” adjustments. Upside adjustments require that workers have the training and education to meet the needs of growing industries, while downside adjustments displace workers from declining industries and require them to receive the retraining and/or relocation to become re-employed.

The need for labour market adjustments can be influenced by regional differences because of a mismatch of skills. For example, in some regions forestry is declining, resulting in large numbers of unemployed workers, while mining is growing rapidly and experiencing shortages of skilled workers. Yet unemployment may remain high in some forestry-based communities because of the mismatch between available skills among displaced forestry workers and the skill requirements of mining. Economic realignment within and across regions requires that workers be mobile, often over considerable distances.

In the Canadian context, labour market adjustments therefore often require a combination of geographic mobility; changes in employment across occupations or industries; and investments in job search, training and education. These types of adjustments pose particularly difficult challenges to some older workers.

The Post-Displacement Earnings of Older Workers

Canadian information and empirical research about the earnings of workers in the time following a mass layoff or firm closure is very limited. One exception is a recent study by Morissette, Zhang and Frenette (2007) of worker displacement arising from either a mass layoff or firm closure, and workers' subsequent earnings losses, over the late 1980s and 1990s. They found that, on average, the earnings losses were considerable, but that the earnings losses experienced by high seniority workers were even more sizable (p.4):

"Our main finding is that while the long-term earnings losses experienced on average by workers who are displaced through firm closures or mass layoffs are important, those experienced by displaced workers with considerable seniority appear to be even more substantial ... high-seniority displaced men experience long-term earnings losses that represent between 18% and 35% of their pre-displacement earnings. For their female counterparts, the corresponding estimates vary between 24% and 35%."

This study did not explicitly examine long-term earnings losses across workers of different ages or between workers in small versus large metropolitan areas. Consequently, the Panel requested Statistics Canada to extend the analysis in this study to also consider the earnings losses arising from a job displacement arising from a permanent layoff of:

- (i) workers who experienced a displacement in smaller urban centres (defined as having fewer than 250,000 residents in the year of displacement, and including small municipalities and rural areas) compared to workers who experience a job loss in a large metropolitan area (defined as 250,000 or more residents);
- (ii) younger workers (defined as workers aged 25–44 years when displaced) compared to older workers (defined as workers aged 45–59 years when displaced).

The analysis examined three dimensions of the displacement experience: (i) the likelihood of job loss (the displacement rate), (ii) the likelihood of becoming re-employed

within five years after job loss, and (iii) for those who become re-employed, the earnings difference between their pre-displacement job and their post-displacement job.

Some of the main results from this analysis indicate that:

- generally, primary industries such as construction and manufacturing are most affected by displacements, and layoff rates are lower in large firms. As well, workers displaced during a recession (e.g., 1991) have significantly larger earnings losses than those displaced during an expansionary period (e.g., 1996);
- displacement rates for all workers experiencing a permanent layoff (due to a firm closure or a mass layoff) are higher for workers in small municipalities;
- displacement rates are about the same by broad age category (young vs. older);
- older displaced workers were much less likely to become re-employed within five years after displacement than were younger workers. For example, 83% of younger men became re-employed within five years, versus 64% of older men.
- *relative to their estimated earnings had they not been laid off*, there is little evidence that older workers who become re-employed have significantly larger earnings losses five years after displacement than younger workers who become re-employed after displacement. This is true for men and for women in relative terms (although for men, older workers have a marginally higher percentage loss, and the loss is greater in absolute terms);⁴⁸ and
- *relative to their estimated earnings had they not been laid off*, male displaced workers who were working and were residents of smaller communities fared almost as well as their counterparts in large Census Metropolitan Areas (CMAs) five years later.⁴⁹ For women, displaced residents of smaller communities fared worse than their counterparts in large CMAs, at least in relative terms (a 41% earnings loss between t-4 and t+5, compared to a 31% loss), but not in absolute terms.

Declining Industries and At-Risk Communities

Older workers can be concentrated in occupations and industries that are in relative decline (as a share of total employment) — especially in primary industries. Firms in primary industries are often located in small towns in rural or even geographically remote areas, where the firm may also be the principal employer (hence a single-industry town). This situation is characteristic of industries such as fishing and fish processing; forestry and logging; pulp and paper; textiles and printing; and mining and refining, where closures invariably follow the eventual exhaustion of the mineral deposit.⁵⁰ As already noted, older workers, once displaced from their jobs, tend to have longer periods of joblessness and relatively greater earnings loss.

There have been substantial employment declines in a number of key industries (especially in the primary sector of the economy), with large variations across provinces.⁵¹ For example, from 1990 to 2006 employment declined in the forestry and logging industry by 52.6% in Newfoundland and Labrador, 6.3% in Manitoba, 12.3% in Quebec, 4.5% in Ontario and 4.3% in New Brunswick. On the other hand, in Alberta, employment in the same industry increased by 2.9%. Employment gains and losses during this period in the key manufacturing sector also significantly varied across provinces, with declines of 25.9% in Newfoundland and Labrador, 9.9% in Nova Scotia and 2.5% in Quebec, to modest growth of 1.5% in Ontario, to more sizeable increases of 18.3% in Manitoba and 17.7% in Saskatchewan, to a substantial increase of 42.8% in Alberta. Despite the strong overall economic growth rate in Canada, Quebec has lost roughly 115,000 jobs in manufacturing since 2000, and job losses have been mounting in some of Ontario's key manufacturing industries — notably automobile manufacturing.

These changes in employment across industries and provinces and over time underscore the continued importance that regional variations in labour market outcomes and economic activity, including the importance of specific industries, play across Canada. They also illustrate the ongoing realignment of economic activity across sectors and regions, especially the relative shifts within Canada from east to west — shifts that produce an especially dynamic national labour market.

Human Capital Levels and Investment

Education and training, two major forms of human capital investment, are key determinants of worker productivity.⁵² For workers within a given age group, higher levels of education are associated with enhanced labour market outcomes, higher earnings and training, and a lower likelihood of job loss.⁵³

But levels of educational attainment today tend to decrease with age, so older workers tend to be less educated than younger workers.⁵⁴ Employee participation in formal job-related training also decreases with age.⁵⁵ If older workers experience a job loss, then having lower levels of education and training places them at a disadvantage.

Investments in human capital, as with other types of investments, provide future returns. The challenge facing older workers is that traditionally a shorter period of working time remains in their careers to capture the returns on investment in training or education, compared with the time available if the investment is made at the outset of a worker's career. Now, however, it appears that many older workers are healthier and able to work longer. The increase in life expectancy, coupled with the improvement in healthy years of potential contribution to the work force, means that individuals, employers and governments have more opportunities to capitalize on the return to training investments.

Employer Awards Recognize Leadership in the Retention and Attraction of Mature Employees

The 2008 winners of the Best Employers Awards for 50 Plus Canadians include HSBC Bank, Merck Frosst, Stream, Wal-Mart, Metasoft Systems, Home Instead Senior Care, Toronto's Catholic Children's Aid Society, EDS and the Youth Emergency Shelter in Edmonton.

These awards celebrate employers who best use their mature employees to achieve a business advantage. For example, Merck Frosst, a research-based pharmaceutical company headquartered in Montreal, offers excellent training to its mature workers, an RRSP-like savings program for its employees developed in consultation with Canada Revenue Agency, an extremely active retiree committee and a retiree pension hotline. Merck Frosst has won a Best Employer Award every year since the awards started in 2004.

This year's Best Employers Awards were presented in Toronto in November 2007 at a ceremony during the third annual Summit on

the Mature Workforce. To be eligible, an organization must have been in business for at least three years in Canada.

"To beat the workforce crisis, someone has to take the lead," explains Barbara Jaworski, founder of the Workplace Institute, which organizes the awards and the summit. "Our winners are showing leadership in retaining or attracting mature employees and demonstrating just how much these employees can accomplish."

The Toronto-based Workplace Institute also provides research, training and consulting on older workers and the aging workforce.

For more information on the 2008 winners, please go to the Workplace Institute Web site at www.workplaceinstitute.org.

Employer Behaviour and Attitudes

The OECD notes several key employment outcomes that vary by age, including hiring intensity and retention rates.⁵⁶ Hiring intensity (i.e., the hiring rate of a given worker group relative to the rate for all workers) tends to decline with age — a regularity observed, to varying degrees, across OECD countries.⁵⁷ This may be due to several factors including: constraints on geographic mobility, relatively high reservation wages,⁵⁸ and low success at job search activities. Alternatively, some employers may be less willing to hire older workers, due in some cases to employer-based age discrimination wherein employers perceive older workers as less adaptable, less learning-oriented or less amenable to adopting and utilizing new technologies.⁵⁹

As noted above, the reluctance of employers to invest in training for older workers may be based on the low expected return on the investment, given the short time left in their careers. This rationale could be reinforced by the decline in retention rates among older workers.⁶⁰

Constraints on Mobility

Geographic mobility, both within and across provinces, is lower among older workers.⁶¹ The two main factors affecting mobility are the value and the costs associated with moving.⁶² Viewed as an investment decision, younger workers will achieve returns to the initial investment over a longer time period (e.g., in the form of higher compensation or better working conditions) than will older workers.

Aside from the direct expenses of moving, the main costs of worker mobility tend to be psychological in nature: the loss of attachments to friends, family and community. Since investments in relationships tend to develop over time, the psychological costs are expected to be higher for older workers.

Despite overall good employment opportunities for Canadian workers, other mobility constraints may also exist that act to inhibit adjustment. Language barriers, in particular, can be significant and can diminish the prospects for worker mobility. For example, some older workers in Quebec living in remote communities and single-industry towns may be unilingual

(French-speaking) and therefore have limited ability to resettle in other provinces; similarly, unilingual older workers from English-speaking communities in other provinces would have difficulty trying to settle in some French-speaking Quebec communities. These factors reinforce each other to create greater incentives against mobility among older workers than among younger persons.

Pensions and Economic Security

One key element of older workers' economic security is their pension income. While some individuals rely solely upon their pension income when they retire, others choose to supplement it with earnings from paid work. Both public and private pension plans provide for individuals' retirement income.⁶³ The main public plan is the Canada/Quebec Pension Plan (along with Old Age Security and the Guaranteed Income Supplement). Retired employees may also receive pension income from private, employer-based registered pension plans — as well as supplemental monies from personal Registered Retirement Savings Plans.

Employer-based pension plans have historically been a primary source of economic security for retired individuals. These pensions plans are provided on the basis of either defined benefits, or on defined contributions (in which case the pension payout has greater uncertainty). In 2006, approximately 84% of all members of registered pension plans were covered by defined benefit plans,⁶⁴ and roughly twice as many in the public sector as in the private sector.⁶⁵ In contrast, coverage by defined contribution plans is predominantly among employees in the private sector.⁶⁶

Employer-based pension coverage has become increasingly limited in two main ways. First, the overall proportion of the labour force covered by such plans has decreased over the past two decades, from 35.3% in 1985 to 32.5% in 2005.⁶⁷ Second, there has been a significant shift in coverage in favour of defined contribution plans.⁶⁸ These developments suggest growing differences in the nature of coverage between the public and private sectors — and in particular, a potential increase in risk in the pension income of workers, especially those in the private sector. These changes may also increase the incentives (and need) for older individuals to participate in the labour market after they choose to retire.

5. The Challenges to Re-employment for Older Workers and Their Experience with Adjustment Programs

Challenges to Re-employment for Older Workers

As noted previously, there is evidence that once older workers become unemployed they tend to experience longer spells of unemployment before becoming re-employed, and they experience lower earnings compared with their earning level prior to losing their job.⁶⁹ Generally there is, however, very limited quantitative research evidence available for Canada regarding the post-displacement experience of older workers.

While some displaced older workers do find new employment, others do not. Once older workers are displaced, they can face economic as well as psychological barriers to achieving re-employment. The findings of qualitative assessments of workers' experiences conducted through focus groups illustrate the nature of these barriers. These findings include:⁷⁰

- a lack of re-employment opportunities, especially in smaller communities or even in some mid-sized communities that are dominated by industries that closed down or downsized;
- a low skill level or skills that are specific to their former company or industry. In some cases, older workers went to work for their former employer right out of high school, sometimes even before finishing high school. In other cases where they have received on-the-job training, other companies may not accept it;
- a lack of job search skills. Some individuals lack the computer skills required to conduct a job search in today's world, while others have either limited or no experience in searching for a job;
- a lack of self-esteem, self-confidence or motivation to find a new job. In some cases, individuals reported that, despite a feeling that they had much to offer, they perceived

that employers would not see value in them through expressions such as “I’m too old,” or “Who would want to hire me?” Others expressed a lack of confidence and/or motivation to undertake something “new” at an older age, including a new job, training or education, or self-employment; and

- an unwillingness to relocate or invest in new employment opportunities. This reluctance can stem from a number of factors, including significant attachment to the community, especially in cases where individuals had lived in an area for all or most of their lives; strong family ties; home ownership; and a feeling of safety and security. For others, moving to obtain new employment was financially unfeasible, especially if they had to sell their home in a depressed area and buy at a much higher price in a more economically viable community, and take a job that may be at lower earnings. In other cases, some expressed an unwillingness to invest either in training or in starting their own business at a late stage in life.

During periods of slow economic growth, continuing imbalance in supply and demand, or when the economy is undergoing industrial restructuring, government policy may play a role to ease the burden on workers and facilitate a more efficient adjustment process.

Government policies, such as income support and training or job search assistance, have been used extensively by OECD countries. In Canada, several policy approaches have been utilized to provide economic security and facilitate labour market adjustment of unemployed workers. Specific measures fall under two broad policy approaches, including passive and active measures.

Experience with Passive Labour Market Policies

Passive measures include programs that provide various forms of income support to individuals in the labour force who have experienced a loss of earnings. In most industrialized countries, income replacement is provided to unemployed workers through unemployment insurance systems, and to employees injured at the workplace through worker compensation systems. These

types of programs serve primarily as temporary income replacement during a period of employee adjustment.⁷¹

Specifically, these programs replace lost earnings as workers attempt to transition into employment from unemployment. They typically have few conditions associated with receiving benefits beyond a requirement for active job search or participation in a training program in the case of unemployment.

The main federal measure in Canada is the Employment Insurance (EI) program, which provides employees with income benefits in the event of a job loss or other interruption of earnings. In 2005, 53.5% of unemployed Canadians had recently contributed to EI and had had a job separation that met EI program criteria. Some 83.4% of these people, or 46% of all unemployed workers, qualified for EI benefits.⁷²

The average claim for EI Regular Benefits in 2005–2006 was entitled to about 32 weeks of benefits.⁷³ The average duration of benefits paid was roughly 19 weeks for all workers and 23 weeks among older workers. Most displaced older employees are eligible for this form of income support.

Other forms of federal income support are provided through EI Special Benefits (including sickness or family benefits) and through the EI Worksharing Program. In addition, the Canada/Quebec Pension Plan provides support for individuals with a disability.

The major concern with passive programs is that they have potentially strong work disincentive effects. This is also the case for programs aimed specifically at displaced older workers.⁷⁴ Passive program design must therefore balance the objective of providing income support during the period of a worker’s job loss with the potential disincentive effect on their job search and labour supply.

Experience With Active Labour Market Policies

As labour markets undergo adjustment, advanced industrialized countries, as well as developing countries, have used active labour market policies (ALMPs) extensively to provide greater economic security for workers of all ages. Specific ALMPs are usually targeted at a particular form of labour market adjustment. Typical examples include measures aimed at direct job creation such as creating incentives for employers to hire workers, or those that provide displaced workers with training and assistance in job search activities. ALMPs may also involve measures such as re-employment or transition to other forms of participation in the labour market (e.g., self-employed status). However, the mix of active measures, as well as their efficacy, varies according to the level of economic development as well as the nature of the economy and labour market.⁷⁵

Active measures in use across OECD countries include some combination of labour market adjustment measures, including: public works programs; employment or wage subsidies; programs to support self-employment or establish small business enterprises; employment services such as assistance with job search, career counselling, and other labour market and career information services; and support for (re)training and education upgrading. These policies tend to address either the supply or demand side of the labour market and are aimed at improving participation in the labour force, wages and employability outcomes.⁷⁶

In advanced industrialized countries the overall purpose of ALMPs is to assist workers adversely affected by economic change to become re-employed. In doing so, such policies also provide a degree of labour market security to workers where employment risks have been heightened (due, for example, to economic globalization), yet where there is a need for labour market flexibility. The specific programs are, therefore, designed either to improve workers' employability (thereby operating on the supply side of the labour market) or to directly affect the demand for workers. The general benefits of ALMPs may include positive impacts on equity by improving the employment prospects of traditionally disadvantaged persons, and on the reduction of poverty.⁷⁷

The Canadian experience with active measures in labour market adjustment — including both federal and provincial programs — has been extensive. The main current federal program delivering active measures is the Employment Insurance program Part II. Active measures include skills development measures, targeted wage subsidies, self-employment assistance and employment assistance services (group services and individual counselling). Other federal programs fall under pan-Canadian activities and include the Aboriginal Human Resources Development Strategy.

The evidence from reviews of active labour market programs suggests that they tend to have limited positive effects on wages or employment and that their effectiveness may in this respect be greatest when programs are highly targeted.⁷⁸ Across OECD countries, several active measures have been found to have significant problems or negative side-effects: public works programs often fail to create conditions for workers to make the transition to the non-subsidized labour market or to higher-wage jobs; employment or wage subsidies may not result in more job creation or promote training investments; and training programs may be most beneficial to workers with higher levels of education.

Even so, there are several distinct positive effects of active labour market programs:⁷⁹

- Some relatively inexpensive programs, including job search assistance, have been found to be worthwhile in terms of the relative benefits and costs. These types of programs have small positive effects but a good benefit-to-cost ratio.⁸⁰
- Many active labour market programs, especially in the United States, are targeted toward economically and otherwise disadvantaged workers — groups that are typically difficult to help.⁸¹ For such programs, even modest positive impacts may make the programs worthwhile from a social cost-benefit perspective.
- Training programs have been found to be effective for disadvantaged adult females (e.g., former welfare recipients), though not for adult males or youths of either sex.⁸²

- Active labour market programs focused on displaced workers have a better track record than those focused on highly disadvantaged workers.⁸³

For older workers, evaluation studies on a range of active labour market policies suggest that only a small number of specific programs may have any positive effect.⁸⁴ Results of these studies suggest that:

- Long-term unemployed adults may benefit from assistance with job search as well as related counselling or advice.
- Retraining programs for workers displaced by a mass layoff may have small positive effects, especially in an economic upturn.
- Employment and wage subsidies may have some limited positive effect among the long-term unemployed, but subsidies tend to be associated with substantial deadweight losses.⁸⁵
- Direct job creation programs (public works) appear to have no positive effects for adults.
- Programs aimed at promoting self-employment or establishing a small business tend to work best if targeted toward adults who are better educated, but these programs can also be associated with deadweight losses.

These results suggest that in order to address the adjustment needs of older displaced workers, specific ALMP measures should be carefully designed and targeted. There may also be advantages of using various active measures in combination. For older workers, the two active measures most likely to improve adjustment outcomes are training and employment services.

Two of the more important innovations in ALMP design are profiling of workers and the use of activation measures. Worker profiling, including individual interviews to determine personal circumstances and characteristics such as work history or qualifications, provides a basis for offering individuals a more tailored mix of specific ALMP measures designed to increase the likelihood of success.⁸⁶ The use of activation measures requires that program participants undertake certain activities, such as training or active job search, in order to qualify for certain program benefits (e.g., some form of income support).⁸⁷

Canadian Experience with Targeted Economic Adjustment Programs

There have been a large number of targeted worker adjustment programs run by the federal government over the past several decades. These programs have tended to be of limited duration and targeted at either particular groups of workers or workers affected by significant job loss in specific industries, such as the fishing industry. For a detailed description of these programs, see Table 1.

Examples of programs for older workers include the Program for Older Worker Adjustment (POWA) and the Older Worker Pilot Projects Initiative (OWPPI). The POWA ran from 1987 to 1996, and served about 12,000 clients at a total cost of \$425 million over the life of the program. It was designed primarily as a bridge to early retirement with benefits paid according to previous earnings. It operated on the basis of a 70/30 federal–provincial cost-sharing arrangement for participating provinces. Issues associated with the POWA included concerns over inequity within and across communities (because 90% of program participants were clients subjected to firm closures and mass layoffs), and disincentives to returning to work due to the income support aspect of the program.

One of the main goals of earlier targeted programs was the adjustment of workers in specific industries. Several prime examples of targeted programs in the fishing industry are The Atlantic Groundfish Strategy (TAGS), the Pacific Fisheries Adjustment and Restructuring Program (PFAR) and the Temporary Fisheries Income Program Initiative (TFIP).

In 1998 the federal government discontinued these types of programs as they were having limited success in facilitating broad-based worker adjustment. Since that time, various pilot projects and demonstration projects have been tested to see how to improve the employment prospects of displaced older workers. In particular, income support measures designed to facilitate early withdrawal or retirement have not been found to improve the overall labour market adjustment process.

Lessons learned from these pilot projects underpinned the design of the successor to earlier targeted economic adjustment programs: the Targeted Initiative for Older Workers (TIOW).⁸⁸ Features of the TIOW include more client-centred and community-based approaches that recognize the diversity of circumstances, partnerships, and the ability to offer multiple treatments that combine services and employability measures.

New Federal Initiative for Older Workers Targets Hardest Hit Communities

Older workers in smaller centres and single-industry towns are hit hard when a sector or industry suffers economic losses that result in continuing high unemployment.

Their communities may be too remote to have easy access to employment services and training. They often have responsibilities — for example, children living at home, or a house whose value has severely depreciated due to the economic downturn in their community — that make it more difficult for them to move to where there is work.

That's why the federal government, as an interim measure until the Expert Panel on Older Workers' longer-term recommendations can be implemented, has launched a two-year \$70 million Targeted Initiative for Older Workers (TIOW).

Under this cost-sharing initiative, participating provinces and territories identify vulnerable communities with a population of no more than 250,000; then they collaborate with local partners to set up programs that help unemployed workers aged 55 to 64 find jobs.

Priority is given to communities affected by closures or downsizing in traditional industries such as forestry, fishing, textiles and apparel, manufacturing and mining.

For example, up to 20 employees laid off from work in a Pictou County, Nova Scotia steel fabricating plant and 40 forestry workers in Antoine-Labelle, Quebec, will take retraining and have work placement opportunities in their own communities. In Whitehorse and two other locations in the Yukon, 87 older workers will get training and job experience.

For more information on TIOW, please visit the HRSDC website at www.hrsdc.gc.ca; click on "Policies and Programs" and follow the links.

Table 1

Previous Federal Targeted Adjustment Programs For Workers					
Program	Location	Income support	Active Support	Program Objectives	Program Outcomes
POWA 1987–96	Most Provinces	Yes	–	To bridge to retirement with benefits paid according to previous earnings	Strong disincentive to return to employment; decision-making process lacked transparency
AFAP 1990–95	NFLD	–	Yes	To provide short- and long-term adjustment both within and outside the fisheries	Not Available
NCARP 1992–94	NFLD	Yes	Yes	To respond to immediate income needs of fishing-related workers and to develop sustainable fishery	1,436 fishers and plant workers took early retirement
AGAP 1993–94	NFLD	Yes	Yes	To support industry restructuring and provide displaced fisheries workers with incomes and alternative employment opportunities	Not Available
TAGS 1994–98	Eastern Canada	Yes	Yes	To restructure Atlantic groundfish industry	27% adjusted to new industries (90% were in other sectors of the fishing industry)
CFAR 1998–2001	NFLD, Atlantic Canada, Quebec	Yes	Yes	To assist eastern communities and individuals to adjust to opportunities outside the groundfish industry	Little or no evaluation; some adjustment measures developed into income support measures
PFAR 1998–2001	BC	–	–	To restructure the commercial salmon fishery	Not Available

Notes: POWA–Program for Older Worker Adjustment; AFAP–The Atlantic Fisheries Adjustment Program; NCARP–Northern Cod Adjustment and Recovery Program; AGAP–Atlantic Groundfish Adjustment Program; TAGS–The Atlantic Groundfish Strategy; CFAR–Canadian Fisheries Adjustment and Restructuring Plan; PFAR–Pacific Fisheries Adjustment and Recovery Program.

Source: HRSDC

PART II

Consultations with Canadians: Voices and Recommendations from Across Canada

1. The Approach to the Provincial and Stakeholder Consultations

The consultation process on older workers was both central and critical to the work of the Expert Panel. The consultation was aimed at hearing the concerns and issues confronting individual older workers, as well as the challenges facing employers, unions, governments and the many and varied organizations that represent individual Canadians and older workers. The Panel invited formal submissions from the full range of interested stakeholders.

Through the consultations and submissions from all of these stakeholder groups the Panel was able to learn about the broader strategic issues confronting governments, the challenges and opportunities employers must address from a human resource management perspective, and the concerns and problems individuals face in their personal lives. The Panel was impressed with the knowledge and awareness of the issues of the participants; inspired by the passion with which participants expressed their concerns; and struck by the extent to which many of the participants articulated thoughtful, reasoned policy options and alternatives.

2. What the Stakeholders Had to Share and Recommend: Canadians Speak to the Issues and Priorities

The views and recommendations expressed by individual Canadians, government officials, employers, unions and organizations with an interest in the situation of older workers reflect

a broad cross-section of Canadian society. The consultation process had the strength of affording the Panel an opportunity to hear from the stakeholders in person, in depth and interactively. Issues were explored and discussed and new questions were raised at the roundtables and meetings with provincial and territorial officials. The submissions to the Panel and the dialogue with the stakeholders were carefully reviewed and analyzed with a view to discerning emerging themes, similarities and parallels in views and recommendations, as well as key differences, variations and divergences.

The views, concerns and recommendations shared with the Panel by individual Canadians, officials and stakeholders fit several key broad themes:

- economic growth and adjustment go hand-in-hand;
- economic growth and labour shortages;
- human capital: literacy, training and skills development, and education;
- the barrier of ageism;
- the need for cooperation and concerted action; and
- the importance of individual choice and flexibility, particularly for older workers.

The overwhelming majority of stakeholders and provinces emphasized the importance of addressing the implications of the aging workforce. Even so, as might be expected in a country as vast and diverse as Canada, there are some exceptions, primarily in Canada's north. For example, Nunavut has a very young demographic and very few older workers.

Finally, it was clear from the consultation process that Canada remains a nation of economic regions. Many of Canada's major industries remain concentrated in specific regions of the

country. Manufacturing predominates in Ontario; forestry remains prominent in British Columbia, Quebec and New Brunswick; and oil and gas is the overwhelmingly dominant industry in Alberta. In the past decade, while some industries, such as forestry and pulp and paper, experienced slow growth or even declines, others, such as oil and gas, have experienced unprecedented growth rates. It is, therefore, not surprising that substantial differences in economic development, job growth and unemployment rates across regions remains a major feature of the economy.

There are significant geographical dimensions within provinces as well. In British Columbia, for example, officials described the reality of “two economies.” One is the Greater Vancouver and southern Vancouver Island economy, which is sufficiently diversified to better adjust to slow economic times. A “second economy” in the northern and central areas of the province is more dependent upon traditional industries, including forestry and logging, which are more vulnerable to an economic slowdown. Analogous economic dichotomies were discussed across the country. Significant economic differences exist between southern and northern regions of Quebec and Ontario, respectively; communities remain geographically dispersed within Newfoundland and Labrador; and stakeholders indicated the growing importance of the urban-regional divergence in economic growth.

Across the country, during the consultation process Canadians expressed a strong sense and recognition of the importance of regional circumstances. They also recognized the economic differences that exist across regions and between provinces. Importantly, many of the issues and recommendations identified by Canadians and government officials reveal a view that actions and policies ought to reflect the needs of specific regions. This is not surprising in a country as diverse as Canada. Equally important, though, was the view expressed throughout the consultation process that cooperation and coordination across all levels of government are needed to ensure that older workers are treated equally across the country.

Economic Growth and Adjustment

Canadians are very aware of their dynamic economic environment

For industries that export goods and services, the rising Canadian dollar, especially against the US dollar, has threatened to dampen exports and impact jobs domestically. Even during the current period of especially robust economic growth and historically low unemployment rates, the economy as a whole remains very dynamic. Canadians are clearly aware of how they are affected by the impacts of globalization and international competition, the importance of our trading relationship with the United States, the speed of change and the need to adapt.

“We are now seeing the impact with a number of closures announced over the last year in Nova Scotia, New Brunswick and Newfoundland and Labrador. So we’re seeing these competitive pressures and the exchange rate starting to play out as firms re-evaluate business investment decisions.”

“It is true that we are living in a more mobile, flexible world. It’s much more global.”

“Then there’s the furniture industry, which is currently facing fierce competition, particularly from China and the Asian countries. And there’s the whole crisis with the forest industry, which you can see as well as we can.”

Labour market adjustment creates hardship and stakeholders expect some government response

The Canadian economy has been experiencing one of the longest periods of sustained economic growth in a century. Yet the high overall growth rate of the economy masks significant underlying differences in growth across regions and in processes of economic change. Even in periods of strong economic growth, there is a natural process in a market economy by which some firms fail and jobs are lost, just as other firms become established and new jobs are created.

In addition to this ongoing process of normal adjustment, in some industries and regions the Canadian economy has continued to undergo more fundamental industrial restructuring.

Ontario, Quebec and New Brunswick have experienced job losses in forestry, pulp and paper and manufacturing, while in British Columbia the forestry industry is being shocked by the impact of the pine beetle infestation. In Newfoundland and Labrador there remain considerable pressures arising from the transformation of the fishing industry. As its overall size has declined, there have been shifts in activity across segments within Newfoundland and Labrador's fishing industry including, for example, a shift from groundfish to shellfish. This has in turn affected the Newfoundland and Labrador fish processing industry, which has been in a long-term decline. In cases of significant employment loss or plant closures, there are considerable impacts on small and more remote communities, both economically and socially.

These more significant types of industrial adjustments often occur over prolonged periods. Adjustments also frequently involve significant job losses. Since many of the industries undergoing adjustment and job loss are more traditional, they often tend to impact older workers disproportionately hard. Canadians expressed a general acknowledgement that industrial adjustment was to be expected and that many workers would be able to adjust by finding new jobs. But they were equally definite that there is a role for government policy to respond to the needs of workers who have limited opportunities — especially older workers.

“You just think of the headlines for the last 20 years: ‘Closure of the fishing industry!’ Other closures include coal mines in Cape Breton, textile plants over the past year, food processing plants, a railcar manufacturing plant — the list goes on. There are jobs replacing them but they are different jobs, and for the jobs left in the natural resource processing industries, the level of education required has increased.”

“I think the government’s role would be to identify the problems and make sure there’s assistance and infrastructure in place to tackle those problems.”

“If you live in a community or region that is a one-industry town and you don’t have an

active diversification plan on the go right now, shame on you.”

“Rationalization has been taking place as we speak in terms of enterprises looking to buy up other enterprises and consolidate. There’s no doubt this has to have a downstream effect on those workers, and it will not just come out in the number of plants that are closed.”

There are divergent views on mobility

There was a general recognition among Canadians of the important role of worker mobility in the adjustment process. This was identified as a general issue, but especially so among older workers who, in addition to having strong community ties, may lack basic skills, such as literacy, which would enable them to receive the training they need to obtain a new job in another town or region.

Canada’s vast geography was seen as posing a significant challenge to workers’ mobility. Many areas of Canada contain a large number of small communities in rural and remote regions. For example, officials in Quebec and Newfoundland and Labrador reinforced the importance of regional and rural issues within their provinces. Consequently, older workers face significant mobility issues, both in seeking better opportunities and in the more difficult situation of job losses.

“A fairly large number of people will leave Newfoundland and Labrador or New Brunswick and work in Alberta for maybe a few months or a few weeks at a time, and then come back. They may be spending their money in their home province, but they are still working in Alberta. We don’t really know the exact size of this phenomenon, but certainly from all the anecdotal evidence this is an increasingly important part of the out-migration picture.”

“The mobility of a displaced worker may present another barrier and restriction. As well, EI rules around mobility are an issue.”

“We’re very proud of our agreement with Alberta, which will allow labour mobility and give people a lot more choices, whether they’re older workers or in their prime of working. Again, it just speaks to the need now because we have one Canadian labour force.”

It's competitive right across the country, which allows more flexibility in our policies and in our programs."

"These are people who have lived in a region, set down roots in that region and have family there. We think it would be inhumane to force them to move to another region, on top of losing their job and being unable to find another one, in order to get access to programs or jobs."

"But there is transition, so they will come to the southern community and do their education and go back home. We see a mobility of about 30 percent of flow between the northern communities and the southern communities."

Communities contribute to successful adjustment

The various roles that communities can play in supporting older workers was a major theme underlying many of the views shared with the Panel. Many stakeholders shared their experiences regarding the value of a wide variety of community-based supports in assisting displaced workers in the adjustment process. Partnerships with communities are important as well in supporting older workers' overall participation in the labour market. The message was that partnerships with communities have a track record and can contribute significantly to the labour market success of older workers.

"Everybody who had been identified as having a literacy issue throughout a number of years of training in that plant all took upgrading. That was a major leap, but it was a community leap together. Nobody felt left out. I think that is why the upgrading worked and why part of that whole process is starting to work."

"The part I am most proud of is we had over 150 people start the upgrading. Everyone completed their upgrading to a grade 12 level. That is community commitment."

"I think there is a real value in the engagement of the population. And it's not the federal government leading that. It's actually people in their communities. Because when you live in a community your systems of support are your neighbours and your family."

"In the community we had 280 displaced workers. So the response was, okay, we've

got to do something for that group of 280. Our answer was, no, we don't do something for the group of 280. We do 280 things with individuals. By the time we get that done we will have a group."

"Communities are sources of strength and support for older workers. The whole community has to try to integrate them into the local activities and make an effort to increase awareness about these people's expertise and know-how."

Economic Growth and Labour Shortages

Pressures on the labour supply are significant in some occupations and industries but vary regionally

Concerns about the effects of labour shortages on growth were expressed across the country. There was both a short-term and a long-term dimension to this issue. In the short term, dramatic growth in some industries has created significant worker shortages in some occupations. The most prominent case of shortages exists in the oil and gas industry. While the shortages in this industry may be most acute in Alberta, where the most significant expansion is occurring, other provinces with a sizeable oil and gas industry, including Saskatchewan and Newfoundland and Labrador, are competing for scarce workers. In other industries such as construction, the shortages tend to be felt more broadly across provinces because of the general expansion in construction activity.

In other provinces, the broad-based, diversified nature of economic growth is expected to result in longer-term pressures on labour supply. The aging workforce is expected to exacerbate this pressure. This, for example, is the case in Saskatchewan and Manitoba. Government officials in Manitoba currently consider the province to be at or near full employment and subject to labour shortages in some sectors. Alternatively, in northeastern British Columbia there is an imbalance between supply and demand in the oil sector.

But it is also the case in Canada's north. In Yukon the economy is expanding quickly, resulting in a 2007 unemployment rate of 3.2 percent. Although

the total population of Yukon is roughly 33,000 people, the demographics are changing rapidly. They have had difficulty in recruiting workers to address their labour supply issues and are focusing their resources on underemployed and unemployed workers. Nunavut has experienced considerable growth across sectors, including mining (gold and diamonds) and job growth arising from the construction of infrastructure of railways and ports.

Across virtually all provinces there was concern about the long-term consequences of the aging workforce for Canada's labour supply. Government officials viewed this trend as one of the most critical labour market pressures on the horizon because of its potential to affect economic growth negatively.

"Today we face skills shortages, and our traditional solution of getting people from the Maritimes, or from Ontario—Timmins, particularly—or from other areas isn't happening anymore because they're facing an equal challenge. The Alberta labour market is facing challenges, NWT and the Yukon too—2.4 percent GDP and NWT being driven by the mines. They're facing skill shortages. In the east, Voisey's Bay is facing skill shortages."

"Our core shortages are primarily in skilled trades and also to some degree in engineering areas — specialists and senior engineers. It's almost becoming a crisis situation in some areas."

"When we look at the cohort of nurses across Canada, we all know we have a shortage of nurses. And a significant percentage of nurses — it's something like 47 percent — will retire in the next four years."

"In terms of challenges for the new generation, there is a kind of imbalance. I would say that 40 percent of new jobs (out of 1,000 positions) are typically in the technical and high technology sector. And we also know most young people who pursue post-secondary studies opt for university courses that are not necessarily relevant to our operations. This means that we end up short of manual labour. There will be a shortage of people with good technical knowledge."

"In our industry we have an aging workforce as some 57 percent of our industry is aged 35 to 54 versus 49 percent in other sectors. We have an older workforce on the top end and

fewer younger workers. We don't have a labour profile of attracting workers into our industry, and we face incredible challenges in keeping workers."

Policy makers across Canada recognize the need to attract and retain older workers, and to reach out to other groups in Canadian society

There is a strong recognition among stakeholders of the implications of the aging workforce and its effect for the rate of growth in Canada's labour supply. While policy makers viewed the aging of the workforce as having potentially deleterious effects on the economy, they also felt that its effects could be ameliorated by effective policy responses, including policies to increase the labour force participation rates of older workers.

Officials across provinces noted that older individuals need to be re-engaged in the workforce, that their attachment to work should be strengthened, and that they should be encouraged to extend the time horizons of their participation in the labour force. The situation in Prince Edward Island illustrates well the challenge facing most provinces: the Island is currently experiencing a very high labour force participation rate, and the economy is diversifying as it grows, so there is a need to retain older workers and attract them back into the labour force.

Employers also recognize that they face pressures from the aging of the workforce. For example, in industry segments such as the fish processing industry, employers see increasing challenges in attracting workers. In other industries, there is pressure to attract more workers in the older age group. This is the case in the hotel industry in Newfoundland and Labrador, which relies on older workers.

There was broad concern that Canada needs to redouble its efforts to engage Aboriginal people in the labour force. This was viewed as important to the economic advancement of Aboriginal people, as well as being another constructive approach to addressing the issue of how best to meet future demands for workers.

"A significant portion of the workforce is moving towards retirement, and what surprised me when we did our surveys is that most

companies do not have a comprehensive human resource plan to prepare for the large number of retirements coming in the next five to ten years.”

“Older nurses may not have the physical energy to maintain the workload of a 12-hour shift for nursing, yet those nurses could mentor younger workers. They could work in teams to complement each other: older nurses with the years of knowledge and experience to transfer, younger nurses having the physical ability to do some of the lifting that’s required. That’s the kind of partnerships we have to be looking at. I hear employers screaming about the fact that they don’t have enough workers and what’s government doing about it. I often try to turn those conversations around and say, ‘What are you doing about it?’”

“Businesses have to anticipate human resource needs and prepare human resource management plans in terms of retention and recruitment.”

“From our perspective, since we do have an early retirement trend, we would be looking at incentives to keep the workers in the workplace.”

Human Capital: Literacy, Training and Skills Development, and Education

Supporting literacy, training and skills development is essential for all workers but especially for older workers

The need to increase access to training, especially among older workers, was a theme heard across the country. Stakeholders, individuals and representatives of provincial governments underscored the importance and need for training and skills development. The main concerns revolved around the themes of “availability, affordability and accessibility of training.” For some, the concern was about funding for training — or how to facilitate training in small businesses that do not have the training mechanisms — while for others, it was encouraging employers to invest more in training.

There were also issues raised with regard to the delivery of learning and training programs.

The Panel heard about the importance of supporting the work of community colleges, both in reaching workers directly and in building partnerships for learning with other groups, including firms, chambers of commerce and sectoral councils.⁸⁹

Another major concern expressed was the level of skills and access to training in rural and more remote regions. One prospect for enhancing the training prospects of workers outside the main urban areas of the country is to develop innovative approaches to distance learning and training. In some jurisdictions, such as the Northwest Territories, there are successful innovative approaches to reaching workers in smaller and remote communities, especially Aboriginal people. In other cases, in rural communities questions and concerns were raised about what would likely be the most effective way of providing training, both in terms of continuous learning and in the event of a plant closure.

“I think the extent to which we have literacy and educational issues that we need to contend with is not recognized widely enough. I see it all the time.”

“I think that the measures should be taken upstream, meaning that before winding down, there should be some work on training. There is a challenge here in terms of the issue of basic training. We have to make sure that when they take the jobs, they already have all the educational requirements that will enable them to grow and compete in the labour market.”

“When we look at displaced workers, I think training is the number one issue.”

“I’ll try to condense it to a silver bullet: the federal government needs to provide expanded training from EI funds for older workers.”

“I think there should be more cooperation between the employers, the government, the training boards, the communities, small enterprises. There should be more partnerships to put training programs in place.”

“Right now if you want to be a journeyman plumber or carpenter or electrician, you have to go away to the Northern Alberta Institute of Technology in Edmonton or to SAIT in Calgary, or indeed to the Northwest Territories, because we don’t have that secondary institution for trades in Nunavut right now.”

Investments in learning and education support adjustment

Across the country, literacy training was identified as a particular concern. For many displaced older workers in traditional industries where literacy and education levels tend to be low, literacy was viewed as a necessary precondition for further training and successful adjustment.

Officials in British Columbia noted that while the overall unemployment rate is low — and there has been a high demand for workers — there continues to be displacement in some industries. In coastal pulp mills, where there are many older workers, there has been considerable displacement. The transition of those older workers who still want to stay in the workforce may require moving to a different area. But first it requires helping those workers who are being displaced improve their literacy skills so they can then be trained for new jobs.

In New Brunswick officials emphasized the importance of retraining older workers and of the need to equip them with skills to ease their participation in the labour force. In Prince Edward Island officials emphasized the need to support training and literacy and skills that are matched to employers' requirements. Across provinces, the message was that investments in literacy and training are often necessary for older workers to adjust successfully in a dynamic labour market situation.

There have been some innovative approaches to meeting the training needs of workers in remote areas. Provincial solutions include providing mobile units for the trades and using broadband training in remote regions. The Northwest Territories has developed adult learning centres across communities that offer adult basic education and literacy upgrading, as well as alternative approaches such as mobile learning units and Internet access to learning. In Yukon, the government established a 21-day, 3-week program called "North of 55" that teaches job skills, job search and résumé writing to older residents.

"We are seeing losses in employment in rural areas. We are losing good paying jobs. The workers who have the problems are more likely to be older and less likely to have a degree or certificate or diploma. What does

that mean? It means that we have an increase in transition challenges, in providing the skills to these individuals so they can find employment in the areas that are growing."

"There needs to be an understanding that many of these older workers do not have the educational levels that help them move forward. In one single-industry town where the local paper mill shut down, 52 percent of the workforce was made up of workers who had less than a grade 10 education. These are people who had long-term employment, who are what you might call functionally literate, but obviously upgrading was a major issue for them. In a sister town 100 kilometres down the road, 50 percent of that workforce needed basic upgrading."

"Because of our traditional resource-based industries, when you look at the literacy levels of people currently in the workforce in New Brunswick, upgrading skills and transitioning into new skills areas is going to be a significant challenge."

Lifelong learning is essential to ensuring the success of future generations of older workers

There was widespread recognition of the importance of lifelong learning for all workers. This encompassed acknowledging the need to improve the literacy levels of workers of all ages, encouraging workplace-centred training and generally supporting diverse forms of learning and training activities during the course of workers' careers.

Lifelong learning was viewed as essential to expanding the labour market opportunities of workers when they reach the later stages of their careers. As individuals extend the horizons of their working lives and retirement, the importance of taking a continuous, ongoing approach to learning and training that includes older workers was considered more important than ever.

"Keep the workforce skilled and motivated throughout their careers by investing in lifelong learning, which includes training to update and expand on skills and knowledge, and which could also include a mentoring program where both older and younger workers train and learn from each other."

"I believe that individuals should help themselves, but I think you first have to arm them with the knowledge and skills to do that."

"Working upstream, in essence, is about a whole organizational culture. It is more than getting a first diploma with basic training. It means having an organizational culture of lifelong learning and development, and continuously updating knowledge. Otherwise, by the time we hit age 55, the gap between life and learning can be so wide that we can no longer return to school and retrain ourselves."

"Training should be a part of what employers do with their employees on a regular basis, so employers are not scrambling when they start recognizing that a particular demographic in the workplace — older workers or immigrants, for example — needs training."

"Lifelong learning is our battle steed, and it really is what makes the difference, because older workers will have less difficulty finding a new job if they should ever have to, and we would maybe have transferred their skills to other sectors or, at the very least, made sure that their last few years of work are interesting."

Recognizing the skills of older workers, acquired through years of experience, is necessary to re-employment

A broad range of stakeholders pointedly identified the experience and skills of older workers acquired through years of experience on the job as an important asset to these older workers and to organizations. Many participants in the consultation process observed that valuable informal skills are being lost as older workers retire or otherwise leave the labour force. Employers are often unable to assess the level and value of these skills and competencies. As a result, older workers who have lost their jobs and are seeking new ones are frequently unable to convey this information. This lack of skills and competency recognition was identified as a major impediment to the successful adjustment of older workers.

In this situation, the value of assessment tools for prior learning was emphasized as a means of providing better skills recognition. In turn, prior learning recognition would support

workers' transitions into new jobs. Many examples of concrete initiatives were provided. In New Brunswick, for example, the government is supporting the development of a Prior Learning Assessment program of "essential" skills, to match employers' skills requirements with the skills available among workers.

"There is a particular problem faced by workers who reach age 55, and even a bit before, even though this still seems young to us. It is young in everyday life, but it is difficult to find a job once you reach that age. And it is particularly difficult when your training, experience, expertise and years spent in the labour force leave you few options for skills transfer, when what you know is no longer needed and when there are not many job opportunities for you in a given region."

"There is a key issue in connection with training, and it's about recognition. It's all very well to get training in the workplace, but if this training is not transferable, not recognized in that and other sectors, it amounts to whistling in the wind."

"When we talk about recognizing skills in the mining sector, some 40 years ago employees had an apprenticeship booklet, and when they transferred to another mine, their booklet went with them. This meant that you would know exactly what positions they had been in, what function and what duties they had performed. We've talked about recognizing skills, lifelong learning and transferability. We have a health card for medications. We could have an apprenticeship booklet."

"Prior learning assessment allows us, based on these essential skills, to evaluate the person and, on the basis of what the employer needs, to say this person already has the skills required to work in the workforce. If the employer says they need a certain level of reading or writing then we would assess the capacity of the worker; we don't want to re-teach something workers have already mastered."

"I think we need creative and innovative ways to recognize people's skills and experiences so they are transferable and portable."

"There needs to be a more standard way for prior learning assessment to be done."

Ageism and Myths About Older Workers

Discrimination against older workers is a barrier to employment

Across the country, the Panel was made aware of concerns about “ageist attitudes” toward older workers. Reducing ageism was viewed, in the first instance, as being the correct policy on grounds of fairness. It was also identified as something that would help to increase the participation of older workers in the labour force by reducing barriers posed by employers’ prejudice and the prejudice of fellow workers. For older workers, reducing ageism was also regarded as a means of increasing older workers’ attachment to the workforce.

With the aging of the population, the issue of ageism was thought to be one that would increase in importance. It was repeatedly suggested that governments sponsor an educational campaign aimed at employers, workers and society at large.

“We have to have an awareness campaign against ageism, and we have to start taking ageism as seriously as we have racism and sexism and make it as politically incorrect as those are now.”

“An age-friendly workplace is one that promotes a culture respecting the skills, knowledge and experience of older workers and that actively adapts to the reality of its older workers.”

“But I would also like to point out that governments are also employers, and that they are the last to recognize workers’ skills and the last to hire older workers.”

“My last point is that work is part of life. Whether we are young or old, excuse the term, work is part of our life. It is important. It is important to recognize that older workers are entitled to recognition for their participation in the world of work and for their knowledge and experience.”

“In Europe at the moment, several countries are engaging in very active anti-ageism strategies. They are really trying to change the perceptions not only of older folks but of the society and employers, and I see that as being one of the starting points.”

“Ageism in the media, ageism in health care and ageism throughout society feed the

ageism in the workplace, so it really has to be a comprehensive campaign to deal with ageism.”

“Include a component that allows for the development of best practices and an information network that would be available to all the workers and to employers as well.”

The government needs to dispel negative myths about older workers

Canadians shared with the Panel their concerns about a number of myths about older workers. The myths relate to productivity, capacity and ability to learn, and commitment to work. One concern was that the various myths about older people create direct barriers to older workers’ participation as well as a generally unfavourable climate that limits their labour market prospects. Here, too, the preferred response was a government-sponsored educational campaign to redress negative stereotypes and promote the assets and positive features of older workers.

Some employers recognize the advantages of promoting the ongoing participation of older workers. Many develop and follow best practices in retaining and investing in the future careers of older workers. Officials in British Columbia noted that disseminating best practices information on older workers throughout the private sector could support faster worker adjustment. A government-sponsored educational campaign could also support the diffusion of employer best practices across workplaces.

“Remove perceived stereotypes of older workers, which may see them as slow and resistant to change, and instead recognize that these issues vary with each individual no matter what their age. Engage in a social marketing campaign that promotes the benefits and continued employment of older workers and that celebrates the contributions they have made.”

“I have no problem spending money to train somebody who is 25 years old, because I can see a two-year return on those people. It is a lot more difficult for me to say that I’m going to spend a certain amount of money to train people who are 55 years old and probably not get a lot of useful time from that investment.”

“Well, I think that one of the key obstacles

faced by older workers is really their own prejudice toward themselves. They compare themselves to younger people and think they are not worth as much as the latter.”

“So we know that the employers are the biggest issue. They just, at this point, have not yet recognized the fact that there is a change in demographics. When they realize they can’t find people, they’ll finally decide that maybe they have to turn to older workers.”

“I’d suggest an awareness program for the private sector. It is important, easy to do and not very expensive. We are talking about a conversation with an employer that complains it cannot recruit, where we ask about its approach, its hiring culture, and then help it become aware that it is shutting out everyone over age 50.”

“Increasing the awareness of stakeholders about the psychology of older workers is important. Older workers are not the same, whether in key areas, Service Canada, or anywhere. They do not have the same dynamic. They do not have the same psychology. We need to increase awareness in the private sector about the positive characteristics and needs of older workers.”

“I would like to underscore the need for a massive educational awareness program and campaign that is meaningful, fun, hip and understandable.”

“The different levels of government have to serve as catalysts within the population by mounting awareness campaigns, because awareness campaigns can be useful in making the general public and employers aware of the issues and the circumstances faced by older workers.”

Individual Choice and Flexibility

Support individual choice and flexibility for older workers

There were strong views expressed about the need to support flexibility and choice in workers’ lives and at various stages of their careers. This issue was considered to be particularly important for older workers as they make decisions about their level of participation in the labour force, how best to transition into retirement, and the appropriate balance between the work and

retirement spheres. Canadians expressed a strong view that private and public policies ought to support flexibility and choice throughout people’s lives.

“One thing that has always amazed me is that we really haven’t modernized the rules and regulations around pensions. A lot of times the rules and regulations force people to retire because they’re getting older and they’re maximizing, and then these same people wind up working three, four, five days a week.”

“We have heard some thoughts about phased retirement in the federal government, but the whole issue of cutting back and planning work time at the end of a career in the private sector is certainly another important factor that we need to work at too.”

“Introduce phased-in retirements that allow for a more gradual transition from the workplace to retirement, which is key — this is something that would benefit both older workers and their employers.”

“What we are proposing is a program for people who worked for 10 years over the past 30 years but who, because their skills and knowledge are no longer relevant in today’s labour market, cannot find work that pays properly in their region.”

“Consequently, what means are available to people so they can enjoy an active life with some flexibility? What would be the features of that flexibility? Would employers be open to it? Would workers be open to it? Would unions be open to it?”

“So we’re trying to actually think in a whole different direction about work, and maybe about working forever. Why is there such a thing that you have to or should retire? What’s wrong with participation in the workforce until the day you die?”

Government programs should be updated to support older workers

There were general concerns about whether public policies and programs are sufficiently flexible and accommodating in meeting the needs of changing lifestyles and goals. What the Panel heard was consistent with what is termed a “life-course” view of policy that assists individuals in different ways at various stages of their careers and lives.

This was clearly identified as an issue in relation to pension plans — such as the Canada Pension Plan — for individuals who want increased flexibility and choice in terms of transitioning into retirement. The clawback on earnings under the Guaranteed Income Supplement (GIS) was widely considered to be a further constraint on older workers’ choices about employment and a disincentive to work. Mandatory retirement was seen as yet another significant and “archaic” barrier to individual choice.

The views expressed suggested that transitions into retirement reflect very individual choices. These choices may arise from lifestyle, the desire to continue working to support a desired standard of living or because the work itself has significance to the individual.

The Employment Insurance (EI) program was widely considered as increasingly failing to meet the needs of more and more Canadians. Concerns were especially pointed in the case of older workers. Recognizing the economically disadvantaged position in which displaced older workers find themselves, there was a strong negative reaction to the current EI rules regarding the treatment of severance pay. EI rules currently require that workers must first expend their severance pay before being allowed to receive income replacement benefits under EI Part I. Individuals were viewed as being entitled — as a point of principle — to retain any severance payment they receive, because they viewed it as having been “banked” on their behalf, or as equivalent to a pension in that it is a deferred payment. Having a severance payment potentially available for later use was also viewed as supporting displaced workers’ overall adjustment prospects.

Other concerns with the EI program ranged from dissatisfaction with benefit levels and duration under Part I to the adequacy of training and other active support measures under Part II. There was a broad expression of concern that the design of the current system is outdated and ill-matched to the new economic realities. A number of commentators expressed interest in a fundamental review of the EI program.

“It doesn’t make sense that you have to be retired at 60 to apply for CPP. You are allowed to go back to work afterwards but you have to be retired when you apply. Where does that come from?”

“Every dollar that you get beyond the GIS level is clawed back 50 cents on the dollar, and we would like to see a band of \$5,000, for example, so that GIS recipients can go to work, top up what they are making, and ensure some quality of life. They are not raking in the bucks at that level. That is something that would make sense to us as well.”

“I see severance pay as a negotiated wage package. Somebody sat at the table and negotiated for both sides. There is a pie there, and you get so much of the pie. How you divide it up doesn’t matter. It’s a cost that is associated with producing the widget, the product, whatever it is. I don’t think severance should play into the process. It’s like saying to somebody, ‘You banked your money, and now we are going to penalize you because you have banked money.’ I am not impressed with that concept.”

“On mandatory retirement, we hear almost every day that people want to work, they have to work and yet they are not allowed to work. There has to be choice based on ability and not on age. There are provinces that have dealt with it, but federally regulated industries are not even touching it. It’s something we can’t even get close to any kind of real discussion on with the federal government, and this doesn’t make sense. We are talking older workers, and mandatory retirement is archaic in that discussion.”

“I have had people who have lost their jobs provided with severance and, even if they are in auto parts or the auto industry, it was deemed that the severance was money that had come out of earnings and would have to be allocated first before these people could access any type of benefit. That’s a problem, and severance shouldn’t be treated like that.”

You should keep this money that you worked for but also access all the services that you can get with the benefit. This is a major, major problem.”

“We are proposing something that would enable people who are currently left out in the cold to be able to pursue their life with dignity, without having to hide, without being ashamed of drawing benefits because even though benefits are a right, entitlement to social assistance benefits, in fact, often makes people the subject of unjustified derision. Society places so much pressure on these people that they start to feel as if they were cheating. So, we think people who have dedicated so many years of their lives to being active but who can no longer find decent paying jobs in their region should be able to hold their head high until age 65, which is the normal age of retirement.”

“I think there is a great need to review and revise the entire EI program.”

“I will point out that under the current federal system of employment insurance, if someone like my daughter, who is 17 years old, works for six months and loses her job, she will be entitled to six months of unemployment insurance. And someone who has worked for 30 years and contributed for 30 years, and loses his or her job, will be entitled to six months of unemployment insurance. Something’s wrong with this picture.”

“Is the current system providing sufficient levels of support for long-tenured workers who have paid premiums over a significant period? If you worked for five years and you paid premiums for five years, the first four years aren’t counted and the last 52 weeks are. You’re treated the same as somebody who has worked the minimum number of weeks to qualify. So, it seems to me one might want to consider whether long-tenured displaced workers or even a subset of those, such as older workers, who suffer a permanent job separation might qualify for some EI-funded labour market adjustment assistance.”

3. Summary: Mapping a Way Forward

The consultations with provinces and territories were at the heart of the Panel’s mandate. They were crucial in capturing the importance of issues around an aging population, of older workers in each jurisdiction, and of the adjustment issues confronting displaced workers. They were also important in identifying policies that could help address the labour market dimensions of an aging population. The roundtables and submissions from individual Canadians and associations provided a welcome opportunity for everyone to communicate and elaborate upon their opinions and, in many cases, to suggest approaches and options for change.

The consultation process yielded a rich and diverse set of views from Canadians coming from all walks of life, as well as from the provinces and territories. One of the challenges throughout the process was in consolidating and reconciling the various views while, at the same time, appreciating the significance of the diversity in the perspectives of many of the stakeholders. Many comments and views echoed here were recurring themes heard in many different forums and across the country.

In reflecting upon the varied and valuable inputs, the Panel was struck by the degree to which Canadians were preoccupied with the issues of the aging workforce. The Panel was impressed by the dedication of individuals and, indeed, of whole communities affected by declining industries, in finding solutions for older workers in need of transition support. The views brought to the tables or in submissions were instrumental in informing the deliberations of the Panel, in shaping the Panel’s views and recommendations, and in helping it to map a way forward.

PART III

Enhancing the Labour Market Prospects of Older Workers

1. Enhancing Choice and Flexibility

From the broad perspective of benefiting society and the economy as a whole, increased labour force participation and attachment by older workers stands to increase national income, lessen fiscal pressures on governments caused by a shrinking tax base, and alleviate dependency and expenditures on public programs for older individuals. In the labour market, increased participation can alleviate labour shortages and result in a higher standard of living for older individuals who continue to work.

Thus, in view of the aging of the labour force and its slowing growth rate, the Panel wishes to emphasize the benefits of maximizing the opportunities for older worker participation in the labour force. Both individuals and employers can benefit significantly. Workers would have improved career opportunities and retirement options, and employers would benefit from the increased output that would result from greater labour force participation of experienced workers. The Panel agrees with the principle that enhancing older workers' prospects means expanding their choices concerning work and retirement, and creating greater flexibility in their work arrangements and in their transition from employment to retirement.

Throughout the consultation process, the Panel consistently heard that Canadians continue to expect government to take a lead in finding solutions to some of the problems and issues confronting older workers. Three areas in particular were emphasized:

- the need to address ageism and myths about older workers. This is clearly a broad issue that cuts across society as a whole, and a problem that requires a long-term approach;

- the general challenge of educating individuals and employers about the importance of training, learning and education, and recognizing job-related skills and experience; and
- the need for government and employers to increase flexibility for transitions to retirement and to address some existing disincentives to labour force participation arising from the pension and social security system.

2. The Issues and Challenges

Through the consultation process the Panel identified issues and challenges regarding enhancing older workers' long-term prospects. First, discriminatory practices, whether rooted in explicit or implied attitudes or beliefs, can create major barriers to maximizing older workers' labour market potential. Some employers may have ageist views about older workers, and hold on to myths about their capabilities and performance. Other employers may underrate the productivity of older workers, have outdated human resource practices, or simply be unaware of the skills, abilities and value that older workers bring to their organization.

Second, outdated human resource practices that do not match the new realities of older workers in the workplace, and a lack of human resource programs, are further barriers to older worker participation. For example, older workers might wish to work longer than they had originally intended. But employers may not have knowledge about human resource practices to adopt, nor the expertise to implement human resource policies and practices that would entice them to do so.

How to Retain Your Experienced Workers and Avoid Labour Shortages

In October 2001, the La Cinqantelle module of the Women's Center of Montreal, a non-profit organization founded in 1973 was mandated to educate employers and the general public about the economic and social necessity of hiring and retaining women between age 55 and 64. Those actions were carried out as part of the pilot project for older workers in partnership with Emploi-Québec and Human Resources Development Canada (HRDC).

The Centre arrived at five ways to improve retention of experienced workers, involving changing attitudes and behaviour towards the idea of retirement age; in other words encouraging the extension of working life. An internal survey indicated that 69% of women would like to retire between age 55 and 64. However, only 37% of them had the means to do so. It is also important to ensure knowledge transfer; in other words promote horizontal mobility within companies. The Centre also developed a tradition of ongoing training at all stages of the workers' working life through a human resource development fund earmarked for training and development.

And finally, it developed a retention strategy:

- company commitment to experienced workers through new recruitment options;
- acquire a reputation as an active recruiter and good employer of experienced workers;
- promote and recognize experienced workers through skills recognition, training and knowledge transfer;
- build on the basic needs of all workers, including experienced workers;
- organize the work more flexibly:
 1. Cut back and plan work time including through phased retirement;
 2. Increase training and adapt it to experienced workers;
 3. Arrange positions in a less restrictive manner.

Concrete, Prime Examples

Clients of La Cinqantelle were broken down as follows in 2006, because data for 2007 were not available at the time our report was published: 52% of clients were between age 52 and 54, 35% of them were between age 55 and 59, and finally 11% of the rest were between age 60 and 64. The women that come to La Cinqantelle of the Women's Centre of Montreal need help finding a job after being laid off because of their age.

La Cinqantelle prides itself on a 65% placement rate. There are concrete and numerous examples of job recovery, and some are glowing successes such as community builder, political attachée attendant, library assistant with the City of Montreal, union advisor at CSN, financial

analyst, reception attendant at a long-term care centre, telephone operator at the Montreal Convention Centre, computer architect, research officer, Université de Montréal, translator, sewing machine operator, advocate, public area monitor in a private secondary education establishment. We are talking about wages that range from \$10 to \$65 an hour, pointing out however that the average wage of these women is \$12 an hour.

– Commitment from management is essential. Management must believe in the potential of experienced labour, value its wealth for the next generation and treat it with respect. –

The Panel heard that this is especially true for the growing number of small firms in Canada that typically have no human resource function in place. There may even be a lack of planning and awareness of the broader labour supply issues. And even if human resource policies do exist in small firms, they are unlikely to be tailored to meet the needs of older workers.

Third, the need to acquire education in all its forms is critical to the success of older workers and to their adjustment in the event of a job loss. Workers with higher levels of education and training tend to continue to receive more training, earn higher wages and have shorter spells of unemployment. During the consultations the Panel noted that a significant proportion of older workers are ill equipped and lack the fundamental building blocks they need to succeed. Low levels of literacy remain a major impediment to their retraining and access to new jobs. Yet a significant proportion of older Canadians lack basic literacy and numeracy skills — a lack that

inhibits their opportunities to acquire further training and skills, or to find a job if they are not working or have been displaced.

A further major insight was that continuous or lifelong learning is essential. Lifelong learning is also a joint responsibility of individuals, employers and governments who must work collaboratively to produce this outcome.

Another point stressed during the consultation process was the importance of older workers in mentoring and educating younger co-workers. The young workers of today are tomorrow's older workers. Enhancing older workers' labour market prospects is, therefore, a long-term, inter-generational undertaking. Another was the importance of prior learning assessment and recognition (PLAR) of workplace skills earned through years of on-the-job experience — skills that are lost to employers when older workers leave an organization.

Blended Workforce Boosts Newfoundland and Labrador Construction Company's Operations

Older workers are the backbone of Pennecon Limited, and the company's blend of older and younger workers is the reason for its success, according to president Bob Noseworthy.

Pennecon, based in St. John's, is a homegrown Newfoundland and Labrador business that started as a small paving company 30 years ago. Pennecon now operates in the residential, commercial, heavy construction and energy sectors. The company does \$200 million in business a year and has 1500 employees.

Because of their knowledge and expertise, Noseworthy says, plus their ability to mentor younger employees, his company tries to hang on to its older employees as long as possible.

"Some of our employees—those who work in the instrumentation field, for example—can stay in their current jobs forever. But other

jobs are very physical, and many older workers just can't do them full-time anymore. Because we are a diversified company, we can sometimes find less physically demanding work for an older employee. Older electricians and senior engineers, for example, can do on-the-job training with younger employees. We also encourage our more senior workers ready to retire to stay on and continue their work part-time if they want to."

Noseworthy is on the executive of the national construction association, and says his industry has to do a much better job in recruiting young people, particularly while the experienced older workers are still around to teach these younger workers how to do their jobs.

Fourth, older workers and employers work and operate within the context of government policies and programs. During the consultation process, stakeholders were clear that in some specific areas and under some circumstances, existing government policies are outdated and function to limit older workers' choices and opportunities.

The Panel carefully considered government policies that affect older workers with a view to determining whether they create barriers to long-term participation in the labour market. Given the importance of creating flexibility for individuals to lengthen their time horizons for work, and the concerns expressed by stakeholders throughout the consultations, the Panel also carefully reflected on the issue of banning mandatory retirement.

In view of these issues and challenges, the Panel examined the prospects for promoting and reinforcing "best practices" among employers and employees. For employees, this implies encouraging and supporting the acquisition of new skills through lifelong learning. For employers, it includes promoting awareness of human resource issues associated with older workers, supporting positive human resource policies and practices aimed at retaining and extending the attachment of older workers to their jobs, and possibly putting in place measures to reduce or eliminate barriers to older workers' participation.

The Panel also looked at updating government policies and programs to complement these best practices to ensure they do not limit older workers' choices and flexibility in participating in work, and to improve the awareness and information available to older workers, employers and the general public regarding older workers.

3. Removing Barriers to Older Workers

Two Key Barriers to Older Workers' Participation

Our market economy provides workers with a high level of choice and opportunity to improve their economic well-being and to pursue meaningful careers. Canadians rely upon a "level playing field" in the labour market, where opportunities to obtain new jobs, further their education and

training, and participate in the labour market to the extent they wish are not obstructed and are determined on a fair and equitable basis. While the Canadian labour market performs well on these counts, there is a variety of persistent barriers that women, visible minorities, Aboriginal people and other individuals face that limit their potential to exercise choice, pursue current opportunities and enhance their future prospects. Government, and older workers themselves, have a definite role to play in identifying and alleviating, if not eliminating, these barriers.

One important barrier to the labour market participation of older workers is the existence of discrimination and negative stereotypes. The Panel heard many concerns from a cross-section of stakeholders about various types of ageism that inhibit older workers from participating fully in the labour market.

Another barrier can arise from outdated government policies that have the effect of limiting older workers' choices and opportunities. Therefore, governments should strive to remove program rules or features in existing policies that limit older worker's participation or that provide disincentives to work. Among the range of existing government policies that can adversely affect older workers, stakeholders consistently brought up the practice of permitting mandatory retirement in the federal jurisdiction. Mandatory retirement limits individuals' flexibility in choosing how long they work and the degree in which they participate in the labour market. The Panel agrees.

Ageism in the Canadian Labour Market

While it is widely believed that age discrimination occurs in the labour market, direct discrimination is difficult to measure. Rigorous research evidence on discrimination is lacking, and in Canada, most research relates to gender, with less evidence related to other personal characteristics. Surveys of individual Canadians who self-report indicate that many feel they have experienced ageism.⁹⁰ Other evidence about discrimination arises from complaints brought before human rights commissions in which a steady number of cases involve discrimination on the basis of age.⁹¹

This type of evidence accords with the available information on Canadian employer attitudes and stereotypes about older workers.⁹² Prevalent stereotypes include perceptions that they are less productive, have poorer health and thus pose greater safety issues over time, or that they are not worth training due to the expense or because they will soon retire. Yet, research evidence on productivity, for example, suggests that older workers are not necessarily less productive than are their younger colleagues.⁹³ While the period in which to obtain returns on training may be shorter for most older workers, an increasing number are working longer — and training is still associated with higher worker productivity and employability.

All major stakeholders in the labour market can hold negative stereotypes, including employers, older workers themselves and individuals in the broader public. Incorrect perceptions of employers regarding the productivity, motivation or trainability of older workers can form a barrier to employing and investing in older workers. Similarly, older workers may lack confidence in their own skills and knowledge, or in the benefits of investing in the training that is required to maintain or enhance their future employment prospects. The persistence of stereotypes and misperceptions in the broader public can lead to a general negative climate that diminishes confidence and contributes to insecurity among older workers. Consequently, there is a need for heightened awareness about the potential for older workers among all three groups.

Canadian Association of Retired Persons Promotes a Society for All Ages

Older Canadians are healthy, they possess a lifetime of knowledge and experience, they're able to learn new skills, and they deserve an opportunity to fully participate in and contribute to society.

These are some of the main messages promoted by Canadian Association of Retired Persons (CARP), the association advocating for older Canadians' rights and quality of life.

"We all age differently, and we should all have a choice in when and how we retire based on ability rather than simply on age," says Judy Cutler, co-director of government relations for CARP.

Among its advocacy activities, CARP is calling for: an end to mandatory retirement in Canada; a national anti-ageism public education program;

incentives such as phased retirement plus a more flexible work schedule to keep older workers in the labour force; employer and employee benefits and tax credits for training and upgrading; access to CPP at age 60 without having to leave work to apply; a band of acceptable income with no clawbacks of supplementary income for Guaranteed Income Supplement recipients; and a national homecare strategy that would support more flexible work schedules for the millions of family caregivers across this country.

CARP, a non-profit organization founded in 1984, has more than 400,000 members who are 50 years of age or older, and who may or may not be retired.

For more information, please consult the CARP website at www.carp.ca.

Older Workers Increase Safety on the Job

“Older workers are a big asset in the New Brunswick construction industry for two reasons. First, they increase the safety at job sites, and second, with 30 or sometimes even 40 years of experience on the job, they know all the tricks of the trade, and they have an amazing ability to mentor our younger workers,” explains Hilary Howes, executive director of the New Brunswick Construction Association.

The Association, which represents 600 of the province’s largest construction companies and over 12,000 construction workers, credits the older construction workers in New Brunswick

for helping give that province’s construction industry one of the best safety records in the country.

Howes says that due to labour shortages and their value in the workforce, the industry is going to have to be more accommodating in its employment of older workers, even if this involves letting them work part-time or on a more flexible schedule.

“Whatever it takes to keep these older workers, we have to do it,” he says. “We’re going to need them.”

Government Action Against Ageism

Given the aging of our population and workforce and the barriers that ageism creates for older workers, there is a clear role for government to address the issue of ageism in Canadian society. As a high profile, major employer in Canada, the federal government should take an active, visible leadership role in redressing ageism and thus enhancing the employment prospects of older workers in government organizations. This can be achieved, for example, by devising and implementing progressive human resource policies that support the hiring, training and job advancement of older workers; encourage age-friendly workplace cultures; and counteract incorrect stereotypes and misconceptions about older workers. As well, improved “best practices” can be diffused to other organizations, especially those in the private sector.

The Panel concludes that the degree, extent and persistence of misinformation, stereotypes and ageism warrants government action to enhance awareness among employers, individuals and the broader public about the value and benefits to them of the continued and active participation of older workers in the labour force. Government action should take the form of an awareness campaign against ageism that follows four main principles.

Principle 1: Clarity and Focus

The awareness campaign should be well-defined, focused and aimed at both correcting negative stereotypes and providing information to employers and individuals about the nature and implications of the coming demographic and labour force changes in Canada.

Principle 2: Comprehensiveness

Because the issues surrounding ageism are multifaceted, the campaign should be comprehensive. There is a need for more information about ageism and the aging labour force, and for better public understanding of their implications. Being better informed means employers can plan for their workforce, and individuals for their careers and retirements.

To meet these challenges, the awareness campaign against ageism must be sufficiently thorough and sophisticated to have an impact on people’s perceptions of older workers, and employers’ opinions of the importance of the issues. The campaign needs to encompass a range of objectives, such as those that:

- enhance information about the value of older workers to their organizations;
- dispel myths about the capabilities and performance of older workers;

- increase awareness about the range of older workers' contributions at work; and
- disseminate information about "best practices" that create flexibility and thus support an aging workforce.

Principle 3: Broad in Scope

The awareness campaign should be broad in scope in terms of the segments of society that it reaches: individuals, employers and the public. Among individuals, the campaign should be aimed at both older workers and younger workers — who are tomorrow's older workers.

The campaign should also directly appeal to small- and medium-sized firms. While many larger firms have fairly sophisticated human resources strategies, there is a tendency in smaller ones not to have a human resources function, which results in fewer resources to address workplace and personnel issues.

Principle 4: Sustained in Effort

Finally, the awareness campaign must be a sustained effort because the aging of the workforce, and its implications for individuals and employers, poses long-term challenges. The Panel recognizes that changing the opinions, behaviours and practices of individuals and employers can take a long time.

In response to the challenges posed by their aging populations, several European countries have mounted successful age-awareness campaigns. Examples include the United Kingdom's Age Positive Campaign launched in 1999, Finland's National Programme for Aging Workers 1998–2002 and Norway's National Initiative for Senior Workers 2001–2005.⁹⁴ These international efforts may provide useful practical lessons for the design and implementation of the Canadian awareness campaign.

Canadian governments have established a considerable track record of success in addressing important long-term social issues with programs such as Participation, anti-smoking campaigns and campaigns that encourage healthy eating lifestyles. The considerable success of these programs is due in part to their sustained nature. Elements of these types of programs can serve as a model for a "triple-A" Canadian "affirmative age awareness" (AAA) campaign.

Recommendation 1:

That the federal government, in consultation with the private sector, unions and civil society, undertake a comprehensive and sustained awareness campaign to promote the value and benefits to individuals and employers of continued and active participation in the labour force, to reduce ageism and to remove negative stereotypes surrounding older workers.

Updating Government Policy: Addressing Mandatory Retirement in the Federal Jurisdiction

Provinces that have moved to impose restrictions on mandatory retirement include British Columbia, Alberta, Manitoba, Quebec, Prince Edward Island, Ontario and Saskatchewan. In the provinces of New Brunswick and Nova Scotia a legislative ban on mandatory retirement is under active consideration by the provincial parliamentarians.

In most jurisdictions, the ban on mandatory retirement has been given effect through an amendment to the provincial *Human Rights Act* to make mandatory retirement at age 65 a discriminatory practice. In other jurisdictions, such as Ontario, specific legislation was introduced to ban the practice by changing the definition of "age" in the *Human Rights Act* to include those over age 65. Even so, in jurisdictions where there currently exists a ban on mandatory retirement, there are exceptions under certain clearly defined situations that are related to *bona fide* job circumstances (typically referred to as "bona fide occupational requirements").

In the federal jurisdiction, the issue of mandatory retirement falls under the *Canadian Human Rights Act*. The 2000 report of the LaForest Review Panel recommended that the government amend the *Canadian Human Rights Act* such that mandatory retirement would be prohibited, but the recommendation has yet to be implemented. Under current jurisprudence, mandatory retirement is not deemed a discriminatory practice. Even so, the federal government, as employer, does not currently impose mandatory retirement and is presumed to be a leader through "best practice." Estimates of the number of private sector employers in the federal jurisdiction that do not impose retirement at age 65 suggest that it is in the range of 25%.⁹⁵

In terms of the number and scope of occupations for which age is a legitimate criterion for assessing an employee's ability to perform a job, the federal jurisdiction is somewhat unique. Such jobs in which *bona fide* occupational requirements underpin the practice of mandatory retirement include airline pilots and those in the RCMP and the armed services.

So, although the federal government, as employer, has shown leadership "by example," it has not done so as a matter of policy. Both employees and employers would benefit if mandatory retirement in the federal jurisdiction were banned. Employees stand to benefit because they can choose their time of retirement, giving them long-term career flexibility and thus accommodating their financial, health and other personal circumstances.

Employers stand to benefit from the experience and knowledge of long-tenured employees, although in certain occupations age may be a criterion for continued employment. More generally, providing employees with the opportunity to extend their employment past the age of 65 is consistent with the broader policy principles of supporting individuals' choice to participate fully in the labour force and create flexibility in their employment arrangements. It is also consistent with the goal of increasing the labour force participation of older workers in order to help ameliorate the effects of the slowing growth rate of the labour force.

Recommendation 2:

That the federal government eliminate mandatory retirement in the federal jurisdiction by amending the *Canadian Human Rights Act* to extend the coverage of the Act by removing exceptions that have the effect of permitting mandatory retirement for persons aged 65 and older. This amendment of the *Canadian Human Rights Act* should be undertaken in a manner that allows for flexibility by respecting current *bona fide* occupational requirements based on age.

The Panel's recommendation of eliminating mandatory retirement in the federal jurisdiction should proceed in a way that accounts for circumstances that are unique to the federal jurisdiction and allows for a suitable transition period. While the benefits to banning mandatory retirement stand to be significant, the government

should note that such a move raises several specific issues that bear careful study and consideration, including the need to:

- respect *bona fide* occupational requirements based on age;
- address whether to accommodate freely negotiated employment contracts (including collective bargaining agreements) that embody an age-related retirement requirement;
- consider the collateral impact of any changes to the *Canadian Human Rights Act* on other federal legislation, such as the *Canada Labour Code*;
- provide for a suitable transition period for employers, employees and unions to modify their current contracting arrangements to achieve compliance; and
- consider how to treat the provision of various available employee benefits (e.g., supplementary health care, prescription drug plans, sick leave, family leave or vacation entitlement) up to the age of 65 if employees continue to work past age 65 with the same employer.

4. Labour Market "Best Practices": Training, Literacy and Lifelong Learning

The Connection between Human Capital and Enhanced Labour Market Outcomes

One of the major determinants of individuals' success in the labour market is their level of human capital investment, because it increases their productivity. Two major forms of human capital investment are education and training. In Canada overall levels of educational attainment have gone up substantially over time. For example, university graduation rates for Bachelor's and professional degrees increased significantly from the 1970s to the early 1990s, and then leveled off in the mid-1990s.⁹⁶ Among OECD countries, Canada currently ranks about fifth in terms of the percentage of its population aged 25–64 with a university degree, and first in terms

of the percentage with a college or university degree.⁹⁷ As a country, Canada has invested significantly in education, and individuals benefit from this in the labour market.

Workers with higher levels of schooling tend to have greater earnings. University-educated individuals have the highest relative earnings, compared to those with a college, trades or high school education.⁹⁸ This relationship between education and earnings is observed across OECD countries, although the extent of the effect of education on earnings varies across countries. Canada compares favourably in this relative to most countries, such as the United Kingdom, France and Germany, but the differences are greater in the United States.

Workers with higher levels of education also tend to participate more in training — which is also associated with greater earnings. For example, the participation rate of university-educated individuals in formal job-related training is more than double that of individuals with, at most, a high-school level of education.⁹⁹ This result also holds for job-related training sponsored by employers.

People with higher levels of education or training also tend to have a lower chance of becoming unemployed. Education and training therefore form a virtuous circle that includes higher earnings and a lower likelihood of unemployment. From a labour market perspective, investments in learning, including education and training, constitute a national “best practice” that ought to be supported by public policy, employers and individuals.

The Education and Learning Profile of Older Workers

Having sufficient education and training is a key condition for workers’ successful participation in the labour market — and older workers fare less well than their younger counterparts because they tend to have lower levels of education.

It is not surprising, therefore, that older workers, especially males, also tend to have lower levels of literacy. This is of particular concern because achieving a functional level of literacy is a prerequisite to pursuing further training and education. In fact, enhancing workers’ literacy has a positive effect on labour market outcomes,

especially for those with low levels of educational attainment — particularly those who have not completed high school.¹⁰⁰ Workers in many of the Canadian industries that are currently under pressure and where there has been considerable job displacement — including fishing, forestry, pulp and paper, and until recently some segments of mining — fit this profile of typically older, male workers with low levels of education and low literacy rates.

Given the relationship between education and training, it is not unexpected that older workers tend to have less training than younger ones. The participation rate in all formal job-related training, including employer-sponsored, declines with age.¹⁰¹ The average number of training hours is also lower for older workers. Another concern is that literacy skills tend to depreciate with age over time, compounding the fact that older workers tend to have low rates of functional literacy.¹⁰²

As a group, older workers tend to have an education, training and literacy profile that places them at a disadvantage in the labour market relative to younger segments of the labour force. At least traditionally, workers expected with some certainty to retire by the age of 65. Consequently, employers are reluctant to invest in human capital for older workers nearing the end of their career, since the time remaining in which to realize the return on the investment is so short.

Older Workers and Lifelong Learning

Older workers, especially those who have experienced a job loss, tend to face a “triple challenge” in the labour market, making them more vulnerable to changes in their employment situations.

- First, older workers tend to have lower levels of education and training. Yet the Panel observed that among older displaced workers, lower levels of education tend to be associated with longer spells of unemployment and obtaining lower paying jobs once they are re-employed.¹⁰³
- Second, older workers have lower levels of literacy, although for older displaced workers, functional literacy, is necessary to obtain the retraining that may be required to obtain a new job.

- Third, older workers must take account of the fact that human capital, like all capital, tends to depreciate with time. This requires further investments by the worker and employers in learning to maintain their “stock” of human capital.

To address these challenges, older workers, over time, need to make ongoing investments in training and skills. In effect, this requires that workers of all ages adopt a “lifelong learning” approach to their training and educational activities.

The traditional approach was for individuals while young to obtain a certain amount of formal education through schooling, or formal training through a trades or apprenticeship program, to launch them into the workforce. Much of the subsequent learning that occurred took the form of employer-based training, or periodic upgrading through community colleges. In many cases, older workers who did not upgrade their skills were left vulnerable in times of unemployment or during labour market adjustments.

Canadians need to have the opportunity to participate successfully in the labour market throughout the course of their working lives. Improving the labour market prospects of older workers involves assisting both the current generation of older workers and the older workers of tomorrow. Lifelong learning is critical in today’s labour market. The increased life expectancy in Canada has effectively extended the time horizon

of people’s working lives, and many expect to work past the traditional norm. Promoting lifelong learning in the current group of older workers is likely to enhance their labour market flexibility and adjustment prospects.

The situation of future generations of older workers will depend largely upon whether they invest, on an ongoing basis, in the education, skills and training necessary to participate fully in the labour market. For these older workers of tomorrow, lifelong learning is necessary to enhance their labour market prospects, and to support successful adjustment at each stage of their working lives.

The Panel heard from stakeholders and Canadians that there is an insufficient culture of lifelong learning among individuals in Canada, especially among older workers. The Panel observes a clear need for a combined federal–provincial effort to define and act upon a strategy to addressing this important issue.

Older Workers Want to Keep on Learning

Coast Mountain Bus Company is one of many employers in Canada who recognize that training plus flexible employment arrangements are key ingredients in retaining their older workers.

Coast Mountain, named one of British Columbia's Top 30 Employers in 2007, is a subsidiary of TransLink, the Greater Vancouver transportation authority. Coast Mountain has 5000 employees. It operates busses, smaller community shuttles, SeaBus and trolley services in the busy lower mainland area.

Sandra Hentzen, director of People Strategies at Coast Mountain, says her organization uses training and job flexibility to keep its older workers: "We give our longtime employees training opportunities to encourage them to

stay on with us. And if, for example, bus drivers retire at age 65, we hire them back to drive our smaller community busses and offer them a more flexible work schedule."

Thirty-nine years ago, Doug McDonald started with Coast Mountain as a bus driver. Since then, he has worked with the company as an inspector, road supervisor, garage manager and in communications.

"I have my health and I'm still having fun," explains McDonald. "Older workers do embrace change, growth and new technologies. In fact, what keeps us older workers going, and keeps us coming back to work, is a learning environment."

Room for Government Action on Lifelong Learning

Individual and Employer Responsibility

The decisions individuals make early in their careers shape their level of participation in the labour market and their future career opportunities. These include choices about achieving basic literacy and investing in education and training, as well as a desire to maintain their own personal "culture of learning" throughout their lifetime.

While individuals assume a major responsibility for their own learning through the course of their careers, it is a joint responsibility of both individuals and employers. There is considerable scope for employers to support improved literacy, training and the process of lifelong learning among workers. Employers can examine their human resource management policies and practices to ensure that they encourage literacy, training and other innovative forms of learning; provide flexibility in work arrangements; or initiate learning sabbaticals that allow and encourage employees to invest in their own learning.

In order to ensure that each new generation of older workers has enhanced prospects in the

labour market, Canadians need to promote and support a culture of lifelong learning among individuals as well as employers. Lifelong learning will improve the labour market outcomes of individual workers through higher earnings and more continuous employment experiences. Since higher levels of human capital support higher productivity, increased investment in literacy and training over the long term will increase national competitiveness as well as Canadians' collective standard of living.

A Role for Government

In considering the appropriate policy responses, the Panel was mindful of the scope of provincial jurisdiction over education, training and related learning activities. The Panel was also attentive of the views expressed by stakeholders that governments should, where possible and desirable, work collaboratively, and that there could and should be some role for a pan-Canadian approach.

The Panel heard decidedly from the major stakeholders that learning, in all its forms, needs to be increasingly continuous or lifelong and that government, at all levels, needs to find ways to increase support for literacy, training and lifelong learning activities. It was also evident that the stakeholders judged current policies to be insufficient in encouraging lifelong learning.

Recommendation 3:

That the federal government work with provincial and territorial governments to promote the value, benefits and importance to individuals and employers of increasing the levels of training and literacy, both in the workplace and through other programs, and to also promote the need for continuous learning throughout individuals' working lives.

5. Supporting Flexibility in Transitions to Retirement

Issues Surrounding Retirement Options

In Canada we are seeing increasing indications of more complex retirement patterns. While some workers continue to make the traditional transition from full work to full retirement, evidence is mounting that this “norm” is changing. More and more workers want to plan for a process by which they phase into retirement as they age. This can take the form of working fewer hours per week but with continuous employment, or part-year work, or alternating between periods of full-time work and periods of not working for pay. Yet, flexible retirement options are not readily available, despite the strong demand.

How best to plan one's retirement is complicated, though, by the current complex structure of pension plans, changes to the characteristics of private plans, and the changing structure of employment in the labour market. The Panel heard from concerned individuals and stakeholder groups about the following types of issues:

- Like most private plans, the Canada Pension Plan (CPP) continues to use age 65 as the main point of reference for when benefits are provided, even though the average retirement age remains below age 65 and the variance in retirement ages around 65 is considerable.
- A shift among private plans from defined benefits to defined contribution arrangements places more risk onto employees over the longer term.
- Worker turnover and mobility are normal features in a well-functioning labour market

and should be encouraged in order to facilitate economic adjustment. However, they present significant challenges to workers because of impediments to full portability of pension benefits.

- The rise of nonstandard employment also poses new challenges, because many workers have no access to private pension plans or their access is limited in value due to the nature of their employment.

There are broad federal and provincial measures and programs aimed at ensuring the economic security of Canadians. Two main national programs provide for economic security in retirement and old age through public pensions and income support.

The first is Old Age Security (OAS), which consists of the OAS pension, a Guaranteed Income Supplement (GIS) and the Spouses' Allowance. Expenditures on these programs totalled about \$30.6 billion¹⁰⁴ in 2006–2007. The second major program is the CPP, with 2006–2007 pension expenditures of roughly \$18.7 billion¹⁰⁵; in Quebec the counterpart is the Quebec Pension Plan (QPP), which expended about \$6.1 billion¹⁰⁶ in pension benefits in 2006–2007.¹⁰⁷

The varied and sometimes complex patterns of work-to-retirement transitions reflect people's increasingly diverse opportunities, constraints and needs. They also reflect the longer life span of individuals. As well as hearing about the desire for increased flexibility and choice in making the work-to-retirement transition, the Panel heard about the need to update the CPP and the GIS.

Limitations of the Canada Pension Plan for Flexibility

There are two trends that suggest people's growing need for flexibility and choice in deciding when to retire and how best to make the transition. The first trend is the aging workforce and thus the greater number of workers who will be making these retirement decisions. The second is the increase over the last decade¹⁰⁸ of the labour force participation rates of older men and women aged 55–64. Since these trends are occurring together, the demand for greater flexibility in accommo-

dating individuals who want to keep working, or retire from full-time employment but maintain some attachment to employment, is expected to increase. Note, however, that if the trend in labour force participation rates continues, then it could effectively moderate the impact that the aging “baby boomers” have on the growth rate of the overall labour force.

This recent increase in participation rates has occurred despite limitations in the design of existing public pension and other income security programs. These limitations can create disincentives to working and affect retirement decisions among some individuals.¹⁰⁹ Addressing these limitations is especially important in view of the expected slowdown of the labour force growth rate and, consequently, of the need to encourage and support participation of workers as they age.

Principles for the Public Pension System

The Panel heard through the public consultation process about the need for flexibility in opening up possibilities for combining employment income with pension income, and for allowing individuals to continue to work without negative consequences to their pensions. Based upon the concerns expressed by Canadians, and the importance placed on facilitating the efficient functioning of the labour market and broader economy, the Panel identified three important and related principles to which the public pension system should adhere:

1. Older workers who wish to participate in the labour market should have maximum choice and flexibility to do so.
2. Policy options that support and encourage the continued participation of older workers should be identified and examined.
3. Barriers and disincentives to older workers’ participation in the labour market should be identified and, where possible, removed.

With these three principles in mind, the Panel identified a number of issues regarding the design of the Canada Pension Plan.

Issues Requiring Immediate Action

The Panel identified a number of issues with the current pension system regarding retirement

incentives, and the public consultation process reinforced their significance.

First, there is concern that the work cessation (or “work test”) provision of the CPP can create an impediment to labour market participation. CPP regulations currently stipulate that for workers aged 60–64 to qualify for CPP benefits, they must either (1) stop working for the period of the month prior to the commencement of CPP retirement pension payment and the first month in which benefits are received, or (2) earn less in their job than the current monthly maximum CPP retirement pension payment.

The advantage of removing the work cessation requirement is that individuals have more incentive to remain at work longer and less incentive to leave work in order to initiate CPP pension payments.¹¹⁰ Employers would also be encouraged to retain long-tenured employees. This change to the CPP qualification requirements aligns with the objective of increasing the labour force attachment of older workers.

A second issue concerning the CPP regulations is the disallowing of CPP contributions to employment earnings once an individual begins to receive a CPP retirement pension. Stakeholders noted to the Panel that the CPP regulations should be modified to allow the accumulation of CPP credits on future earnings. Allowing eligible individuals to work and receive CPP retirement benefits while still contributing to the CPP would create flexibility for those workers to adopt a more varied transition between employment and retirement. It would create positive incentives to work for individuals who wish to continue to contribute to the CPP in order to build up their pension entitlements.¹¹¹

Updating the Guaranteed Income Supplement (GIS) Program to Increase Flexibility

Another impediment to work incentives, and distortion in retirement decisions, arises from the way in which the Guaranteed Income Supplement (GIS) program treats earnings. The GIS is a national economic security program that provides low-income Old Age Security (OAS) recipients with a minimum level of financial support when their income falls below a

minimum threshold. The benefit is therefore income- or means-tested. An allowance is also paid to persons aged 60–64 who are either spouses of OAS recipients, or widow(er)s.

The GIS contains a clawback provision by which each additional dollar of earnings reduces the benefit received under the program by 50 cents. This creates a strong disincentive to work because each additional dollar of earned income is effectively “taxed” back at a rate of 50% (above thresholds).¹¹² Kevin Milligan explains:

“The GIS, which operates outside the tax system, reduces its benefit by 50 cents for every dollar of outside income (other than Old Age Security). This provision aims to target the benefit to those most in need. By adding a 50-percent clawback to other taxes recipients face, however, the GIS makes longer working life much less rewarding for modest-income Canadians.”¹¹³

One consequence is that the work disincentive effect is very strong for low-income earners, and for higher income earners the clawback on the benefit may be compounded by having to pay income tax on earned income, resulting in a high effective net marginal tax rate.¹¹⁴ The clawback rate on earned income for those receiving the allowance can be even higher. It is expected that the clawback will have a negative effect on older worker participation in the labour force and increase the incentive to retire earlier than desired.

In the immediate term, the Panel supports the principle that the design of the public pension system should accommodate the desire of people approaching retirement to have the opportunity to transition into retirement.¹¹⁵ Similarly, the Panel supports the principle that the work disincentive effects inherent in the design of the GIS, as outlined above, should be reduced as much as possible.

Recommendation 4:

That the federal, provincial and territorial governments work together to undertake and implement changes to the tax and pension systems that would remove systemic barriers and disincentives to work, with the aim of achieving a program design that provides choices and flexibility for older workers who wish to participate in the labour force and earn income.

Recognizing that this will require coordination of changes to pension and tax systems across jurisdictions, the governments should:

- **move to eliminate the work cessation clause in the Canada Pension Plan;**
- **allow eligible individuals to work and receive benefits while still contributing to a pension plan;**
- **minimize work disincentive effects associated with the Guaranteed Income Supplement clawback provisions; and**
- **continue to promote phased retirement through facilitated changes in the tax and pension systems.**

Long-term Issues Require Long-term Consideration

A number of aspects in the public pension system, along with other programs in the social security and tax systems, can affect work incentives and retirement decisions. Stakeholders questioned whether some elements of the broader social security system discourages, rather than supports, incentives for work and opportunities for flexibility and phased retirement — incentives identified by the Panel as being crucial to ensuring Canada’s future labour supply.

Within the context of our aging society and work force, and in light of the wide-ranging issues identified throughout the consultation process, the Panel emphasizes that these systems and programs require ongoing review. The federal government will need to work with the provinces and territories to evaluate the various programs and to undertake and implement policy changes that enhance their inclusiveness, give individuals more choice and flexibility in balancing work and retirement, and increase older workers’ labour market participation. The potential impact on participation rates arising from the interaction of public programs with private pension schemes was another area of concern among stakeholders. The federal government will also need to work and coordinate with the provincial and territorial governments to ensure that the public and private pension systems are aligned in such a way that they result in flexibility and choice.

As well, in view of the aging of the labour force, it would be prudent to examine whether there are possible disincentives in current registered retirement savings plans to older workers who are otherwise contemplating postponing their retirement. In Canada's economy, nonstandard employment, in the form of part-time, part-year and self-employment, has risen significantly to the point where it now comprises about one-third of the labour force. The treatment of non-standard workers under the CPP and the QPP is another key area of concern.

Canada's 2007 federal budget included measures to encourage phased retirement. This was a positive and necessary step toward giving individuals maximum flexibility and choice in creating a balance between work and retirement, in participating in the labour force, and in transitioning into full retirement.¹¹⁶ The Government of Quebec has also been proactive in undertaking a number of measures to promote more flexible transitions into retirement through changes to the QPP (see Information Box below).

The federal government needs to continue to undertake reforms to the tax and pension systems that allow gradual transitions into retirement, remove systemic barriers and disincentives to work, and create incentives for older workers to participate longer in the labour market. The Panel therefore encourages the federal government to continue to pursue ways of harmonizing federal tax rules with respect to retirement income with any changes undertaken by the Government of Quebec.

Phased Retirement

Phased retirement is broadly defined as any program allowing for gradual decreases in working time and workload instead of an abrupt move from full-time employment to retirement. Phased retirement may take one of two forms: a pre-retirement gradual reduction in hours (or days) of work; or post-retirement, part-time work for pensioners who wish to remain employed.

From the employer's point of view, phased retirement programs can be useful to retain skilled older employees, to reduce labour costs, or to arrange the training of replacement employees by older workers. Phased retirement can also be beneficial for older workers. It helps them gradually ease into retirement while maintaining a higher income than if they relied on their pension alone.

In recent years, the Government of Canada and the Quebec government have committed to implement phased retirement. In the 2006–2007 budget speech, the Quebec

government made a commitment to work with the federal government for the purpose of implementing new provisions to encourage phased retirement. In the budget speech for 2007–2008, the Quebec government developed detailed proposals for phased retirement.

At the federal level, Income Tax Regulations currently prohibit phased retirement arrangements by preventing employees from accruing pension benefits under a defined benefit registered pension plan if they receive a pension from the plan of the same or a related employer. In the 2007 federal budget, the Canadian government proposed to permit an employer to simultaneously pay a partial pension to an employee and provide further pension benefit accruals to the employee. The measure will apply only to employees aged 55 and over who are entitled to an unreduced pension. These changes come into effect beginning in 2008.

PART IV

Supporting Older Worker Adjustment

1. Understanding and Supporting Older Workers' Participation in the Labour Market: The Impact of Programs and the Older Workers' Adjustment Process

During the consultation process, the Panel sought to have a better understanding of the adjustment process and the programming available to displaced older workers. One area identified for government action was that of improving the labour market information available to workers, employers, researchers and policy makers at different levels of government. Canada has a world-renowned data collection agency in Statistics Canada. However, the Panel identified definite gaps in information related to older workers and the limitations such gaps pose for informed decision-making.

Labour Market Information

In the period 1950–2000, the Canadian labour force grew approximately 200%. In contrast, if participation rates remain constant, analysts project that between 2000 and 2050 the labour force will grow by only about 5%.¹¹⁷ As discussed in Part I, while there is not an imminent labour force crisis associated with this slowdown, there are expected to be significant, continuing pressures on the growth rate of the labour force, on some employers because of labour shortages in particular occupations, and on employees due to longer life expectancy and the aging of the population.

Nevertheless, the aging of Canada's population is expected to have long-term implications for the efficient functioning of the labour market, the economy and productivity growth, and

research on these effects will be required to guide and inform public policy. Information and research is needed about the nature and extent of age discrimination, older workers' labour market experience and older workers' transitions into retirement. International research on the economic consequences of aging populations is limited, and there is a dearth of Canadian research on the potential impacts of the aging population on the country's labour force and labour market.

In addition, there are misconceptions about the impacts of population aging on employers and the economy, and concerning the productivity of older workers. There is also confusion about the impacts on the size of the labour force, as many Canadians believe that the labour force will eventually begin to shrink as the population ages.

To inform policies and programs that affect displaced workers effectively, information and research is needed on the extent of worker dislocation, the characteristics of displaced workers and their employers, the post-dislocation labour market experience of displaced workers, and the effectiveness of various policies and programs designed to deal with job loss and its consequences. Similarly, to inform policies and programs that affect older individuals (e.g., pension plans or income supplements), information and research is needed on transitions of older workers into and out of work, or into retirement, and the effects of public policies and private practices on retirement decisions. The Panel also identified a need to provide information to workers, employers, researchers and policy makers at different levels of government, and to the general public about human resource practices that are friendly to older workers. The Panel felt that, because of a lack of supporting data or recent Canadian research, it could not accurately assess these aspects of the labour market status of older workers. This suggests a considerable role for the federal government to address this information deficit.

Addressing the Information Gaps and Knowledge Deficit

The Panel is concerned about the state of labour market information and research on older workers and their labour market and retirement experiences. Based on current information, the Panel identified two key areas for government action. The first area involves the need to address the information gaps concerning older workers. The second is to reduce the broader knowledge deficit that exists about older workers.

The Information Gaps

Two of the more significant information gaps about older workers relate to the lack of statistics regarding:

- the labour market experience of older workers, especially those who have been displaced; and
- the transitions of older workers into retirement.

In 1986 Statistics Canada conducted a one-time Survey of Displaced Workers as a supplement to the Labour Force Survey. This supplemental survey estimated the number of workers displaced over the period 1981–1985, and collected information about the number of workers displaced, the reason for displacement, the impact of the displacement (including data related to the period of unemployment and relocation), and training activity following displacement. Statistics Canada has not repeated this survey. Thus, there is a significant information gap on displaced workers. This information gap is especially critical in view of the dynamic nature of the Canadian labour market in terms of worker dislocation and job creation. Currently, there is ongoing worker displacement in a number of key Canadian industries, including several in the primary sector, as well as a range of industries in the broader manufacturing sector. Without comprehensive survey data on displaced workers, there can be no rigorous research and analysis on the nature of worker dislocation and post-displacement employment experiences to inform policy analysis in Canada.¹¹⁸

The United States Bureau of Labor Statistics supports the US Census Bureau by collecting data biennially on displaced workers through a supplement to the main household survey, the

Current Population Survey. The data collected includes the extent of displacement; the characteristics of displaced workers; reasons for job loss; geographical, industrial and occupational characteristics; and post-displacement earnings. The data provides a comprehensive set of statistics on displaced workers and makes possible high-quality research on a wide range of related issues.¹¹⁹

In addition, Statistics Canada does not currently conduct a comprehensive survey on older workers and their transitions from work to retirement. The need and value of such information is widely recognized within Canada. Other major industrialized countries have comprehensive surveys in place that address the needs of researchers and policy analysts in this area. Particularly noteworthy surveys, which could serve as models for a similar Canadian survey, are the English Longitudinal Study of Aging (ELSA) in the UK; the Survey of Health, Aging and Retirement in Europe (SHARE); and the Health and Retirement Study (HRS) in the United States. These general population surveys are both comprehensive (supporting detailed and thorough research analyses) and longitudinal (permitting statistically reliable analyses of events and behaviours over time, such as transitions into retirement).

At the consultations, the perspectives of stakeholders confirmed the Panel's view that the federal government has an important role to play in producing high-quality labour market statistics. Statistics Canada is ideally situated to assume the responsibility of addressing these information needs. The government should design and fund long-term labour market surveys that address the gaps in information about displaced workers and transitions into retirement.

Recommendation 5:

That the federal government authorize Statistics Canada to design and implement a new national Survey of Displaced Workers as a regular supplement to the Labour Force Survey. The new survey should be conducted at least biennially and in a manner that permits analyses on older worker transitions between work and retirement. It should include relevant information about permanent job losses experienced during three or more years prior to the survey.

Recommendation 6:

That the federal government authorize Statistics Canada to design and implement a new national longitudinal Survey of Work to Retirement Transitions. The new survey

should be conducted at least biennially and preferably annually. The survey would permit longitudinal analyses of older worker transitions from work to retirement and should include information about the factors that influence workers' retirement decisions.

Four Generations in One Workplace Equals Unprecedented Potential

For the first time in recent history, there are four generations in the workplace. And when these four generations — veterans, “baby boomers”, Generation X and Generation Y — all bring their own values, experience and attitudes to work, it can make for a potent mix of human resources challenges.

Rather than focusing on the conflicts that may occur when older and younger employees work side by side, however, educators like Carol Hawkins help organizations tap into the unprecedented potential for collaboration within this four-generation workforce.

Hawkins, a project manager with the Centre for Education and Work at the University of Winnipeg and chair of the Manitoba Prior

Learning Assessment Network, analyzes each generation's characteristics and strong points when it comes to core competencies such as collaboration, interpersonal communication, problem solving, decision making, leadership and learning.

Hawkins says that by improving workplace culture, employers can reduce turnover and retain older employees who have knowledge and skills crucial to the organization.

“If employers and employees have the tools to understand multigenerational dynamics, they can build on the strengths of all four generations,” Hawkins says.

The Knowledge Deficit

The Panel's concern about the need to reduce the knowledge deficit that exists about older workers has two dimensions. The first arises from the lack of Canadian research on a range of critical issues about older workers. The second relates to the apparent lack of information and knowledge among individuals and employers, as reflected in their misconceptions and attitudes about the aging of the population, the lengthening of life spans and older workers.

All the key stakeholders, including younger and older individuals, employers, unions and policy makers at all levels of government, need a better understanding of the economic implications of the aging of the population. Some of the key questions include:

- What are the key pressures that will be created by the aging work force?
- What are the implications of a slowdown in the growth of the labour force for productivity and economic growth?

- What are the implications of an aging work force in which individuals have a longer life expectancy for work-to-retirement transitions and programs such as pensions?

The Panel is particularly concerned about the lack of information and knowledge among individuals and employers, some of their misconceptions about older workers, the need for dialogue about issues related to the aging of the work force and retirement, and the need for improved exchange of information and best practices across workplaces. In order to facilitate these outcomes, pertinent current information and knowledge about the economic aspects of the aging population and work force needs to be made available to employers, individuals and other stakeholders in a timely way.

Ensuring that the best information and statistics are available is necessary to support the country's capacity to produce high-quality research that will sustain evidence-based policy making and educate Canadians in ways that inform their own choices and improve their own decision-making.

But having the available data does not necessarily mean that the knowledge we require will be produced and disseminated.

To address the knowledge deficit, Canada needs a solid base of information and statistics, plus resources that are mobilized in a simultaneous and coordinated fashion. The Panel proposes that the government establish a research centre for analyzing the implications of population aging for the labour market and the economy. The centre should be anchored in an existing research-oriented facility and incorporate a network of key researchers from the broader research community. The centre should focus primarily on economic analysis and information dissemination. Its three main functions would include maintaining high quality databases; supporting the development of ongoing, high-quality research (for creating a knowledge and evidence base upon which to develop policy); and disseminating knowledge and information, increasing awareness and promoting informed discourse on issues related to an aging work force.

Recommendation 7:

That the federal government establish a centre for the study of the implications of the aging population on the labour market, the economy, competitiveness and productivity. The role of the centre would be to:

- **collect relevant information about older workers;**
- **conduct research and analysis on the economic implications of the aging population, and increase public awareness of the realities of the aging labour force and the economic issues associated with the aging population; and**
- **disseminate relevant up-to-date information and knowledge about the economic aspects of the aging population to employers, individuals and other interested and affected stakeholders.**

2. Supporting Displaced Older Worker Adjustment in Canada: Ensuring Adjustment Assistance, Renewing the EI Program, and Updating the TIOW

Developing a Policy Strategy Aimed at Adjustment for Older Workers

While older workers fare well in the labour market in relation to those in other age groups, some older workers are more vulnerable — particularly male workers in declining industries (e.g., fishing, forestry, pulp and paper) or in single-industry communities that are tied to the “old” economy. Not only do these characteristics increase the risk of unemployment, but the duration of unemployment tends to be longer, so the cost of dislocation may be higher.

The Panel heard clearly from Canadians that declining industries create considerable worker dislocation requiring adjustment, that older workers in particular have trouble adjusting on their own, and that Canadians expect assistance from their government. Compounding the adjustment challenge, many older workers have lower-than-average levels of education. Skills may be tied to old technologies, or may have depreciated over time, with limited opportunities for reinvestment. Consequently, some laid off older workers are vulnerable because their capacity to adjust in the labour market — such as by finding employment in a different industry or occupation — is limited. These vulnerable older workers are, therefore, an appropriate target group for policy intervention.

A general principle is that any policy intervention strategy should not run counter to labour market forces — except where the market forces produce clear and ongoing negative impacts or where the market is not functioning. Factors such as impediments to mobility arising from large adjustment costs, for example, may prevent workers who need jobs from obtaining them, so that the unemployment rate remains unnaturally high.

The presence of specific impediments to adjustment in certain industries or regions points to the need for a targeted program for older workers. Such a program would address a well-defined problem in the context of a Canadian economy and labour market that is otherwise performing well and where there are growing upward pressures on wages and increased demand for skilled workers. (In contrast, a broad program that is not well targeted could exacerbate growing pressures in some industries or sectors of the economy.)

The overall purpose of the policy strategy is to provide adjustment support for vulnerable older workers in Canada by:

- enhancing their long-term employability so that, in the event of a job loss, they have a better chance to adjust successfully;
- improving their transition experience back into employment (e.g., mitigating income losses); and
- enhancing their option of transitioning into retirement.

Membership-based Centre Helps Dancers Find New Expression for Their Talents

Dancers train long hours and take physical risks every day. Many dancers are self-employed and have little if any financial safety net. Having trained intensely since childhood and dedicated their professional lives to dance, dancers know very little about other kinds of work. So, when it comes time to face the inevitable transition from dance, it can be psychologically and financially devastating.

To address the need for transition support services within the dance community, Joysanne Sidimus, a former principal dancer with the National Ballet of Canada, and recent recipient of the Governor General's Performing Arts Award for Lifetime Artistic Achievement, founded the Dancer Transition Resource Centre (DTRC) in 1985. Since its inception, the DTRC has assisted over 10,000 professional dancers to make transitions into, within, and from professional performing careers.

The DTRC operates as a membership-based organization. Annual membership fees are based on a percentage of dance-related income and range from \$75 to \$250. Dues are matched by 16 Canadian dance companies on behalf of their employees who are DTRC members. Members have access to retraining grants, subsistence, counselling, skills grants,

awards and bursaries, and a range of professional development services such as workshops, discussion groups and educational materials. The DTRC also operates as a resource centre for the wider dance community and the public, and works toward improving the socio-economic conditions of artists nationwide.

DTRC receives major funding from the Department of Canadian Heritage and is also funded by many other private and public supporters.

DTRC executive director Amanda Hancox says that when dancers retire and embark on new careers, support makes all the difference.

"The passion, focus, dedication, self-discipline and determination dancers have developed from a very early age are transferable assets," observes Hancox. "Helping dancers through career transitions so that they find new expressions for their immense talent enriches our Canadian workforce and our culture."

In the short run, the labour market outcomes should enhance the employment and earnings of the target population. In the long run, a targeted program should contribute to the growth of both the economy and the labour supply.

The Panel carefully considered the available evidence regarding Canadian and international adjustment and employability policies, and examined the efficacy of the Targeted Initiative for Older Workers (TIOW). It felt that unless new programs are clearly required, program measures should augment but not duplicate current ones. Stakeholders from across Canada spoke at length on adjustment issues and the potential for various programs to assist older workers. They generally viewed the Employment Insurance (EI) program as the rightful centrepiece of Canadian adjustment policy — and the Panel agrees.

The Centrepiece of Canada's Adjustment Policy: The EI Program

Coverage and Objectives of the EI Program

Established in 1941 as the *Unemployment Insurance Act*, EI is a form of social insurance that affects almost all Canadian employers and employees. Funded through employer and employee premiums, a single premium rate is set for both high-risk and low-risk participants so that the more economically vulnerable workers can afford to be covered. Participation in the program is mandatory for all employees and employers — a feature that ensures that workers with a low risk of job loss, and employers with a low risk of laying off employees, cannot opt out of the program. It should be noted that even though older and younger workers are equally eligible to participate in the EI program, their labour market experiences and challenges from unemployment are different.

The two main objectives of the EI program are to replace a portion of lost income that individuals experience due to job loss with short-term income protection, and to assist unemployed workers in their efforts to return to work. The current EI program provides earnings replacement for a fixed duration of joblessness.¹²⁰

Approximately one million firms, and 16 million individuals (or about 95% of paid workers) pay EI premiums, and each year roughly two to three million workers claim EI benefits. In 2005–2006, expenditures on EI regular benefits totalled about \$8.0 billion, of which roughly \$1.3 billion was directed to unemployed workers aged 55 and older¹²¹. The EI program also provides special benefits — income support in case of illness or for maternity/parental or compassionate care leave. In 2005–2006, expenditures on special benefits totalled about \$4.0 billion, of which only about \$160 million was directed to workers aged 55 and older¹²².

Earnings Replacement Under EI

Earnings replacement paid out to claimants as benefits is administered under Part I of the EI program. An employee's eligibility to receive benefits depends on the number of hours of "insurable employment" that accumulated during the 52-week period prior to becoming unemployed. At the beginning of a claim, the claimant is subject to an initial two-week waiting period, which is analogous to a "deductible" in an insurance plan. The amount of the benefit received depends upon the individual's average weekly earnings over the previous 26 weeks and is limited in its replacement level. The EI program replaces only 55% of average weekly earnings up to a maximum insurable earnings level of \$41,100 per annum.

Employment Support or "Active" Measures

Under EI Part II, claimants are eligible to receive a variety of re-employment services and support measures. Collectively, these are often referred to as active labour market policies aimed at supporting a timely and successful return to work. The activities funded under Part II fall under either the National Employment Services (NES) or the Employment Benefits and Support Measures (EBSM).

Services and programs provided under the NES include access to labour market information to help match employees and employers, and a self-serve job bank, which also provides job matching, career development and résumé preparation support.

Table 2

Employment Benefits and Support Measures Under EI Part II	
Employment Benefits (Programs)	
Targeted Wage Subsidies	<ul style="list-style-type: none"> Assists eligible unemployed individuals to obtain on-the-job work experience by providing employers with financial assistance toward the wages of insured participants whom they hire. This benefit encourages employers to hire unemployed individuals whom they would not normally hire in the absence of a subsidy.
Targeted Earnings Supplements	<ul style="list-style-type: none"> Enables some people currently on EI, or the longer-term unemployed, to accept low-wage jobs. Temporarily topping up wages for low-wage jobs means that people who would not enter the work force at the lower wage rate can do so. <p>The <i>Supplément de retour au travail</i> in Quebec is the only intervention currently in place that is similar to this.</p>
Self Employment Assistance	<ul style="list-style-type: none"> Provides financial assistance and business planning advice to EI-eligible participants to help them start their own business. <p>This financial assistance is intended to cover personal living and other expenses during the initial stages of the business.</p>
Job Creation Partnership	<ul style="list-style-type: none"> Provides insured participants with opportunities to gain work experience that will lead to ongoing employment. Project activities help develop the community and the local economy.
Skills Development	<ul style="list-style-type: none"> Helps insured participants obtain employment skills through direct financial assistance, which enables them to select, arrange for and pay for their own training.
Support Measures (Services)	
Employment Assistance Services	<ul style="list-style-type: none"> Provides funding to organizations to enable them to offer employment services to unemployed persons. <p>These services may include counselling, action planning, job search skills, job placement services, the provision of labour market information, case management and follow-up.</p>
Labour Market Partnerships	<ul style="list-style-type: none"> Provides funding to help employers, employee and/or employer associations, and communities to improve their capacity for dealing with human resource requirements, and to implement labour force adjustments. <p>These partnerships involve developing plans and strategies, and implementing adjustment measures.</p>
Research and Innovation	<ul style="list-style-type: none"> Supports activities that identify better ways of helping people to prepare for or keep employment and to be productive participants in the labour force. <p>Funds are provided to eligible recipients to enable them to carry out demonstration projects and research for this purpose.</p>
Source: HRSDC (2007) (Annex 3.3)	

Labour Market Development Agreements Between the Federal Government and the Provinces and Territories

In 1996, the federal government extended an offer to the provinces and territories to form bilateral partnerships in the planning, delivery and evaluation of active labour market programs offered under Part II of the *Employment Insurance Act*. These partnerships take the form of Labour Market Development Agreements (LMDA) that are aimed at accommodating the particular requirements of different provinces and territories. The LMDAs generally take on one of two types:

- co-managed agreements, under which the federal government delivers active measures under EI Part II but assumes mutual responsibility with the provinces or territories for planning and evaluating the active measures; or

- transfer agreements, under which the provinces and territories assume responsibility for planning and delivering the active measures, but where evaluation is a joint responsibility (except for Quebec, which assumes responsibility for evaluation).

Co-managed agreements are in place in Newfoundland and Labrador, Prince Edward Island, British Columbia, Yukon, and with a strategic partnership in Nova Scotia. Transfer agreements have been concluded for New Brunswick, Quebec, Manitoba, Saskatchewan, Alberta, the Northwest Territories, Nunavut and Ontario. Under these agreements the federal government continues to fund the active measures through the EI program.

EBSM activities (see Table 2) are available to both current and former EI claimants who meet the program criteria.¹²³ In addition, some unemployed workers designated as “non-insured” may be eligible to receive employment services under the Employment Assistance Services or the NES programs.

Labour Market Development Agreements and EI

EBSMs are delivered through Labour Market Development Agreements (LMDAs) with each of the provinces and territories. LMDAs are co-managed — or they involve a transfer agreement in which a province or territory assumes full responsibility for the design and delivery of active employment measures delivered under the EI program. In jurisdictions where LMDAs are co-managed, the federal government is currently negotiating the full transfer of EBSMs.

In addition, Canada’s 2007 federal budget proposed creating a new program to be delivered through bilateral arrangements with the provinces and territories to improve skill levels and increase work force participation of individuals who have not been in the labour market. The program will be aimed at those who are unemployed and not eligible for EI benefits or programs.

Concerns About the EI Program

Throughout the consultation process, the Panel heard a number of significant concerns about the current EI program and suggestions for changes to the EI program that would assist older workers. The concerns include:

- the treatment of severance pay as earnings under the current rules, especially for long-tenured workers;
- the sufficiency of the current level and availability of benefits under EI Part I, especially in economic regions with low unemployment rates;
- the adequacy of the levels and types of services provided to older workers under EBSMs of EI Part II;
- the access of older workers to support measures once EBSMs are fully devolved to the provinces and territories; and
- whether long-tenured contributors to the EI program should receive special benefits if they become unemployed (long-tenured workers tend to be older, long-time contributors to the EI program and experience significant earnings losses when displaced).

Stakeholders felt that immediate measures could be taken to enhance support through existing EI programs under both Parts I and II. Alternatively, a policy mix could be developed that combines programs to improve employability of older workers with various active measures (e.g., training) and enhanced income support for transitioning back to work. Stakeholders also recognized that there were broader, systemic issues with the EI program that pointed to the need for a more fundamental review of the *Employment Insurance Act*.

The Panel felt that these are legitimate concerns in the context of the uncertainty and difficult challenges confronting unemployed older workers. It agreed with the views expressed during the consultation process that the EI program is in some ways progressively failing to meet the needs of Canadians, especially those of older displaced workers. The Panel therefore identified two main areas for consideration: updating the EI program to enhance older workers' adjustment, and reviewing the EI program to address its shortcomings.

Updating EI Program Rules Regarding the Treatment of Severance Pay

Current EI Regulations Concerning Severance Pay

The EI program treats severance pay as employment earnings for purposes of determining benefits.¹²⁴ The rationale for this is that severance pay is considered to be a form of compensation to an employee for the loss of the employment on which the EI claim is based. Paying EI benefits at the same time as severance is currently considered double indemnity for the job loss.

A worker who experiences a job loss and receives a lump sum severance payment can currently access benefits under EI Part II (the active measures). But regular benefits that

serve as a partial earnings replacement (under EI Part I) are paid to the unemployed worker only once the severance pay is expended and the two-week waiting period is over.

Currently, the lump sum severance payment is apportioned as "earnings" to the weeks immediately following a worker's job loss, and the imputed weekly earnings is calculated on the basis of the worker's previous normal rate of pay. The amount of severance is "allocated" over a number of weeks based on the claimant's average weekly earnings, and EI benefits begin once the severance pay is exhausted.

Revise the Treatment of Severance Pay

A major concern raised in the consultation process was the treatment of severance pay and the waiting period under the current EI rules. The Panel clearly heard that many older workers view commencing EI benefits only once severance pay is exhausted as unjustified. Their rationale is that the severance pay is based on the overall tenure with the employer, and is not, therefore, dependent upon an individual's recent employment experience in the EI qualifying period. Another concern is that when severance pay is treated as earnings and used in place of EI benefits, it is not available to help older workers adjust to a job loss by, for example, covering job search costs or financing relocation. Furthermore, the current treatment of severance pay makes such payments less valuable to employees who lose their jobs, and thus reduces the incentive for employees to negotiate this form of insurance against job loss with their employers.

EI Regulations Regarding Severance Pay

- The point at which EI benefits become payable depends not on when (or even whether) a job is lost, but on when an “interruption of earnings” occurs.
- EI Regulation 35 defines earnings, for the purpose of determining whether an interruption of earnings has occurred, as the entire income arising from any employment.
 - Regular benefits are payable when earnings stop for seven days or longer, even if the layoff is not permanent.
 - If a worker on temporary layoff receives vacation pay, it is allocated to the weeks at the start of the layoff, and an interruption of earnings occurs only once the vacation pay runs out.
- Severance pay that arises from a permanent layoff is also taken into account and allocated to the weeks immediately following the separation.
- EI Regulation 36 sets the rules for allocating lump sum income that is considered earnings to specific weeks:
 - at the worker’s normal weekly rate of pay; and
 - from the week when the layoff occurred.

The number of claimants experiencing delays of EI payments because of severance pay is relatively small, as is the number of older workers affected by the treatment of severance as earnings. Nonetheless, some long-tenured workers with long periods of severance at fairly high levels of average earnings could actually experience some reduction in their EI entitlement if they received more than one year’s worth of severance pay.

In 2005, for example, the “allocation” of severance pay delayed the receipt of EI payments for approximately 6.4% (or 89,900) of all new regular claimants; of these workers, about 12.4% (or around 11,130) were aged 55 and older. Severance payments were, on average, allocated over five weeks, and almost 70% had their pay allocated over only one to four weeks. Only about 2% of all new claimants receiving severance had more than 20 weeks. Only persons receiving over 57 weeks of severance would have experienced a reduction in their EI entitlement.

The Panel felt that the treatment of severance as earnings for long-tenured older workers who have not collected EI benefits in recent years acts as a form of penalty to those who have paid into the program for long periods but have not utilized its benefits. It places them at an even further financial disadvantage when they are displaced from their jobs. In view of these

considerations, the Panel proposes that the government not treat severance as earnings for purposes of EI for long-tenured workers who have not collected EI in their recent work history.

Recommendation 8:

That the regulations under the existing EI program be changed so that severance payments made to workers who become unemployed after a period of long tenure in the workplace, and who have not been EI recipients on a regular basis, are no longer considered earnings for purposes of EI. This would enable those claimants to collect EI Part I benefits after the 2-week waiting period.

For the purpose of the recommendation, the operational definitions of “long tenure” and “regular basis” need to be determined. As guidelines, the Panel suggests that these benefits be available to unemployed workers who had been employed for at least 10 years and had not collected benefits in the last five years.

Example of EI Claimant with Severance Pay

- “Sam” is 57 and has been laid off from his job as foreman in a paper mill.
- During the past year Sam worked 40 hours and earned \$800 each week.
- With over 2000 hours of insured employment in an EI region with an unemployment rate over 10%, he qualified for up to 45 weeks of regular EI benefits, at the maximum weekly rate of \$423.
- His severance pay after 39 year’s service was \$31,200, equal to 9 month’s wages.
- The severance money is allocated as “earnings” for benefit purposes for 39 weeks following his job loss, meaning that EI benefits are not payable during that time.
- The allocated earnings, however, are not insurable since no work is being performed for the money (otherwise anyone could purchase insured hours, establish a claim and draw EI benefits).
- But the normal 52-week benefit period when EI regular benefits can be paid has been extended, so if he is still unemployed and available for work after 39 weeks he can serve a two-week waiting period, then collect up to 45 weeks of EI benefits over the following 50 weeks.
- The benefit period can be extended only to a maximum 104 weeks, so if Sam had received more than 57 weeks of severance pay he would not be able to collect all of the EI benefits for which he qualified.
- In EI regions with unemployment rates below 10%, the maximum benefit entitlement is less than 45 weeks. If the unemployment rate were 6% or lower, Sam would have qualified for only 36 weeks of EI benefits. He could have received 66 weeks of severance pay, served a 2-week waiting period and then collected all of the 36 weeks of EI benefits for which he qualified.

Increasing Incentives to Work: The Wage Insurance Plan

Once they are displaced, long-tenured workers tend to take longer to find a new job. Further, in order to get a new job in a timely manner, they often have to accept a lower wage than they had in their last job. For older workers, this prospect creates an incentive to wait longer in the hope of finding a better-paying job. A wage insurance plan reduces the barrier or disincentive to long-tenured workers to taking a new job that has a lower wage by partially compensating people for their job loss and thus encouraging individuals to take a new job more quickly.

A wage insurance plan would be available to workers who already qualify under the EI program. Under the plan, if an unemployed worker finds a new job, but at a wage lower than their most recent job, the worker would be eligible to receive a supplement to “top up” the wage. The amount of the “top-up” is a program design feature that increases the incentive for the worker to take the new job at the lower wage. For example, the supplement could be

some percentage of the difference in the two wages. In this way, the supplement acts as a form of partial insurance against economic loss that helps displaced workers return to work as soon as possible.

The wage insurance plan is a relatively new type of policy measure. Experience with the plan is therefore somewhat limited across various countries, and research evidence regarding its effectiveness is insufficient to draw definite conclusions.¹²⁵ Even so, we know the plan holds considerable promise and should be considered for implementation in Canada.¹²⁶ But insofar as such a plan would be new to Canada, and the experience here could be different from that in other countries, the Panel proposes that the government initiate a demonstration project to test the viability and cost effectiveness of a wage insurance plan.

The natural mechanism for conducting a demonstration project would be through EI Part II under the innovation and research capacity function. Under this proposed project, if the worker obtains a new job, but at a wage lower than their most recent job, the worker would

receive a wage supplement for a period of up to two years. The supplement would be a proportion (e.g., 50%) of the difference between their pre-displacement earnings and their earnings in the new job. In order to appraise the outcomes and cost effectiveness of the plan, the government should conduct a rigorous evaluation study of the project once sufficient time to determine the outcomes has elapsed.

Recommendation 9:

That the federal government, under the existing EI program, initiate through EI Part II (innovation and research capacity) a demonstration project to test the viability and cost effectiveness of a wage insurance plan that would help to mitigate the income losses faced by displaced older workers and thereby encourage these workers to more rapidly return to employment.

Enhancing Benefits Under EI

As mentioned earlier, compared to other workers, older displaced workers tend to experience greater earnings losses and stay unemployed longer. Some remain especially vulnerable due to low levels of education, job instability, living in a region with high unemployment, working in a single-industry town, living in a rural area or far from a metropolitan area and/or working in a declining industry.

Older workers are often also long-tenured employees. Yet, when these workers lose their jobs they do not benefit significantly from the EI program in relation to their long-term EI contributions, or in relation to the benefits received by others with shorter periods of continuous employment. Further, when they live in a low-unemployment region, the benefits may actually be quite limited relative to others working continuously for a shorter period in a high unemployment region.

Taking all these factors into consideration, the Panel feels that long-tenured workers who have not collected EI benefits for an extended period prior to becoming unemployed should be eligible to receive benefits for longer periods than currently allowed. Because long-tenured workers tend to experience longer durations of unemployment and greater earnings loss, these

extended benefits should not be tied to the unemployment rate in their specific region.¹²⁷

Recommendation 10:

That the *Employment Insurance Act* be modified such that workers who become unemployed after a period of long tenure in the workplace, and who have not been EI recipients on a regular basis:

- (i) **be eligible to receive benefits for longer than they are eligible to receive them under the current program; and**
- (ii) **that the extended duration of benefits and mobility assistance (see Recommendation 11) for these long-tenured employees not depend on the unemployment rate in the region, as is the case for special benefits such as maternity, parental, compassionate and sickness benefits.**

For the purpose of the recommendation, the operational definitions of “long tenure” and “regular basis” need to be determined. As guidelines, the Panel again suggests that these extended benefits be available to unemployed workers who had been employed for at least 10 years and had not collected benefits in the last five years.

Enhancing Mobility Assistance

Mobility Facilitates Individual Adjustment and Supports Economic Efficiency

Canada’s economy and labour market are especially dynamic and some industries, such as oil and gas, mining and construction, are experiencing especially rapid growth. However, other industries, such as pulp and paper, fishing, and some segments of manufacturing, are undergoing adjustments marked by layoffs and plant closings.

Canadians are realizing they need to be mobile in order to seek improved economic opportunities or to adjust to a job loss. Workers in Ontario seek construction jobs in British Columbia; workers from Newfoundland and Labrador find jobs in Alberta but maintain their homes in Atlantic Canada; and workers from rural areas seek jobs in large metropolitan centres. However, barriers

to mobility can be an obstacle when workers try to adjust to job loss. Displaced older workers often face financial barriers when searching for or relocating to a job outside their immediate geographic horizon. This is the case even within provinces and territories, since most encompass considerable geographic expanse. In addition to direct costs of mobility, older workers who have lost their job in single-industry communities can experience a significant loss of housing assets.

Enhancing workers' mobility will facilitate labour market adjustments in a dynamic economy such as Canada's. And financial support in the form of travel assistance for job search and relocation will ease adjustment after a job loss of displaced older workers.

Mobility Assistance Under the Tax Code

The *Income Tax Act* currently allows people to deduct some expenses associated with a significant geographic move to start a job with a new employer.¹²⁸ The main limitation of this tax provision, however (especially for older displaced workers), is that the financial benefit accrues only in the future after the move. Employment relocation involves incurring direct expenses in the present and this fact can discourage mobility. Recognizing this, the Panel encourages the government to review the provision on an ongoing basis with a view to ensuring that the level of deduction is appropriate to facilitating worker mobility.

Enhancing Available Mobility Assistance

As discussed earlier, there are a broad range of support measures and services provided to displaced workers under EI Part II. While these measures assist unemployed workers, none specifically addresses the issue of facilitating the mobility of displaced workers.

Enhancing the mobility prospects of displaced workers will help employers hire the workers they need to grow their businesses, and ease existing or emerging labour shortages that occur in certain industries or regions of the country. It will also help displaced older workers to become re-employed if they are in regions or industries experiencing higher-than-average unemployment rates, and increase their chances of becoming re-employed sooner, thereby lessening their economic hardship.

Given the importance attached to encouraging mobility for older, long-tenured displaced workers, and the high mobility costs that they can incur, the Panel sees distinct advantages to providing such workers with direct and more immediate financial assistance for mobility.

Recommendation 11:

That the *Employment Insurance Act* be modified such that the suite of measures under EI Part II be expanded to include a specific mobility assistance measure with a commensurate adjustment to the budget allocated to EI Part II.

Renewing the EI Program

The design and scope of employment insurance in Canada has changed considerably since the inception in 1941 of the *Unemployment Insurance Act*. In 1971, it underwent a major review and renewal in which most characteristics of the program were changed and some new features added.¹²⁹

Since then, the EI program has undergone a series of changes. One overarching criticism of the current program is that it has become less coherent and does not sufficiently respond to the demands of Canada's new economy and labour market. This is evident with regard to the capacity of the EI program to meet the needs of older workers. But the criticism has a broader significance, as the program has a number of other deficiencies:

- First, the overall program does not sufficiently emphasize "mutual responsibility." In many OECD countries, under the principle of mutual responsibility, unemployed individuals are required to undertake a number of activities that will increase their chances of re-employment, such as actively searching for a job or obtaining career guidance.¹³⁰ Canada is a notable exception among OECD countries in that it does not have such requirements, with the result that its EI program lacks relevant activation measures that include a strong principle of mutual obligation, or an individual action plan.¹³¹ Yet the experience of OECD countries emphasizes the positive results from using various activation measures.

- Second, in practice the EI program is too restrictive in its coverage. A relatively low percentage of unemployed individuals actually receive EI benefits, even though in principle, coverage is fairly high. In 2006, 83% of persons who had been paying premiums and had a job separation that qualified under the EI program were eligible for EI benefits. For older workers (aged 45+) the proportion was 88%. Close to one-third of the unemployed, however, had no recent paid employment, and so were not covered. Another 15% contributed but had too little employment, or had left a job to return to school, or for other reasons considered “without just cause” under the EI program. Overall, fewer than 44% of the unemployed were eligible for EI benefits. The proportions were even lower for unemployed women (35%) and youth (15%).¹³²
- Third, a significant number of EI recipients cycle through as repeat users, effectively causing an imbalance in subsidies. One indicator of this is the total benefits-to-contribution ratio, which indicates that some provinces and industries tend to receive more total EI benefits than they contribute to the program in premiums.
- Fourth, a long-standing issue is whether the entitlement periods and benefit rates should be tied to regional unemployment rates.¹³³ Doing so can create disincentives to workers’ mobility and contribute to the persistence of high unemployment regions. This feature also implies that workers living in low unemployment regions receive much less insurance against the risk of income loss than those living in high unemployment regions.

The EI program needs to adjust to the changing circumstances of the economy and the labour market, such as changes in industrial structures and changes to the composition of the labour force (e.g., employment patterns and job types). The Panel’s earlier recommendations that call for immediate reforms in the EI program aimed at long-tenured workers point the way for further but more comprehensive reforms through a more fundamental review of the *Employment Insurance Act*.

Recommendation 12:

The Panel strongly recommends that the federal government engage in a fundamental review of the *Employment Insurance Act*.

Older Workers and the Targeted Initiative for Older Workers (TIOW)

The TIOW is a response to the pressures arising from the decline of several industries in traditional sectors of the Canadian economy. Workers in the fish processing industry in Newfoundland and Labrador, the forestry industry in New Brunswick, and the forestry and textile industries in Quebec were experiencing large numbers of layoffs in the face of plant closures. Unemployment became high in these sectors as many workers were older and had trouble finding new jobs. There was a clear demand for immediate measures to assist these older workers, including calls for income support that would provide many of them with an “income bridge” to retirement age when they could access the Canada Pension Plan.

Established through government commitments made in the 2006 federal budget, the TIOW program is funded for two years at a level of about \$70 million. It was intended as a temporary measure to provide immediate support for displaced older workers in any industry. The government also established the Expert Panel on Older Workers to consider a longer-term approach to the problems faced by displaced older workers.

The TIOW program works as a partnership agreement with provincial and territorial governments on a cost-sharing basis. It provides program activities and income support to displaced workers aged 55–64 (although workers aged 50 and older may participate). TIOW benefits are limited to those in smaller communities and single-industry/company towns with persistent high levels of unemployment or job loss due to a plant closure or work force downsizing.¹³⁴ The TIOW also provides income support to participants in the form of allowances or wage subsidies to employers.

The goal of the TIOW is to increase employability through a range of activities such as training, employer- and community-based work experience, self-employment and job search support (e.g., counseling, résumé preparation and interviewing techniques), and direct marketing to prospective employers. These activities are designed, delivered and administered by the provinces and territories. They are flexible and can be matched to the needs and circumstances of the individual.

By mid-2007, agreements were in place between the federal government and Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Quebec, Saskatchewan, British Columbia, the Northwest Territories and Yukon. Approximately 12 projects were approved and over 30 submitted for funding consideration. The actual agreements and the extent of participation across provinces and territories vary greatly.

The provinces identified several issues with the TIOW. First, the targeted age group of workers is too narrowly defined. Some program partners would prefer the minimum age for participation to be lowered to 50, or even 40 years of age. Second, the TIOW excludes large metropolitan areas, which naturally include a greater number of older workers. Third, the TIOW does not currently include mobility assistance as an eligible activity. A more general concern is that the TIOW provides only temporary non-comprehensive measures, which tend to have limited effectiveness. This highlights the importance of pursuing long-term approaches and solutions to the more systemic problems facing older displaced workers.

Despite these issues with its current design, the TIOW program is only now beginning to operate in the participating provinces and territories. It is too early to evaluate outcomes, but there are indications that the specific measures taken under the TIOW have been well received.

Recommendation 13:

That the termination date of the current TIOW program be extended until the government has modified the EI program to provide improved benefits to long-tenured displaced older workers (see Recommendation 10); that mobility assistance measures and commensurate funding be added to any new TIOW agreements being extended or negotiated; and that the TIOW program be modified to provide for financial mobility assistance as an eligible program activity.

CONCLUSION

A Roadmap for Supporting and Enhancing Older Workers' Labour Market Prospects

The Canadian economy is overall on a sound footing. Recent economic growth rates have been strong and sustained, employment rates have been high and unemployment rates have reached historic lows. The challenge is to ensure that Canada's economic prospects remain strong. The Panel has made a set of short-term and long-term recommendations that it trusts will, if implemented, contribute to ensuring that older workers continue to enjoy economic security and prosperity.

Even though the overall state of the economy is strong, a number of developments present significant challenges. Economic growth has been uneven across sectors and regions of the country, overall economic inequality has increased, and some workers have fared less well than others. While labour market adjustment is a normal aspect of economic development and growth, it is important that those individuals who bear much of the cost of adjustment to economic changes receive support and assistance.

There are several major pressures on the Canadian economy that could impact economic growth and test the ability of the labour market to adjust successfully. In the short term, emerging macroeconomic conditions may lead to lower economic growth rates. The prospect of an economic slowdown in the United States in 2008 will negatively impact many key sectors of the Canadian economy. The high Canadian dollar is already straining many sectors of the economy. In the short term, we need to ensure that labour markets remain flexible and responsive to changing economic conditions, and that the programs in place to support displaced workers adequately cushion the economic hardships these adjustments impose while providing workers with the training, skills and mobility assistance they need.

Some major industries have been in long-term decline — notably fishing and pulp and paper — while others, such as forestry and automobile manufacturing, have been under increased pressure. While the Canadian labour market

has tended to adjust well to these stresses, job losses in some industries, especially manufacturing, have been mounting. In particular, older workers in these industries have been negatively affected, especially when they work in single-industry communities. The Panel heard from Canadians that the adjustment process that older workers experience can be difficult and can impose significant financial costs. To provide some basic measure of immediate assistance, in 2006 the federal government established the Targeted Initiative for Older Workers (TIO), a targeted program that provides an important response to the needs of displaced older workers.

Significant long-term pressures and challenges to Canada's economy include the prospect of even greater economic globalization, technological change and the aging of the population. Globalization is expected to continue to exert intense competitive pressures on manufacturing, even as it creates major growth in the commodities sectors of the economy. This is likely to result in the need for greater adjustments in the labour market as some sectors contract in relation to others in the Canadian economy. Rapid technological change is also expected to result in worker adjustments across firms and industries.

As the "baby boomers" age and fertility rates remain low, the growth rates in the Canadian population and labour force are projected to slow considerably. This demographic shift is among the most important of societal developments this century. It has implications for society at large, for our future economic growth and for the prosperity and well-being of Canadians.

The slower labour force growth rates are likely to slow economic growth rates, and few policies are available that can minimize this trend. Immigration, already at high levels, cannot be easily increased in order to have a meaningful impact on the labour supply. One attractive alternative is to increase labour force participation rates, especially among older workers. While participation rates are generally high, there is

room to encourage older workers who wish to participate in the work force for longer than previously was the norm — especially as life spans steadily increase. Some older workers may wish to participate because of interest in working and contributing to society, while for others the motivation may be economic — arising, for example, because of limited pension benefits. In either case, older workers should have the choice and opportunity to work.

Older workers have significant experience, skills and knowledge and many are willing and able to work. The Panel heard from Canadians about the importance of removing barriers present in workplaces as well as features of current programs that do not adequately support older workers. Establishing a major public awareness campaign represents an opportunity for the federal government to address the critical issues of ageism and lack of awareness of the full potential of older workers to contribute to Canadian society.

Individuals and employers need to be able to make informed decisions and choices as they adjust to changing economic and labour market conditions. The federal government also has a major role to play in ensuring that the best information about labour market adjustment and older workers' transitions is available to individuals, employers and policy makers at all levels of government. With the establishment of two new surveys, and a research centre for the study of economic issues associated with aging, such information can be produced and evaluated, and thus inform and support the decisions of individuals, employers and governments.

The Panel identified important specific areas for the federal government to take the lead in undertaking policy adjustments. These include enhancing flexibility in transitions to retirement by modifying features of the Canada Pension Plan (CPP) and Old Age Security (OAS) that create disincentives to participate in paid work; improving critical areas of labour market information and research in which there is currently a knowledge deficit; addressing mandatory retirement in the federal jurisdiction; and taking concrete action against ageism. While the overall architecture of the CPP and OAS programs remains sound, they require some adjustments in light of the aging of the population and the need to increase flexibility to accommodate the

needs of an older workforce.

The federal government has an important role to play in ensuring that older workers:

- have the necessary training, skills and access to lifelong learning that will enhance their earnings and job prospects over their careers, and that will support successful labour market adjustments when they are required;
- have maximum choice and flexibility in their working lives, including participating in paid work, transitioning into retirement and balancing work and retirement; and
- do not face artificial barriers to their participation in work, and that they have access to training and other prerequisites to succeed in the labour market.

The Panel agrees with the views expressed by Canadians that the Employment Insurance (EI) system is the centrepiece of the support framework for worker adjustment. But the EI system needs to be updated periodically to reflect the emerging characteristics of the Canadian economy and labour market — especially those concerning older workers in need of adjustment assistance.

The Panel's recommendations to update the EI system — including changing the treatment of severance payments, extending benefits for long-tenured workers, and providing mobility assistance — can be implemented immediately to provide needed assistance to displaced older workers. The EI system must also reflect innovative and effective policy approaches. The Panel views the proposed demonstration project on wage insurance as an innovative yet prudent approach to exploring a promising opportunity to support older workers through the EI program. Until these adjustments to the EI program are in place, the TIOW can be extended in order to provide a measure of needed support for displaced older workers undergoing difficult job adjustments.

Through the consultation process, the Panel clearly heard from Canadians, major stakeholder organizations, and provinces and territories about the need for a major review of the EI program. The Panel's strong recommendation for a major review of the program would ensure that EI fulfills its role as the centerpiece in this new century. While undertaking a comprehensive

review of this program is a major task, it needs to be initiated soon to ensure that the program remains relevant in the coming years.

If older workers are to adjust successfully to economic change, they need policies and programs that support and encourage their continued labour market participation. While governments can take action to support older workers' choices and opportunities, individuals also have the responsibility to ensure that they make the necessary investments to support their own success in the labour market. On their part, employers need to actively engage older workers and support workplace policies and practices that maximize their potential.

There are ongoing economic and demographic pressures such as tax policy, social security and human capital that affect a range of policies and programs that will require sustained policy responses and adjustments. In some areas such as tax policy, training and lifelong learning the federal government must work with the provincial and territorial governments. Changes to retirement patterns and the challenges posed by the aging labour force are potentially complex matters expected to remain major policy issues for the foreseeable future. The Panel therefore advises that the long-term issues identified in this report are monitored and assessed on an ongoing basis.

This report provides concrete recommendations for immediate action and for program adjustments that will take time to address properly — but which need to be initiated now.

It therefore represents a roadmap to address important issues now and in the future, and to support and enhance the labour market prospects of older workers in the new economy.

Endnotes

- ¹ <http://www.ow-ta-sec.org/en/index.shtml>.
- ² Statistics Canada (2007a), p. 7, Table 1.
- ³ OECD (2006), pp. vi, 2.
- ⁴ See, for example, Drummond, D. (2006); Cotis, J. P. (2006); Sharpe, A. (2007).
- ⁵ Statistics Canada (2007a), p. 36, Table 8.
- ⁶ Statistics Canada (2008).
- ⁷ Statistics Canada (2007a), pp. 31 and 36, Table 8.
- ⁸ See Cross, P. (2006a).
- ⁹ Statistics Canada (2007a), p. 22, Table 4.
- ¹⁰ See Cross, P. (2006b); and Ferrao, V. (2006).
- ¹¹ By 2006, in Alberta the growth in GDP reached 4.5%, job growth reached 4%, unemployment fell below 4%, while roughly 25% of manufacturers reported experiencing labour shortages. (Statistics Canada (2006a), pp. 1.2–1.3; Statistics Canada (2006b), pp. 1.2–1.3.)
- ¹² In early 2006, while unemployment rates in most western provinces dropped below 5%, unemployment in Quebec was at 8.5%; and while the unemployment rate in Ontario was roughly 6%, the manufacturing sector in central Canada experienced significant job losses. (Statistics Canada (2006a), p. 1.3.)
- ¹³ Statistics Canada (2007a), p. 31, Table 8, and p. 39, Table 9.
- ¹⁴ Statistics Canada (2006c).
- ¹⁵ Statistics Canada (2007a), p. 36, Table 8.
- ¹⁶ After about age 50, the labour force participation rate of workers in Canada declines with age. (OECD (2005a) p. 45, Figure 2.2).
- ¹⁷ Canadian evidence on the returns to education is provided by Riddell, W. C. (2007a). On the effects of training, see Bartel, A. (1994); and Bartel, A. (1995).
- ¹⁸ Evidence for the declining labour market outcomes for successive cohorts of immigrants are well established; see Baker, M. and D. Benjamin (1997); and Aydemir, A. and M. Skuterud (2005). Evidence on the unemployment experience of older workers is provided by Kuhn, P. (2002). Analyses of low-wage work and vulnerable workers is provided by Chaykowski, R. (2005); and Saunders, R. (2005).
- ¹⁹ See Green, D., and J. Kesselman (2006); and Osberg, L. (2007).
- ²⁰ Between the mid-1960s and 2006, the median age of the Canadian population increased steadily from just under 26 years to 39.5 years. (Martel, L. and E. Caron Malenfant (2007), p. 8, Figure 3).
- ²¹ See Thurow, L. (1999); and Courchene, T. (2001).
- ²² In 2005, about 23% of the Canadian adult population had a university-level education, ranking Canada below the United States (at 28%), Norway (at 30%), the Netherlands (at 28%), and Denmark (at 26%). (OECD (2007a), p. 36, Table A1.1a.)
- ²³ See Riddell, W.C. (2007b).
- ²⁴ See Martel, L., E. Caron-Malenfant, S. Vézina and A. Bélanger (2007).
- ²⁵ See Marshall, K., and V. Ferrao (2007), p. 5, Table 1.
- ²⁶ Statistics Canada (2006d), pp. 23–24.
- ²⁷ See Marshall, K., and V. Ferrao (2007), p. 9.
- ²⁸ Statistics Canada (2006e), p. 18.
- ²⁹ See Marshall, K., and V. Ferrao (2007), p. 9, Table 2.
- ³⁰ Also see Statistics Canada (2006e), p. 18.
- ³¹ See Marshall, K. and V. Ferrao (2007), p. 6, Chart B.
- ³² See OECD (2005a), p. 44, Figure 2.1; and Marshall, K., and V. Ferrao (2007), p. 7, Chart C.
- ³³ See Vosko, L., N. Zukewich and C. Cranford (2003).
- ³⁴ See Marshall, K. and V. Ferrao (2007), p. 9.
- ³⁵ See OECD (2005a), p. 58, Table 2.4.
- ³⁶ See Morrissette, R., X. Zhang and M. Frenette (2007), p. 35; and Kuhn, P. (2002) for evidence on wage loss; also see the review by Fallick, B. (1996).
- ³⁷ See Bélanger, A., L. Martel and É. Caron-Malenfant (2005), p. 18, Table 1.1.
- ³⁸ See Coté, S. (2005); and OECD (2005a).

- ³⁹ See OECD (2005a), pp. 50–51.
- ⁴⁰ See OECD (2005a), p. 45, Figure 2.2.
- ⁴¹ See OECD (2005a), pp. 83–101.
- ⁴² The OECD (2005a: 37–39) estimated several scenarios corresponding to: (i) increasing the labour force participation rate of all workers over time; and (ii) increasing the labour force participation rate of only those workers aged 50 and older, over time, to the highest rate observed among OECD countries. Either of these scenarios stands to increase the size of the Canadian labour force appreciably.
- ⁴³ See OECD (2005a), p. 60, Table 2.5.
- ⁴⁴ See OECD (2005a), p. 58, Table 2.4.
- ⁴⁵ See Chan, S. and A. H. Stevens (2001).
- ⁴⁶ See Morrisette, R., X. Zhang and M. Frenette (2007); and Kuhn, P. (2002). Fallick, B. (1996) reviews US evidence on earnings loss. In a comprehensive study of displaced workers in the US over the 1984–2003 period, Farber, H.S. (2005) reports that older displaced workers are more likely to experience large earnings losses:
- “Since older job losers have, on average, more seniority on the lost job, it is likely that they lose more specific capital on average as a result of job loss than do younger workers. The result is that the gap between earnings on the lost job and likely reemployment earnings of older displaced workers will be relatively large.” p. 19.
- ⁴⁷ Employment in the textiles and clothing industries suffered significant losses from 1989 to 1992, recovered from about 120,000 to 148,000 workers over the following decade, but then declined sharply thereafter; in the sawmills and wood preservation industry, employment increased by 31% from 1995 through 2000 but then declined by 27% by 2006. (Dufour, D. [2007], p. 9; and Wyman, D. [2005], p. 6).
- ⁴⁸ In the analysis, the regression sample was restricted to workers who worked with the firm for at least five years, and for the laid-off component, those who were permanently laid off due to firm closure or mass layoffs. Persons without positive earnings five years after displacement were not in the sample, and older displaced workers are considerably more likely to have zero earnings five years after displacement, possibly due to involuntary retirement. In the analysis, 36% of older men are lost by imposing the positive earnings restriction in period (t+5), compared to only 17% among younger men. Unfortunately, in the analysis there is no means of identifying retirement or pension income in the data.
- ⁴⁹ This result appears to be the case in both the descriptive data analysis as well as in the regression analysis.
- ⁵⁰ As a few examples, Bonavista and Grand Bank (Newfoundland), Souris (Prince Edward Island), Canso (Nova Scotia) and Blacks Harbour (New Brunswick) in the fishing industry; Labrador City (Newfoundland), Matagami, Murdochville and Schefferville (Quebec), Pickle Lake, Onaping Falls and Wawa (Ontario), Flin Flon and Thompson (Manitoba), Fox Creek and Swan Hills (Alberta), Kimberly and Sparwood (British Columbia), and Faro (Yukon) in the mining and refining industries; and Hantsport (Nova Scotia), Nackawic and Saint-Quentin (New Brunswick), Forestville, Dolbeau, Thurso and La Tuque (Quebec), Kapuskasing, Mattawa and Nipigon (Ontario), Hudson Bay (Saskatchewan), Hinton (Alberta) and Campbell River and Duncan (British Columbia) in wood-related products. See Clemmenson, H. (1992).
- ⁵¹ Labour force estimates are by detailed industry, sex, age group, Canada, annual average. Based on Statistics Canada (2006c).
- ⁵² Other forms of human capital investment, such as investments in an individual’s health, also affect productivity and labour market outcomes.
- ⁵³ On the effects of education on earnings see Card, D. (1999); Lemieux, T. (2002); and Riddell, W. C. (2007a); and for the effects on training see Bartel, A. (1995). Also see OECD (2005a), p. 111, Figure 5.3, on the association between age and education, and job-related training. On education and job loss, see Farber, H.S. (2005); and Hall, J. (2000), p. 6. For Canada, employee participation rates in formal job-related training increases with the education levels of employees. (Statistics Canada (2006f), p. 223, Table D2.1.)
- ⁵⁴ See OECD (2005a), p. 105, Figure 5.1; and see Statistics Canada (2003), p. 33.
- ⁵⁵ Statistics Canada (2006f), p. 223, Table D2.1. Also see OECD (2005a), pp. 109–111, on the negative association between age and training.
- ⁵⁶ See OECD (2005a), pp. 83–88.
- ⁵⁷ See OECD (2005a), p. 85.
- ⁵⁸ Older workers with long tenure may earn more within their current organization than the wages they can command in the open market.
- ⁵⁹ See OECD (2005a), p. 89.
- ⁶⁰ See OECD (2005a), pp. 85, 86 and Figure 4.1.

- ⁶¹ See Finnie, R. (1999).
- ⁶² See Ehrenberg, R., R. Smith and R. Chaykowski (2004), p. 303.
- ⁶³ An overview is provided by Li, J. (2006), pp. 95–111.
- ⁶⁴ Statistics Canada. “Registered pension plans (RPPs) and members, by jurisdiction of plan registration, sector and type of plan.” Accessed at: <http://www40.statcan.ca/l01/cst01/famil117a.htm>.
- ⁶⁵ Statistics Canada (2004), p. 11, and Chart 2.
- ⁶⁶ Statistics Canada (2004), p. 12, and Chart 3.
- ⁶⁷ This decline is a result of a significant decrease in coverage among men, which has outweighed an increase in coverage among women. Statistics Canada. “Proportion of labour force and paid workers covered by a registered pension plan (RPP).” Accessed at: <http://www.statcan.ca/l01/cst01/labor26a.htm>; and see Morissette, R. and Y. Ostrovsky (2007).
- ⁶⁸ Statistics Canada. “Registered pension plans (RPPs) and members, by jurisdiction of plan registration, sector and type of plan.” Accessed at: <http://www.statcan.ca/l01/cst01/famil117a.htm>; and see Li, J. (2006), p. 107. Note that the number of defined benefit plans has increased and the number of defined contribution plans has decreased, even though coverage of workers is shifting in favour of defined contribution plans.
- ⁶⁹ See Morissette, R., X. Zhang and M. Frenette (2007); and Kuhn, P. (2002).
- ⁷⁰ The focus groups were conducted by Statistics Canada for HRSDC.
- ⁷¹ Passive programs, such as welfare or minimum income guarantees in old age, differ in that they are aimed at providing a basic standard of living to citizens regardless of the individual’s ability to work.
- ⁷² Statistics Canada (2006g), p. 6; and HRSDC (2007a), p. 126.
- ⁷³ HRSDC (2007a), p. 3
- ⁷⁴ HRDC (1999) reports:
 “...most income support-oriented programs in Canada have been judged to be ineffective from the point of view of re-employment of older workers. The most prominent example in recent years has been the Program for Older Worker Adjustment (POWA). That program was instituted as a safety net for older workers who had exhausted Employment Insurance benefits and it was intended as a complement to other programs designed to encourage re-employment. A 1996 evaluation of POWA ... concluded that POWA was a disincentive to labour market participation.” p. 23.
- In addition, relative to displaced older workers who did not participate in the program, POWA participants were less likely to find employment or to obtain jobs with higher compensation, and they sustained greater earnings losses following their job loss. See HRDC (1999), p. 23; and HRDC (1996).
- ⁷⁵ See Auer, P., Ú. Efendioğlu and J. Leschke (2005), pp. 19–58; and Betcherman, G., K. Olivas and A. Dar (2004).
- ⁷⁶ See OECD (2005a); Auer, P., Ú. Efendioğlu and J. Leschke (2005); Betcherman, G., K. Olivas and A. Dar (2004); and Heckman, J., J. R. Lalonde and J. Smith (1999).
- ⁷⁷ See Auer, P., Ú. Efendioğlu and J. Leschke (2005), pp. 15–17.
- ⁷⁸ Refer to the comprehensive reviews by Betcherman, G., K. Olivas and A. Dar (2004), Martin, J. and D. Grubb (2001); and Heckman, J., J. R. Lalonde and J. Smith (1999).
- ⁷⁹ A useful review of the effects and outcomes of a broad range of US programs is provided in the review study: *US Department of Labor* (1995).
- ⁸⁰ See the survey by Meyer, B. (1995); and *US Department of Labor* (1995).
- ⁸¹ See Lalonde, R. (1995).
- ⁸² See Lalonde, R. (1995). Also see *US Department of Labor* (1995).
- ⁸³ See Lalonde, R. (1995).
- ⁸⁴ See Auer, P., Ú. Efendioğlu and J. Leschke (2005), Table 9, pp. 67–70.
- ⁸⁵ Generally, a deadweight loss refers to a loss in the value of economic output that is not offset by gains somewhere else in the economy. In this case, the deadweight loss arises because the employment would have occurred without the subsidy.
- ⁸⁶ Worker profiling can include the collection of information about a range of characteristics, including qualifications (e.g., education and training background), availability for work, work history and job experience. Once a comprehensive profile of the worker is complete, employment services organizations are in a better position to match the individual to an appropriate job and tailor assistance to the needs of the individual (e.g., training needs, assistance in job search or in

preparing for interviews). See OECD (2007b), pp. 207–229.

⁸⁷ The OECD (2005b, p. 175) defines the range of activation programs:

“‘Activation’ programmes differ from free public employment services in that participation is obligatory for relevant target groups. Key examples of activation programmes are requirements on unemployed people to attend intensive interviews with employment counsellors, to apply for job vacancies as directed by employment counsellors, to independently search for job vacancies and apply for jobs, to accept offers of suitable work, to participate in the formulation of an individual action plan and to participate in training or job-creation programmes.”

⁸⁸ The TIOW program has not yet undergone an evaluation.

⁸⁹ Sector councils are permanent organizations that bring together key stakeholder groups in an industrial sector. Sector councils deal with human resources issues and they identify and act on skills needs. For more information on the Sector Council Program, please visit: http://www.hrsdc.gc.ca/en/hip/hrp/corporate/init_sector.shtml

⁹⁰ For example, see Kelly Services (2006).

⁹¹ Age was found to be a ground for discrimination (e.g., by the Canadian Human Rights Commission), within the range of 6.0% to 12% of all signed complaints received annually over the period from 2002 through 2006. CHRC (2007), Figure 1, p. 6.

⁹² This evidence is reviewed in OECD (2005a), pp. 89–90.

⁹³ The research evidence on productivity is reviewed in OECD (2005a), p. 91.

⁹⁴ See Coté, S. (2005), Box 3.2, p. 28.

⁹⁵ See Agarwal, N. (2005).

⁹⁶ Statistics Canada (2006f), p. 77, Figure D 5.2.

⁹⁷ Statistics Canada (2006f), p. 82, Figure D 6.1.

⁹⁸ Statistics Canada (2006f), p. 93, Figure E 2.2.

⁹⁹ Statistics Canada (2006f), p. 223–224, Tables D2.1 and D 2.3; Statistics Canada (2001), p. 71, Table 1.6a.

¹⁰⁰ See Finnie, R. and R. Meng (2007); Green, D. and W.C. Riddell (2001) on the effects of literacy enhancement on labour market outcomes. International literacy comparisons at: <http://www.statcan.ca/english/freepub/89-572-XIE/89-572-XIE1998001.pdf>

¹⁰¹ Statistics Canada (2006f), Tables D2.1, D2.2 and D2.3, pp. 223–224.

¹⁰² See Willms, J.D. and T.S. Murray (2007).

¹⁰³ Evidence on this is available for the US in Farber, H.S. (2005).

¹⁰⁴ HRSDC (2007b), Financial Table 7.

¹⁰⁵ HRSDC (2007b), Special Purpose Account, Canada Pension Plan, Table CPP Benefit Payments by Category and Type.

¹⁰⁶ Régie des rentes du Québec (2006), p. 100.

¹⁰⁷ These expenditures exclude disability benefits.

¹⁰⁸ There is no definitive evidence regarding the reasons for the increase in male participation rates. Nor do we know whether these trends will carry on into the future; that is, whether the labour force participation rates of older men and women will continue to increase.

¹⁰⁹ See Milligan, K. (2005), p. 21; Baker, M., J. Gruber and K. Milligan (2003); Baker, M. (2002); and Gruber, J. and D. Wise (2004) for international research evidence on retirement incentives.

¹¹⁰ See Pollock, A. and T. Sargent (2004), p. 31.

¹¹¹ See Milligan, K. (2005), p. 3. This effect occurs when additional years of work increase an individual’s expected future retirement income.

¹¹² See Milligan, K. (2005), p. 5; and Wannell, T. (2007).

¹¹³ See Milligan, K. (2005) Abstract.

¹¹⁴ See Milligan, K. (2005), p. 5, fn 7.

¹¹⁵ The panel recognizes and is mindful that adjustments to the public pension system may elicit subsequent adjustments to pension plans in the private sector. This potential for private sector adjustment, and any consequences of such adjustments, ought to be monitored by the government.

¹¹⁶ In the Canadian federal budget of 2007 the government includes the goal of:

“Encouraging older workers to stay in the labour market by permitting phased retirement. This would allow an employer to simultaneously pay a partial pension to an employee and provide further pension benefit accruals to the employee.”

- ¹¹⁷ See OECD (2005a), p. 38, Figure 1.2. The projection for labour force growth assumes constant participation rates. Scenarios in which participation rates are higher leads to projections of higher labour force growth, but the projected growth rates remain much lower than in the period prior to 2000.
- ¹¹⁸ The recent research study by Morissette, R., X. Zhang and M. Frenette (2007) on the earnings losses experienced by displaced workers in Canada was carried out at Statistics Canada using the Longitudinal Worker File (LWF). However, the LWF data has important limitations for research on displaced workers. For example, Morissette et al. (2007) note:
- “Like most administrative data sets, the LWF contains no information on workers’ labour force status, education, occupation, visible minority status and immigration status. Hence, it does not allow separate analyses for, say, workers with different education levels.” p. 11.
- ¹¹⁹ In the US, noteworthy examples of relevant research includes: Farber, H.S. (2005; 2004; 1999; 1997; 1993); Gardner, J.M. (1995); Hipple, S. (1999); Neal, D. (1995); and Podgursky, M. and P. Swaim (1987).
- ¹²⁰ The main coverage, benefit levels and premium characteristics of the 1941 *Unemployment Insurance Act* are provided in Appendix F.
- ¹²¹ HRSDC (2007a), Annex 2, Table 2.3.
- ¹²² HRSDC (2007a), Annex 2, Table 2.7.
- ¹²³ Current EI claimants are unemployed persons with an “active” claim. Former claimants must have a claim that ended within the past three years.
- ¹²⁴ Under current EI Regulation 35, severance pay is considered to be employment earnings because it is paid or payable by reason of layoff or separation.
- ¹²⁵ The main US experiments, which involve the payment of cash bonuses to unemployed individuals who obtain jobs, show some promise in terms of encouraging re-employment faster and for longer, but the evaluation of the total cost-benefit of the programs is less favourable. See Meyer, B. (1995).
- ¹²⁶ Some Canadian evidence is available from the Earnings Supplement Project, carried out by the Social Research and Demonstration Corporation. This project, which used a randomized experiment, examined the effects of earnings supplements provided to unemployed workers who were repeat users of EI benefits and displaced workers (Tattie, D. [1999] and Bloom, H., S. Schwartz, S. Lui-Gurr and S-W Lee [1999]. The results of the project showed that a supplement to the earnings of displaced individuals in their new job had limited effect on their re-employment experience. See Bloom et. al. (1999), p.88.
- ¹²⁷ EI special benefits (sickness, maternity, parental and compassionate care) have fixed entrance requirements and fixed benefit durations since the need for those benefits does not vary with local labour market conditions. See the *EI Act*, section 6, which defines a major attachment claimant as having 600 or more insured hours in all regions, and section 12(3), which sets out the maximum weeks to be paid for special benefits in all regions.
- ¹²⁸ The *Canadian Income Tax Act* currently contains a provision for the deduction of a range of moving expenses, including travel costs during moving, transportation and storage costs, subsistence during the moving period, lease cancellation, and various selling costs of the former residence.
- ¹²⁹ A comprehensive inventory of the changes is provided in Appendix G: Major Changes to Employment Insurance in the 1971 Review.
- ¹³⁰ The individual action plan is a means of giving effect to the principle of mutual responsibility:
- “Setting up individual action plans with unemployed clients has become an increasingly important element of activation strategies. Their name[s] may vary (guidance plan, job-seeking agreement, activity agreement, etc.), but in each case an individual action plan is a written document to be signed by both parties, describing the jobseeker’s situation, laying down certain actions to be taken by the client and listing commitments by the employment service.” OECD (2007b), p. 226.
- In most OECD countries, imposing a mutual obligation or responsibility is a key element of activation measures:
- “[Under] activation principles ... benefit recipients are expected to look actively for work or participate in a programme to promote their job prospects – the so-called “mutual obligations” approach.” OECD (2005b), p. 174.
- ¹³¹ See OECD (2007b), p. 210.
- ¹³² Statistics Canada (2007c).
- ¹³³ See Riddell, W.C. (1985).
- ¹³⁴ Smaller communities include metropolitan areas with a population less than 250,000.

APPENDIX A

Members of Expert Panel on Older Workers

Panel Chair

The Honourable Erminie Cohen, Retired Senator

Following a distinguished career as a leading New Brunswick businesswoman, Erminie Cohen was called to the Senate in 1993. While in the Senate she served on numerous committees including the Standing Committee on National Finance and the Standing Committee on Social Affairs, Science and Technology. Senator Cohen led a number of provincial social service and arts organizations and co-chaired a national study on poverty. She is the recipient of the Red Cross Humanitarian Award and holds an Honorary Doctorate of Laws from the University of New Brunswick.

Panel Members

Ms. Françoise Bertrand, President and Director General of the Fédération des chambres de commerce du Québec

Ms. Françoise Bertrand has been president of the Fédération des chambres de commerce du Québec and a member of the Commission des partenaires du marché du travail since 2003. Ms. Bertrand's 25 years of senior management and consulting experience includes Chair of the Canadian Radio-television and Telecommunications Commission (CRTC), partner at SECOR and senior director at KPMG. She held several positions at L'Université du Québec à Montréal (UQAM), including Dean of Resource Management (1980 to 1988). Ms. Bertrand holds a Master of Environmental Studies degree from York University.

Mr. William A. MacKinnon, CEO and Senior Partner, KPMG Canada, LLP

Mr. Bill MacKinnon has been the Chief Executive Officer and Senior Partner of KPMG Canada, LLP since 1999. His long-time interest in community service and social matters led him to serve on the Task Force on Modernizing Income Security for Working-Age Adults (MISWAA), and work with community agencies such as the United Way and the Toronto East General Hospital.

Professor W. Craig Riddell, Department of Economics, University of British Columbia

W. Craig Riddell currently holds a Royal Bank Faculty Research Professorship at the University of British Columbia. He is the former Head of the Department of Economics at UBC, Past-President of the Canadian Economics Association and currently serves as Academic Director of the Canadian Labour Market and Skills Researcher Network.

In addition to numerous publications in books and academic journals, he is co-author of *Labour Market Economics: Theory, Evidence and Policy in Canada*, Canada's leading labour economics textbook.

APPENDIX B

List of Consultations Undertaken by the Panel

Provincial and Territorial Consultations

April 11, 2007

Vancouver, British Columbia
Meeting with Minister Colin Hansen and officials

April 12, 2007

Whitehorse, Yukon
Meeting with Minister Jim Kenyon, Minister Patrick Rouble and officials

April 17, 2007

Fredericton, New Brunswick
Meeting with Deputy Minister Rachel Bard and officials

April 18, 2007

Halifax, Nova Scotia
Meeting with Minister Chris D'Entremont and officials

May 14, 2007

St. John's, Newfoundland and Labrador
Meeting with Minister Shawn Skinner and officials

May 17, 2007

Iqaluit, Nunavut
Meeting with Minister Ed Picco and officials

May 31, 2007

Yellowknife, Northwest Territories
Meeting with Minister Charles Dent and officials

June 6, 2007

Toronto, Ontario
Meeting with Minister Chris Bentley and officials

June 13, 2007

Edmonton, Alberta
Meeting with Minister Iris Evans, Minister Greg Melchin and officials

June 18, 2007

Quebec, Quebec
Meeting with Deputy Minister François Turenne and officials

July 11, 2007

Charlottetown, Prince Edward Island
Meeting with Minister Doug Currie, Minister Richard Brown and officials

August 15, 2007

Regina, Saskatchewan
Meeting with Minister Warren McCall and officials

August 14, 2007

Winnipeg, Manitoba
Meeting with Minister Jim Rondeau and officials

Academic and Stakeholder Roundtables

May 8, 2007

Vancouver, British Columbia
British Columbia Regional Stakeholders Roundtable – Graduate Program in Public Policy, Simon Fraser University

May 23, 2007

Montreal, Quebec
Academic Roundtable – Institute for Research on Public Policy

May 29, 2007

Saint John, New Brunswick
Atlantic Regional Stakeholders Roundtable – Atlantic Provinces Economic Council

June 5, 2007

Toronto, Ontario
Ontario Regional Stakeholders Roundtable – Public Policy Forum

June 12, 2007

Calgary, Alberta
Prairie Regional Stakeholders Roundtable – Canada West Foundation

June 20, 2007

Montreal, Quebec
Quebec Regional Stakeholders Roundtable – Mado Desforges

APPENDIX C

New Research Utilized by the Expert Panel (2006–2007)

The Secretariat's research program was organized into five general segments that supported the ongoing consultation process and Panel report:

1. **Background information** — Basic background information on the economy and labour market of each province supported the Panel's work throughout the consultation process.
2. **Overview or review papers** — Five overview or "state of the evidence" research papers covering various aspects of older workers were completed in cooperation with Labour Market Policy (strategic policy):
 - *Employment Patterns of Older Non-Standard Workers* — A summary of the employment patterns and vulnerability of older workers in non-standard and seasonal employment.
 - *Profile of Skills Characteristics of Older Workers* — A statistical profile of the skill characteristics of older workers (aged 55 and over), in terms of educational attainment, occupational skills and training.
 - *Profile of Geographic Mobility of Older Workers* — An analysis of the mobility patterns of older workers and the main factors affecting the decision of older workers (aged 55 and over) to relocate to another community in the event of job loss.
 - *Profile of Economic Mobility of Older Workers* — A descriptive statistical profile of the distribution of the income and earnings of older workers including whether/how the level and distribution of both total income and earnings changes as workers age.
 - *Profile of Older Self-Employed Workers* — A statistical profile of the characteristics of self-employed older workers (55 years and older).
3. **Older worker labour market program profiling** — A compendium/inventory of current federal and provincial programs related to older workers.
4. **In-depth original empirical research** — An empirical analysis based on Statistics Canada's Survey of Labour and Income Dynamics that looked at factors that account for variations in the observed incidence and duration of unemployment between prime-aged and older workers, and the effects of age on the likelihood of re-employment following a spell of unemployment.
5. **In-depth focus groups** — Extensive focus group studies conducted by Statistics Canada in cooperation with HRSDC's Labour Market Policy, including:
 - Retirement decisions focus groups — These focus groups, conducted with participants from the general population who have recently retired from paid employment or are approaching retirement age, explored the factors that lead to making the decision to retire.
 - Employer roundtables — The purpose of these roundtables was to discuss issues and challenges facing employers as they relate to the pending retirement of a significant proportion of the workforce, including policies and practices already in place or under consideration, as well as factors and possible actions that may need consideration over the coming 5 to 10 years.
 - Displaced workers focus groups — The goal of these focus groups was to determine what displaced workers did after being displaced (e.g., found another job in their community, took a job in another community, retired, were unemployed, became self-employed).

APPENDIX D

Labour Market Situation in Urban and Rural Areas by Province in 2006, Selected Indicators

This appendix shows labour markets analyzed for urban and rural areas. Urban areas include the Census Metropolitan Areas (CMA) and the Census Agglomerations (CA), whereas rural areas are all non-CMA and non-CAs.

Newfoundland and Labrador: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	14.8	9.1	21.8
Participation rate	59.2	66.8	51.9
Employment rate	50.4	60.7	40.6
Newfoundland and Labrador: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	14.4	7.8	20.6
Participation rate	46.8	53.1	42.1
Employment rate	40.0	49.0	33.4

Prince Edward Island: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	11.0	8.2	15.0
Participation rate	68.7	69.8	67.2
Employment rate	61.1	64.2	57.1
Prince Edward Island: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	11.5	7.1	16.7
Participation rate	60.5	60.2	60.8
Employment rate	53.5	55.9	50.6

Nova Scotia: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	7.9	6.6	10.8
Participation rate	62.9	65.0	58.9
Employment rate	57.9	60.8	52.5
Nova Scotia: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	7.0	5.2	9.8
Participation rate	51.2	51.9	49.9
Employment rate	47.7	49.2	45.0

New Brunswick: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	8.8	6.7	11.2
Participation rate	63.7	65.7	61.5
Employment rate	58.1	61.3	54.6
New Brunswick: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	8.6	6.5	11.3
Participation rate	51.3	53.7	48.5
Employment rate	46.9	50.4	43.1

Quebec: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	8.0	7.9	8.6
Participation rate	65.5	66.6	61.2
Employment rate	60.2	61.4	55.9
Quebec: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	7.1	6.5	9.3
Participation rate	52.0	53.5	47.3
Employment rate	48.3	50.0	42.9

Ontario: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	6.3	6.4	5.7
Participation rate	67.7	68.1	65.2
Employment rate	63.5	63.8	61.4
Ontario: 55 – 64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.7	4.7	4.9
Participation rate	61.4	62.3	56.3
Employment rate	58.5	59.4	53.5

Manitoba: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.3	4.6	3.5
Participation rate	68.8	70.0	65.8
Employment rate	65.8	66.8	63.5
Manitoba: 55 – 64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	3.6	3.9	2.9
Participation rate	63.8	64.8	61.7
Employment rate	61.4	62.1	59.9

Saskatchewan: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.7	4.9	4.2
Participation rate	69.1	70.7	66.1
Employment rate	65.9	67.3	63.4
Saskatchewan: 55 – 64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.2	3.9	4.5
Participation rate	66.4	64.7	68.7
Employment rate	63.7	62.2	65.6

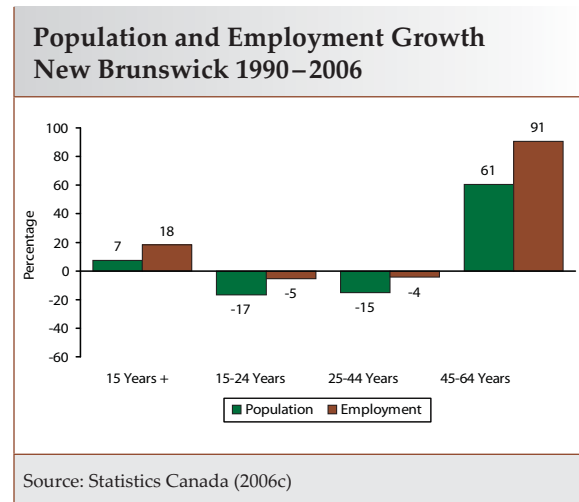
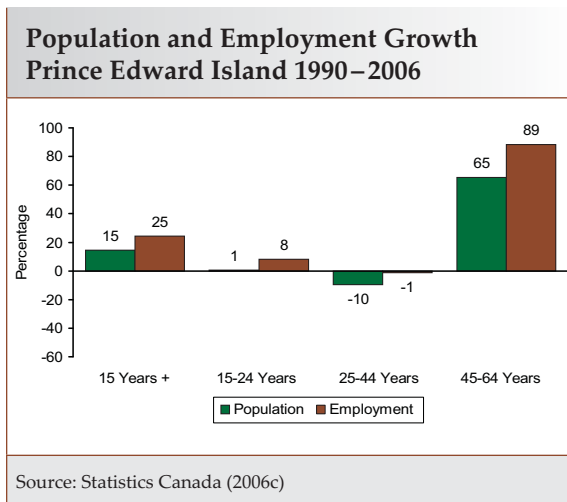
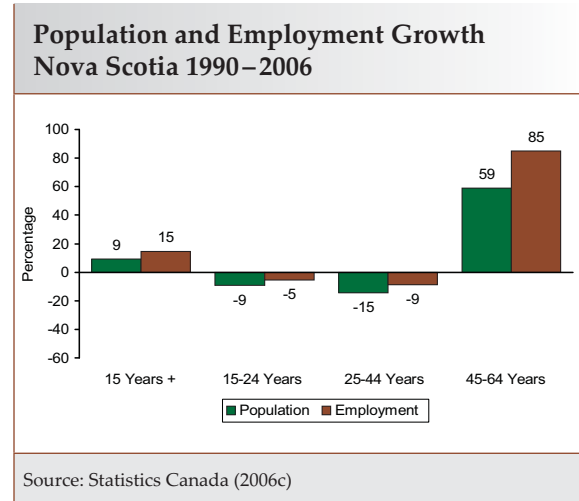
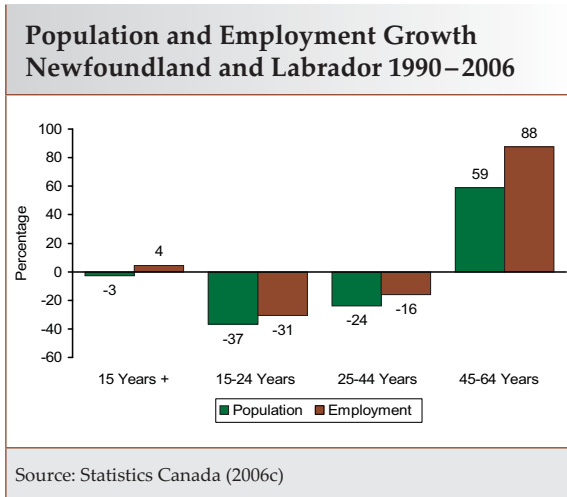
Alberta: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	3.4	3.6	3.0
Participation rate	73.4	73.7	72.2
Employment rate	70.8	71.0	70.0
Alberta: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	2.5	2.4	3.0
Participation rate	69.7	70.0	68.6
Employment rate	67.9	68.3	66.7

British Columbia: 15 Years and Over			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.8	4.7	5.3
Participation rate	65.7	66.0	63.5
Employment rate	62.5	62.9	60.1
British Columbia: 55–64 Years Old			
2006	Total	CMA/CA	Non-CMA/CA
Unemployment rate	4.0	3.9	4.6
Participation rate	58.9	59.2	56.7
Employment rate	56.5	56.9	54.1

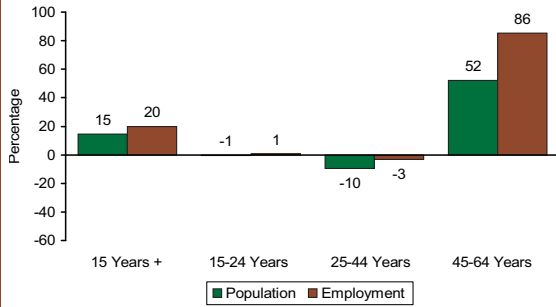
Source: Labour Force Historical Review, 2006, 71F0004XCB; cd1T05an, Labour force estimates by detailed industry, sex, age group, Canada, province, annual average.

APPENDIX E

Population and Employment Growth by Province (1990 and 2006)

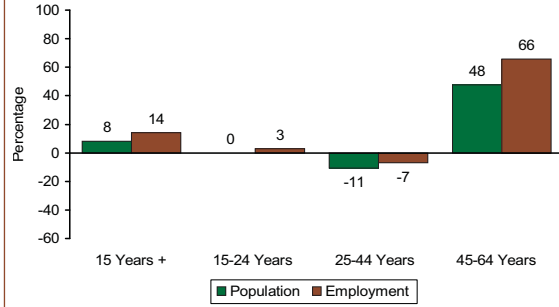


Population and Employment Growth Quebec 1990–2006



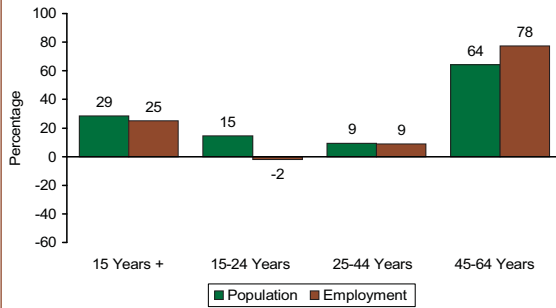
Source: Statistics Canada (2006c)

Population and Employment Growth Manitoba 1990–2006



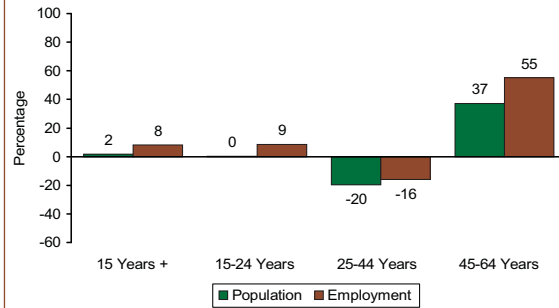
Source: Statistics Canada (2006c)

Population and Employment Growth Ontario 1990–2006



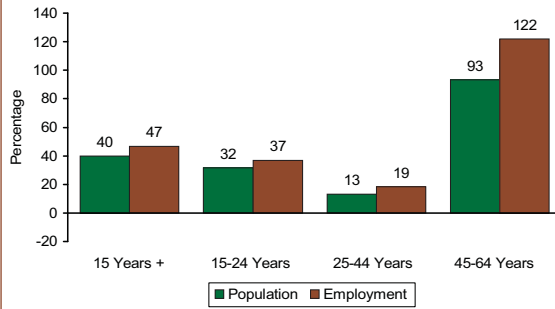
Source: Statistics Canada (2006c)

Population and Employment Growth Saskatchewan 1990–2006



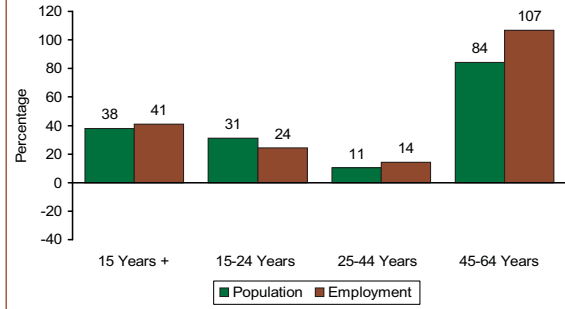
Source: Statistics Canada (2006c)

Population and Employment Growth Alberta 1990–2006



Source: Statistics Canada (2006c)

Population and Employment Growth British Columbia 1990–2006



Source: Statistics Canada (2006c)

APPENDIX F

Main Coverage, Benefit and Premium Characteristics of the 1941 *Unemployment Insurance Act*

The *Unemployment Insurance Act* (1941) aimed to help unemployed workers regain employment and provide income benefits to support their job search.

- Coverage was limited to workers with earnings below the average, working in sectors that operated full-year.
- Benefits were designed to cover non-deferrable expenses, and very-low income claimants with dependants received higher benefit rates.
- Premium rates varied, with lower-income workers paying less than the employer and higher-income workers paying more; on average, employer and employee shares were equal.
- Employer and employee premiums went into an Unemployment Insurance Fund along with a 20% contribution from the federal government; benefit payments could not exceed the amount accumulated in the Fund.

APPENDIX G

Major Changes to Employment Insurance in the 1971 Review

Labour market developments and experience with the Unemployment Insurance (UI) program from the 1940s through the 1960s led to major reforms in 1971:

- Coverage was extended to almost all employees, but maximum insurable earnings (MIE) were set equal to the average industrial wage.
- Minimum insured weeks of employment were set at 20 hours, or earnings of 30% of the MIE (later reduced to 15 hours/20% of the MIE), with a single employer.
- The minimum entrance requirements were eight insured weeks and an interruption of earnings.
- A five-phase benefit structure was implemented, with entitlement increasing with insured weeks and with higher unemployment rates.
- Special Benefits (sickness, maternity and retirement) were introduced for major attachment claimants — those with 20 or more insured weeks in the 52 weeks before the interruption of earnings (the Qualifying Period or QP).
- Benefits were based on average earnings in the most recent 20 insured weeks for major attachment, and on the average for all insured weeks in the QP for minor attachment claimants.
- Benefit rates were 66 2/3% of average insured earnings, or 75% for claimants with dependants, and benefits were taxable.
- The 4th phase added 4 weeks of benefits in a 4-week period when a 3-month moving average of the national unemployment rate was over 4%, and 8 weeks of benefits in an 8-week period when the national rate exceeded 5%.
- Sixteen UI Regions were defined based on Labour Force Survey boundaries, and 6, 12 or 18 weeks of regional extended benefits were paid when the regional unemployment rate exceeded the national rate by 1, 2 or 3+ percentage points.
- Coverage for self-employed fishers, introduced in 1955, was continued pending development of a separate program for the fishing industry.
- Maximum penalties for voluntarily quitting or misconduct were set at 3 weeks of disqualification, which cancelled weeks of benefits (previously disqualification had only postponed benefits).
- Financing changed from a cumulative (Fund) to a current (Account) basis. The Minister of Finance was authorized to advance up to \$800 million to the UI Account if the balance in the account was not sufficient to cover expenditures.
- Employer and employee premiums covered Regular Benefits related to unemployment up to 4%, all Special Benefits and administration costs.
- The federal government was responsible for benefits arising from: unemployment rates above 4%, Regional Extended Benefits, benefits to claimants whose benefit period had been extended when they undertook approved training, and self-employed fishing benefits.
- Premium rates were to be set to raise enough revenue to cover the annual cost of the program, based on the average cost in a preceding 3-year period.

- If a deficit was forecast in the UI Account for the coming year, the statutory rate became a minimum, and a higher rate was to be set to reduce the deficit; when a surplus was forecast, the statutory rate became a maximum.
- Employers' premium rates were set at 1.4 times the employee rate, pending development of an experience rating system, which would vary the ratio depending on the employer's layoff pattern.
- Premium rates could be reduced for employers with wage-loss plans such as sickness benefits, which would reduce the cost of UI Special Benefits, as long as the reduction was shared with the employees either through the UI premium rate or other increased fringe benefits.

APPENDIX H

Historical Treatment of Severance Pay in Unemployment Insurance (UI)

The original *Unemployment Insurance Act* of 1940 stated that an insured person whose employment had terminated would not be deemed to be unemployed during any period for which "... he continues to receive remuneration by way of compensation for loss of, and substantially equivalent to the wages he would have received if his employment had not terminated."

- In 1955, the *UI Act* introduced authority for the UI Commission to make regulations "... for defining and determining 'earnings' and 'pay period' and for the allocation of earnings ... to pay periods and weeks."
 - The Regulations provided that monies received by the claimant from his/her employer or former employer for retirement leave credits were to be deemed to have been received in respect of a period starting on the first day following termination of employment or following the last day on which services were performed for that employer, whichever was earlier.
 - The length of that period was the actual number of days in respect of which the retirement leave credits were paid.
 - Money paid in lieu of notice of termination was prorated at the claimant's normal daily rate of pay from that employer.
- In January 1961, the UI Regulations stipulated that retirement leave credits would be allocated to the weeks payable, but if they were paid in a lump sum and not allocated to specific weeks by the employer, they would be prorated at the claimant's normal weekly earnings, starting immediately after the separation.
- The major revisions to the *UI Act* in 1971 did not change the treatment of severance pay as earnings for benefit purposes.
 - The money continued to be allocated to number of weeks payable or prorated at the claimant's normal weekly earnings rate.
- Fundamental change came in 1977 following the merger of the UI Commission with Manpower and Immigration.
 - For the first time severance pay was excluded from earnings for benefit purposes, on the grounds that it was compensation for loss of seniority and loss of specific job skills, not for the loss of earnings covered by UI.
- In 1982, the Regulations were amended to exclude all payments on separation from employment from earnings for benefit or insurability purposes.
- In April 1985, as part of a broad review to control costs of federal programs, the treatment of severance pay and other monies received on separation from employment was changed back to the pre-1977 approach.
 - Severance pay was to be regarded as earnings for benefit purposes and allocated to the weeks following separation for the number of weeks payable, or prorated according to the claimant's normal weekly earnings.
 - This change was intended to reduce double indemnity for claimants receiving UI benefits at the same time as they were being compensated by their employer or former employer.
- Employers, unions and provinces angered by the reversal of policy on the treatment of severance pay started to take advantage of the allocation provisions to nullify the determination that severance pay was earnings for benefit purposes.

- Contracts were negotiated specifying that severance pay would be paid in a specific number of weeks.
- In November 1986, Ontario amended its *Employment Standards Act* to specify that severance and pay in lieu of notice of termination were to be paid in two instalments in the two weeks following a separation and that these payments should be allocated to those two weeks.
- In response, the federal government amended the *UI Act* and Regulations in 1987.
 - The Regulations were amended to remove the loophole that allowed some claimants to receive UI and severance at the same time.
 - To soften the impact, the *UI Act* was changed to permit the Qualifying Period and Benefit Period to be extended so that treating severance pay as earnings would delay, but not reduce or eliminate, UI benefits.
 - The Regulations were also changed so income from a pension from previous employment was not included in earnings for benefit purposes when a retiree had returned to work and once again qualified for UI benefits.

Severance pay provisions in the *UI Act* and Regulations were adopted in principle in the changes to employment insurance and form the basis of provisions in the current *EI Act* and Regulations.

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