



# Ageing and Employment Policies

## Canada

### *Vieillessement et politiques de l'emploi*



Ageing and Employment Policies  
(*Vieillessement et politiques de l'emploi*)

# Canada



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

*This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.*

© OECD 2005

---

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing: [rights@oecd.org](mailto:rights@oecd.org) or by fax (33 1) 45 24 13 91. Permission to photocopy a portion of this work should be addressed to the Centre français d'exploitation du droit de copie, 20, rue des Grands-Augustins, 75006 Paris, France ([contact@efcopies.com](mailto:contact@efcopies.com)).

---

## FOREWORD

Older people offer tremendous potential value to businesses, the economy and society. Unfortunately, they often represent an untapped and discriminated-against resource, as many public policy measures and private workplace practices pose serious barriers to work, both paid and unpaid. Many of these policies and practices are relics from a bygone era. There is a need to look beyond traditional stereotypes about ageing in order to benefit from the growing numbers of older citizens, many of whom would, in fact, choose to work for longer given appropriate policies and workplace practices.

The OECD has reported extensively on public pension and early retirement systems and the need for reforms of these systems to cope with some of the challenges posed by population ageing. However, these reforms will not be enough to encourage later retirement and to reduce the risk of future labour shortages. Measures are also required to adapt wage-setting practices to greying workforces, to tackle age discrimination and negative attitudes to working at an older age, to improve job skills of older people and their working conditions, and to better “activate” older job seekers. Relatively little is known about what countries have been, or should be doing, in these areas. Therefore, in spring 2001, the OECD Employment, Labour and Social Affairs Committee decided to carry out a thematic review of policies to improve labour market prospects for older workers covering both supply-side and demand-side aspects.

For the purpose of this thematic review, it was decided to define older workers as all workers aged 50 and over. The age of 50 is not meant to be a watershed in and of itself in terms of defining who is old and who is not. Perceptions about being old are inherently subjective and only loosely connected with chronological age. However, in many countries, the age of 50 marks the beginning of a decline in participation rates by age. Moreover, to facilitate international comparisons, it is preferable to refer to the same age group for all countries. Thus, all references to “older workers” in this report should be taken as shorthand for workers aged 50 and over (or in some cases, because of data constraints, workers aged 50 to 64), and should not be seen as implying that all workers in this group are “old” *per se*.

This report on Canada is one in a series of 21 OECD country reports that will be published as part of the older worker thematic review, which has been developed by Raymond Torres. It has been prepared by Steven Tobin under the supervision of Mark Keese (team leader). Technical and statistical assistance was provided by Sylvie Cimper and Clarisse Legendre. A draft of the report was discussed at a seminar on “Policies to Improve Labour Market Outcomes for Older Workers” in Ottawa on 30 March 2005, which was organised by Human Resources and Skill Development Canada. The final report incorporates comments from representatives of the national authorities, the social partners and non-governmental organisations, as well as academics.

\* \* \*

*This report is based on the proceedings of a seminar and is published in English only. However, a French translation of the Executive Summary and Recommendations has been included in this volume (see p. 19).*

\* \* \*

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY AND RECOMMENDATIONS</b> .....	9
The challenge ahead.....	9
Recent reforms.....	10
Directions for reform .....	11
Recommendations for reform.....	12
<b>RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS</b> .....	19
<b>INTRODUCTION</b> .....	31
<b>Chapter 1. THE CHALLENGE AHEAD</b> .....	33
1. The demographic realities .....	33
2. Potential economic and social repercussions of ageing .....	35
3. Potential solutions to the demographic challenges .....	37
<b>Chapter 2. THE LABOUR MARKET SITUATION OF OLDER WORKERS</b> ... 43	43
1. Key issue: optimising labour supply of older workers .....	43
2. Employment, job characteristics and working arrangements.....	49
3. Non-employment among older workers.....	54
<b>Chapter 3. INCOME SUPPORT AND WORK INCENTIVES FOR OLDER PEOPLE</b> .....	63
1. Canada’s pension system.....	63
2. Other elements of Canada’s social security system.....	67
3. Social security system and work incentives .....	69
<b>Chapter 4. ENCOURAGING EMPLOYERS TO HIRE AND RETAIN OLDER WORKERS</b> .....	83
1. Employer practices and older workers .....	83
2. Barriers to employing and retaining older workers .....	87
3. Measures to encourage the hiring and retention of older workers .....	96

<b>Chapter 5. STRENGTHENING OLDER WORKERS' EMPLOYABILITY</b> .	103
1. Education and training levels of older workers .....	103
2. Helping older workers to return to employment.....	114
3. Measures to improve the employability of older workers .....	123
<b>Chapter 6. ENSURING POLICIES ARE COMPREHENSIVE AND COHERENT</b> .....	129
1. Policy coordination and coherency .....	129
2. Directions for policy.....	130
<b>BIBLIOGRAPHY</b> .....	133

### List of Boxes

Box 3.1. Private pensions and savings plans in Canada.....	66
Box 3.2. EI benefit programmes in Canada in 2004 .....	67
Box 3.3. CPP Disability Vocational Rehabilitation in Canada .....	79
Box 4.1. Some examples of promoting best practices and age diversity .....	98
Box 4.2. Measuring working conditions .....	99
Box 4.3. The National Programme on Ageing Workers in Finland .....	101
Box 5.1. Some federal government-supported literacy initiatives .....	107
Box 5.2. Employment Benefits and Support Measures in Canada.....	115
Box 5.3. Approaches to the Older Workers Pilot Projects Initiative .....	119

### List of Figures

Figure 1.1. Projected trends in dependency ratios, 2000-50 .....	35
Figure 1.2. Change in labour force growth in OECD countries under the “constant” scenario, 1950-2000, 2000-50.....	38
Figure 1.3. Labour force growth scenarios in Canada, 1978-2050 .....	39
Figure 1.4. Average effective retirement age in Canada, 1966-2004.....	40
Figure 1.5. Average effective retirement age in OECD countries, 1999-2004 ....	41
Figure 2.1. Labour force participation rates by gender and age in OECD countries, 2004 .....	44
Figure 2.2. Labour force participation rate by gender and single year of age in Canada, 2004 .....	45
Figure 2.3. Labour force participation rates by gender, age and province in Canada, 2003.....	47
Figure 2.4. Labour force participation rates by immigration, gender and age in Canada, 2001.....	48

Figure 2.5. Labour force participation rates by period of immigration, gender and age in Canada, 2001 .....	48
Figure 2.6. Full-time employment/population ratios by gender and age in Canada, 1980-2004.....	50
Figure 2.7. Incidence and growth in part-time employment by age and gender in Canada, 2004 .....	51
Figure 2.8. Part-time employment by gender and age in selected OECD countries, 2004 .....	52
Figure 2.9. Employment growth by occupation, age and gender, 1993-2003 .....	55
Figure 2.10. Employment by occupation and gender for older workers in Canada, 2003 .....	56
Figure 2.11. Unemployment rates by gender and age in Canada, 1976-2004.....	58
Figure 2.12. Unemployment rates among older workers (50-64) by gender and province in Canada, 2003 .....	59
Figure 3.1. Retirement rate by gender and single year of age in Canada and the United States, 2002-04 .....	70
Figure 3.2. Share of “early” CPP recipients by gender, 1998 and 2001.....	73
Figure 3.3. “Early” female OAS recipients, 2003 .....	77
Figure 3.4. Inflow into CPP disability by age, 1993-2003 .....	78
Figure 3.5. Stock of CPP disability among older workers by age, 1993-2003.....	78
Figure 4.1. Retention rates over five years by gender and age in selected OECD countries, 1999-2004 .....	86
Figure 4.2. EPL strictness and the hiring rate and tenure of older workers in selected OECD countries .....	88
Figure 4.3. Age-earnings profiles of full-time workers by gender in selected OECD countries, 2002 .....	93
Figure 4.4. Incidence of absence for employees by full/part week, gender, age and reason in Canada, 2003 .....	94
Figure 4.5. Share of prime-age (25-49) and older workers (50-64) working more than 50 hours per week in Canada, 2003.....	95
Figure 5.1. Educational attainment by gender, age and province, 2003.....	105
Figure 5.2. Incidence of job-related training by gender and age in Canada, 2002.....	110
Figure 5.3. Incidence of job-related training by age and education in Canada, 2002.....	111
Figure 5.4. Difference in the incidence of job-related training between prime-age (25-49) and older (50-64) workers by gender and province, 2002.....	112



Figure 5.5.	Participation in Employment Benefits and Support Measures by gender and age, 2000 and 2003.....	117
Figure 5.6.	Employment status by age in Canada, 2003.....	121
Figure 5.7.	Public expenditure on active labour market programmes in selected OECD countries, 2001/02.....	126

### List of Tables

Table 2.1.	Distribution of usual weekly hours worked by older workers (50+) in selected OECD countries, 2004.....	53
Table 2.2.	Percentage share of inactive persons unable to work by gender and age, 2003.....	54
Table 2.3.	Desire to work among those able to work by gender and age, 2003.....	57
Table 2.4.	Distribution of unemployment duration by gender and age, 2003.....	58
Table 2.5.	Reasons why unemployed workers left their last job in Canada, 2003.....	60
Table 2.6.	Reasons why inactive persons left their last job in Canada, 2003.....	60
Table 3.1.	Maximum OAS programme benefits by status, 2004.....	64
Table 3.2.	Incidence and average duration of EI sickness benefits by gender and age, 2002.....	81
Table 4.1.	Relative hiring intensity by age in selected OECD countries, 2004.....	84
Table 4.2.	Relative hiring intensity by gender and age in Canada, 2003.....	85
Table 5.1.	Labour market outcomes and educational attainment by gender and age in Canada, 2003.....	104
Table 5.2.	Share of self-employed in Canada by gender and age, 1998 and 2003.....	121

## EXECUTIVE SUMMARY AND RECOMMENDATIONS

### The challenge ahead

Population ageing is occurring less rapidly in Canada than in many other OECD countries. This is partly the result of a high rate of immigration relative to the OECD average and a total fertility rate that is not projected to fall as low as in Japan or some southern European countries. Nevertheless, the proportion of the population aged 65 and over to the working-age population (20-64) is expected to rise from 20% in 2004 to just over 45% in 2050. Consequently, there is a risk that a combination of slower labour force growth and a sharp rise in the number of workers exiting the workforce (as the baby-boom generation retires) could affect economic growth over the next few decades. In order to minimise this risk, the challenge Canada faces is to remove barriers to labour force participation, especially with respect to the growing cohorts of older people. Policies that help older workers to remain longer in the work force will not only be of benefit to society as a whole but also to many older workers themselves for whom early exit from the workforce may result in social exclusion and reduced opportunities to ensure an adequate income in retirement.

In some respects, Canada is well placed to meet this challenge. First, past reform has strengthened the financial sustainability of pensions, although other age-related expenditures will also be placing pressure on public finances. Second, the labour market situation of older workers has improved considerably in recent years. Between 1994 and 2004, the participation rate of older men and women aged 50-64 has increased by around 5 and 13 percentage points, respectively – well above the average increase across OECD countries. Third, both younger and older Canadians are well educated – among OECD countries, Canada has the highest proportion of prime-age people with tertiary qualifications and, for older people, the second highest proportion. And, life expectancy and health outcomes more generally are expected to continue to improve over the coming decades, opening up greater opportunities for older Canadians to both extend their working lives and enjoy more years of retirement.

However, older workers wishing to extend their working lives currently face a number of barriers to remaining in employment. Labour force participation rates of older people are still below the levels in several other major OECD countries, including the United States and the United Kingdom. The Canadian labour market also continues to be characterised by large regional disparities and lower participation rates on average among immigrants relative to nationals. With respect to gender, while employment growth among older women has been strong in recent years, the difference in full-time employment/population ratios between older men and older women was still around 22 percentage points in 2004.

### **Recent reforms**

A number of reforms have already been taken to strengthen work incentives for older Canadians and to improve their employability. Other reforms have been carried out to improve the functioning of the labour market more generally.

#### ***Measures addressing the public pension system***

In 1998, Canada put in place a balanced package of changes to strengthen the financing and investment practices of the pension and disability scheme, the Canada Pension Plan (CPP), and to moderate growth in costs. As a result, and given that public pensions are not overly generous, the pension system is not expected to pose much of a financial burden on public expenditures over the years to come. In addition, the federal government continues to exercise prudent fiscal management of the Old-Age Security programme (OAS).

As part of the changes to ensure the long-term sustainability of the CPP, the eligibility criteria to the CPP Disability benefit programme were modified. Together with the significant administrative tightening in the programme in the preceding years, the inflow into CPP Disability among all workers, including older workers, has declined substantially from decade ago peaks and inflows are now relatively stable. As a result, unlike the situation in many other OECD countries, the stock of disability recipients among older workers has fallen over the past decade.

#### ***Measures addressing the employability of older workers***

The federal government has recognised the importance of workplace training as a means of boosting the employability of prime-age and older

workers, and has undertaken a number of initiatives to promote job-related training more generally. In particular, the federal government has recently launched the Workplace Skills Strategy which brings together, among others, employers and unions with the intention of developing a strategic plan that puts together a number of initiatives to address future skill requirements. In 1998, the federal government introduced the Lifelong Learning Plan (LLP), which allows individuals to withdraw funds from Registered Retirement Savings Plans (RRSPs) on a tax-favoured basis to finance full-time training or education. More recently, in 2004, through a funding agreement with Human Resources and Skills Development Canada (HRSDC), the Canadian Council on Learning (CCL) was established to share knowledge and information with the various partners.

Moreover, in 1999, the federal government also introduced the Older Workers Pilot Projects Initiative to assist displaced older workers into employment or to maintain those at risk of losing their job in employment. In total, more than 125 pilot projects have been undertaken. In addition, in 2004, more than 92 000 unemployed Canadians aged 50 and over (13.7% of all participants) received assistance with finding and maintaining new employment through the Employment Benefits and Support Measures (EBSMs) – active programming under Part II of the Employment Insurance Act. And, finally, through the Opportunities Fund, in 2004, over 600 unemployed Canadians with disabilities aged 50 and over (22.7% of all participants) received employment assistance.

### **Directions for reform**

Canada has already adopted a number of important reforms. And, while the merits of unpaid work need to be properly recognised, more needs to be done to strengthen incentives for older people to remain active, to encourage the retention and hiring of older workers and to enhance their employability.

#### ***Incentives to early retirement need to be tackled***

While the 1998 reform of the pension system may have ensured its long-term financial sustainability, further reform is required to address the work disincentives inherent in the retirement system – both public and private. Although recent increases in participation rates have brought about a moderate increase in the effective retirement age, further actions will be needed if a sustained reversal in the long-term decline in the effective retirement age is to be achieved.

### ***Employer attitudes and practices need to be changed***

There is some evidence of negative attitudes of employers towards older workers. This may partly explain why older workers face lower retention rates than prime-age workers (25-49) and experience greater difficulties in finding a new job in the event of job loss. In addition, mandatory retirement still exists in four provinces and contractual mandatory retirement in several others – a barrier for those older workers wishing to carry on working.

### ***Employability of older workers needs to be enhanced***

Despite the relatively high average level of educational attainment, there exist significant gaps in educational attainment by age and region, and to some extent by gender. Moreover, job-related training declines significantly with age and educational attainment. And, while the overall share of clients served through Employment Benefit and Support Measures is on the rise, older participants are under-represented in these measures.

## **Recommendations for reform**

A comprehensive strategy is required which should encompass not only measures to enhance the work incentives that are embedded in the retirement system, but also actions on the demand-side. The following policy recommendations are put forward as possible elements of this strategy.

### ***Strengthen incentives to remain in work longer***

- *Increase flexibility for combining pensions with work income.* Greater flexibility in combining pensions with work income that results in significant gains in individual and family income would encourage older workers to carry on working longer. Therefore, the following measures could be envisaged:
  - *Abolish the stop-work clause in the CPP.* The current rules require workers aged 60 to 64 to stop working a month before the first pension payment. This rule should be abolished and individuals should be allowed to work and draw a pension without having to first exit the labour market. At the same time, it will be important to monitor the impact on participation rates among older workers since such a change may not increase net labour supply to the extent anticipated.

- *Review the rules inherent in the income tax system and private pension systems.* The available evidence suggests that defined-benefit Registered Pension Plans (RPPs) offer strong financial incentives to retire early. At a minimum, the federal government should seek to increase flexibility in combining work and benefits under these plans by reviewing the rules under the federal Income Tax Act which currently prohibits the simultaneous accrual and receipt of benefits from the same defined-benefit RPP or the defined-benefit RPP of a related employer. In addition, the unions and employers should be encouraged to increase the possibilities for phased retirement under these plans in conjunction with the necessary changes to the federal Income Tax Act.
  
- *Allow for the possibility to accumulate future pension rights.* Once individuals receive a public pension, they cannot accumulate future pension rights on any future earnings. This restriction should be relaxed.
  
- *Help partners of low-income pensioners get back into the labour market.* Already at the age of 62, more than 11% of women are receiving the Allowance – an income-tested benefit payable to eligible 60-64 year partners of low-income pensioners. While many Allowance recipients were previously inactive, the federal and provincial/territorial governments should nevertheless focus on improving employment opportunities for these individuals, e.g. by creating programmes designed to help these individuals find and maintain new employment and/or by introducing an earnings disregard for beneficiaries.
  
- *Reassess the saving and retirement incentives built into retirement savings plans.* With an increasing number of individuals contributing more money to tax-deferred retirement savings accounts, there is a risk that these plans may create strong work disincentives in the future. Therefore, the federal government should evaluate and monitor the potential impact of these tax-assisted savings on retirement decisions.
  
- *Encourage greater take-up of the CPP Disability Vocational Rehabilitation Programme.* A recent evaluation shows that the programme is rather successful in terms of employment outcomes and cost savings. However, take-up of this scheme has been very modest,

averaging less than 2% of the inflow of beneficiaries each year since the programme's inception. The federal government may wish to expand the programme further by encouraging greater take-up, especially among persons aged 50 and over who constitute more than 71% of benefit recipients.

- *Intervene early in spells of sickness.* There is some evidence to suggest that many individuals move from sickness benefits to CPP Disability. Therefore, assessment at an early stage in spells of sickness would help to ensure that intervention (medical and/or vocational) – if needed – occurs as early as possible. While careful consideration should be given to the cost-effectiveness of such a programme, e.g. when to intervene, it may help prevent the onset of a health condition leading to the loss of a job (and eventual disability status) or help promote a prompt return to employment. And, the process, where possible, should also involve employers at an early stage by, for example, providing them with good access to relevant advice and support to help them hire and retain workers with ill-health or a disability. A recent pilot project in New Zealand, targeting long-term unemployment, incorporates such measures, and could serve as a good example.

### ***Encourage employers to hire and retain older workers***

- *Move ahead with abolishing mandatory retirement.* The practice of mandatory retirement is not consistent with strategies to address the challenges of population ageing. It will, however, be important to maintain the Bona Fide Occupational Requirements/Qualifications that specify conditions under which employers can set legitimate qualifications for specific occupations.
- *Undertake detailed national surveys to assess the extent of age discrimination in employment.* Given the few complaints, either Canadian employers do not discriminate very often against older people or the age-discrimination legislation is not functioning in a satisfactory way. However, there is some evidence to suggest that older workers view age as an important barrier to employment. Therefore, the extent to which older people feel discriminated against and may be reluctant to file complaints of age discrimination should be investigated further.
- *Update the evidence regarding employer attitudes and perceptions.* While legislation has a role to play in challenging age prejudice and

stereotypes, it may not be sufficient on its own to change employer attitudes and employment practices that discriminate against older workers. As a first step, it will be important to update existing information regarding employer attitudes *vis-à-vis* older workers. If negative attitudes persist, active collaboration with the social partners and further education in the workplace and the championing of good practice among employers could help dispel such perceptions. One possible model to consider is the United Kingdom's Age Positive campaign and its guidelines for employers, the Code of Practice on Age Diversity in Employment.

- *Promote better work practices.* Given that illness and disability are important factors in explaining why older workers leave employment, it is important that workplaces and job requirements are adapted to the needs of older workers. This will involve general improvements in occupational health and safety, as well as changes in job requirements, *e.g.* to make work less arduous or to reduce the incidence of asocial work patterns. The National Programme on Ageing Workers in Finland which launched a series of measures seeking to improve employment prospects for workers over age 45, including a number of workplace practice initiatives, could serve as a good example. As a first step, it will be important to improve the evidence base in Canada on the impact of different types of work arrangements on the health of older workers and their retirement plans. In particular, the Canadian Workplace and Employee Survey should be modified to capture information regarding working conditions, notably unpleasant tasks, heavy lifting and so forth.

### ***Improve the employability of older workers***

- *Improving training access and take-up.* As part of its Workplace Skills Strategy, the federal government should encourage employers to devote more resources to training low-skilled workers both young and old – possibly through some form of co-financing. For example, in the United Kingdom, the government provides wage compensation to firms that offer their low-skilled employees paid time-off to train.
- *Strengthen the employment services offered to unemployed workers.* The federal and provincial/territorial governments should envision incorporating a number of changes to employment programmes and services, notably:



- *Extend eligibility of Employment Benefit and Support Measures.* In many regions of Canada, a large number of older job seekers lack sufficient labour market attachment and Employment Insurance history required for participation in Employment Benefit measures. Although this would require a change to the Employment Insurance Act, the federal government should envision extending eligibility, at least on a trial basis, to those job seekers most in need (e.g. by giving greater discretion in such decisions to the employment counsellor).
- *Consider expanding existing programmes to assist older workers at the provincial/territorial level.* Using the existing mechanisms, jurisdictions delivering EBSMs through devolved Labour Market Development Agreements could themselves fund extended eligibility programmes for older workers. Moreover, the provinces and territories could also review their own programmes, beyond the funding available through the federal government, to address the needs of older workers.
- *Increase participation of older job seekers in employment programmes.* More active intervention *via* a mutual obligations approach to increase participation among older job seekers may also be required. Strengthening job-search requirements for all individuals should be an integral part of such an approach. The federal and provincial/territorial governments may also wish to consider implementing a system that rewards local employment centres for job placements of disadvantaged groups, notably older workers.
- *Expand the Skills Development programme and improve training organisation.* The federal government should seek to increase participation among older workers in the Skills Development programme. In particular, though funding is provided to unemployed persons to organise their own training, providing greater assistance in organising training would increase take-up of the programme, especially among older workers.
- *Increase resources available to employment programmes.* Implementing changes of this nature will require increased expenditures on public employment programmes. Current expenditures on active labour market programmes as a share of

GDP in Canada are among the lowest in OECD and there may be some scope to increase expenditures subject to more rigorous evaluations of what works and what does not.

- *Build upon the lessons learned from the Older Workers Pilot Projects Initiative.* Although it will be important to await the final evaluation of the pilot projects, some important lessons have emerged from the preliminary qualitative research. Participants in these projects found the services provided useful. They also reported that the training they had received was particularly valuable and would welcome more opportunities to undertake training. Therefore, the federal and provincial governments should follow-up these pilot projects with proposals and put forward concrete suggestions for more permanent measures targeting older people with greater provision of training.
- *Facilitate self-employment among older people as an option for extending the working life of individuals.* Self-employment can play a part in terms of promoting a more gradual transition to retirement. The federal government should set-up programmes that assist older workers into self-employment, similar to the one offered to youth by the Atlantic Canada Opportunities Agency. Part of that assistance should include: *i)* providing help and assistance with creating business plans; *ii)* making loans available at a more affordable rate; *iii)* providing post-loan help to increase the likelihood of success; and *iv)* developing evaluation mechanisms that determine not only the success rate but also what works and why. Moreover, this programme could be delivered through the Business Development Bank of Canada whose national network of agencies and existing infrastructure would increase the likelihood of success. Efforts at improving the self-employment programme within the EBSMs might also be envisioned.



## ***RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS***

### **Le défi à venir**

Le vieillissement de la population se produit moins rapidement au Canada que dans de nombreux autres pays de l'OCDE. Cela s'explique, en partie, par un taux d'immigration élevé par rapport à la moyenne pour la zone de l'OCDE et par un taux de fécondité total qui ne devrait pas atteindre des valeurs aussi basses qu'au Japon ou dans certains pays d'Europe méridionale. Néanmoins, la proportion de la population âgée de 65 ans et plus par rapport à la population d'âge actif (20-64 ans) devrait passer de 20 % en 2004 à un peu plus de 45 % en 2050. Par conséquent, on peut craindre que la conjonction d'un ralentissement de la croissance de la main-d'œuvre et d'une forte augmentation du nombre de travailleurs se retirant de la vie active (à mesure que la génération issue du baby-boom partira à la retraite) n'affecte la croissance économique au cours des prochaines décennies. Face à cette situation, le défi pour le Canada consistera à lever les obstacles à la participation à la vie active, surtout pour les cohortes de plus en plus nombreuses de personnes âgées. Les politiques destinées à aider les travailleurs âgés à se maintenir plus longtemps en activité sont de nature à être bénéfiques non seulement pour l'ensemble de la société mais aussi pour de nombreux travailleurs âgés pour qui un retrait précoce de l'activité peut signifier une exclusion sociale et des possibilités moindres de s'assurer un revenu suffisant pour la retraite.

A certains égards, le Canada est bien placé pour relever le défi. Premièrement, les réformes passées ont amélioré la viabilité financière des pensions, quoique d'autres dépenses liées à l'âge exerceront aussi des pressions sur les finances publiques. Deuxièmement, la situation des travailleurs âgés sur le marché du travail s'est sensiblement améliorée ces dernières années. Entre 1994 et 2004, le taux d'activité des hommes et des femmes âgés de 50 à 64 ans a augmenté d'environ 5 et 13 points de pourcentage respectivement – ce qui est nettement plus que la progression moyenne observée dans l'ensemble des pays

de l'OCDE. Troisièmement, les Canadiens, aussi bien les jeunes que leurs aînés, ont un bon niveau d'éducation – parmi les pays de l'OCDE, c'est au Canada qu'on enregistre la plus forte proportion de diplômés de l'enseignement supérieur dans les classes d'âge de forte activité, et le Canada arrive en deuxième position pour ce qui est de la proportion de diplômés de l'enseignement supérieur dans la population âgée. Par ailleurs, l'espérance de vie devrait continuer d'augmenter et l'état de santé de la population, de façon plus générale, continuer de s'améliorer au cours des décennies à venir, ce qui devrait permettre aux Canadiens âgés à la fois de prolonger leur vie active et de jouir d'un plus grand nombre d'années de retraite.

Cependant, les travailleurs âgés qui, actuellement, souhaitent prolonger leur vie active se heurtent à un certain nombre d'obstacles. Le taux d'activité des travailleurs âgés est, aujourd'hui encore, au Canada, inférieur à ce qu'il est dans plusieurs autres principaux pays de l'OCDE, notamment aux États-Unis et au Royaume-Uni. Le marché du travail canadien reste aussi caractérisé par d'importantes disparités régionales et par un taux d'activité plus faible, en moyenne, parmi les immigrés par rapport aux nationaux. En ce qui concerne la parité, s'il est vrai que la progression de l'emploi a été forte, ces dernières années, chez les femmes d'un certain âge, l'écart entre hommes et femmes, chez les seniors, en termes de rapports emploi/population à temps complet, était toujours de l'ordre de 22 points de pourcentage en 2004.

### **Les réformes récentes**

Plusieurs mesures ont d'ores et déjà été prises pour inciter davantage les Canadiens âgés à travailler et améliorer leur employabilité. D'autres mesures visent à améliorer le fonctionnement du marché du travail de façon plus générale.

### ***Mesures visant le système public de pensions***

En 1998, le Canada a introduit un certain nombre de changements destinés à renforcer les pratiques de financement et d'investissement du Régime de pensions du Canada (RPC), et à modérer la progression des coûts du régime. De ce fait, les pensions publiques n'étant, en outre, pas exagérément généreuses, le régime de pensions ne devrait pas représenter une trop lourde charge financière dans les années à venir. Par ailleurs, l'administration fédérale continue d'avoir une gestion budgétaire prudente du programme de Sécurité de la vieillesse (SV).

Dans le cadre des changements destinés à garantir la pérennité du RPC, les critères d'admissibilité à la prestation d'invalidité ont été revus. Parallèlement aux importantes restrictions administratives dont le RPC a fait l'objet aux cours des dernières années, les flux d'admission au bénéfice de l'invalidité dans le cadre du RPC ont considérablement diminué par rapport à leurs niveaux records de la dernière décennie pour tous les travailleurs, y compris les travailleurs âgés, et se sont désormais stabilisés.

### *Mesures destinées à améliorer l'employabilité des travailleurs âgés*

L'administration fédérale a reconnu l'importance de la formation dans l'emploi pour améliorer l'employabilité des travailleurs en âge de forte activité et des travailleurs âgés, et elle a pris diverses initiatives pour encourager la formation liée à l'emploi de façon plus générale. En particulier, l'administration fédérale a lancé récemment la Stratégie des compétences en milieu de travail qui réunit notamment les employeurs et les syndicats dans le but d'élaborer un plan stratégique articulé autour de diverses initiatives qui doivent permettre de répondre aux besoins futurs en qualifications. En 1998, l'administration fédérale a introduit le Régime d'encouragement à l'éducation permanente (REEP) qui permet à une personne de retirer des fonds des Régimes enregistrés d'épargne retraite (REER) à traitement fiscal favorable pour financer une formation ou des études à temps complet. Plus récemment, en 2004, grâce à un accord de financement avec Ressources humaines et Développement des Compétences Canada (RHDCC), le Conseil canadien sur l'apprentissage (CCA) a été mis en place pour partager les connaissances et l'information avec les différents partenaires.

En outre, en 1999, l'administration fédérale a également introduit l'Initiative des projets pilotes à l'intention des travailleurs âgés (IPPTA) destinée à aider les travailleurs âgés à trouver un emploi s'ils ont perdu le leur, ou à le conserver s'ils risquent de le perdre. Au total, plus de 125 projets pilotes ont été engagés. De plus, en 2004, plus de 92 000 chômeurs canadiens âgés de 50 ans et plus (13.7 % de l'ensemble des participants) ont bénéficié d'une aide à la recherche d'un nouvel emploi, et au maintien dans celui-ci, au moyen des Prestations d'emploi et mesures de soutien (PEMS) – programme actif relevant de la seconde partie de la Loi sur l'assurance emploi. Plus de 600 chômeurs canadiens handicapés âgés de 50 ans et plus (22.7 % de l'ensemble des participants) ont bénéficié, en 2004, d'une aide à l'emploi grâce à des Fonds d'intégration.

## Les axes de réforme

Le Canada a déjà opéré un certain nombre de réformes importantes. Alors que le travail non rémunéré doit être reconnu à sa juste valeur, il y a encore d'autres réformes à entreprendre pour renforcer les incitations à l'égard des personnes âgées, pour les pousser à rester actives, pour encourager le maintien dans l'emploi et l'embauche des travailleurs âgés et pour améliorer leur employabilité.

### *Supprimer les mécanismes qui encouragent les cessations anticipées d'activité*

Si la réforme de 1998 du régime de pension a probablement assuré la pérennité financière du système, d'autres mesures s'imposent pour éliminer les mécanismes liés aux pensions – publiques et privées – qui jouent contre l'activité. Bien que l'augmentation récente des taux d'activité ait entraîné un relèvement modéré de l'âge effectif de départ à la retraite, d'autres mesures devront encore être prises si l'on veut inverser durablement la tendance de long terme à la baisse de l'âge effectif de la retraite.

### *Modifier l'attitude et le comportement des employeurs*

Certains employeurs ont une attitude négative à l'égard des travailleurs âgés. Cela peut expliquer en partie pourquoi le taux de maintien dans l'emploi est plus faible pour les travailleurs âgés que pour les travailleurs en âge de forte activité (25-49 ans) et pourquoi les travailleurs âgés ont plus de difficultés à retrouver du travail lorsqu'ils perdent leur emploi. En outre, dans quatre provinces, il existe un âge obligatoire de départ à la retraite, et dans plusieurs autres un âge obligatoire de départ à la retraite a été fixé par voie contractuelle – ce qui est un obstacle pour les travailleurs âgés qui souhaiteraient continuer de travailler.

### *Améliorer l'employabilité des travailleurs âgés*

En dépit d'un niveau d'éducation moyen relativement élevé, des écarts notables existent, sur le plan de l'éducation, selon l'âge et la région, et aussi, dans une certaine mesure, selon le sexe. Qui plus est, la formation dans l'emploi diminue de façon significative à la fois en fonction de l'âge et du niveau d'éducation. Et si la part globale des adhérents des Prestations d'emploi et mesures de soutien est en augmentation, les participants âgés sont sous-représentés dans ce dispositif.

## Recommandations pour des réformes

Une stratégie d'ensemble est nécessaire qui recouvre non seulement les mesures destinées à renforcer les incitations en faveur de l'activité inscrites dans le système de retraite, mais aussi des actions du côté de la demande. Les recommandations ci-après à l'intention du gouvernement sont des éléments possibles d'une telle stratégie.

### *Renforcer les mécanismes qui jouent en faveur de la poursuite d'activité*

- *Donner plus de souplesse pour conjuguer une pension et un revenu d'activité.* Si le fait de donner plus de souplesse pour conjuguer une pension et un revenu d'activité se traduisait par un gain considérable, en termes de revenu, pour l'individu et pour la famille, cela encouragerait les travailleurs âgés à continuer de travailler plus longtemps. Dans cette optique, on pourrait envisager les mesures suivantes :
  - *Supprimer la clause de cessation d'activité au sein du RPC.* Les règles actuellement en vigueur exigent que les travailleurs âgés de 60 à 64 ans arrêtent de travailler un mois avant de commencer à percevoir leur pension. Cette règle devrait être supprimée et les travailleurs devraient être autorisés à travailler et à percevoir une pension sans avoir préalablement à se retirer du marché du travail. En même temps, il faudra surveiller l'impact d'une telle mesure sur le taux d'activité des travailleurs âgés car cela peut ne pas augmenter les ressources en main-d'œuvre nettes d'autant que prévu.
  - *Revoir les principes du système d'impôt sur le revenu et des systèmes de pension privés.* Les données disponibles amènent à penser que les Régimes de pension agréés (RPA) à prestations définies intègrent des mécanismes financiers qui encouragent fortement les cessations précoces d'activité. L'administration fédérale devrait, à tout le moins, s'efforcer d'introduire davantage de souplesse pour permettre de conjuguer travail et prestations dans le cadre de ces plans, ce qui suppose de revoir les dispositions de la Loi fédérale de l'impôt sur le revenu qui, actuellement, interdit d'acquiescer des droits auprès du RPA dont



on perçoit des prestations ou du RPA à prestations définies d'un autre employeur avec lequel il y a un lien. En outre, les syndicats et les employeurs devraient œuvrer pour un élargissement des possibilités de retraite progressive, dans le cadre de ces plans, parallèlement à l'indispensable révision de la Loi fédérale de l'impôt sur le revenu.

- *Offrir la possibilité de continuer d'acquérir des droits à pension.* Une fois que les personnes perçoivent une pension publique, elles ne peuvent plus acquérir de droits futurs à pension sur d'éventuels gains futurs. Cette disposition devrait être assouplie.
- *Aider le partenaire d'un pensionné à faible niveau de revenu à revenir sur le marché du travail.* Dès l'âge de 62 ans, plus de 11 % des femmes perçoivent l'Allocation – prestation accordée sous conditions de ressources aux personnes ayant entre 60 et 64 ans partenaires d'un pensionné à faible niveau de revenu. Alors que bon nombre de bénéficiaires de cette prestation étaient auparavant inactifs, l'administration fédérale et les administrations provinciales/territoriales devraient néanmoins s'efforcer d'améliorer les perspectives d'emploi de ces personnes – en créant, par exemple, des programmes destinés à les aider dans la recherche d'un nouvel emploi, et à les maintenir dans celui-ci, et/ou en introduisant un désintéressement financier pour les allocataires.
- *Réévaluer les mécanismes en faveur de l'épargne et de la retraite inscrits dans les régimes d'épargne retraite.* Compte tenu de l'augmentation du nombre de personnes qui thésaurisent davantage sur des comptes épargne retraite à impôt reporté, il y a lieu de craindre qu'un tel avantage fiscal n'ait, dans l'avenir, des effets désincitatifs forts à l'égard de l'activité. Cependant, l'administration fédérale devrait évaluer et surveiller l'impact potentiel d'un tel avantage fiscal sur les décisions de départ à la retraite.
- *Encourager un plus large recours au Programme de réadaptation professionnelle du Régime de pensions du Canada.* Une évaluation récente montre que ce programme donne d'assez bons résultats en termes d'emploi et de coûts. Pourtant, le recours à ce programme a été très limité : moins de 2 % en moyenne des flux d'entrée de

bénéficiaires, chaque année, depuis l'instauration du programme. L'administration fédérale pourrait chercher à encourager le recours à ce dispositif, en particulier parmi les personnes âgées de 50 ans et plus qui représentent plus de 71 % des allocataires.

- *Intervenir très tôt dans un épisode de maladie.* Il apparaît que de nombreux individus passent des prestations maladie à l'invalidité dans le cadre du RPC. Par conséquent, une évaluation précoce à l'occasion d'un épisode de maladie aiderait à intervenir le plus rapidement possible, sur un plan médical et/ou professionnel, si nécessaire. S'il y a lieu d'être très attentif au rapport coût-efficacité d'un tel programme, pour savoir, par exemple, quand il convient d'intervenir, cela pourrait aider à éviter la survenue d'un problème médical impliquant une perte d'emploi (avec éventuellement, à terme, un statut d'invalidé) ou aider à encourager un prompt retour à l'emploi. Le processus devrait aussi, dans la mesure du possible, impliquer les employeurs à un stade précoce : on pourrait, par exemple, leur donner accès à des avis pertinents et à un soutien pour les aider à embaucher et à conserver des travailleurs en mauvaise santé ou présentant un handicap. Un projet pilote, axé sur les chômeurs de longue durée, qui intègre ce type de mesures, a été lancé récemment en Nouvelle-Zélande et pourrait servir d'exemple.

### ***Encourager les employeurs à embaucher et à conserver une main-d'œuvre âgée***

- *Avancer sur la voie de la suppression de la notion de retraite obligatoire.* La pratique de la retraite obligatoire n'est pas cohérente avec les stratégies qui doivent permettre de faire face au défi que représente le vieillissement de la population. Cependant, il faudra maintenir des exigences professionnelles justifiées spécifiant dans quelles conditions les employeurs peuvent légitimement exiger certaines qualifications pour occuper certains emplois.
- *Entreprendre des enquêtes nationales approfondies pour apprécier l'ampleur des discriminations liées à l'âge en matière d'emploi.* Étant donné le faible nombre de plaintes, on peut penser que les employeurs canadiens ont rarement un comportement discriminatoire à l'égard des travailleurs âgés, ou que la législation relative à la discrimination liée à l'âge ne s'applique pas de façon satisfaisante.

Cependant, certains éléments amènent à penser que les travailleurs âgés perçoivent l'âge comme un obstacle important à l'emploi. Il serait donc intéressant de savoir plus précisément dans quelle mesure les personnes d'un certain âge s'estiment victimes de discrimination, tout en hésitant à porter plainte.

- *Actualiser l'information sur l'attitude des employeurs et les représentations stéréotypées.* Si la législation a un rôle à jouer pour lutter contre les préjugés liés à l'âge et contre les stéréotypes, elle peut ne pas suffire pour modifier le comportement des employeurs et les pratiques discriminatoires à l'égard des travailleurs âgés en matière d'emploi. Il conviendrait de commencer par actualiser l'information existante concernant l'attitude des employeurs à l'égard des travailleurs âgés. Si ces comportements persistent, une collaboration active avec les partenaires sociaux et un effort accru d'éducation dans le milieu de travail, outre la promotion de pratiques exemplaires chez les employeurs, pourraient aider à dissiper ces perceptions négatives. La campagne qui a été lancée au Royaume-Uni pour donner une image positive de l'âge – Age Positive – et les principes directeurs à l'intention des employeurs – Code of Practice on Age Diversity in Employment – pourraient constituer un modèle à cet égard.
- *Encourager de meilleures pratiques au travail.* La maladie et l'invalidité étant des motifs importants de sortie de l'emploi pour les travailleurs âgés, il importe que le milieu de travail et les exigences des postes tiennent compte des besoins de la main-d'œuvre âgée. Cela implique une amélioration générale sur le plan de l'hygiène et de la sécurité au travail, ainsi que des changements dans les exigences des postes – par exemple, on peut s'efforcer de rendre le travail moins pénible ou d'en limiter les formes préjudiciables à la vie familiale. Dans cette perspective, on pourrait s'inspirer du Programme national en faveur des travailleurs vieillissants qui a été lancé en Finlande et qui implique diverses mesures destinées à améliorer les perspectives d'emploi pour les travailleurs de plus de 45 ans, notamment diverses initiatives sur les lieux de travail. Dans un premier temps, il serait intéressant d'améliorer la base d'informations disponibles au Canada concernant l'impact de différentes modalités d'organisation des tâches sur la santé des

travailleurs âgés et sur leurs plans de retraite. L'Enquête sur le milieu de travail et les employés devrait, en particulier, être modifiée de façon à prendre en compte les conditions de travail, à savoir, la pénibilité des tâches, la nécessité de lever des poids, etc.

### *Améliorer l'employabilité des travailleurs âgés*

- *Améliorer l'accès et le recours à la formation.* Dans le cadre de sa Stratégie des compétences en milieu de travail, l'administration fédérale devrait encourager les employeurs à consacrer davantage de ressources à la formation des travailleurs peu qualifiés, jeunes et moins jeunes, éventuellement par des mécanismes de cofinancement. Au Royaume-Uni, par exemple, le gouvernement verse une compensation salariale aux entreprises qui accordent des congés rémunérés à leurs salariés peu qualifiés pour leur permettre de suivre une formation.
- *Renforcer les services de l'emploi pour les chômeurs.* L'administration fédérale et les administrations provinciales/territoriales devraient envisager d'introduire un certain nombre de changements dans les programmes et services de l'emploi :
  - *Étendre les conditions d'admissibilité au bénéfice des Prestations d'emploi et mesures de soutien.* Dans de nombreuses régions du Canada, un grand nombre de demandeurs d'emploi âgés n'ont pas un attachement suffisant vis-à-vis du travail ni un historique suffisamment long de couverture par l'assurance emploi pour avoir accès aux prestations d'emploi. Bien que cela nécessite une modification de la Loi sur l'assurance emploi, le gouvernement fédéral devrait envisager d'étendre l'admissibilité au bénéfice des PEMS, au moins à titre expérimental, au profit des demandeurs d'emploi pour qui ce serait le plus nécessaire (on pourrait, par exemple, donner une plus grande marge de décision au conseiller en emploi).
  - *Envisager d'étendre les programmes existants pour aider les travailleurs âgés au niveau provincial/territorial.* S'appuyant sur les mécanismes existants, les instances qui, actuellement, mettent

en œuvre les PEMS dans le cadre des Ententes sur le développement du marché du travail (EDMT) pourraient financer elles-mêmes des programmes étendus au profit des travailleurs âgés. Les provinces et territoires disposent, en outre, également, de la faculté de reconsidérer leurs propres programmes au-delà du financement mis à disposition par l'administration fédérale, et répondre ainsi aux besoins des travailleurs âgés.

- *Accroître la participation des demandeurs d'emploi âgés aux programmes d'emploi.* Des interventions plus actives, dans une logique d'obligations mutuelles, en vue d'accroître la participation des demandeurs d'emploi âgés, pourraient aussi être nécessaires. Renforcer les obligations de recherche d'emploi pour tous les individus devrait faire partie intégrante de cette démarche. L'administration fédérale et les administrations provinciales/territoriales pourraient aussi envisager de mettre en œuvre un système qui récompense les centres locaux de l'emploi pour les placements de personnes défavorisées, en particulier les travailleurs âgés.
- *Étendre le programme de Développement des compétences et améliorer l'organisation de la formation.* L'administration fédérale devrait s'efforcer d'accroître la participation des travailleurs âgés au programme de Développement des compétences. En particulier, bien que les chômeurs bénéficient d'un financement à cet effet, on augmenterait le taux de recours au programme, surtout chez les travailleurs âgés, en les aidant davantage dans l'organisation de leur formation.
- *Accroître les ressources consacrées aux programmes d'emploi.* Pour mettre en œuvre des changements de cette nature, il faudra accroître les dépenses consacrées aux programmes publics d'emploi. En pourcentage du PIB, les dépenses que le Canada consacre aux programmes actifs du marché du travail sont parmi les plus faibles de la zone de l'OCDE et on pourrait les augmenter, sous réserve d'évaluer de façon plus rigoureuse ce qui marche et ce qui ne marche pas.

- *Faire fond sur les enseignements tirés de l'Initiative des projets pilotes à l'intention des travailleurs âgés.* Certes, il sera important d'attendre l'évaluation finale des projets pilotes, mais des enseignements intéressants peuvent d'ores et déjà être tirés des travaux préliminaires. Les participants aux projets ont jugé les services qui leur ont été fournis utiles. Ils ont aussi indiqué que la formation qu'ils avaient suivie était particulièrement bénéfique et qu'ils apprécieraient d'avoir d'autres possibilités de suivre une formation. Les administrations fédérales et provinciales devraient bâtir des propositions inspirées de ces projets pilotes et offrir des suggestions concrètes pour davantage de mesures permanentes ciblées sur les travailleurs âgés qui bénéficieraient d'un effort accru de formation.
- *Faciliter l'emploi indépendant chez les personnes âgées pour prolonger la vie active.* L'emploi indépendant peut jouer un rôle en permettant une transition plus graduelle vers la retraite. Le gouvernement fédéral devrait mettre en place des programmes qui aident les travailleurs âgés à envisager un emploi indépendant, à l'instar de ce qui a été fait, pour les jeunes, avec l'Agence de promotion économique du Canada atlantique. On pourrait, notamment : *i)* aider les travailleurs âgés à mettre sur pied un plan d'entreprise ; *ii)* leur accorder des prêts à taux préférentiels ; *iii)* leur assurer un accompagnement, après qu'un prêt leur a été accordé, pour augmenter leurs chances de réussite ; et *iv)* concevoir des mécanismes d'évaluation qui permettent non seulement de mesurer le taux de réussite mais aussi de réaliser ce qui marche et pourquoi. Ce programme pourrait être mis en œuvre au travers de la Banque de développement du Canada dont le réseau national d'agences et l'infrastructure existante augmenteraient les chances de réussite. On pourrait aussi envisager d'améliorer le programme en faveur de l'emploi indépendant dans le cadre des PEMS.



## INTRODUCTION

In the context of Canada's ageing population, it will be increasingly important to ensure that older workers are not prevented from remaining in work or from finding work as a result of outdated institutional arrangements and work practices. This will require measures to strengthen work incentives but it will also require measures to improve labour market outcomes for older workers through better training opportunities, better employment services and improved working conditions. At the same time, it will be necessary to increase employment opportunities for older workers by engaging employers and influencing their decisions towards the hiring and retention of older workers. The main purpose of this report is to reflect on the different avenues for reform that will need to be pursued to meet these objectives.

Chapter 1 sets out the scale of the challenge ahead. Chapter 2 discusses the labour market situation of older workers, identifying areas where action is required to improve labour market outcomes for these workers. Chapter 3 discusses the role of supply-side factors in influencing the participation rates of older people and how incentives to work are affected by tax/benefit interactions and eligibility criteria in the retirement system and other social security schemes. But removing supply-side barriers to employment is not enough. Actions on the demand-side are also needed. Thus, Chapter 4 examines the challenges posed by employers' attitudes towards hiring and retaining older workers. Chapter 5 looks at barriers that older workers themselves face to gaining access to better jobs and to remaining in these jobs longer. Finally, Chapter 6 underlines the need for a comprehensive and coherent set of employment policies to ensure success of any measures or reforms undertaken.





## *Chapter 1*

### **THE CHALLENGE AHEAD**

Many OECD countries are facing population ageing as a result of declines in fertility rates and rising life expectancy. Canada is no exception and is likely to experience a rapid increase in the proportion of its population that is retired after 2011 when the first of the baby-boom generation reach the age of 65. Although in the coming years Canada will fare better than many other OECD countries in terms of the magnitude of ageing, its impact on a number of socio-economic factors will still pose serious challenges for Canadian policy-makers. The situation is being exacerbated by the fact that individuals are exiting the labour market, on average, before the age of 65.

#### **1. The demographic realities**

As in many OECD countries, Canadians are deciding to have fewer children later. The average age of mothers in 2002 was nearly 30 – up a full year from 1992 – and the fertility rate reached an all time low of 1.49 in 2000. In comparison, the total fertility rate in the United States has been increasing steadily since 1976, and since 1989 has been relatively stable at around 2. The trend decline in fertility rates has been accompanied by an increase in life expectancy at birth of more than four years over the past two decades to reach 79.4 years in 2000 – the sixth highest in the OECD area. And, while the assumptions underlying demographic projections can change, the situation confronting Canada, and indeed most OECD countries, needs addressing.

In fact, the old-age dependency ratio, a first approximation of the severity of the situation confronting Canada, is expected to more than double over the next 50 years – rising from its level in 2004 of 20% to reach

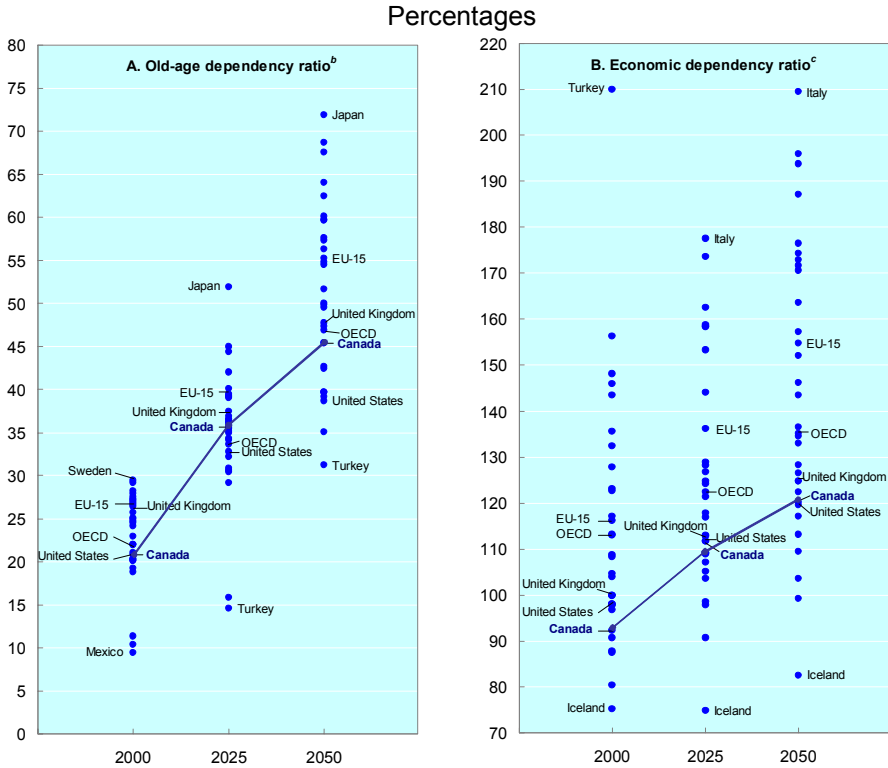
over 45% in 2050 (Figure 1.1, Panel A).<sup>1</sup> This means that in 2050, for every person over the age of 65, there will be only 2.3 individuals of working-age compared to five in 2003.<sup>2</sup>

The economic dependency ratio captures the overall economic burden on those in the labour market since it relates this group to those who are inactive, including both the young and the old (Figure 1.1, Panel B). In Canada, the economic dependency ratio is projected to rise from 92% in 2000 to 120% in 2050.

These figures are less dramatic compared to many other OECD countries. To some extent, the impact on population ageing of declines in fertility and increases in life expectancy has been offset by immigration. The annual inflow of immigrants as a share of the population at 0.8% is the eighth highest in the OECD area (OECD, 2005a). Moreover, the long-term federal government objective is to move gradually to immigration levels of approximately one percent of the population. Nevertheless, the increased burden on those in the labour market over the next 50 years is likely to be significant.

Another important element in the Canadian context is *regional variation*. In particular, by 2026 the share of the population aged 50 and over is expected to be highest in Eastern Canada, reaching nearly 50% in Newfoundland and Labrador compared to 40% for the national average – both rising from approximately 30% in 2004.<sup>3</sup>

- 
1. The projections shown in Figure 1.1 are sensitive to the assumptions made with respect to future changes in life expectancy, fertility rates and immigration.
  2. The old-age dependency ratio is conventionally defined as the ratio of persons aged 65 and over to the working-age population. However, in most OECD countries most teenagers aged 15-19 attend school. Hence, for the purpose of this report, it was decided to exclude this group from the working-age population.
  3. In the context of this report, Eastern Canada will refer to the four Atlantic Provinces (*New Brunswick, Nova Scotia, Prince Edward Island* and *Newfoundland and Labrador*) and the province of Québec.

Figure 1.1. Projected trends in dependency ratios, 2000-50<sup>a</sup>

a) For assumptions on fertility rates and migration see Statistics Canada, *Population Projections for Canada, Provinces and Territories, 2000-2026*, Catalogue No. 91-520-XIB, Ottawa.

b) Ratio of the population aged 65 and over to the population aged 20-64.

c) Ratio of inactive persons to those in the labour force. The labour force projections assume that participation rates by age and gender remain constant at their 2000 levels.

Source: National population projections (central variant) except for Greece and Luxembourg where data come from the 2004 Eurostat projections, and for Mexico and Turkey where data come from United Nations, *World Population Prospects 1950-2050* (2002 Revision).

## 2. Potential economic and social repercussions of ageing

As illustrated by Figure 1.1, the population composition is projected to undergo changes that may require future generations of younger individuals to bear an increased burden in funding social protection for the growing numbers of elderly people. In addition, with the population share of younger people declining and the cohort of older people growing, there may be substantial

changes in consumption patterns which could have an impact on economic growth. Indeed, the demographic changes underway are expected to impact a number of economic and social factors. However, while the effect of ageing in Canada will be most pronounced on future labour supply growth, it will also be important to monitor the effect of ageing on public expenditures.

### **A. *Public expenditures***

In many OECD countries, ageing populations often have their most immediate and visible impact on public expenditures, notably the funding of public pensions, health and long-term care services.

#### *Public pensions*

Recent amendments to the public pension system have made the Canada Pension Plan (CPP) financially sustainable and it is not expected to pose much of a financial burden on public expenditures over the years to come. In fact, recent actuarial reports suggest that total annual expenditures, including CPP and Old-Age Security (OAS), as a percentage of GDP, will peak at 6.2% in 2030 and decline to reach 5.9% in 2050.

#### *Health care costs*

The Canadian health care system has been at the centre of an ongoing policy debate for many years now. The debate has much to do with improving quality, accessibility and securing the financial sustainability of public health care. The debate is further complicated by ageing and its likely impact on future expenditures.

On one hand, it has been argued that steady increases in the average age of a population will lead inevitably to increased health and long-term care needs and health care costs. On the other hand, some argue that such naive projections do not accurately reflect, among other things, that increases in life expectancy are often accompanied by a compression of morbidity. As a result, people are healthier and, at each age, require and use less health care resources.

The reality likely lies somewhere in between the “apocalyptic” and “modest” estimations. However, even under modest assumptions, ageing alone may generate an increase of more than 30% in real per capita health expenditures by the year 2030 (Hogan and Hogan, 2002). Similarly, between 2000 and 2020, the Conference Board of Canada (2001) estimates that public health care costs related to ageing will post an average annual growth of 0.9%.

Therefore, in the Canadian context, even though population ageing may likely continue to be a secondary source of pressure on health expenditures relative to non-ageing factors, it should not be ignored.

### **B. *Labour force growth will slow***

Given the prevailing demographic situation, the potential stock and composition of individuals aged 20-64 will change substantially over the coming decades. In fact, if participation rates remain constant over the next five decades, the labour force will increase by less than 5% over this period (Figure 1.2). While Canada is expected to fare better than many other OECD countries, Figure 1.2 highlights the importance of looking at the situation in the Canadian context. For example, between 1950 and 2000, the labour force in Canada grew nearly 200%, the second highest growth in the OECD area after Mexico. Such a pronounced slowdown in labour force growth will make it difficult to sustain past growth rates and improvements in living standards. In addition, due to the fact that ageing and its impact on labour force growth is expected to be more severe in Canada than its main competitor the United States, there may be serious implications for Canada's competitiveness *vis-à-vis* its commercial partner.

## **3. Potential solutions to the demographic challenges**

### **A. *Removing the barriers facing older workers***

One potential key to mitigating the slowdown in labour force growth is to encourage the growing cohort of individuals aged 50 and above to remain in the labour market. And, while the sharp increase in participation rates among older workers in recent years is a welcome improvement, there is little evidence to suggest that such an increase is an indication of a longer term trend.<sup>4</sup> In fact, older workers continue to face significant employment barriers that in part, explain their relatively low participation rates. Moreover, the future size of the overall labour force will depend critically on how participation rates among the growing cohort of individuals aged 50 and above change over time – which is not easy to predict. An indication of the effect of improving the labour market

---

4. Moreover, even as the average education level of older workers rises in the future and individuals acquire more skills such as abstract reasoning and problem solving that do not deteriorate as fast with age, it is still quite possible that education and skill requirements will change over time.

prospects for older workers can be broadly illustrated using two scenarios (Figure 1.3). The first, so-called *constant scenario* assumes that participation rates prevailing in Canada in 2000, by five-year age group and gender, remain unchanged over the period to 2050. The second, so-called *maximum scenario* applies the highest participation rates (for workers age 50 and over “Maximum for 50+” and, for all workers, “Maximum”) observed among OECD countries in 2000 by five-year age group and gender, with a gradual adjustment over the period 2000 to 2030 to reach these maximum rates.

Figure 1.2. **Change in labour force growth in OECD countries under the “constant” scenario, 1950-2000, 2000-50**  
Percentages

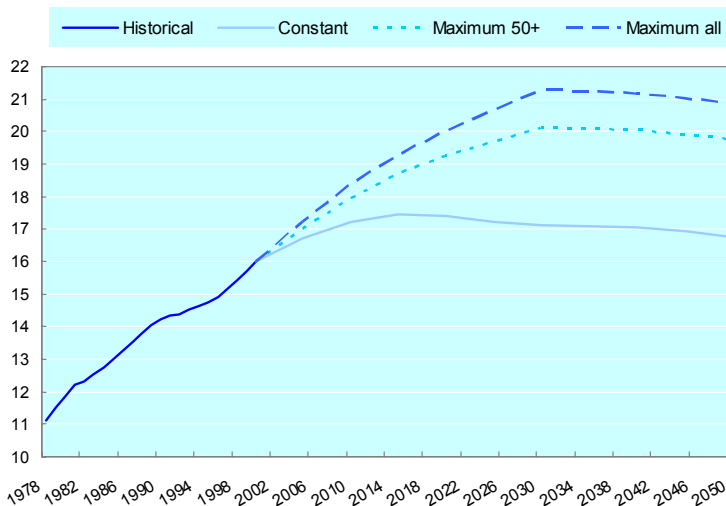


a) Participation rates by five-year age group and gender are forecast to remain constant at their 2000 level over the period 2000 to 2050.

Source: OECD estimates based on national population projections (medium variant), 2000-50.

In fact, if participation rates among older workers alone can be raised to the maximum OECD level in 2000 by 2030, the labour force in 2050 would be greater by 3 million individuals compared to the constant scenario. Raising participation rates for all age groups to the maximum present in the OECD would add an additional 1.1 million individuals to the labour force compared to the *maximum 50+ scenario*. This highlights the importance in particular of removing the barriers to employment for older workers and its potential impact. Moreover, while it is perhaps unlikely that participation rates in Canada reach the highest level present in OECD, use of the maximum scenario gives a good indication that there is scope in the Canadian context to improve the labour market outcomes of older workers and better optimise labour supply especially for this group. And, while it is important to recognise the value and contribution of unpaid work, many older workers would choose to remain in paid employment for longer given appropriate policies and workplace practices. Policies addressed at removing these barriers would therefore improve significantly individual welfare, as well as the aforementioned macroeconomic and labour market considerations.

Figure 1.3. **Labour force growth scenarios in Canada, 1978-2050<sup>a</sup>**  
Millions, projections after 2000



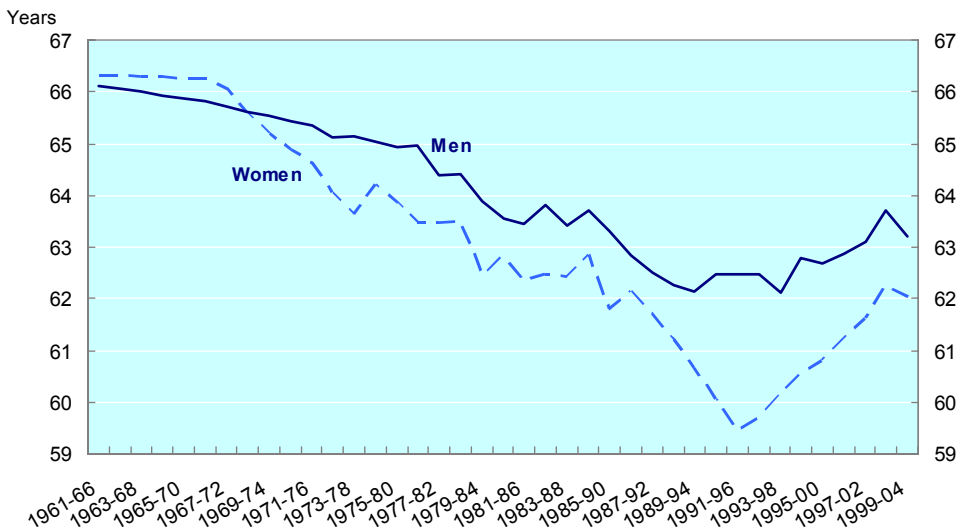
- a) The constant scenario assumes that current participation rates by five-year age group and gender remain constant over the period 2000 to 2050. The maximum scenario applies the maximum participation rates (for workers aged 50 and over for “Maximum 50+” and for all workers for “Maximum”) in the OECD area (except Iceland and Mexico) by five-year age group and gender from 2030 through to 2050, with a gradual adjustment over the period 2000-30 to reach these maximum rates.

Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming; and OECD estimates.



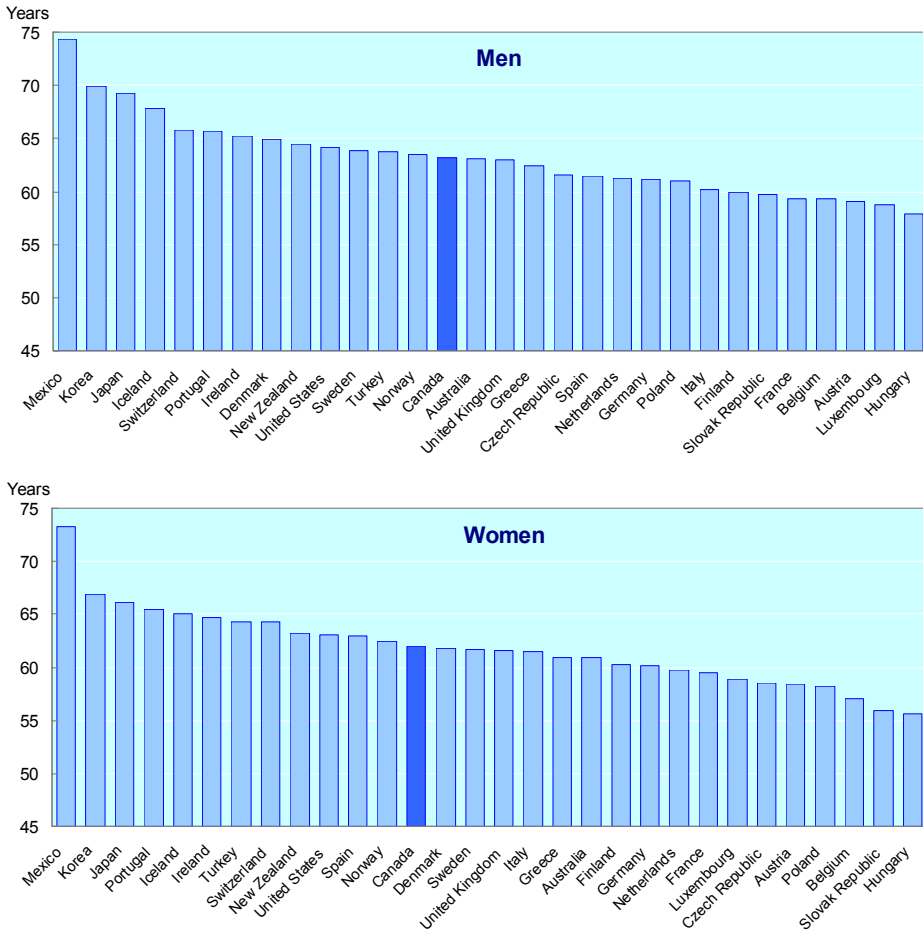
Part of the strategy of optimising labour supply will mean reversing the trend towards early retirement. The average effective age of withdrawal from the labour force has been declining since the early 1960s, with an upturn exhibited only in recent years (Figure 1.4).<sup>5</sup> The decline has been most pronounced among women whose average age of withdrawal from the labour market has fallen over four years during the past two and a half decades to reach 62 years of age in 2004. For men, it has fallen more or less from the same level to reach 63 years of age in 2004. Compared to other countries, the effective retirement age in Canada falls near the midpoint of the OECD area (Figure 1.5).

Figure 1.4. **Average effective retirement age in Canada, 1966-2004**



Source: OECD estimates based on Statistics Canada, Labour Force Survey.

5. The estimated average age at which individuals left the labour force during any given five-year period is derived using pseudo-cohorts by five-year age groups for persons initially aged 40 and over. They are calculated by weighting the average age of each cohort over a given five-year period by its share of the total decline in participation rates for all cohorts between the beginning and end of the period.

Figure 1.5. Average effective retirement age in OECD countries, 1999-2004<sup>a</sup>

a) 1997-2002 for Greece.

Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

## B. Alternative solutions

It is important to acknowledge there are also other avenues for maintaining and expanding standards of living, *e.g.* increasing skills and productivity of the workforce and increasing the effective labour supply by, among things, increasing hours worked or reducing absenteeism and job-related injuries through prevention and workplace adjustments. In the context of this report, however, these measures should be seen as playing a complementary role.



## Chapter 2

### THE LABOUR MARKET SITUATION OF OLDER WORKERS

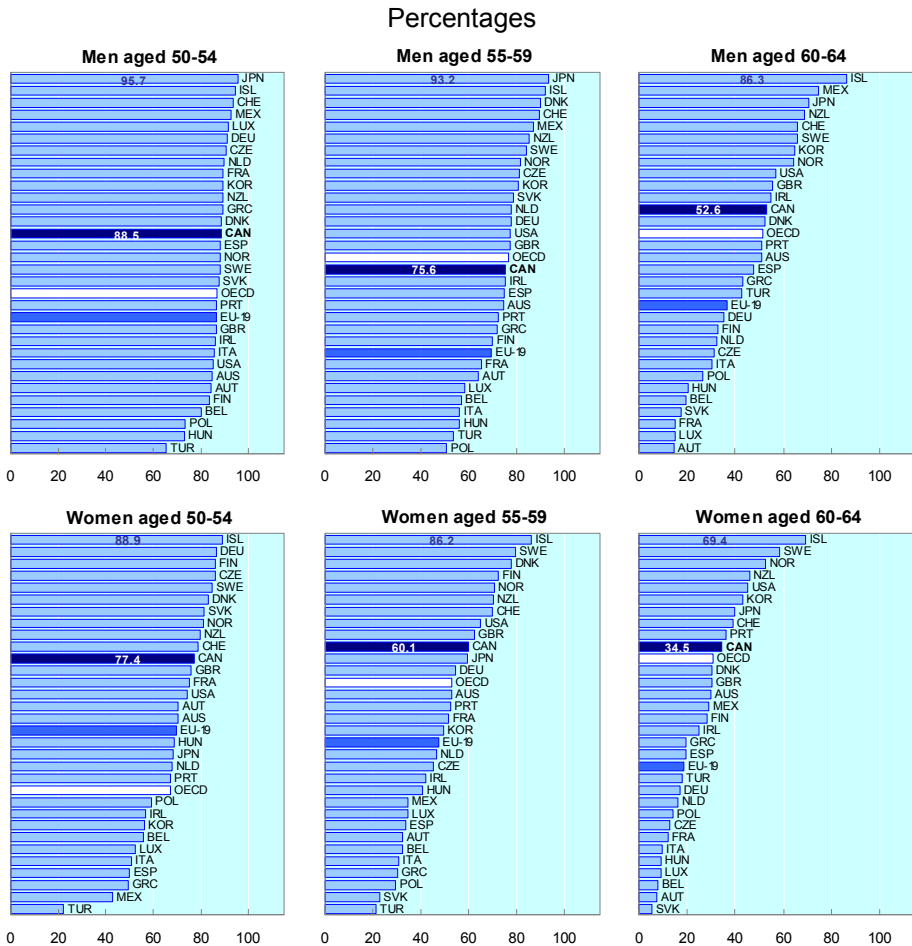
The labour market in Canada has performed exceptionally well in recent years. In addition, labour market improvements among older men and women have been particularly strong. However, Chapter 1 illustrated the importance of raising further the labour force participation rates among older workers in order to, among other things, offset the potential impact on economic growth of any declines in the labour force. Therefore, this chapter will identify areas where there is scope to improve the labour market situation of older workers in Canada.

#### 1. Key issue: optimising labour supply of older workers

##### A. *Trend improvement in an international context: room for manoeuvre*

Since 1994, the increase in participation rates among older men and women in Canada is among the highest in the OECD – more than 5 and 13 percentage points, respectively. As a result, Canada fares reasonably well compared to many OECD countries and while some adjustment mechanisms in the economy may result in even higher participation rates among older workers, there is still room to increase participations rates further, especially among workers aged 55 and above (Figure 2.1). For example, the participation rates of men and women aged 50-54 trail the OECD maximum, Japan, by slightly more than 8 percentage points each. For men aged 55-59 and 60-64, and women aged 55-59, the participation rates fall below the OECD maximum by approximately 18 percentage points each. And, finally, for women aged 60-64, though participation rates rank among the highest in the OECD area, they still trail Sweden by nearly 25 percentage points.

Figure 2.1. Labour force participation rates by gender and age in OECD countries, 2004



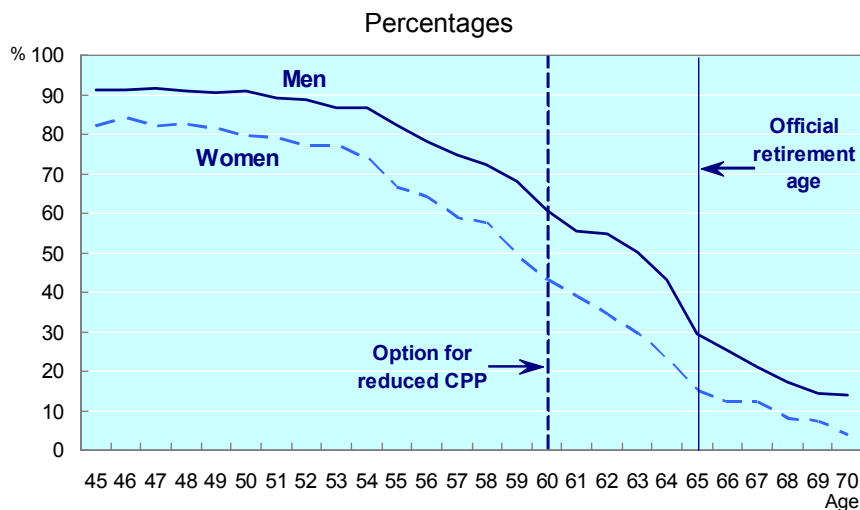
Source: Eurostat, European Union Labour Force Survey for Austria, France and the Netherlands; OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

**B. Participation rates start to fall significantly at age 60**

The participation rates of Canadian men and women start to fall gradually as early as the age of 48 (Figure 2.2). However, between the ages of 55 and 60, participation rates fall substantially – for men they fall by more than 27 percentage points and for women, by more than 35 percentage points. In addition, the most significant decline in participation rates occurs between the

ages of 59 and 60 with participation rates falling almost 11 percentage points for both men and women.<sup>6</sup> For women, there is also a significant drop of nearly 12 percentage points between ages 61 and 62. For men, the decline is initially more gradual after the age of 60 but starts to accelerate from the age of 63, with participation rates declining to less than 30% at age 65.

Figure 2.2. **Labour force participation rate by gender and single year of age in Canada, 2004**



CPP: Canada Pension Plans.

Source: Statistics Canada, Labour Force Survey.

Over the past decade, not unlike all OECD countries, participation rates among older women have risen faster than for older men. As a result, since 1994 the gender gap in participation rates among older workers in Canada has decreased to just under 15 percentage points in 2004 compared to 22 percentage points for the OECD average. However, Figure 2.2 illustrates that there is still room to raise female participation rates in line with those of their male counterparts, especially in later years. At age 45, the difference in participation rates between men and women is just over 9 percentage points, but is nearly 19 percentage points for the age group 60-64.<sup>7</sup> However, it should be

6. Although many factors are at work, it is worth noting that the Canada Public Pension (CPP) can be received with an actuarial adjustment at the age of 60.
7. To some extent there is also a cohort effect, *i.e.* as participation rates of women rise, one would expect the future gender gap among older workers aged 60-64 to narrow.

noted that some groups of women may confront especially difficult obstacles to achieving equal participation in the labour market.

### **C. *Addressing regional disparities***

One of the more serious structural problems affecting the Canadian labour market is regional inequality. Areas such as the Atlantic Provinces have traditionally suffered from higher unemployment and lower participation rates compared to the rest of Canada – differences which widen with age.

Among all older age groups, for both men and women, participation rates in Québec, New Brunswick, Nova Scotia, and Newfoundland and Labrador fall systematically below the Canadian average. Moreover, on average, 30 percentage points separate the province with the lowest participation rates and the OECD maximum (Figure 2.3). In addition, as Chapter 1 noted, the populations in these four provinces are expected to be the oldest in Canada by 2026.

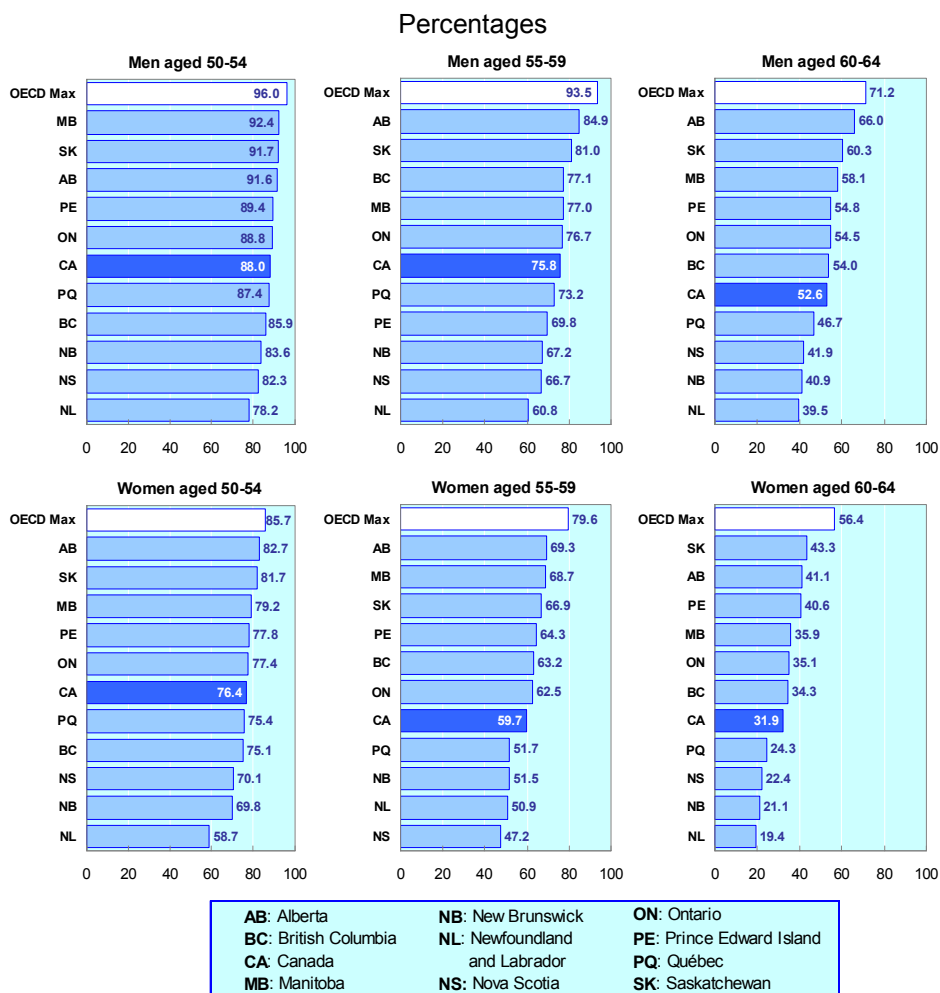
### **D. *Participation rates among immigrants***

Immigration can help address potential skill shortages and slowdowns in labour force growth arising from, among other things, population ageing. However, the impact immigration will have on boosting labour supply and economic growth depends upon the labour market behaviour of immigrants. For example, the participation rate of immigrants trails nationals by more than 6 and 7 percentage points for men and women, respectively (Figure 2.4). However, the gap in participation rates narrows considerably with age, such that for older men and women the participation rates of immigrants is in fact higher than non-immigrants. This may partly reflect the fact that immigrants must work longer than non-immigrants because they have had less time to accumulate savings and do not have sufficient contributory years to access a suitable pension (see also Chapter 3). It may also reflect the fact older immigrants have been in Canada longer on average than younger immigrants and thus have had more time to become better integrated into the Canadian labour market.<sup>8</sup> It may also be a reflection of the labour market situation at the time of arrival.

---

8. In fact, nearly three-quarters of older immigrants aged 50-64 arrived in Canada more than 20 years ago.

Figure 2.3. Labour force participation rates by gender, age and province in Canada, 2003

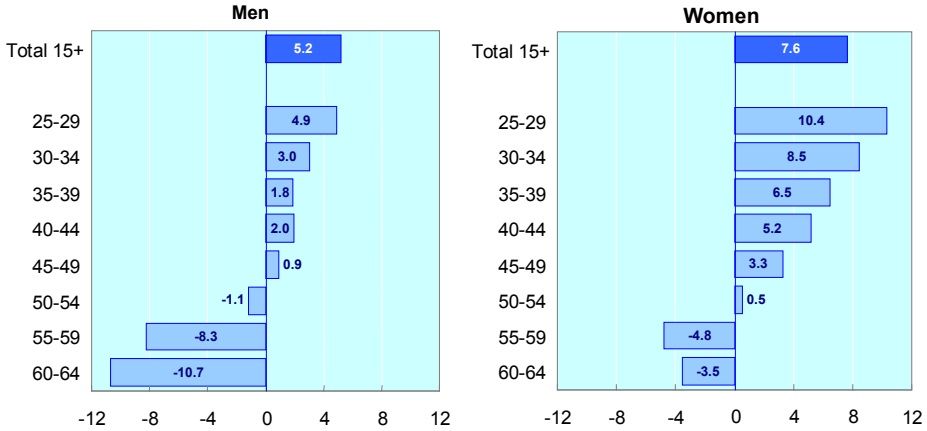


Source: Statistics Canada, Labour Force Survey.



Figure 2.4. **Labour force participation rates by immigration, gender and age in Canada, 2001**

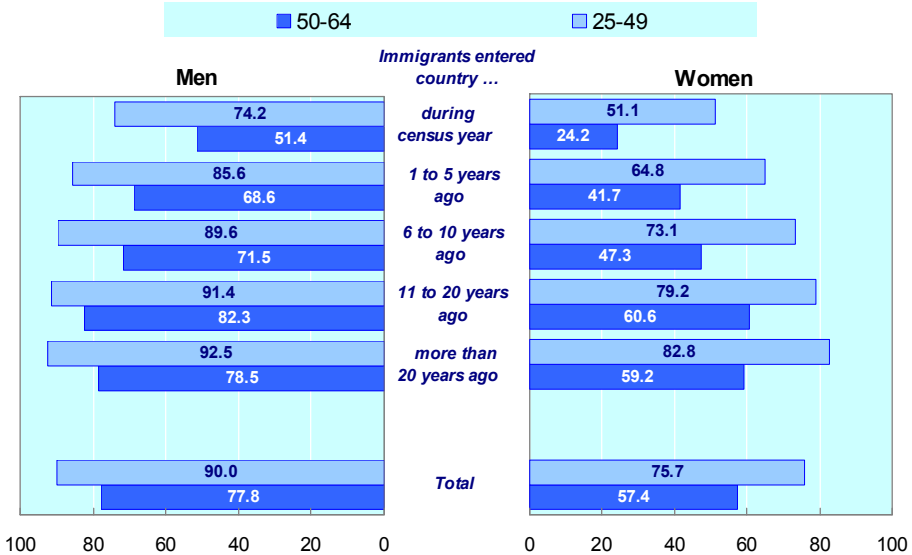
Difference in percentage points between non-immigrant and immigrant labour force participation rates



Source: Canadian Census, 2001.

Figure 2.5. **Labour force participation rates by period of immigration, gender and age in Canada, 2001**

Percentages



Source: Canadian Census, 2001.

In any case, participation rates tend to increase among both older and prime-age immigrant workers the longer they have been in Canada (Figure 2.5). Thus, while increased recourse to immigration would help to boost labour supply, it is important to recognise that participation rates of immigrants trail those of nationals, especially for newly arrived immigrants.

## 2. Employment, job characteristics and working arrangements

The reasons which workers cite for leaving the labour market are very much linked to job characteristics and working arrangements. The extent to which older workers are exposed to long working hours or concentrated in declining or slow-growth sectors will influence not only the extent to which they are currently unemployed or inactive, but will also impact on their future employment prospects.

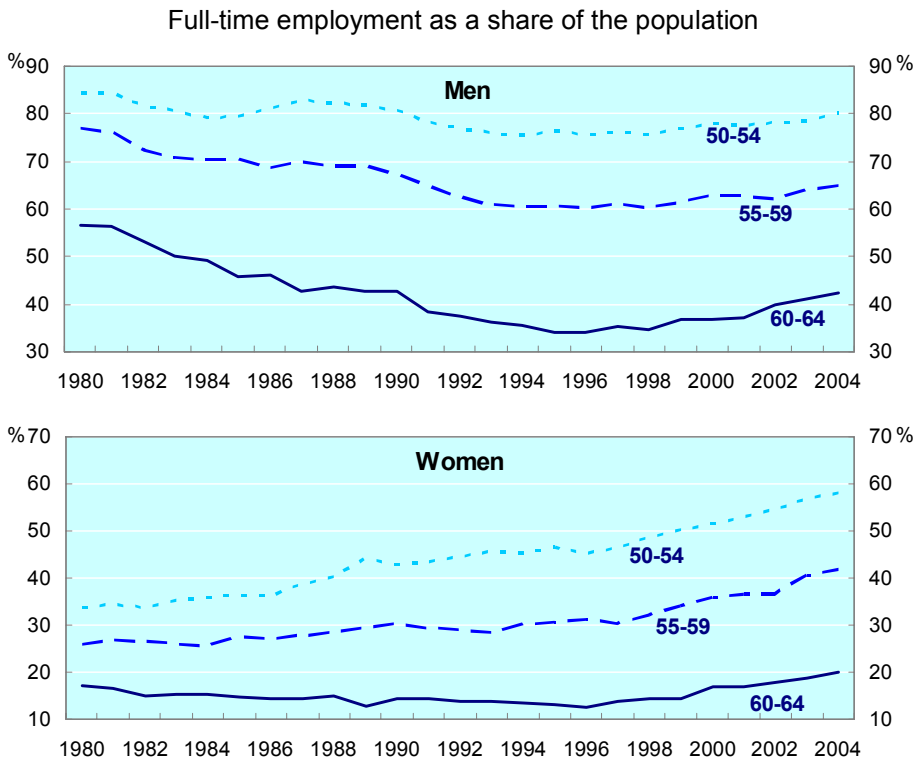
### A. *Net labour supply and hours worked: a balancing act*

#### *Full-time employment growth among older men has been weak*

In 2004, employment rates among older workers in Canada were reasonably high compared to other OECD countries. This is particular true among older women aged 50-64 whose employment rate currently ranks in the top third while for older men it lies just over the OECD average. Moreover, since 1995, the employment rate of older workers has increased nearly 10 percentage points compared to 5 percentage points among prime-age persons.

Despite the recent improvements, to some extent, like many OECD countries, employment growth in the past two decades in Canada has been part-time in nature and concentrated primarily among older women. For example, since 1980, for older men aged 50-54, 55-59 and 60-64, despite the recent upturn since the mid-1990s, full-time employment/population ratios have fallen by 4, 12 and 14 percentage points, respectively (Figure 2.6). An increase in part-time employment among all older men has not been enough to offset this decline and as a result, overall employment/population ratios among older men have fallen. However, over the same period, full-time employment/population ratios for women aged 50-54 and 55-59 have increased nearly by 25 and 16 percentage points, respectively. Conversely, for women aged 60-64 the full-time employment/population ratio remains below 20% – unchanged for the past two decades. Despite the opposing trends for older men and women, full-time employment/population ratios among older women still trail those of older men by 22 percentage points.

Figure 2.6. **Full-time employment/population ratios by gender and age in Canada, 1980-2004**



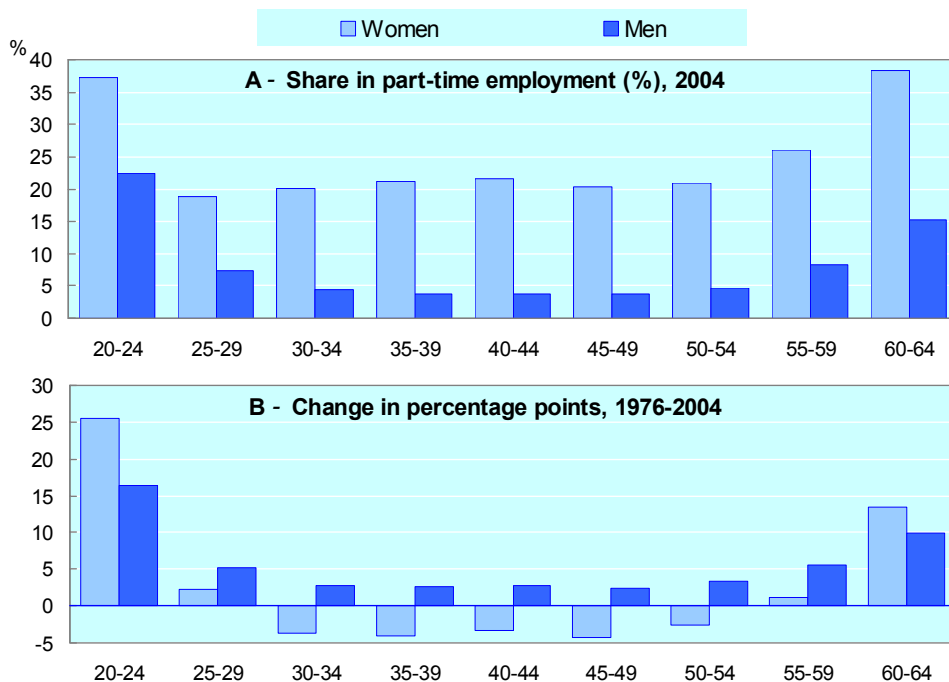
Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

### *Part-time employment growth has been narrow in focus*

With respect to part-time employment, there are larger shares of younger and older workers in part-time employment, as well as more women than men (Figure 2.7, Panel A).<sup>9</sup> However, since 1976 the incidence of part-time work has increased substantially only for youth and women aged 60-64 (Figure 2.7, Panel B). For women aged 30-54, the share of part-time work has declined while for men growth has been positive for all groups but larger increases have been recorded for older men as well as for youth.

9. It should be noted that three-quarters of older women and two-thirds of older men are working part-time on a voluntary basis.

Figure 2.7. **Incidence and growth in part-time employment by age and gender in Canada, 2004<sup>a</sup>**



a) Part-time employment refers to persons who usually work less than 30 hours per week in their main job. Data include only persons declaring their usual hours.  
 Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

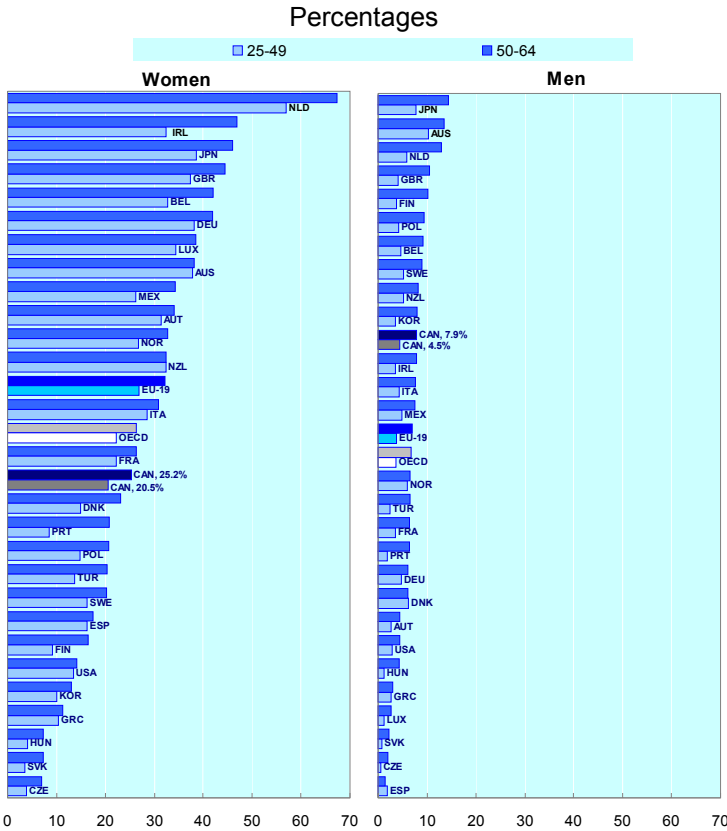
The share of part-time employment among older Canadian women, at 25%, is slightly below the OECD average and nearly half the rate found in other countries like Australia and the United Kingdom (Figure 2.8). Relative to other countries, the incidence of part-time work for older Canadian men, at nearly 8%, is above the OECD average.

#### *Working hours among older workers have declined*

The trends in employment status have had a negative net impact on the labour input of older workers through working-time reductions. Since 1993, average weekly hours usually worked have declined for all older men and women aged 50-64 – more than one hour per week for men aged 50-54 and 55-59. Moreover, compared to some other OECD countries, the share of older workers

working more than 41 hours a week or more is relatively low (Table 2.1).<sup>10</sup> While there may be room to manoeuvre to increase hours worked, it is important to recognise that longer hours of work may have an adverse effect on overall labour supply, especially as regards older workers and that more flexibility regarding working arrangements could have a more positive effect (see Section 2, Chapter 4).

Figure 2.8. **Part-time employment by gender and age in selected OECD countries, 2004<sup>a</sup>**



a) Part-time work is defined as working less than 30 hours per week.

Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

10. Note, however, that at the national level, there has been no change in average annual hours worked since 1993, and that annual hours worked in Canada are currently just above the OECD average.

**Table 2.1. Distribution of usual weekly hours worked by older workers (50+) in selected OECD countries, 2004**

Weekly hours worked (percentage of all employees aged 50 and over)

	Total	1-19 h	20-29 h	30-40 h	41-49 h	50 h +
<b>Total</b>						
Australia	100.0	12.2	10.1	45.7	11.9	20.2
<b>Canada</b>	<b>100.0</b>	<b>7.8</b>	<b>9.4</b>	<b>67.7</b>	<b>6.0</b>	<b>9.2</b>
Germany	100.0	13.5	10.3	61.3	5.5	9.3
Norway	100.0	12.3	8.6	70.9	4.0	4.2
Sweden	100.0	3.5	10.6	75.6	6.2	4.0
United Kingdom	100.0	15.1	13.0	39.1	17.9	14.9
United States	100.0	5.3	7.6	69.1	5.8	12.3
<b>Men</b>						
Australia	100.0	6.6	4.9	45.6	14.7	28.2
<b>Canada</b>	<b>100.0</b>	<b>4.4</b>	<b>5.0</b>	<b>68.4</b>	<b>8.5</b>	<b>13.7</b>
Germany	100.0	5.6	2.5	70.5	7.5	13.8
Norway	100.0	6.2	2.7	77.7	6.1	7.3
Sweden	100.0	2.4	5.8	79.5	5.7	6.6
United Kingdom	100.0	6.8	6.2	39.6	24.9	22.6
United States	100.0	3.2	4.6	67.9	6.9	17.4
<b>Women</b>						
Australia	100.0	19.6	17.0	45.7	8.2	9.6
<b>Canada</b>	<b>100.0</b>	<b>11.7</b>	<b>14.4</b>	<b>66.9</b>	<b>3.1</b>	<b>3.8</b>
Germany	100.0	23.5	20.1	49.6	3.0	3.7
Norway	100.0	19.0	15.3	63.2	1.7	0.7
Sweden	100.0	4.6	15.5	71.8	6.7	1.5
United Kingdom	100.0	24.7	20.8	38.5	9.9	6.0
United States	100.0	7.3	10.5	70.4	4.6	7.2

*Source:* OECD estimates derived from Australian Bureau of Labour Statistics, Labour Force Survey; Statistics Canada, Monthly Household Labour Force Survey; Eurostat, European Union Labour Force Survey; Statistics New Zealand, Household Labour Force Survey; and US Department of Labor, Bureau of Labor Statistics, Current Population Survey.

## **B. Employment shares and occupation profile**

A comparison of the growth in employment shares among older workers and all workers by occupation reveals that the majority of occupations for both men and women can be found in the upper right quadrant of Figure 2.9, *i.e.* where overall growth has been positive, older workers have also experienced employment gains.

Labour market pressures due to population ageing are expected to be different across occupations, and will depend on available labour supply and future labour demand. In looking at older workers' overall employment share of 20.5%, older women (50-64) are clearly over-represented in occupations such

as: *Health occupations* and *Unique to primary industry* (Figure 2.10). In these two sectors, they account for 26% and 25% of total female employment, respectively. Among all employed men, older men (50-64) account for 22% of total employment. Men aged 50-64 are also over-represented in *Health occupations* but more so in *Management occupations* and *Social sciences, education, government service and religion* where they account for more than 30% each of total male employment. The over-representation of older workers in these sectors may lead to labour shortages or recruitment difficulties in coming years as the current cohort of older workers goes into retirement.

### 3. Non-employment among older workers

Addressing inactivity and unemployment among older workers will be central to raising participation and employment rates among this group. This section provides some evidence on the situation in Canada.

#### A. *Inability to work is an important determinant of labour supply*

Table 2.2 illustrates that the inability to work is an important factor why individuals, especially older men, do not participate in the labour market. Up to the age of 45-49, the share of inactive men and women permanently unable to work gradually increases, reaching a high of 12.3% among women aged 50-54 and 30.5% among men aged 45-49. From age 50 on the share begins to decline gradually, but at age 60-64 remains near 7% for women and 12% for men.<sup>11</sup>

Table 2.2. **Percentage share of inactive persons unable to work by gender and age, 2003**

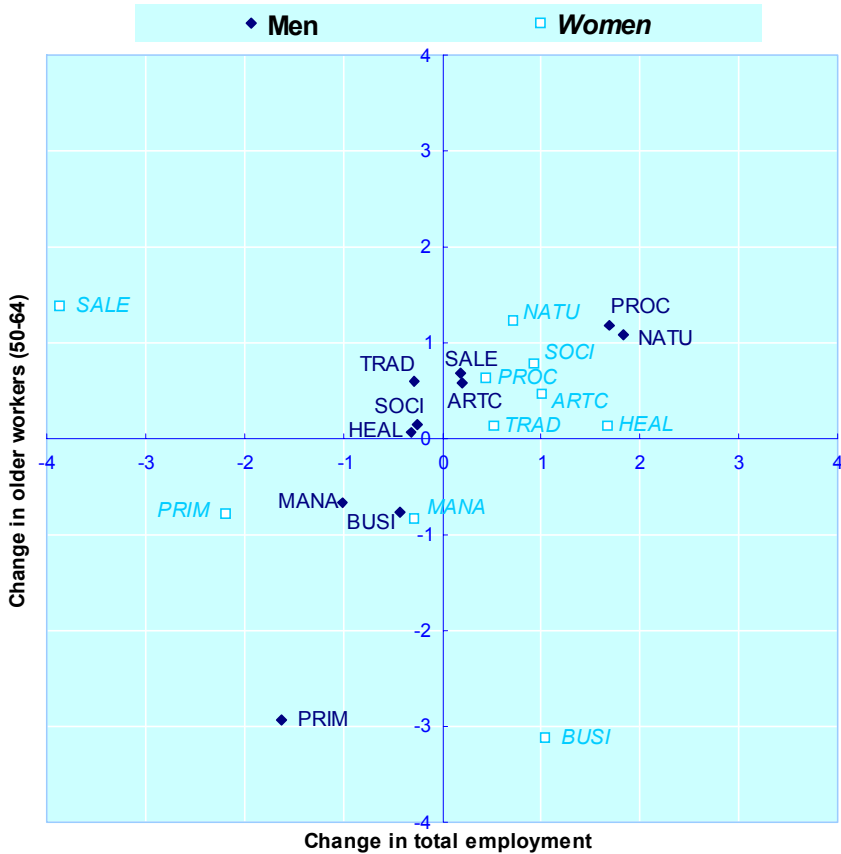
Age	Men	Women
25-29	7.6	3.0
30-34	16.7	3.5
35-39	21.8	6.0
40-44	27.7	9.4
45-49	30.5	12.0
50-54	28.8	12.3
55-59	17.9	10.4
60-64	12.1	6.9

Source: Statistics Canada, Labour Force Survey.

11. Note, however, that the fall after age 55 may not reflect a fall in those unable to work but simply that fewer older persons are choosing not to work, *i.e.* they may consider themselves retired.

Figure 2.9. **Employment growth by occupation, age and gender, 1993-2003**

Change in percentage points of occupation shares in employment by gender between 1993 and 2003



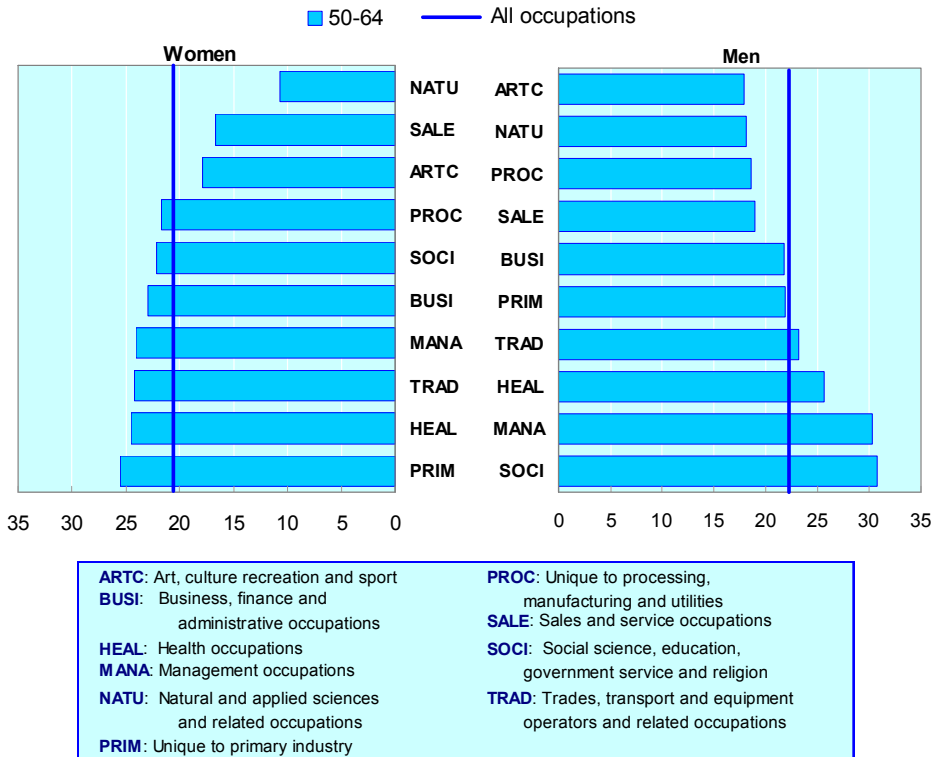
<b>ARTC:</b> Art, culture recreation and sport	<b>PROC:</b> Unique to processing, manufacturing and utilities
<b>BUSI:</b> Business, finance and administrative occupations	<b>SALE:</b> Sales and service occupations
<b>HEAL:</b> Health occupations	<b>SOCI:</b> Social science, education, government service and religion
<b>MANA:</b> Management occupations	<b>TRAD:</b> Trades, transport and equipment operators and related occupations
<b>NATU:</b> Natural and applied sciences and related occupations	
<b>PRIM:</b> Unique to primary industry	

Source: Statistics Canada, Labour Force Survey.



Figure 2.10. **Employment by occupation and gender for older workers in Canada, 2003**

Share of older workers among all employed by occupation in percentages



Source: Statistics Canada, Labour Force Survey.

*Desire to take-up employment is low*

While some capable individuals have left the labour market by their own means, this is not the case for all persons. As a result, policy efforts should also address the motivation of inactive older people to take-up employment. For example, Table 2.3 illustrates that among individuals able to work, the share wanting to work is rather low and declines with age – to lows of 3.6% and 1.8% for men and women aged 60-64, respectively.

Table 2.3. **Desire to work among those able to work by gender and age, 2003**

Percentage share among inactive persons

Age	Men	Women
25-49	22.1	10.6
50-54	13.8	7.2
55-59	6.4	3.9
60-64	3.6	1.8

Source: Statistics Canada, Labour Force Survey.

### **B. Unemployment: incidence and duration**

#### *Age-profile comparison*

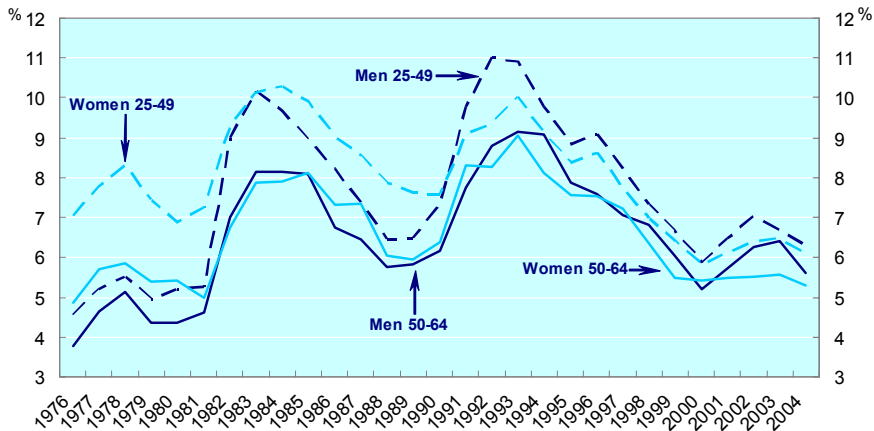
Since the most recent recession in 1993, the overall unemployment rate in Canada has fallen from more than 11% to 7.2% in 2004 – slightly above the OECD average of 6.8%. Since the early 1980s, the unemployment trend has been remarkably similar across age groups and gender with only one percentage point often separating prime-age and older workers (Figure 2.11). And while there has been a steep fall in the unemployment rate of older workers since the early 1990s, their unemployment rate remains above levels reached in the late 1970s.

#### *Regional disparities persist*

The disparity between Eastern Canada and the rest of the country is once again evident, with the five eastern provinces having the highest unemployment rates among older workers (Figure 2.12). In the case of Newfoundland and Labrador, the unemployment rates for both men and women are more than double the national average. These are also provinces with the lowest participation rates.<sup>12</sup> In order to mobilise resources, regional aspects of the labour market, where inactivity and unemployment are disproportionately high, will need to be addressed.

12. The lone exception being Prince Edward Island where participation rates are higher than the national average among all older workers (except men aged 55-59), but it has the second highest unemployment rate next to Newfoundland and Labrador.

Figure 2.11. **Unemployment rates by gender and age in Canada, 1976-2004**  
Percentages



Source: OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming.

*Unemployment duration among older workers is low compared with other OECD countries*

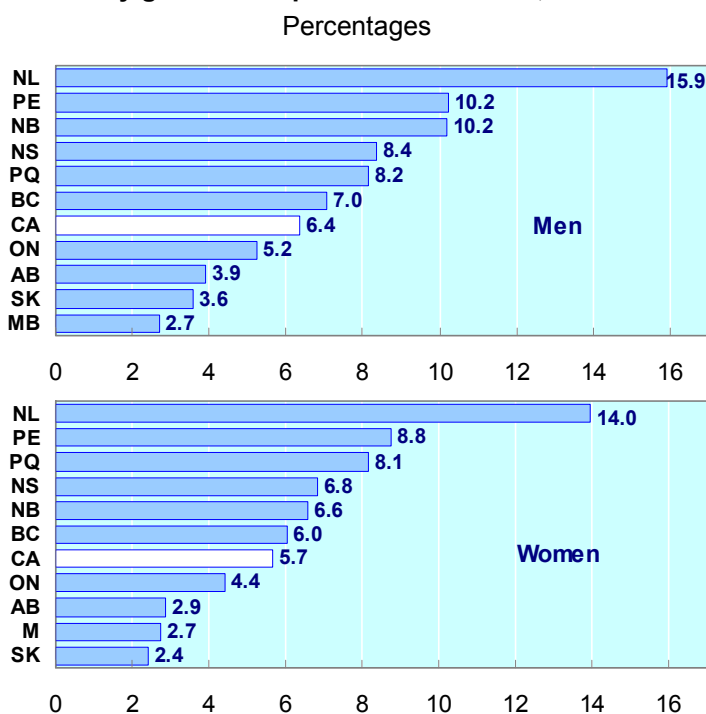
As in other OECD countries, the incidence of long-term unemployment rises with age (Table 2.4). In 2003, the share of long-term unemployment among men and women aged 60-64 reached more than 26% and 19%, respectively, compared to 12% and 9% among prime-age men and women. However, in 2003 the share of long-term unemployment among workers in Canada aged 55 and above, at just under 18%, is the lowest in the OECD area after Korea and Mexico and less than half the OECD average of just over 39%.

Table 2.4. **Distribution of unemployment duration by gender and age, 2003**  
Percentages

		Less than 4 weeks	4 to 26 weeks	26 to less than 52 weeks	52 weeks or more
Men	25-49	20.7	56.8	10.1	12.4
	50-54	17.8	50.7	12.1	19.3
	55-59	14.8	51.4	10.7	23.2
	60-64	18.5	46.4	8.6	26.6
Women	25-49	23.7	57.3	9.7	9.3
	50-54	20.3	54.2	11.4	14.1
	55-59	20.2	54.7	11.5	13.6
	60-64	14.9	52.6	13.2	19.3

Source: Statistics Canada, Labour Force Survey.

Figure 2.12. **Unemployment rates among older workers (50-64) by gender and province in Canada, 2003**



<b>AB:</b> Alberta	<b>NB:</b> New Brunswick	<b>ON:</b> Ontario
<b>BC:</b> British Columbia	<b>NL:</b> Newfoundland and Labrador	<b>PE:</b> Prince Edward Island
<b>CA:</b> Canada	<b>NS:</b> Nova Scotia	<b>PQ:</b> Québec
<b>MB:</b> Manitoba	<b>SK:</b> Saskatchewan	

Source: Statistics Canada, Labour Force Survey.

### C. *Job loss among older workers*

#### *Involuntary job loss is high among older workers*

For men and women aged 60-64 and for women aged 55-59, 100% of unemployed job losers were involuntary in nature (Table 2.5). For many older workers, such job loss will hinder a return to the labour market. For example, in the United States, Chan and Stevens (2001) find that job loss at age 50 or above has substantial and long-lasting negative effects on employment.

Table 2.5. **Reasons why unemployed workers left their last job in Canada, 2003**

Percentages among *unemployed* persons who left their job, annual averages

	Age	Share of employment <sup>b</sup>	Reason for job separation <sup>a</sup>			
			Involuntary	Other	Illness or disability	Retired
Men	25-49	5.1	77.1	20.8	2.1	0.0
	50-54	4.3	77.1	17.7	5.1	0.0
	55-59	4.2	81.9	12.1	0.0	6.0
	60-64	3.1	100.0	0.0	0.0	0.0
Women	25-49	4.2	68.9	27.9	3.2	0.0
	50-54	3.7	77.1	16.2	6.7	0.0
	55-59	3.2	100.0	0.0	0.0	0.0
	60-64	2.3	100.0	0.0	0.0	0.0

a) "Involuntary" refers to *business conditions, casual job, company moved or out of business or end of job*. "Other" includes *caring responsibilities, dismissed, dissatisfied with job and other personal or family responsibilities*.

b) Share of unemployed workers who left their last job as a percentage of employment.  
Source: Statistics Canada, Labour Force Survey.

Table 2.6. **Reasons why inactive persons left their last job in Canada, 2003**

Percentage share among *inactive* persons who left their job, annual averages

	Age	Share of employment <sup>b</sup>	Reason for job separation <sup>a</sup>			
			Involuntary	Other	Illness or disability	Retired
Men	25-49	2.0	57.8	22.3	19.9	0.0
	50-54	2.4	41.7	11.0	20.2	27.1
	55-59	6.2	29.7	9.7	13.6	47.1
	60-64	11.1	27.1	5.2	13.7	54.0
Women	25-49	4.5	38.5	49.0	11.6	0.9
	50-54	4.0	45.3	17.4	15.8	21.5
	55-59	8.4	34.7	13.2	10.7	41.3
	60-64	16.9	19.5	7.8	8.6	64.1

a) "Involuntary" refers to *business conditions, casual job, company moved or out of business or end of job*. "Other" includes *caring responsibilities, dismissed, dissatisfied with job and other personal or family responsibilities*.

b) Share of unemployed workers who left their last job as a percentage of employment.  
Source: Statistics Canada, Labour Force Survey.

*Leaving employment for retirement before the age of 65*

One reason why involuntary job loss is relatively high among unemployed older workers is that the majority of older job losers become inactive – 56% of older men and 69% of older women. In particular, more than 20% and 15% of inactive men and women aged 50-54, respectively, left their last employment for reasons of illness or disability, highlighting the importance of health as a factor explaining inactivity among older workers (see also Compton, 2001). However, leaving work for retirement is the predominant reason for job separation among inactive older workers aged 55-64 (Table 2.6). For men and women aged 55-59, more than 40% left their last employment and retired, a figure that rises to 54% and 64% for men and women aged 60-64, respectively. That is not to say that illness and disability continue to be negligible in later years. Individuals may just consider themselves retired even though they may be hampered by ill-health. For example, one-third of recent retirees said they would have continued working if their health had been better (Peters, 2004).



### *Chapter 3*

## **INCOME SUPPORT AND WORK INCENTIVES FOR OLDER PEOPLE**

Supply-side factors are an important determinant of the retirement decisions of older people. In particular, individual decisions to work and retire are potentially influenced by benefit levels and eligibility criteria in public pensions and other social security schemes including unemployment and sickness benefits, but also by features of occupational and individual pension schemes. This chapter explores these elements of Canada's social security system, paying particular attention to any inherent work disincentives.

### **1. Canada's pension system**

Canada has a comprehensive three-pillared pension system. The first two public pillars consist of an Old-Age Security benefit, financed through general revenues, and the Canada Pension Plan, which is funded partly by employer and employee contributions, and partly by the returns on the Plan's diversified portfolio of assets held and invested at arm's length from government by the CPP Investment Board.

#### ***A. Old-Age Security programme***

The first tier, the Old-Age Security programme, consists of the Old-Age Security pension (OAS), the Guaranteed Income Supplement (GIS) and the Allowance for 60-64-year-olds. The purpose of the OAS programme is to ensure a basic minimum income for individuals in retirement. Income is indexed every three months to the consumer price index and only income from the OAS pension is taxable.



### *Old-Age Security pension*

The OAS pension is a monthly benefit available to Canadians 65 years of age or over who meet residency requirements.<sup>13</sup> For each complete year an individual has lived in Canada after the age of 18, they will receive 1/40<sup>th</sup> of the full pension which in 2004 was slightly above CAD 471 per month (Table 3.1).

### *Guaranteed Income Supplement*

The Guaranteed Income Supplement (GIS) is designed as a top-up to low-income OAS pensioners.<sup>14</sup> Marital status and income earned (all income from the applicant and spouse, excluding the OAS pension) in the previous calendar year are used to calculate the amount of benefits received.

### *Allowance*

The Allowance is an income-tested benefit payable to a 60-64-year-old whose spouse or common-law partner is an OAS pensioner who is entitled to GIS benefits. The recipient must also be entitled to an OAS pension at age 65. The maximum amount is equivalent to the combined maximum OAS and GIS benefits available to a retired couple both aged 65 or over.

Table 3.1. **Maximum OAS programme benefits by status, 2004<sup>a</sup>**

CAD per month

	Maximum OAS pension	Maximum GIS benefits	Maximum Allowance
Single OAS pensioner	471.76	560.69	..
Couple, both OAS pensioners		365.21 each	..
Single OAS pensioner with non-pensioner spouse		560.69	..
Single OAS pensioner with spouse receiving the Allowance		361.24	836.97

a) There is also Widow's Allowance.

Source: Social Development Canada, administrative data, 2004.

13. A minimum of 10 years of residence in Canada after reaching age 18 is required.
14. The GIS is not payable outside Canada beyond a period of six months, regardless of how long the person lived in Canada.

## **B. Canada Pension Plan**

The second tier of the public pension system is the Canada Pension Plan (CPP) which comprises a retirement pension, disability benefits and survivor's benefits.<sup>15</sup> The CPP is a compulsory, contributory, earnings-related programme with premiums (9.9%) split equally between employers and employees. Self-employed individuals contribute both portions.

### *CPP retirement pension*

The benefit level will depend on how much, and for how long, the individual contributed to the plan. Contributions are made on earnings between the minimum and maximum pensionable earnings in each year which were CAD 3 500 and CAD 40 500, respectively, for 2004.<sup>16</sup> Upon retirement, the CPP is calculated as 25% of the average contributory earnings over the individual's employment history, adjusted for wage inflation, to a maximum which in 2004 was equivalent to approximately CAD 814 per month.<sup>17</sup> The denominator for the average earnings is calculated as the age of retirement (possible from age 60) *minus* age 18, with certain periods of low earnings years excluded from the formula.<sup>18</sup> The normal retirement age in the CPP is age 65, with the pension reduced for early take-up (from age 60) and increased for late take-up (up to the age of 70) by a factor of 0.5% for each month the pension is taken before/after the 65<sup>th</sup> birthday.

- 
15. CPP also provides benefits to families of contributors including a monthly benefit for the child of a disabled contributor and a monthly children's benefit for dependent children of a deceased contributor.
  16. The maximum is the average wage in Canada and is adjusted annually for wage inflation.
  17. Each previous contributory earnings are converted to current dollars using the growth in that year's maximum pensionable earnings compared to the average maximum pensionable earnings in the five years prior to retirement.
  18. These drop-out periods offer protection against periods of low or no earnings (including those periods in receipt of a CPP/QPP Disability pension), and can include, among others, 15% of your lowest contributory earnings period and periods while caring for a child under age 7.

### *Québec Pension Plan (QPP)*

QPP is an independent public pension plan for the residents of the province of Québec. The design is very similar to the CPP, *i.e.* basic parameters, including contribution rates, statutory retirement age, and maximum contribution and benefit levels.<sup>19</sup> However, in some respects, concerning the possibilities to combine work with pensions, the plans are significantly different (see Section 2).

### **C. Private pension system**

The third tier, the private pension system, includes various employer pension schemes and individual retirement savings vehicles (Box 3.1). The system of Registered Pension Plans and Registered Retirement Savings Plans is the primary way that the government assists individuals in saving for retirement, *i.e.* the savings in these plans are tax-deferred – contributions are tax-deductible and investment income is not taxed as it is earned. Withdrawals and payments from these plans are included in income and taxed at regular income tax rates.

#### **Box 3.1. Private pensions and savings plans in Canada**

**Employer pension plans:** about 40% of workers in Canada are covered by an employer pension plan, formally called Registered Pension Plans (RPPs).

In a defined-contribution RPP, the maximum an individual and/or their employer may contribute is 18% of earnings up to a maximum of CAD 18 000, as of 2005. Defined-benefit pensions are often integrated with the CPP/QPP and the promised level of benefits is provided in combination with these plans. For defined-benefit RPPs, the maximum pension limit per year of service is limited to 2% of earnings up to a specified dollar limit (CAD 2 000 for 2005).

**Registered Retirement Savings Plans (RRSPs):** RRSPs are individual, personally managed savings plans that may be invested in a range of financial products and investment vehicles, including savings accounts, Canada Savings Bonds, term deposits, guaranteed investment certificates, mutual funds and equities.

An individual is allowed to contribute as much as 18% of their previous year's earned income to an RRSP, up to a maximum dollar amount of CAD 16 500 as of 2005. The RRSP limit is reduced by a "pension adjustment" to account for annual pension savings accrued in an RPP the previous year with an employer. Unused RRSP contributions may be carried forward.

19. Minor differences in the disability and survivor benefits exist, which are slightly more generous in Québec.

## 2. Other elements of Canada's social security system

### A. *Employment Insurance programme*

The unemployment benefit system in Canada, known as Employment Insurance (EI), is an extensive earnings-related programme designed mainly to provide temporary income support to insured Canadians who involuntarily lose their job. The programme consists of regular benefits and a series of special benefits including maternity, parental, sickness, fishing and compassionate care benefits (Box 3.2). If an individual's net income exceeds a certain level (CAD 48 750 in 2004), he/she will be required to repay 30% of the lesser of net income in excess of this level or the total regular benefits (including regular fishing benefits) paid in the taxation year.

#### Box 3.2. EI benefit programmes in Canada in 2004

**Regular benefits:** to be eligible for regular benefits, an individual must demonstrate that s/he has been without work and without pay for at least seven consecutive days and have worked the required number of insurable hours. The required number of hours is 910 in the 52 weeks prior to the claim (qualifying period) or at least 490 hours in the 104 weeks preceding the claim along with a certain number of hours in the qualifying period which varies according to the unemployment rate in the economic region at the time of filing – ranging from 700 hours in regions with an unemployment rate of 6% or lower to 420 hours in areas where the unemployment rate is 13.1% or higher). There is a two-week waiting period. The basic benefit rate is 55% of average insured earnings up to a maximum amount of CAD 413 per week. Average weekly insured earnings and benefit duration vary depending on the number of hours accumulated in the qualifying period and the unemployment rate in the region.

**Special benefits:** to be entitled to maternity, parental or sickness benefits individuals must show that regular weekly earnings have decreased by more than 40% and he/she has accumulated 600 insured hours in the last 52 weeks. Sickness benefits may be paid up to 15 weeks to a person who is unable to work because of sickness, injury or quarantine. Benefits are calculated in the same manner as regular benefits and there is the standard two-week waiting period. Income earned while on maternity or sickness benefits will be deducted dollar-for-dollar from the benefits.

**Fishing benefits:** to qualify for fishing benefits, individuals need sufficient earnings from self-employment in fishing in a maximum 31-week period before the claim starts. Earnings requirements range between CAD 2 500 and CAD 4 200 depending on the unemployment rate in the region.

**Compassionate care benefits:** as of January 2004, compassionate care benefits may be paid up to a maximum of six weeks to allow an individual to provide care or support to a gravely ill family member at risk of dying within 26 weeks. To be eligible for compassionate care benefits, an individual must have accumulated 600 insured hours in the last 52 weeks or since the start of their last claim and demonstrate that regular weekly earnings from work have decreased by more than 40%.

## **B. *Special and disability benefits***

### *Short and long-term disabilities*

Federal and provincial employment standards legislation contains provisions allowing employees to take a job-protected leave of absence for a limited period in case of sickness or other medical emergencies.<sup>20</sup> In addition, most collective agreements and individual employment contracts often provide for longer periods of sick leave, normally with pay. Workers who develop a work-related illness or who are injured on the job may be entitled to compensation for that illness or injury by a provincial workers' compensation board (WCB).<sup>21</sup>

In case that workers are not covered by an employer-sponsored sickness benefit scheme or, when individuals have insufficient sick leave to cover the period of incapacity, they can apply for EI sickness benefits provided the illness or accident recovery time were to extend beyond two weeks and they meet the qualifying criteria (Box 3.2 above). In addition, a claimant who qualified for regular benefits can receive up to four weeks of sickness benefits after which the claimant must submit a medical certificate to continue receiving benefits. All EI clients must also report on any change in their employment status, *e.g.* whether or not they worked and if not, whether or not they were willing and capable of working. These reports are subject to verification procedures and if inconsistencies are found, the claimant can be subject to punitive measures, including the repayment of benefits, penalties and disqualification.

### *CPP Disability*

Part of the Canada Pension Plan, CPP Disability, is available to people who have sufficient and recent labour force attachment, and who have a

- 
20. Under federal jurisdiction, an employee who has completed three months of continuous employment with the same employer may be absent due to illness or injury for a period that does not exceed 12 weeks, during which the employer may not dismiss, suspend, lay-off, demote or discipline the individual. Rules vary by provincial jurisdiction.
  21. Payments made by these boards are funded through contributions made by employers and are paid under the provisions of provincial legislation. These payments cover loss of income as well as other costs including prescriptions, medical treatment and rehabilitation.

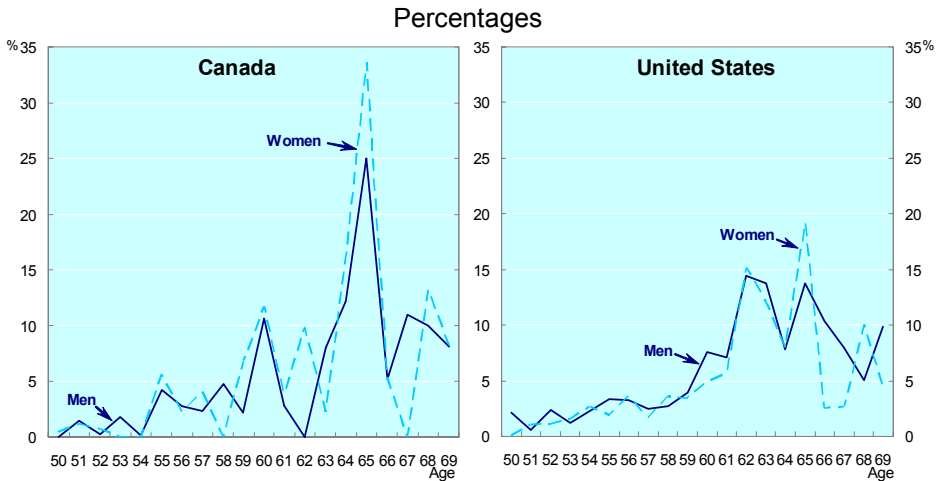
disability that is both severe and prolonged. Contributions to the CPP are required in four of the last six years. During that period, earnings must be at least 10% of each year's maximum pensionable earnings. The law defines a severe disability as one which prevents an individual from doing their former job, or any other job, on a regular basis. A disability is prolonged, when it is expected to last at least one year or is likely to result in death. In particular, a CPP Disability benefit is approved on the basis of how the medical condition and its treatment affect the ability to work at any job on a regular basis. Benefits will stop if the condition improves to the point where an individual is able to work at any job on a regular basis, or turns 65. Benefits are based upon a flat-rate payment of CAD 382 per month *plus* 75% of the CPP retirement pension of the disabled contributor that would have been payable if they had been aged 65 when they incurred the disability.

### 3. Social security system and work incentives

In Canada, as in many OECD countries, older people retire earlier than the official age of entitlement to public pensions. In particular, Figure 3.1 highlights several clear peaks in the Canadian retirement rate, notably at ages 60 and 65 (earliest age of eligibility to a CPP and age of eligibility to a normal CPP, respectively). At age 60, the retirement rate increases by nearly 11% and 12% for men and women, respectively – figures which rise to 25% and 33%, respectively, at age 65. On the other hand, in the United States the retirement rate is more progressive, with the largest increases occurring at ages 62 and 65, though far less pronounced than is the case in Canada.

The decision to retire can differ widely between workers due to different preferences, household characteristics, but also the flexibility, or lack thereof, offered in pension systems, the official age of entitlement to pensions, the structure and level of generosity of benefits, the level of private savings and the generosity and eligibility criteria of alternate pathways out of the labour market. In removing barriers to employment for older workers, it will be necessary to consider carefully the nature of the trade-off between the desire to achieve labour supply objectives and individuals' freedom of choice with respect to the work-retirement decisions that best suit their individual family, health and financial circumstances.

Figure 3.1. Retirement rate by gender and single year of age in Canada and the United States, 2002-04<sup>a</sup>



a) Percentage decline in the participation rate between successive years of age, and averaged over the period.

Source: OECD estimates based on data from Statistics Canada, Labour Force Survey and from the US Department of Labor, Bureau of Labor Statistics, Current Population Survey.

### A. CPP retirement pension : the need for more flexibility

#### *Rigid work-to-retirement transitions*

Creating greater opportunities for phased transitions into retirement, through part-time work or other work arrangements, rather than abrupt changes is often seen as a desirable policy option in the context of population ageing (Gunderson, 1998). This may be especially important for many older workers who are forced to exit the labour market for various reasons, *e.g.* their job is too arduous.

However, in Canada, in order to receive the CPP retirement pension before age 65, an individual must stop working one month before he/she wishes to receive their entitlement – after which he/she is free to take-up employment without affecting their CPP retirement earnings. However, once an older worker has left his/her employment to receive the CPP benefits, it may be difficult to

return to the labour market.<sup>22</sup> In addition, individuals will not be able to accrue further pension rights.<sup>23</sup>

While gradual retirement schemes may encourage some full-time workers to postpone retirement, there is a risk that they may also encourage some full-time workers who did not intend to retire to switch to part-time work. Thus, one crucial consideration in building more flexible pathways to retirement should be the expected net impact on the effective labour supply of older people.<sup>24</sup> Consideration should also be given to any increase in pension take-up that could increase costs.

Under the current Québec Pension Plan, workers aged 60-64 have one of two options: *i*) agree with their employer to reduce hours worked by at least 20% and apply for an early public pension; or *ii*) while continuing to earn at least CAD 3 500 per annum, hours worked can be reduced while maintaining contributions to the pension plan as if earnings had not changed.<sup>25</sup> Moreover, the Québec government is considering an option to allow individuals to work and draw a pension at any time from the age of 60, while maintaining the current 0.5% actuarial adjustment for taking an early pension. In addition, the government is proposing that any pension contributions that occur post-benefit receipt would accrue further pension rights up to the already established maximum. Current rules require that all working QPP pensioners contribute with the possibility that the retirement pension will be re-valued. The reform proposal would introduce a new re-valuation method to this existing rule that would ensure that every working pensioner not already at maximum pension would see a pension increase as a result of their post-benefit take-up contributions. The current re-valuation method does not ensure this. Finally, the Québec government has also proposed increasing the actuarial adjustment of the QPP pension when it is taken after age 65 from 0.5% per month to 0.7% per month.

- 
22. At age 65, under both the CPP and QPP, individuals can draw a pension without work interruption.
  23. Once in receipt of a CPP retirement pension, even if an individual takes-up employment again, no further contributions are made by the employee or the employer.
  24. There are also other obstacles to phased-in retirement, *e.g.* competition from younger workers and mothers with children, pension penalties, reduced pay, lower status and unsuitable hours (Gunderson, 2003).
  25. The latter option is available to individuals aged 55 to 70.



The federal government should consider following suit and relaxing or abolishing the stop-work clause attached to the CPP retirement pension and, by doing so, encourage more older workers to carry on working longer. In fact, Pollack and Sargent (2004) developed a stylised theoretical model that simulates a number of policy experiments, notably changes to the CPP. The simulation reveals that removing the work test could cause low wage-profile individuals to delay retirement by two to three years and up to four years for the highest wage earners.<sup>26</sup>

### *Relatively early access*

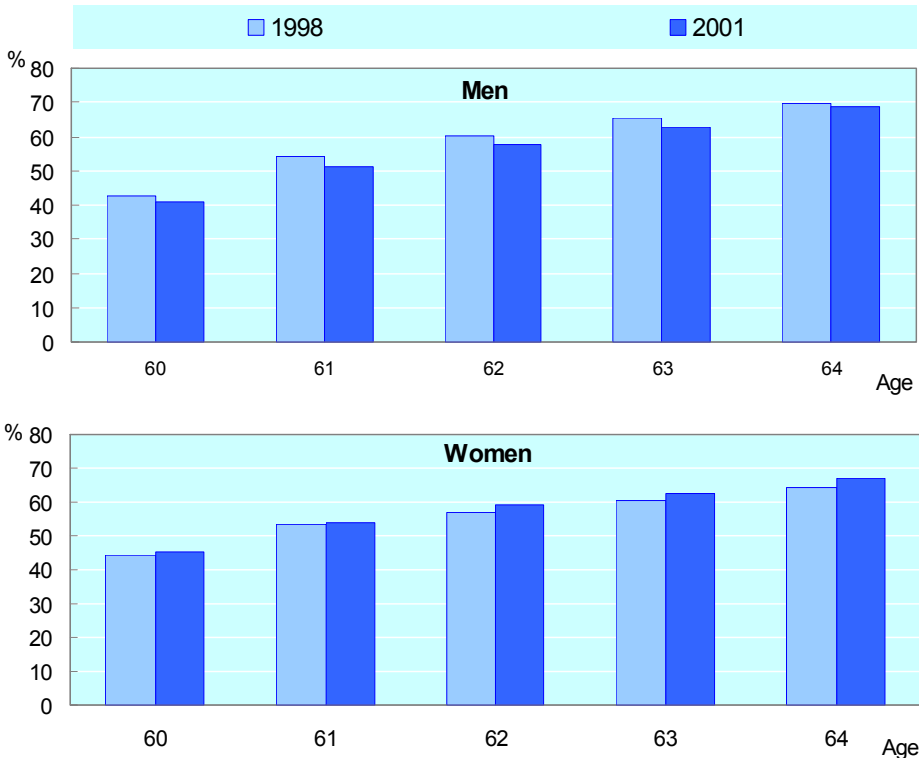
The amount of the early CPP retirement pension itself is unlikely to constitute a significant incentive to exit the labour market early. However, individuals can start receiving an actuarially-adjusted CPP retirement pension any time from the age of 60 and Figure 3.2 illustrates that even in the case where the replacement rate is rather low, there is a significant number of individuals taking-up CPP before the age of 65.<sup>27</sup> Already at the age of 60, more than 40% of men and women are accessing the CPP retirement pension – figures which continue to rise to reach nearly 70% by the age of 64.<sup>28</sup>

In terms of work incentives, the evidence regarding the effects of the early retirement pension in Canada is somewhat mixed. Tompa (1999) and Baker and Benjamin (1999a and 1999b) conclude that the bulk of “early” retirees are individuals unlikely to be participating in the labour market in the first place. This may be an indication that older workers are drawing upon other resources, e.g. employer pension plans, before the availability of the CPP. This may indicate that the availability of the public pension system is not the principal factor in driving individuals out of the labour market. However, the relatively

- 
26. The results should not be viewed as estimating the precise magnitude of the expected labour supply response to the policy change but should be interpreted as providing an indication of the possible direction of the change in labour supply.
  27. The amount of the pension is adjusted by 0.5% for each month the person retires before the age of 65. In addition, when the CPP pension is taken after the month of the 65<sup>th</sup> birthday, the pension is adjusted upwards by a factor of 0.5% per month, up to age 70.
  28. Since 1998, although there has been a modest drop in the number of men accessing the CPP retirement pension prior to the age of 65, the reverse has been true among women.

early age of eligibility may allow individuals to exit through other means earlier with the knowledge that they can access the public pension system already at the age of 60. Indeed, Baker *et al.* (2001) find that there is a significant incentive to retire and start drawing benefits at age 61.

Figure 3.2. **Share of “early” CPP recipients by gender, 1998 and 2001**  
Percentages of population



Source: Social Development Canada, administrative data, 2004.

As a first step, it will be important to make the current adjustments to the CPP actuarially-neutral (Office of the Chief Actuary, 2004). However, this is unlikely to increase retirement ages significantly (Pollack and Sargent, 2004). Moreover, if improved flexibility proves insufficient at increasing net labour supply, the federal government may wish to consider at some point other alternatives, *e.g.* a phased-in, progressive increase in the age of eligibility for an early CPP retirement pension or have the age linked in some way to increases in life expectancy. In fact, several OECD countries have built an element of

changing life expectancy into their pension systems (OECD, 2005b). In Sweden, for example, pension benefits are linked to remaining life expectancy at the age of retirement (OECD, 2003a).

***B. RPPs and RRSPs: striking a better balance between incentives to save and retire early***

*Good incentives to save*

The third pillar of Canada's pension system, in the form of RRSPs and RPPs, is rather successful in terms of number of contributors and contributions. In fact, RRSPs and RPPs represent a significant financial asset. In 1999, for families of 50-64-year-old workers with RPP contributions, 35% of their assets were held in RPPs and 10% in RRSPs (Statistics Canada, 1999). Moreover, despite a modest downturn since the peak of the late 1990s, the share of Canadians contributing to RRSPs is on the rise. In fact, more than 40% of prime-age men and one-third of prime-age women (future generations of older workers) contributed to RRSPs in 2001 (Statistics Canada, Longitudinal administrative data, 2001).<sup>29</sup> In addition, more than 40% of Canadian salaried workers are covered by RPPs.

*Defined-benefit RPPs: incentives to retire early*

In 2002, while defined-benefit RPPs accounted for only 46% of the number of RPP plans, 83% of all registered pension plan members belong to a defined-benefit pension. Pescarus and Rivard (2004), in a sample of defined-benefit RPPs, find that such plans offer strong financial incentives to retire early and often before the age of 60. However, as the authors point out, the options for reducing these incentives for the current generation of older workers is rather limited. Therefore, at the very minimum, the federal government should seek to increase flexibility in combining work and benefits under these plans by reviewing the rules under the federal Income Tax Act which currently prohibit the simultaneous accrual and receipt of benefits from the same defined-benefit RPP or the defined-benefit RPP of a related

---

29. Note that conditional on age and income, women contribute as much as men to RRSPs.

employer.<sup>30</sup> In addition, the unions and employers should be encouraged to increase the possibilities for phased retirement under these plans in conjunction with the necessary changes to the federal Income Tax Act. This could encourage some older workers to continue working for the same employer while still drawing a pension.

*RRSPs and defined-contribution RPPs: generous flexibility*

Under the tax rules, regular payments from an RPP must begin by the end of the year the plan member turns age 69. An RRSP must be converted to a Registered Retirement Income Fund (RRIF) by end of the year the plan-holder turns age 69, and minimum withdrawals from the RRIF must begin the following year (contributions to RRIFs are not permitted).<sup>31</sup> Savings may be withdrawn from an RRSP at any age, and are included in the income of the plan-holder and subject to regular income tax.<sup>32</sup> In fact, nearly 39% of known RRSP contributors at the end of 1992, made a pre-retirement withdrawal between 1993 and 2001.<sup>33</sup> Under federal and provincial pension benefits standards legislation, RPP savings generally may not be accessed until retirement.

With an increasing number of prime-age individuals contributing more money to individual retirement savings accounts, there is a risk that future generations of older workers, especially high-income earners, may exit the labour market earlier than today by drawing down these savings to supplement other retirement income, *e.g.* early CPP retirement pension, other investment

- 
30. There is no prohibition on receiving a defined-benefit pension and accruing additional retirement savings through a defined-contribution RPP or group RRSP.
  31. The RRIF minimum withdrawal rates start at about 5% of assets at age 69 and rise to a maximum of 20% for age 94 and over. The tax rules permit a plan-holder's minimum RRIF withdrawals to be based on the age of a younger spouse or common-law partner.
  32. The two exceptions to this rule are the Home Buyers' Plan (HBP) and the Lifelong Learning Plan (LLP) which permit tax-free RRSP withdrawals up to specified limits, subject to subsequent repayment of the withdrawals to the RRSP, for the purpose of buying a first home or financing full-time training or education.
  33. The reasons for the withdrawal are unknown.

income, occupational pensions, etc.<sup>34</sup> And while one of the strengths of the Canadian retirement system is its reliance on multiple pillars and related diversification, the federal government should evaluate and monitor the potential impact of tax-deferred savings on retirement decisions since these plans may create work disincentives in the future.

### **C. *Help partners of low-income pensioners get back into the labour market***

A significant number of partners, notably women, of low-income pensioners are receiving income support *via* the Allowance. In fact, the share of women receiving OAS benefits steadily increases as they approach the retirement age of 65, with 18% of women receiving OAS benefits at the age of 64 (Figure 3.3). With respect to labour market implications, Baker (2002) finds that after the introduction of the Spouse's Allowance, the participation rates of eligible females did not "share in the rising labour market participation of their counterparts." In addition, while only a little more than 1% of men aged 60-64 are receiving OAS benefits, Baker also finds that the introduction of the Spousal Allowance decreased employment and participation rates for men aged 65-75 with Allowance eligible spouses. Together, for couples where men were slightly older than their spouse (on average the case), the introduction of the Allowance resulted in an unmistakable labour market withdrawal for *both* individuals.

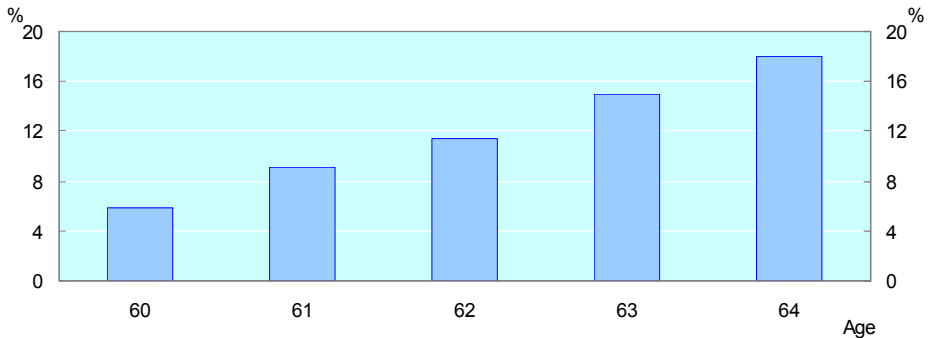
However, Baker also finds that the reductions in labour market activity were concentrated among individuals with limited labour market opportunities. In fact, it is mostly older women who benefit from the Allowance because social conditions have kept them out of the workforce or in low-wage sectors throughout their working lives. Therefore, the federal and provincial/territorial governments should focus on improving employment opportunities for these individuals, *e.g.* by creating programmes designed to help these individuals find and maintain new employment and/or by introducing an earnings disregard for beneficiaries. This will require helping younger women as well, otherwise it may be too late for assistance of this nature.

---

34. For individuals in receipt of GIS or the Allowance, RRSPs will be subject to relatively high tax rates due to the income tests and claw back measures inherent in these programmes.

Figure 3.3. “Early” female OAS recipients, 2003

Percentage of female population by single year of age



OAS: Old-Age Security programme.

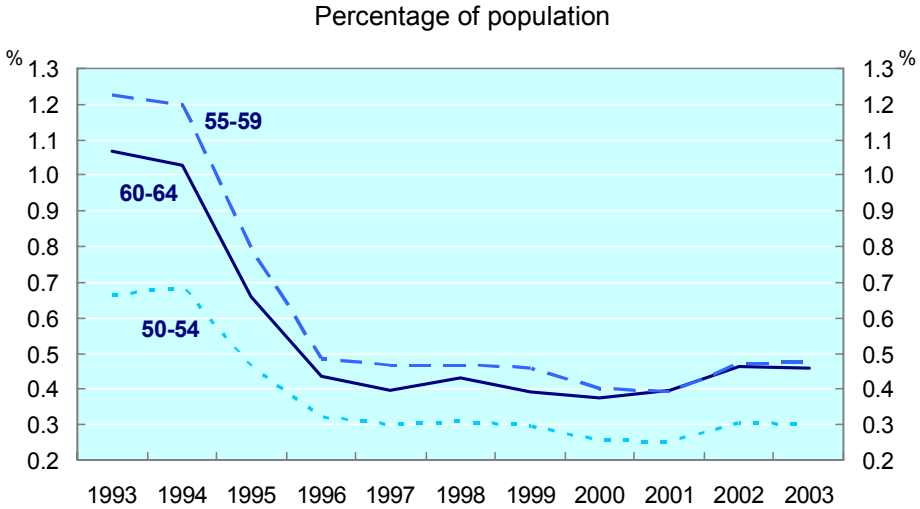
Source: Human Resources and Skills Development Canada, administrative data; and Statistics Canada, Labour Force Survey, for population.

#### **D. Disability: a future bridge to retirement**

*Inflow has decline and stabilised among all age groups*

The amendments to the CPP in 1998 were designed to ensure its long-term sustainability and to ensure a better work attachment requirement so that CPP disability was fulfilling its purpose of being an earnings replacement programme. Since 1998, the inflow into CPP disability has been more than halved among most workers, including older workers (Figure 3.4). Subsequently, the stock of disability recipients has fallen among all older workers over the past decade (Figure 3.5). Consequently, the disability programme in Canada does not appear to pose much threat as an early retirement pathway. However, since disability naturally increases with age, as the overall demographics change there is a likelihood that more older workers in the future will be reliant on disability benefits. For example, the proportion of those aged 50-64 in the stock of CPP disability caseload has increased slightly since 1998 from 69.5% to 71.4% in 2000 – in line with the overall demographic developments. Moreover, as is the case in other OECD countries, there is a risk that as other retirement pathways are tightened or phased-out, some increased pressure on existing pathways such as disability benefits is likely to occur. Indeed, while eligibility requirements are rather strict, there may be a need to revitalise rehabilitative measures.

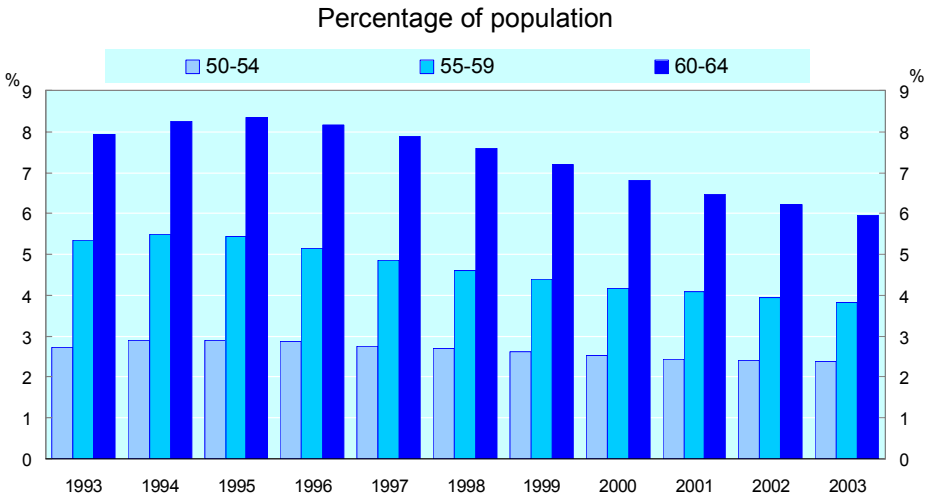
Figure 3.4. **Inflow into CPP disability by age, 1993-2003**



CPP: Canada Pension Plan.

Source: Human Resources and Skills Development Canada, administrative data; and OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming, for population.

Figure 3.5. **Stock of CPP disability among older workers by age, 1993-2003**



CPP: Canada Pension Plan.

Source: Human Resources and Skills Development Canada, administrative data; and OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming, for population.

*Low take-up of return to work measures*

New technology, medical treatments and skills training are making it possible for some people with severe disabilities to rejoin the work force.<sup>35</sup> The federal government through the CPP Disability Vocational Rehabilitation scheme is attempting to help motivated CPP disability benefit recipients return to work (Box 3.3). In fact, the CPP Disability scheme has recently moved to a risk management approach to reassessing continuing eligibility which is more cost-effective than previous methods. Moreover, resources are re-invested in proactive support for return to work efforts.

**Box 3.3. CPP Disability Vocational Rehabilitation in Canada**

The Canada Pension Plan Disability Vocational Rehabilitation was established in 1997 as a successor to the National Vocational Rehabilitation pilot programme which was in operation from 1992 to 1996. The initiative centres on developing an individualised return-to-work rehabilitation plan for each participant. Some of the services provided include vocational assessment, planning, skills development and job-search assistance. Apart from being motivated to rehabilitate, the individual's medical condition must be stable – various other factors are considered as well, including: education attainment, skill levels, family and physician support for rehabilitation, and work history.

On the basis of a client's assessed vocational rehabilitation potential, a personal vocational rehabilitation plan is developed with services generally provided on contract through private rehabilitation service providers. Clients continue to receive their CPP Disability benefits during the rehabilitation period.

At the end of the upgrading or retraining process, their vocational rehabilitation specialist will help them look for a job. Disability benefits continue during this period and for the first three months after work begins. However, if unsuccessful, the benefit will still stop at the end of the job-search period. In the future if individuals must stop working because of the same medical conditions, they may be able to a fast-track re-application process.

---

35. CPP Disability benefit recipients, however, are allowed to earn up to CAD 4 100 gross per year without reporting this income. Earnings above this limit must be declared. The department then reviews the individual's circumstances, offering support to encourage further work activity if appropriate. Benefits are terminated once the person has demonstrated the capacity to work regularly at a substantially gainful level.



In fact, a recent evaluation of the CPP Disability Vocational Rehabilitation (VR) shows that those who completed the programme were 15% more likely to move into employment and 11% more likely to move into gainful employment in comparison to those who did not complete Vocational Rehabilitation (HRSDC, 2004a). Moreover, results suggested that VR generated gross savings of approximately CAD 5 000 per client over the entire four-year period.<sup>36</sup>

However, take-up in this scheme has been very modest, averaging less than 2% of the inflow of beneficiaries each year since the programme's inception. The modest take-up is due in part to the strict criteria for entry – the person must be medically stable, have permission of his/her doctor to participate – as well as the intensive nature of the programme. While the voluntary nature of the programme may be an indication of some selection bias, *i.e.* those entering the programme are likely to be more successful, the federal government may wish to expand the programme further by attempting to encourage greater take-up of the programme. In addition, given that persons aged 50 and over constitute more than 71% of benefit recipients in Canada, it is imperative that older workers are equally represented in rehabilitation programmes, which is not often the case in many OECD countries (OECD, 2003b).

Another important issue is the timing of rehabilitation and assessment. For example, the share and average duration of individuals on sickness benefit claims increases with age – with the proportion of men and women aged 55+ reaching 2% and 3% of employment, respectively (Table 3.2). While this may appear “small”, there is some evidence to suggest that many individuals move from sickness benefits to CPP disability. In 2001, among 11 275 new CPP disability clients aged 55 and over, more than 43% had received at least one week of EI sickness benefits in the two years preceding the beginning of their claim.<sup>37</sup> Assessment at an early stage of the sickness process will help to ensure that intervention (medical and/or vocational) – if needed – is taken as early as possible. While careful consideration should be given to the cost effectiveness of such a programme, *e.g.* when to intervene, assessment of this nature may help prevent the onset of a health condition leading to the loss of a

---

36. Based upon available data, the estimated gross savings for each client is the difference between what would have been paid and what was paid in benefits.

37. For all disability recipients, 45% had a previous EI sickness claim in the preceding two years.

job (and eventual disability status) or help promote a prompt return to employment. In this respect, Denmark is an interesting example, where people must apply for rehabilitation before they become eligible for a disability pension. And, the process, where possible, should also involve the employer at an early stage (see also Chapter 4).

Table 3.2. **Incidence and average duration of EI sickness benefits by gender and age, 2002**

Percentages

		Claims with at least CAD 1 of sickness benefits	Percentage of employment	Average duration (weeks)
Men	15-24	14 260	1.2	8
	25-44	57 660	1.4	9
	45-54	27 020	1.4	10
	55+	20 540	2.0	11
Women	15-24	15 270	1.3	9
	25-44	86 550	2.4	10
	45-54	40 590	2.4	10
	55+	19 900	2.8	11

Source: Human Resources and Skills Development Canada, administrative data; and OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming, for employment.

### ***E. Unemployment benefits exacerbate regional disparities***

As Chapter 2 illustrated, regional disparities in the labour market, especially among older workers, represent a significant challenge. While there are many factors at work, adjustments to the EI programme could help all unemployed workers, including older ones. In fact, benefits are generous and eligibility rules disproportionately relaxed in rural areas. In particular, the rules governing EI should be changed to address persistent unemployment through more effective case management and activation requirements, reconsidering more generous benefits in high-unemployment regions, and addressing the favourable treatment of seasonal full-time work (OECD, 2004b; and Chapter 5).



## *Chapter 4*

### **ENCOURAGING EMPLOYERS TO HIRE AND RETAIN OLDER WORKERS**

Employers' hiring and firing decisions with respect to older people depend on their perceptions about the adaptability and productivity of older people, and the wages they would have to pay them relative to what they would pay to younger workers. They will also be influenced by existing employment protection legislation and labour laws. In addition, given rising labour shortages in certain sectors and an ageing workforce, it will become increasingly important that employers adapt workplace practices to this emerging reality, and the federal government may have a role to play in facilitating this process. The purpose of this chapter is to examine these issues and identify areas where further reforms may be needed.

#### **1. Employer practices and older workers**

##### ***A. Hiring intensity declines with age***

In an attempt to gauge recruitment practices among employers, the relative hiring intensity by age – the hiring rate for a specific age group divided by the hiring rate for all employees – is calculated (Table 4.1).<sup>38</sup> If this ratio equals unity, the hiring intensity corresponds to the average in the workforce. While there is great variation in the relative hiring intensities across countries, lower hiring intensities for older workers can be found in all OECD countries shown, with Canada ranking 12<sup>th</sup> among selected OECD countries.

---

38. The hiring rate is calculated as the share of all employees with tenure of less than one year in their current job, among employees with any tenure, in percent.

Table 4.1. **Relative hiring intensity by age in selected OECD countries, 2004<sup>a, b</sup>**

	<b>15-24</b>	<b>25-49</b>	<b>50-64</b>
Korea	2.26	0.83	0.79
Slovak Republic	2.47	0.85	0.62
Czech Republic	2.98	0.87	0.58
Japan	3.77	0.76	0.53
United Kingdom	2.45	0.83	0.50
Poland	3.05	0.84	0.48
Hungary	2.73	0.95	0.47
Australia	1.82	0.90	0.47
United States	2.46	0.86	0.44
Greece	2.64	0.91	0.43
Iceland	2.24	0.86	0.43
<b>Canada</b>	<b>2.39</b>	<b>0.81</b>	<b>0.42</b>
<b>OECD<sup>c</sup></b>	<b>2.77</b>	<b>0.87</b>	<b>0.41</b>
Spain	2.38	0.93	0.39
Denmark	2.46	0.92	0.39
Germany	2.74	0.90	0.38
Portugal	2.92	0.84	0.36
Italy	3.25	0.89	0.36
France	3.38	0.85	0.35
Finland	3.08	0.85	0.34
Ireland	2.45	0.77	0.34
Sweden	3.27	0.93	0.33
Switzerland	2.53	0.88	0.33
Netherlands	2.14	0.90	0.31
Norway	2.96	0.88	0.29
Austria	2.53	0.85	0.28
Belgium	3.47	0.86	0.27
Luxembourg	4.01	0.94	0.22

a) Hiring intensity is defined as the ratio of the share of employees, by age group, with tenure less than one year in their current job, to the share of employees with any tenure.

b) Data refer to 2003 for Austria, Canada and Japan; data refer to 2002 for Iceland and to 2000 for Korea. Countries are ranked by descending order of the older workers' (50-64) hiring intensity.

c) Unweighted average of countries and years shown for OECD.

Source: OECD estimates derived from Australian Bureau of Statistics, Labour Mobility Survey; Statistics Canada, Labour Force Survey; Eurostat, European Union Labour Force Survey, for European countries; Ministry of Health, Labour and Welfare, Japanese Basic Survey on Wage Structure; Ministry of Labour, Korean Survey Report on Wage Structure; and US Department of Labor, Bureau of Labor Statistics, Job Tenure Supplement to the Current Population Survey.

The fall in hiring intensities by age could reflect the fact that older workers have more difficulties finding new employment after job loss compared to younger workers (Rowe and Nguyen, 2002).<sup>39</sup> In addition, older women appear to be hired less frequently than older men as the gender gap in hiring intensities also increases with age, especially for the age group 60-64 (Table 4.2).

Table 4.2. **Relative hiring intensity by gender and age in Canada, 2003<sup>a</sup>**

	15-24	25-49	50+	Of which				65+
				50-64	50-54	55-59	60-64	
Men	2.38	0.81	0.45	0.45	0.44	0.45	0.45	0.47
Women	2.39	0.81	0.40	0.40	0.42	0.40	0.34	0.23
<b>Total</b>	<b>2.39</b>	<b>0.81</b>	<b>0.42</b>	<b>0.42</b>	<b>0.43</b>	<b>0.42</b>	<b>0.40</b>	<b>0.41</b>

a) Hiring intensity is defined as the ratio of the share of employees, by age group, with tenure less than one year in their current job, to the share of employees with any tenure.

Source: Statistics Canada, Labour Force Survey.

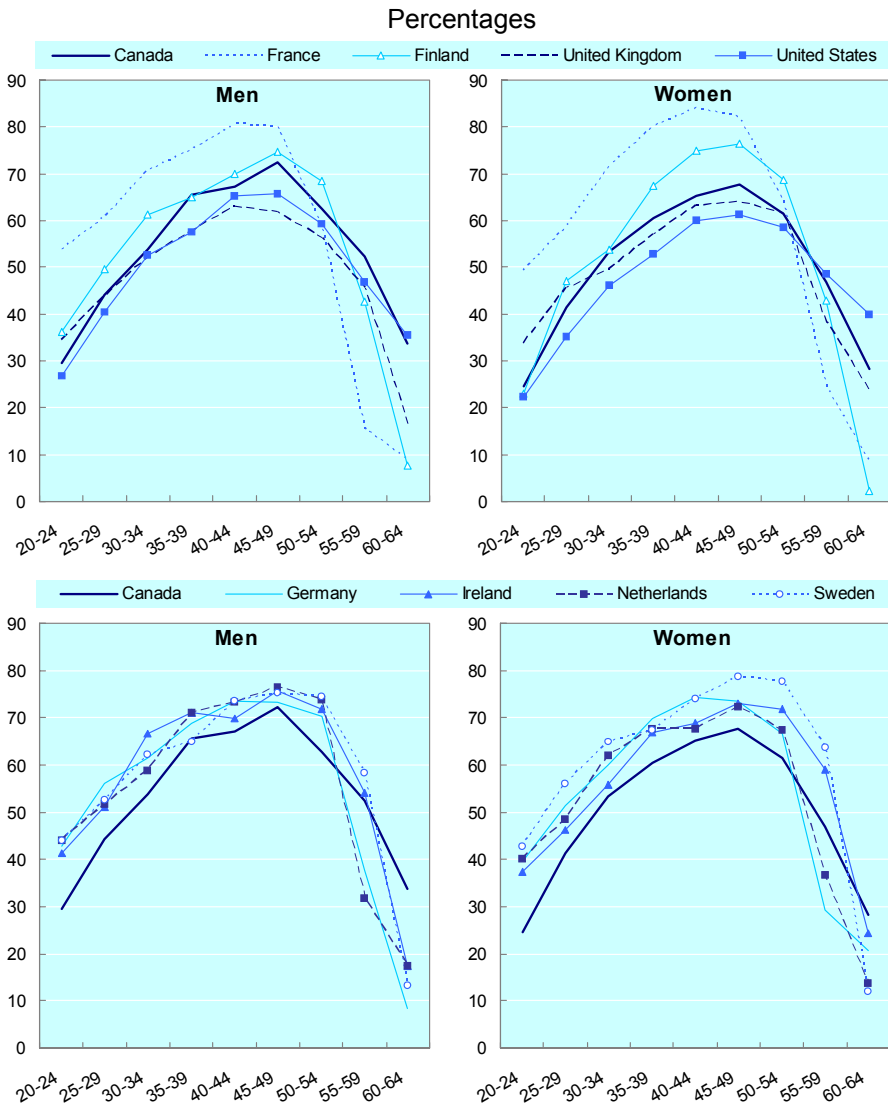
### B. *Retention rates in OECD countries*

To what extent do employers retain older workers? Are Canadian older workers more or less likely than their counterparts in other OECD countries to remain with their current employer an additional five years? Although for younger and prime-age workers, the retention rates are generally lower in Canada than in other OECD countries, this is not the case for older workers (Figure 4.1). Retention rates continue to rise in Canada longer, *i.e.* nearly 74% of men aged 50-54 in Canada were still working for the same employer five years later compared to 69% in Finland, 68% in Germany, 67% in Sweden and 58% in France – all countries with stricter employment protection legislation (see Section 2). A similar pattern holds for women.

However, while retention rates among the older age groups remain higher in Canada than in several other countries which could indicate the absence of age discrimination – at least for the age group 50-54 – significant drops in retention rates occur after the age of 55. This could be an indication of access to early retirement schemes or public pensions/disability schemes, as is the case in Finland, for example (OECD, 2004c).

39. Lower hiring intensities among older workers are also likely due to higher reservation wages and lower labour mobility. In addition, hiring rates are often equal to departure rates which are also lower among older workers.

Figure 4.1. Retention rates over five years by gender and age in selected OECD countries, 1999-2004<sup>a</sup>



a) These retention rates are estimates of the proportion of all employees in 1999 (1998 for Canada) who were still in the same job five years later. The age groups refer to the age of workers in the initial year.

Source: Statistics Canada, Labour Force Survey; Statistics Finland, Structural Statistics on Wages and Salaries; Eurostat, European Union Labour Force Survey, for other European countries; and US Department of Labor, Bureau of Labor Statistics, Job Tenure Supplement to the Current Population Survey.

## 2. Barriers to employing and retaining older workers

### A. *The strictness of employment protection legislation*

In Canada, employment protection legislation (EPL) is governed by two main bodies: common law which governs private employment contracts and the Employment Standard Acts of federal, provincial and territorial jurisdictions that set minimum conditions that must be satisfied by all employment relations including severance pay and notice of layoff. Although older workers generally benefit from EPL in the same way as other age groups, severance pay and notice of layoff regarding permanent layoffs are often linked to seniority.<sup>40</sup> However, in most cases layoffs are considered to be temporary and thus, notice requirements are not compulsory for most job losers in Canada (Abe *et al.*, 1999). In fact, the OECD indicator of the overall strictness of employment protection for regular employment, based on several different measures (including notice period, severance pay and definition of unfair dismissals), ranked Canada as being one of the least strict among all OECD countries – only the United Kingdom and the United States were ranked lower (OECD, 2004a).

The significance and magnitude of the role of EPL on aggregate employment and unemployment rates remains mixed in both theoretical and empirical studies (OECD, 2004a). However, empirical studies do suggest that strict EPL reduces employment rates among youth and prime-age women. With respect to older workers, the evidence is also mixed – an increase in hiring rates as a result of loose employment protection may be offset by increased turnover.

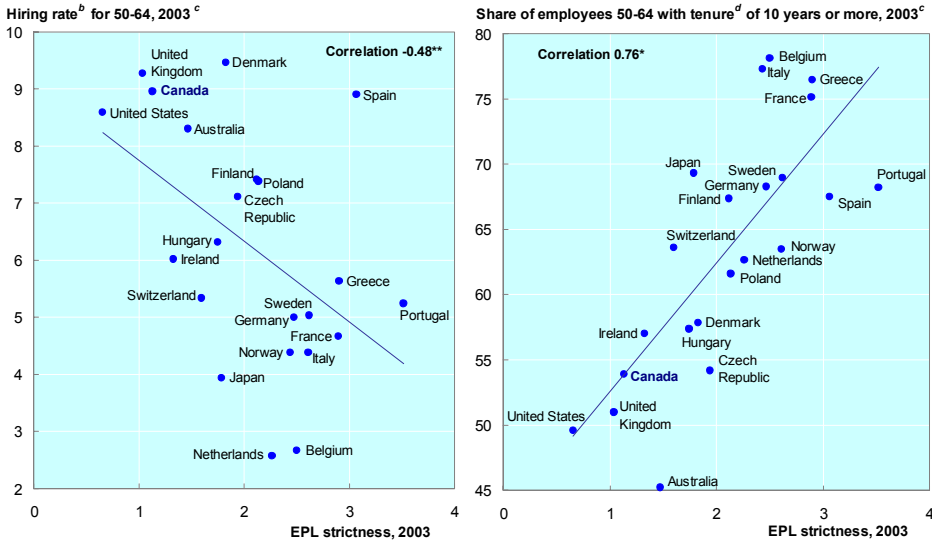
Daniel and Siebert (2004) in a cross-country comparison of firms in Belgium, the Netherlands, Italy, the United Kingdom and the United States find that strict employment protection reduces the age dispersion of recruits. In addition, the authors find that average tenure increases strongly with employment protection. Indeed, a simple bivariate analysis reveals a significant negative correlation between the hiring rate among older workers and EPL strictness, and a corresponding significant positive relationship between the share of older workers with tenure greater than ten years and EPL strictness (Figure 4.2).

---

40. The rules vary by federal and provincial jurisdiction.



Figure 4.2. **EPL strictness and the hiring rate and tenure of older workers in selected OECD countries<sup>a</sup>**



\*, \*\* indicate statistically significant at 1% and 5% level, respectively.

- The overall EPL strictness in 2003 is based on individual dismissals of regular workers (e.g. notice period; severance pay; and unfair dismissals) as well as rules for temporary workers and dismissals according to collective agreements.
- The hiring rate is defined as the share of employees aged 50-64, with tenure less than one year in their current job, among employees aged 50-64 with any tenure, in percent.
- Job tenure and hiring rates for older workers refer to 2003, except for Australia and the United States for which data refer to 2004.
- The number of employees aged 50-64 with a job tenure of ten years and more *divided by* the number of employees aged 50-64 with any job tenure, in percent.

Source: For job tenure and hiring rates, Australian Bureau of Statistics, Labour Mobility Survey; Statistics Canada, Labour Force Survey; Ministry of Labour, Basic Survey on Wage Structure, for Japan; US Department of Labor, Bureau of Labor Statistics, Job Tenure Supplement to the Current Population Survey; and Eurostat, European Union Labour Force Survey, for other countries. For EPL strictness, see OECD (2004a), *Employment Outlook*, Chapter 2, Paris.

With respect to Canada, the relatively lax EPL appears to have resulted in comparably high hiring rate for workers aged 50-64. Note, however, this does not negate the possible existence of negative employer attitudes towards older workers and the presence of age discrimination.

## **B. *Employer attitudes and age discrimination***

Older workers are often viewed by employers as being less productive, lacking flexibility, prone to ill-health and so forth. Attitudes of this nature may manifest themselves in employer practices which could lead to lower rates of hiring and training of older workers relative to younger workers.

Gibson *et al.* (1992) find, for example, that managers believe older workers are “stuck in their trades, are unfamiliar with new technologies, are afraid of new technology, have failed to keep up, are resistant and fearful of change, are unable to make dramatic career changes, and are slow to learn”. Indeed, technological change and older workers’ inability to adapt to change is a recurring stereotype. In fact, while some other studies reveal generally favourable attitudes towards older workers as regards communication and mentoring, attitudes are less favourable concerning the ability and the motivation of older workers to adapt to technological change (Marshall, 1996; Underhill *et al.*, 1997).

These attitudes may explain why, in a national survey of employers, between 25% and 43% of the respondents (depending on region, industry and company size) indicated that there was an age – which varied on average between 55 and 61 years – at which the employer considered a candidate to be too old to be hired by their company (Underhill *et al.*, 1997).

Attitudes of this nature can lead to age discrimination which can make it difficult for older workers to remain in work or find a new job. This is not to say that all employers discriminate against older workers based upon age. However, there is a case to be made to update the evidence regarding employer attitudes *vis-à-vis* older workers in Canada.

### *Age discrimination in Canada*

The Canadian Human Rights Act and provincial human rights codes forbid age discrimination in employment — with exceptions in some cases regarding mandatory retirement (see the following section). The responsibility for age discrimination legislation in Canada is divided between the federal and provincial governments. Control over labour and human rights rests principally with the provinces, although the federal government has jurisdiction over matters of national interest, *e.g.* transportation. There is also the federal Charter of Rights and Freedom which takes precedence over other federal and provincial laws.

Age discrimination is not always overt or easily measured, especially at the recruitment phase. It is often easy for employers to cite lack of education or technical competence as reasons for not recruiting or promoting an older worker. However, the number of age discrimination cases in Canada is very limited. For example, in 2003 approximately 10% of discrimination cases dealt with age, a relatively low share compared to, for example the United States where nearly one-fifth of all cases are age-related (Canadian Human Rights Commission, 2004; and OECD, 2005c). In fact, most age discrimination complaints in Canada are abandoned, withdrawn or dismissed (Gunderson, 2003).

This does not mean necessarily that ageism is not a problem for older workers in Canada. For example, a recent evaluation of the Older Workers Pilot Projects Initiatives in British Columbia revealed that 65% of respondents cited that employers did not hire older workers because of age – the most frequent mentioned employment barrier. Qualitative research on the Older Workers Pilot Projects Initiatives undertaken across the country also reveals a series of older workers' perceptions about ageism in employment and training (see also Chapter 5).

In sum, the evidence of age discrimination is somewhat mixed. And, while it is considered to be less of a problem in Canada than other types of discrimination, most notably discrimination on the grounds of gender and race, given the forecast demographic trends, age discrimination in employment could take on greater significance in the future.

### **C. *Mandatory retirement***

While the various federal and provincial human rights codes forbid age discrimination in employment, some limitations exist, notably as regards individuals aged 65 years and older. First, mandatory retirement still exists in four provinces (Ontario, British Columbia, Saskatchewan and Newfoundland and Labrador).<sup>41</sup> Therefore, in these provinces, employers can require employees to retire at age 65 and employees cannot challenge this practice. Second, only the federal civil service, Manitoba and Québec have outlawed contractual mandatory retirement or forced retirement of workers aged 65.

---

41. Mandatory retirement is still permitted for justifiable circumstances, e.g. fire fighters or airline pilots.

The dynamics between mandatory retirement and workplace practices are complex. There are several arguments put forward in favour of mandatory retirement. First, some proponents have argued that it creates employment opportunities for younger workers. As recently as December 2003 Buzz Hargrove, president of the Canadian Auto Workers union, stated that mandatory retirement provides “the opportunity to allow younger workers to replace older workers”.<sup>42</sup> Second, it allows employees the possibility to leave employment with dignity rather than being let go because they can no longer perform the tasks required of them. Third, in a system where earnings are the result of an implicit contract between the employer and the employee such that wages depend on age or length of service, *i.e.* seniority, rather than an individual worker’s performance, mandatory retirement places a cap on the period when wages exceed marginal productivity of older workers. Moreover, monitoring individual effort and productivity is costly (Lazear, 1979). Fourth, it has been argued that mandatory retirement should be an acceptable workplace practice if it is freely negotiated as part of a collective agreement between employers and employees. Finally, it has been argued that abolishing mandatory retirement is unlikely to have a significant effect on the age of retirement since most workers leave the labour market well before the age of 65.

However, a strong case for abolishing mandatory retirement can also be put forward. First, mandatory retirement has not helped solve youth employment problems. Second, there is little evidence to suggest that older workers in most occupations, at least those in employment, are any less productive than younger workers (Oliveira Martins *et al.*, 2005; Sterns *et al.*, 1996; and HRDC, 1999). Third, given that workers exit the labour market well before the age of 65 and that abolishing mandatory retirement is unlikely to raise the effective retirement age, the issue of overpayments to workers working past the age of 65 is unlikely to be significant. Fourth, collective agreements between employers and employees do not necessarily represent the views of all employees, and this may prevent some workers who wish to work longer from doing so.<sup>43</sup>

There is not so much evidence on the employment impacts of mandatory retirement. However, Shannon and Grierson (2004), using control groups where mandatory retirement have remained legal in Canada, find no significant impact on the employment probabilities of individuals aged 65-69.

---

42. See [www.globalaging.org/elderrights/world/hargrove.htm](http://www.globalaging.org/elderrights/world/hargrove.htm).

43. Note that 32% of employees in Canada are covered by collective bargaining agreements (OECD, 2004a).

#### **D. *Age-related earnings***

In many countries, wages tend to initially increase with age – a pattern that may reflect productivity gains associated with experience. However, the age profile of earnings may be the result of an implicit contract between the employer and the employee such that wages depend on age or length of service, *i.e.* seniority, rather than an individual worker's performance. Accordingly, wages would increase in line with seniority in order to enhance an employee's commitment to the firm. This practice can serve to encourage greater work effort and commitment from workers, especially when it is difficult for firms to monitor work effort. But, in such a system, wages will eventually rise above a worker's productivity after initially being below it, which partly explains employers' incentive to encourage early retirement (Lazear, 1979).

In Canada, however, age-earnings profiles start to flatten rather early, at age 45-49 for men and age 40-44 for women (Figure 4.3). Moreover, in comparison with other OECD countries, earnings for men rise at a slower pace (with the exception of Australia), and decline moderately after the age peak in earnings. Among women, the age-earnings profiles fall faster than in the other countries shown in Figure 4.3. Consequently, it appears that steep age-earnings profiles do not pose much of a burden in the Canadian context.<sup>44</sup>

#### **E. *Work limitations and employee absence***

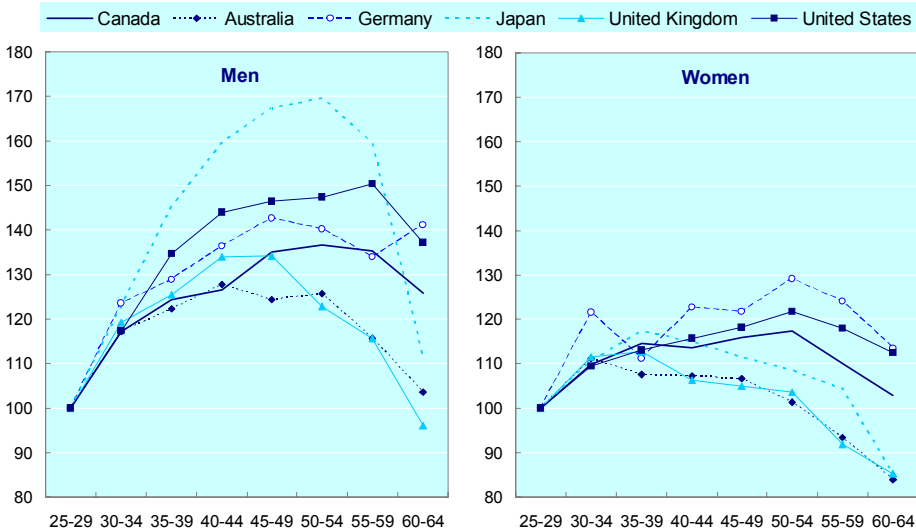
These age-earnings profiles may underestimate the rise in effective labour costs with age if, for example, older workers are more absent from work than younger workers. As it turns out, older workers, on average, are not significantly more absent than prime-age workers (Figure 4.4). However, while the incidence of total absence is very similar across age groups, full-week absence is somewhat higher for older men overall and for older women for reasons of illness or disability. For absences due to own illness or disability, older workers are only slightly more absent (5% and 6.6% for men and women, respectively) compared to their prime-age counterparts (4.4% and 5.8%, respectively). The distribution of partial and full absences by reason is quite similar across age groups.

---

44. Note that an international comparison of age-earnings profiles controlling for education, if available, would be more insightful.

Figure 4.3. **Age-earnings profiles of full-time workers by gender in selected OECD countries, 2002<sup>a</sup>**

Earnings of 25-29-year-olds = 100

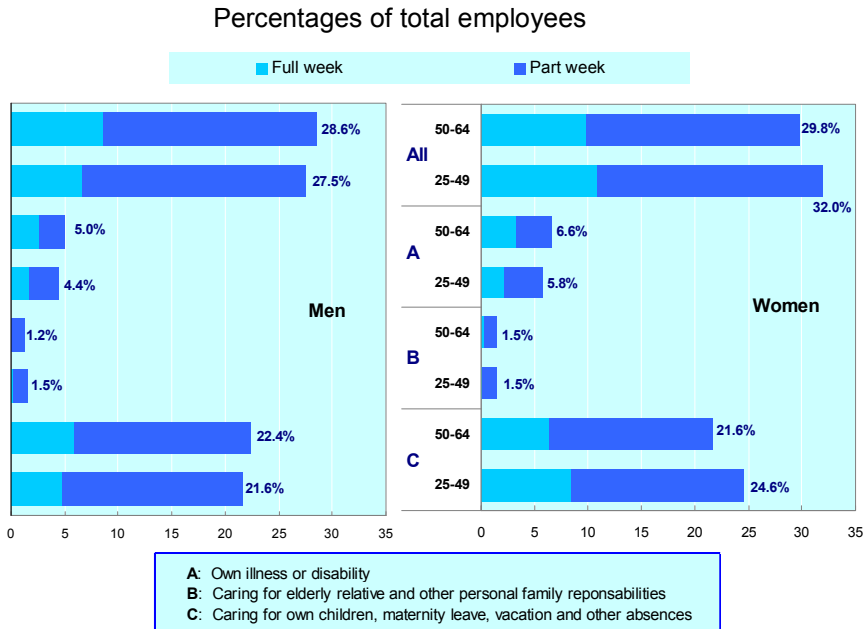


- a) Data for Canada refer to 2003 annual average weekly earnings of full-time employees. Data for Germany refer to 1998 and for the United States to an average over 2001-03. Source: OECD estimates derived from Australian Bureau of Statistics, Career Experience Supplement to the Labour Force Survey; Statistics Canada, Labour Force Survey; German Socio-Economic Panel; Ministry of Health, Labour and Welfare, Japanese Basic Survey on Wage Structure; United Kingdom Labour Force Survey; US Department of Labor, Bureau of Labor Statistics, Current Population Survey; and Blöndal *et al.* (2002) for the other countries.

There are much larger differences, however, in the incidence of workers with some form of activity limitation. For instance, in 2001 the share of employed persons aged 55-64 with an activity limitation, at 18%, was double the rate found in the age group 25-54.<sup>45</sup> Moreover, in 10 of the 13 provinces or territories, more than 20% of employed persons report an activity limitation or long-term disability.

45. OECD estimates based upon the 2001 Census of Canada. There may be a problem of selection bias since those older workers with health problems may no longer be working.

Figure 4.4. Incidence of absence for employees by full/part week, gender, age and reason in Canada, 2003

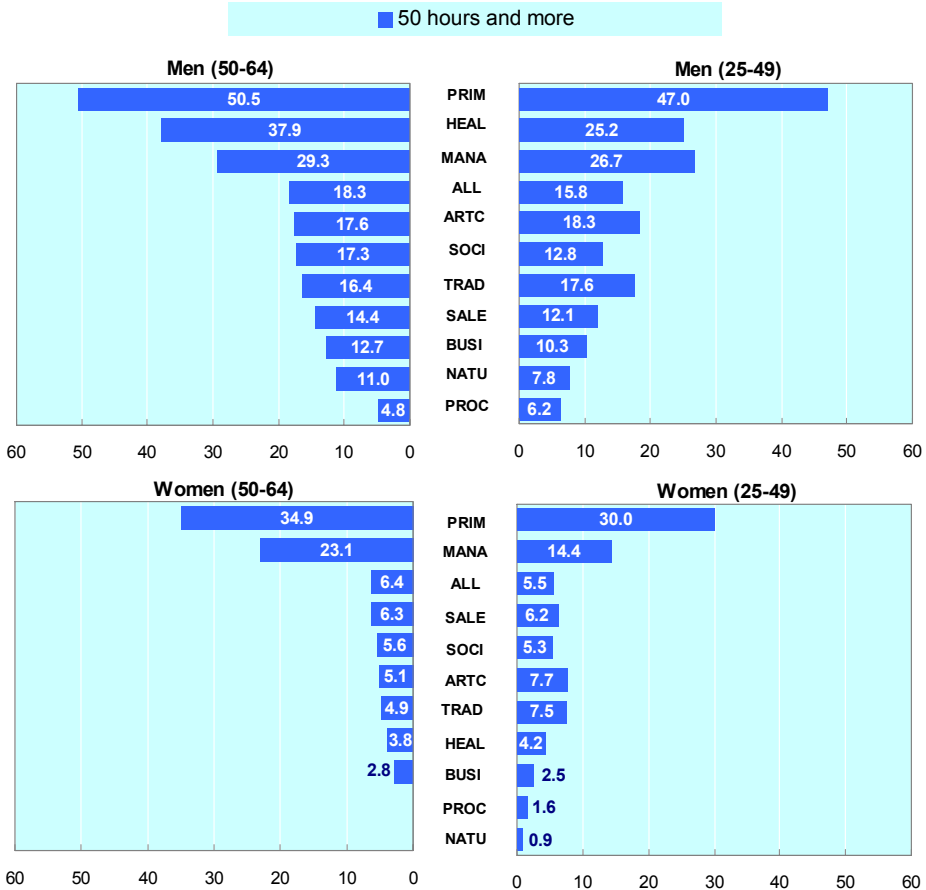


Source: Statistics Canada, Labour Force Survey.

The incidence of long hours and poor working conditions will undoubtedly impact the share of employed persons suffering from an activity limitation. With respect to the former, Chapter 2 demonstrated that older workers in Canada are not working long hours compared to many other OECD countries. Nevertheless, the share of older workers working more than 50 hours in certain occupations is cause for some concern (Figure 4.5). Indeed, while fewer older workers are working between 40 and 49 usual hours per week compared to prime-age workers, the reverse is often true with respect to 50 or more hours per week. For example, in primary industry-related occupations more than 50% and 34% of older men and women, respectively, are working more than 50 hours per week compared to 47% and 30% among prime-age workers. There are also nearly 38% of older men working more than 50 hours in health occupations compared to one-quarter among prime-age men. While long hours of work may eventually push older workers into retirement, the nature of the tasks undertaken and the conditions under which they are performed may have a greater impact on work-related ill-health. However, the evidence in Canada regarding poor working conditions is quite limited.

Figure 4.5. **Share of prime-age (25-49) and older workers (50-64) working more than 50 hours per week in Canada, 2003<sup>a</sup>**

Percentages by gender and occupation



**ARTC:** Art, culture recreation and sport  
**BUSI:** Business, finance and administrative occupations  
**HEAL:** Health occupations  
**MANA:** Management occupations  
**NATU:** Natural and applied sciences and related occupations  
**PRIM:** Unique to primary industry  
**PROC:** Unique to processing, manufacturing and utilities  
**SALE:** Sales and service occupations  
**SOCI:** Social science, education, government service and religion  
**TRAD:** Trades, transport and equipment operators and related occupations

a) Occupations are sorted by descending order of the share of older workers working more than 50 hours per week.

Source: Statistics Canada, Labour Force Survey.



### *Flexibility and working arrangements*

The incidence of ill-health is a major concern for older workers and has implications on their desire to exit the labour market and indeed, their ability to carry on working. It may also have an impact on their productivity relative to younger workers and, if not reflected in their relative earnings, this could have a negative impact on their chances of finding and keeping a job.

As briefly discussed in Chapter 3, more flexible working arrangements can be a useful tool to raise labour market participation and can help to smooth work-retirement transitions, *i.e.* they may encourage an even greater number of older workers to remain in the labour market longer. Such arrangements can be particularly important for older workers who suffer from work-related ill-health due to excessively long hours worked in labour-intensive occupations.

Several guideposts can be useful for making progress (OECD, 2004a). Workers and employers should have considerable discretion to negotiate working-time arrangements in a decentralised manner. The workforce is very diverse and a one-size-fits-all approach to working hours is not desirable. This does not mean that general rules are not needed to structure this process or to enforce certain minimum standards, *e.g.* limits on maximum hours related to health and safety concerns which may be particularly relevant for older workers. Indeed, long hours of work may eventually push older workers into retirement. Therefore, more flexibility regarding working arrangements could play a key role alleviating work-related ill-health and help older workers remain in employment longer.

### **3. Measures to encourage the hiring and retention of older workers**

There is no single measure that would dramatically increase retention or hiring rates for older workers. Instead, there is a need for a broad set of policy measures which include: assessing the extent of age discrimination in employment; abolishing mandatory retirement; and, if necessary, launching information campaigns on the business case for employing older workers.

#### ***A. Assess the extent of age discrimination in employment***

Anti-age discrimination legislation gives a clear message that age discrimination should not be tolerated. However, based on, among other things, the few cases of complaints, either Canadian employers do not discriminate very often against older people (which is inconsistent with the limited evidence

on the recent views of older workers *vis-à-vis* employer practices) or age-discrimination legislation is not functioning in a satisfactory way. Consequently, in order to resolve the matter, it would be important to assess more fully the extent to which older workers feel discriminated against and may be reluctant to file complaints of age discrimination.<sup>46</sup>

Even within the existing legislative arrangements, there may be scope for raising the overall knowledge and awareness among employees and employers – both on how to file a complaint and on how to comply with existing legislation in hiring and firing practices.

### **B. Abolish mandatory retirement**

Pension entitlements, alternative pathways to early retirement, suitable training opportunities and other demand- and supply-side factors, all help to explain the decline in the effective retirement age. Shannon and Grierson (2004) rightly point to the fact that the trend towards early retirement in the past has reduced the demand for delayed retirement. However, the practice of mandatory retirement is not consistent with strategies to address the challenges of population ageing. In fact, Morissette *et al.* (2004) find that nearly 12% of recent retirees would have continued working in the absence of mandatory retirement. In addition, mandatory retirement reduces the working lives significantly of immigrants who have had less time to accumulate savings, a point which is accentuated by the fact that immigrant wages are lower, across similar cohorts, upon first entering the labour market (Grant and Grant, 2002).

In abolishing mandatory retirement, it will be important to monitor any adverse effect on the costs and delivery of defined-benefit schemes which often have an age-related component.<sup>47</sup> At the same time, it will be important to maintain the Bona Fide Occupational Requirements/Qualifications that specify

---

46. For example, in Australia in 2001 the Equal Opportunity Commission of South Australia undertook a series of focus groups “Age Limits: Age-related discrimination in employment affecting workers over 45”, with the intention of exposing the existence of age discrimination in employment affecting older workers and to identify the nature of discrimination experienced by these workers.

47. The risk is that if individuals are able to accrue rights beyond the mandatory retirement age, pension costs could rise to a level that could result in the closure of many such schemes.

conditions under which employers can set legitimate qualifications for specific occupations.

### ***C. Update evidence regarding employer attitudes and perceptions***

Legislation may not be sufficient on its own to tackle any existing age discrimination. Without lessening the role of legislation, measures such as continued active collaboration with the social partners and further education in the workplace and championing good practice among employers could also help in moving towards this objective as shown by examples from some other countries (Box 4.1). As Manitoba's experience with the Older Workers Pilot Projects suggests, a strategic marketing plan may be required to encourage employers to hire older workers and to dispel some of the myths related to the employability of these workers. However, before launching such a strategy, it may be prudent to first update existing information regarding employer attitudes *vis-à-vis* older workers.

#### **Box 4.1. Some examples of promoting best practices and age diversity**

**Age Positive Campaign and Code of Practice on Age Diversity:** in the United Kingdom, the Age Positive campaign aims to tackle age discrimination and to promote age diversity in the workplace by seeking to recognise and influence the attitudes and practices of both employers and their staff towards older workers. Launched in December 1999, the government uses the campaign to raise awareness of the business benefits of Age Positive practices, particularly among Human Resources and recruitment professionals, *via* media award schemes and intensive media relations.

The government of the United Kingdom also launched the Code of Practice on Age Diversity in Employment in June 1999. Although it is non-statutory, the Code sets the standard for non-ageist approaches to recruitment, training and development, promotion, redundancy and retirement.

**50+ Age Can Work – A Business Guide for Supporting Older Workers:** in Australia, to better recognise the business value of attracting and retaining older workers, the Business Council of Australia (2003) released guidelines to encourage larger employers to retain older workers. As part of these guidelines, a set of key questions were addressed to chief executive officers, managers and human resource teams, which can be summarized as follows: *i)* how old is your work force; *ii)* what is the retirement intentions of your work force; *iii)* where will your workers come from in the future; *iv)* will your company be able to attract and retain skilled workers; *v)* what is the business case for supporting the participation of older workers in your company; *vi)* who will be your customers in the future and what will they demand; *vii)* does your employment strategies discriminate against older workers; *viii)* how will you maintain the skill and experience throughout the company over time. These questions aim as a first step to help companies to better understand their current and future situation in terms of population ageing.

## D. *Promote better work practices*

### *More and better information*

There is a need to improve the evidence base on the impact of different types of work arrangements on the health of older workers and their plans for retirement. In particular, the Workplace and Employee Survey could be modified to capture information regarding working conditions, notably unpleasant tasks, heavy lifting and so forth. In this respect, the Finnish Quality of Work Life Survey that was launched as early as in 1977 or the European Survey on Working Conditions may serve as possible examples (see Box 4.2). However, to better link current working conditions to the decision to retire, a more longitudinal approach might be envisioned.

#### Box 4.2. **Measuring working conditions**

**The Quality of Work Life Survey:** the objective of this survey, among others, is to gather information on Finnish people's views about their working conditions and how they have changed over time. In particular, the survey attempts to measure such things as: Physical work environment (vibration, noise, heavy lifting, accidents at work, etc.); Mental and social work environment factors (monotony, time pressure at work, possibility to influence own work, etc.); Health and stress symptoms (long-term illness, recurring aches and pains, sleep difficulties, reluctance on leaving for work, experience of illness and accident risks).

**The European Survey on Working Conditions:** these surveys provide an overview on the state of working conditions throughout Europe, as well as indicating the nature and content of changes affecting the workforce and the quality of work. A wide range of information on working conditions is available from the survey including: Physical factors (e.g. exposures to vibrations, noise, painful positions, etc.); Working time (e.g. hours worked per week, commuting time, forms of shift work, etc.); Work organisation (e.g. repetitive tasks, pace of work, learning new things, etc.); Skills and job-match (e.g. too high/ low demands, received training, etc.); Psychosocial factors (e.g. exposure to violence, different forms of discrimination); Outcomes (e.g. health or safety risks at work, absence, etc.); and Job satisfaction (e.g. degrees of satisfaction and the ability to continue in the same job at the age of 60).

### *Adjusting workplace practices*

Given that in the future, skills and knowledge may be increasingly difficult to replace, it is imperative to make workplaces more attractive for older workers in order to encourage them to remain active longer. Both government and employers have a role to play in introducing more flexible workplaces.

As Chapter 3 illustrated, assessment at an early stage would help prevent the onset of a health condition leading to the loss of a job (and eventual disability status) or promote a prompt return to employment. However, the factors that affect a return to work for people with health conditions and/or impairments are still not fully understood. Nevertheless, there are some guidelines to developing an effective vocational rehabilitation programme. First, as mentioned, early intervention is crucial and vocational rehabilitation should be critically linked, where appropriate, with medical rehabilitation. Second, services should be individualised as much as possible. Third, the goal of vocational rehabilitation – a return to employment – needs to be clearly identified and established. Finally, rehabilitation services should operate as part of an integrated network. Employers, in particular, need good access to relevant advice and support services. In this context, New Zealand’s new project that will provide support and information to employers that will help them hire and retain staff with ill-health or a disability may serve as a good example.

At the same time, in order to reduce the risk that all workers, notably older ones, exit the labour market for reasons of poor health, more preventative measures are required, *e.g.* making jobs less arduous, staggered hours, shift-swapping and job-sharing. For example, only 1% of older workers are working reduced work weeks due to job-sharing, compared to 2% among prime-age workers.<sup>48</sup>

The National Programme on Ageing Workers in Finland which set into action a series of measures seeking to improve employment prospects for workers aged 45 and above, including a number of workplace practice initiatives, could serve as a good example (Box 4.3). In fact, Finland recorded a substantial increase in the employment rate of older workers over the past decade. While not all of the rise can be attributed to the National Programme, it mostly likely helped (OECD, 2004c). The Work Life Balance programme in the United Kingdom which offers financial support to employers adopting flexible working pattern may also serve as a good example. And, as both examples illustrate, to ensure successful outcomes it will be critical to involve employers who have a key role to play in adapting workplace practices. Working conditions that accommodate the needs of a growing number of older workers should help reverse the tendency to early exit from the labour market.

---

48. OECD estimates based upon calculations derived from the Workplace and Employee Survey.

### Box 4.3. The National Programme on Ageing Workers in Finland

**Background:** during the 1990s, the Finnish economy went through dramatic changes that resulted in historically high unemployment rates and a substantial change in the demand for labour. The situation called for radical change, especially for older people. As a result, in 1996, the IKOMI committee proposed a 40-point programme to improve employment conditions (over the period 1998-2002) for people above 45 years of age. The committee proposal resulted in the National Programme on Ageing Workers.

**Objectives:** the IKOMI committee grouped their 40-point programme into three main areas: *i)* development of working life; *ii)* promoting a return to work; and *iii)* reforms of pension and other social protection. The objectives of the programme were framed at several levels: the individual level (e.g. work ability); the work place (e.g. workplace characteristics and working environment); working life and labour market (e.g. employment requirements and reasons for unemployment); and system factors (e.g. pensions, labour market legislation, occupational health and safety). Overall, the programme sought to help people aged 45 years and over to stay in work and to be better equipped to find a job if unemployed.

**Measures taken:** in the initial phase, measures were concentrated on legislative amendments and information campaigns. The middle phase (1999-2000), focused on research and development projects while the final phase concentrated on management training and development of the workplace.

More specifically, the programme made use of:

- Information campaigns to influence the whole population, but especially older people and employers, by using easily read information in public areas, newspapers, radio, TV and internet.
- Training to improve the skills of adults with an incomplete basic education.
- Improving the working capacity of the labour force, by putting a greater emphasis on health and safety at work and new rehabilitation methods also played an important role.
- Research programmes were developed to provide enterprises with tailored development plans to produce good practices and models for general use, but also to create new training methods for older workers.
- Legislative changes to the Occupational and Health Care Act specified that working arrangements – in terms of working hours, rest periods, fixed-term contracts, part-time work and safety at work – must be based on the needs of the workplace.



## *Chapter 5*

### **STRENGTHENING OLDER WORKERS' EMPLOYABILITY**

Encouraging older workers to remain in the labour market will depend crucially on their employability. This will mean ensuring that their skills are updated on a regular basis. It will be equally important to ensure that unemployed and inactive older workers have access to suitable active labour market programmes to help them find jobs and rejoin the labour market. The employability of older workers will also be affected by the opportunities that are available to them to undertake alternative work arrangements, such as self-employment. Each of these aspects is examined in turn in this chapter.

#### **1. Education and training levels of older workers**

##### ***A. Formal education: a key to higher participation rates***

Human capital plays a key role in the process of economic growth and is an important determinant of individuals' employment prospects. Indeed, Table 5.1 illustrates that labour market outcomes are linked to educational attainment, *i.e.* labour force participation and employment rates of older and younger workers increase with educational attainment, while unemployment rates decline.



Table 5.1. **Labour market outcomes and educational attainment by gender and age in Canada, 2003<sup>a</sup>**

Percentages

		Labour force participation rate			Employment rate			Unemployment rate		
		Low	Mid	High	Low	Mid	High	Low	Mid	High
Men	25-49	88.7	94.1	94.0	81.0	88.7	88.7	8.7	5.8	5.7
	50-54	83.4	90.1	91.8	77.2	85.3	87.4	7.3	5.4	4.7
	55-59	69.7	78.2	80.5	64.1	73.1	76.3	8.0	6.6	5.1
	60-64	48.6	54.1	56.2	45.1	49.7	53.1	7.1	8.0	5.5
Women	25-49	73.5	85.5	86.1	67.3	80.6	81.2	8.4	5.7	5.7
	50-54	68.7	81.2	85.9	64.0	76.4	83.5	6.9	6.0	2.6
	55-59	53.0	65.5	68.5	49.7	61.6	66.1	6.2	6.0	2.9
	60-64	26.0	39.3	42.5	24.4	37.3	41.0	6.4	4.1	n/a

a) *Low* refers to less than upper secondary, *Mid* to upper secondary, and *High* to tertiary level of educational attainment.

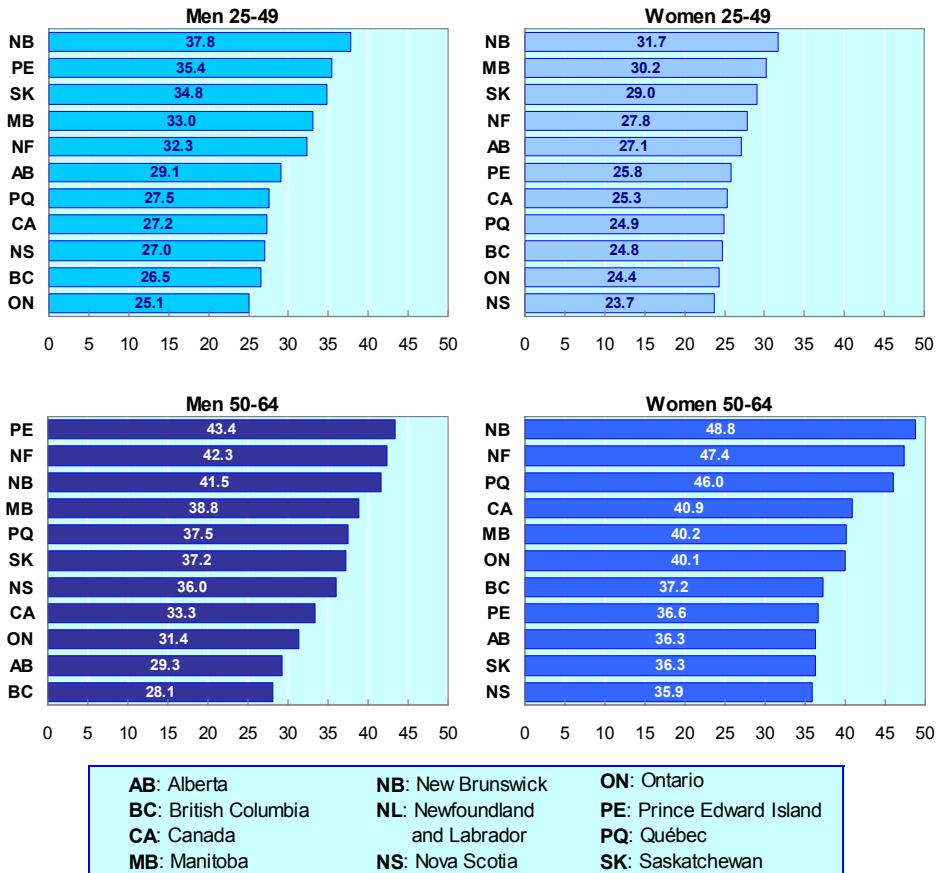
Source: Statistics Canada, Labour Force Survey.

### *Educational attainment is high in Canada but large disparities exist*

Compared to most other OECD countries, Canadians are generally well educated in terms of the share of workers having completed a tertiary level of education – it is the second highest country for older workers and the highest for prime-age workers. Moreover, the average education level of older workers is likely to rise further in the future. However, this is not a good reason to forgo attempts to upgrade further the skill levels of Canadians. First, there exist significant gaps in educational attainment by age and region, and to some extent by gender. For example, among men and women, the share of individuals holding less than upper secondary education rises from 27% and 25% for men and women aged 25-49, respectively, to more than 33% and 40% among older men and women (Figure 5.1). Provincial disparities are also important, with three provinces from Eastern Canada having the highest share of older workers with less than upper secondary education. Second, because of rapid technological change, continuous upgrading and skills and learning is important, irrespective of each worker's initial level of formal education.

Figure 5.1. **Educational attainment by gender, age and province, 2003**

Percentage share with less than upper secondary level of education



Source: Statistics Canada, Labour Force Survey.

**B. Adult education and lifelong learning activities**

Adult learning can help sustain and increase employability and, in doing so, plays a fundamental role in addressing any initial inequalities in formal education qualifications among the adult working-population. However, individuals need to be given the opportunity and motivation to upgrade skills throughout the life-course. Two approaches to adult learning appear to dominate (OECD, 2002). The first is a more pedagogical approach, which assumes that a strong basic education will form the basis and impetus for individuals to

continue to acquire, independently, education and knowledge throughout their lives. A second approach entails accommodating education and learning programmes to the needs of the adult population. Namely, while training should be tailored as much as possible to the different needs and skills of each individual, special efforts may be needed to target the growing cohort of older individuals, whose needs differ from their prime-age counterparts. For example, in Finland, Ilmarinen (2002) finds that the speed of training for older workers is an important factor since the time required for learning and understanding new terms and finding information from manuals is longer for older people.

### *Overview of adult education in Canada*

In Canada, the provinces and territories are responsible for the delivery of education and, as a result, there is no national or federal department of education, although Human Resources and Skills Development Canada (HRSDC) has some responsibility for training.<sup>49</sup> There is also the Council of Ministers of Education (CMEC) which is a mechanism through which ministers consult and act on matters of mutual interest, and the instrument through which they consult and co-operate with national education organisations and the federal government.

As a result, adult education is delivered *via* an array of providers, but principally through four main pathways: provincial institutions of education (colleges and universities, community colleges, etc.), voluntary or community associations, training for the unemployed and workplace education. Consequently, the primary roles of the federal government are to provide financial resources to the provinces and territories through measures including the Canada Social Transfer, and to provide promotion and support for various initiatives.

### *Basic skills and literacy*

As the first approach to adult learning stresses, it is imperative that individuals have good basic literacy skills since they will then be more likely to receive training from employers or undertake training on their own initiative. Indeed, small improvements in literacy can have positive long-run effects on labour productivity and GDP per capita (Coulombe *et al.*, 2004).

---

49. HRSDC provides for training through the Employment Benefit and Support Measures as part of the EI programme (see Section 2).

The federal government is supporting a variety of initiatives, notably the National Literacy Secretariat and the Essential Skills and Workplace Literacy Initiative (Box 5.1).

**Box 5.1. Some federal government-supported literacy initiatives**

**The National Literacy Secretariat (NLS)**, part of HRSDC, works to promote literacy as an essential component of a learning society. It works in partnership with the provinces and territories and other social partners with the objectives of:

- developing learning materials and methods;
- improving access and take-up in literacy programmes;
- increase understanding of literacy issues through promotion and public awareness;
- coordination and information-sharing;
- applied literacy research.

Since 1988, the NLS has funded over 5 000 projects in order to meet these objectives.

**The Essential Skills and Workplace Literacy Initiative** helps workers, employers and literacy practitioners to assess learning needs and develop tailored approaches to workplace literacy and essential skills. The initiative's goal is to enhance the skill levels of Canadians by increasing awareness and understanding of Essential Skills, supporting the development of tools and applications, building on existing research, and working with other government programmes.

**The National Adult Literacy Database (NALD)** is a federally incorporated, non-profit service organisation and network providing comprehensive information on adult literacy programmes and activities across Canada. In particular, it provides things such as data, referrals, learning models to teachers, volunteers, and programme administrators on literacy programmes throughout Canada. The principal means through which NALD achieves these objectives is through its toll-free number, website and quarterly newsletter.

**ABC Canada Literacy Foundation**, a partnership of business, labour, educators and government, is a national charity committed to promoting literacy to the general public and to the private sector.

While the importance of adult basic education is well recognised in Canada, and there is a general awareness that many individuals, especially older workers, have poor literacy skills, basic literacy programmes appear to be under-provided. Part of the problem appears to stem from the waning of federal

government funding towards adult education in the mid-90s (OECD, 2002). It also appears that current programmes are slow-paced (OECD, 2004b).<sup>50</sup>

### *Lifelong learning*

Although the current federal government has emphasised the importance of promoting lifelong learning, only one national programme currently exists. In 1998, the federal government introduced the Lifelong Learning Plan (LLP), which allows individuals to withdraw up to CAD 10 000 per year, and up to a cumulative maximum of CAD 20 000, from their RRSPs to finance full-time training or education. Funds are not subject to a withholding tax provided they are repaid to the RRSP account over a period of no more than ten years after the completion of studies.

Eligibility for the LLP is rather strict. The LLP student must enrol full-time in a qualifying educational programme, though students with disabilities who attend part time can still use the LLP. A qualifying educational programme is one that lasts three consecutive months or more and requires a student to spend 10 hours or more per week on courses or work at a designated educational institution.<sup>51</sup>

Follow-up evaluations of the programme are quite limited. There is only data on cumulative withdrawals, *i.e.* no annual data and there is no information gathered on the nature of the programmes undertaken. This may be due, in part, to the fact that the federal government views the programme as a no-cost initiative.

Limited data, as of 2002, reveal that with only 14 000 participants, take-up is rather modest. In addition, when comparing the number of LLP users across income groups, families with annual income over CAD 50 000 are one-third more likely to use the programme and the average LLP withdrawal increases rather markedly by family income. This is perhaps not surprising given the nature of the studies for which the programme is available, *i.e.* full-time

---

50. The government still provides support to adults for training through the Skills Development and Opportunities Fund.

51. A designated educational institution is a university, college, or other post-secondary institution, as well as institutions that provide or improve skills in an occupation, as certified by the Minister of Human Resources and Skills Development.

education. High-income earners may also be afforded more flexibility as regards work and leave time and are also perhaps more likely to undertake university or college-oriented programmes that last three months or more.

More recently, in 2004, through a funding agreement with HRSDC, the Canadian Council on Learning (CCL) was established. The CCL is a national, independent, not-for-profit corporation committed to improving learning across Canada. The CCL will share knowledge and information with learners, policy makers, decision makers, employers and partners with the principal aim of empowering the various partners to demand progress in learning and incite governments to take action. The CCL intends to achieve this through establishing a Knowledge Centre in each of the five regions of Canada. Each Knowledge Centre's theme will be based on the strengths and needs of each region, according to one of the following themes: work and learning; early childhood learning; adult learning; aboriginal learning, and health and learning.

### **C. *Training acquired through the workplace***

Skills acquired through training while in the workforce will enhance the employability of all individuals, but perhaps especially so for older workers, whose level of educational attainment lags behind those of their younger counterparts. As the population ages, so will the workforce and therefore, workplace training and upskilling of those already in employment will take on greater importance.

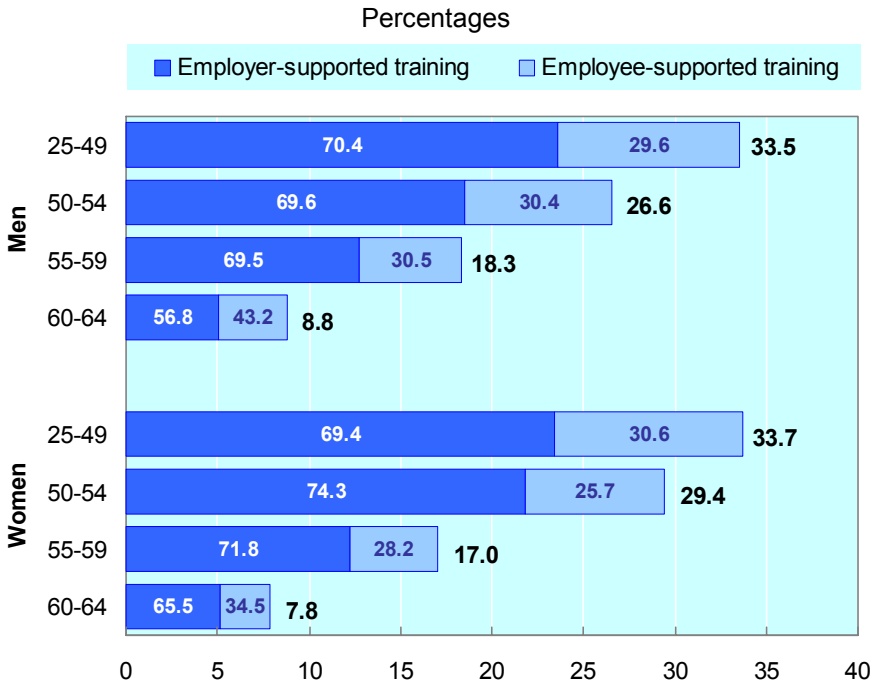
#### *Incidence of training declines with age*

Together with Statistics Canada, HRSDC carried out in 1993, 1997 and 2002 the Adult Education and Training Survey (AETS) designed to acquire knowledge of job-related training and education activities of Canadians. While data from 2002 reveal that training incidence since 1997 has increased across-the-board, *i.e.* by age group, education level and province, comparisons between the two surveys should be viewed with caution due to changes in how the data were collected (Peters, 2004).

In any case, training declines significantly with age (especially among older age groups) and education – a pattern that has persisted in all three survey years. In 2002, the incidence of job-related training among older men and women aged 50-54 – at around 26% and 29 %, respectively – lagged behind their prime-age counterparts by only 8 and 4 percentage points, respectively. However, among the older age groups, the incidence of training falls off steeply: among

older employees aged 60-64 it is only about 8% or nearly one-quarter the amount of training received by prime-age persons. Figure 5.2 also illustrates that the provision of adult education and training is now dominated (as it is in many countries) by employer-supported training. However, note that among the older age groups, the share of employer-supported training declines with age.

Figure 5.2. **Incidence of job-related training by gender and age in Canada, 2002<sup>a, b, c</sup>**

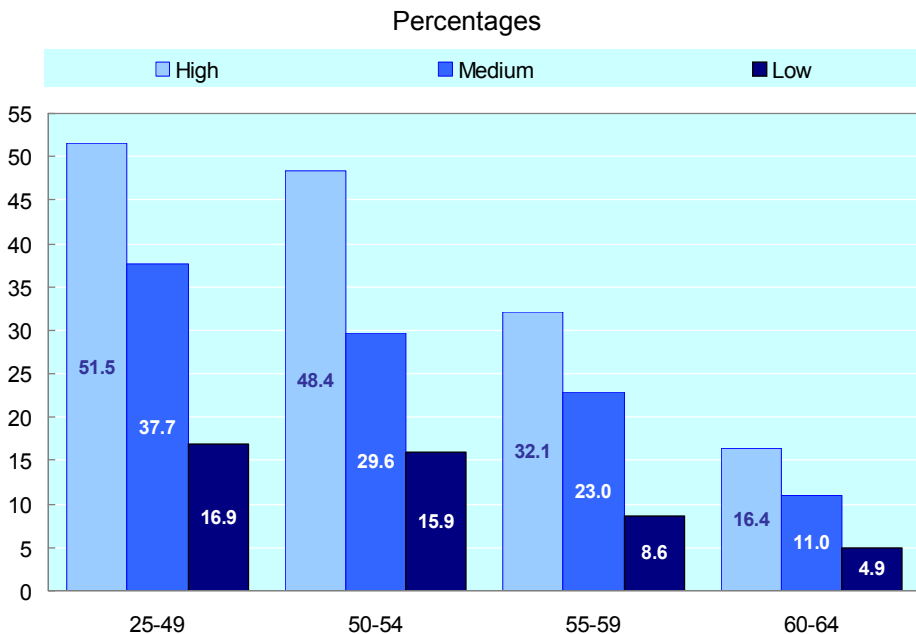


- a) Percentage of persons employed at some point during the reference period. Figures inside the bars represent the share of employer- and employee-supported training in total job-related training.
- b) Job-related training includes courses or programmes related to a worker's current or future job that occurred at least once in the reference year. These courses and programmes have a structured plan whereby a student, led by a teacher or trainer, follows a planned programme and receives some form of formal recognition upon completion, such as a certificate, diploma or degree.
- c) An employer is considered to have sponsored (or supported) a training activity if they have done any of a range of activities, including such things as providing the training, paying for the training (either directly or by reimbursing an employee), allowing the trainee to work a flexible schedule to accommodate training, or providing transportation to or from the training location.

Source: Statistics Canada, Adult Education and Training Survey, 2002.

The disparity between low-educated and high-educated individuals is quite stark – a pattern that is consistent across age groups (Figure 5.3). For example, almost half of university-educated individuals aged 50-54 received job-related training, a figure which drops to 16% among those with high school or less. For low-educated workers aged 60-64, the incidence of training drops to under 5%.

Figure 5.3. **Incidence of job-related training by age and education in Canada, 2002<sup>a, b, c</sup>**



- a) Percentage of persons employed at some point during the reference period. Figures inside the bars represent the share of employer- and employee-supported training in total job-related training.
- b) Job-related training includes courses or programmes related to a worker's current or future job that occurred at least once in the reference year. These courses and programmes have a structured plan whereby a student, led by a teacher or trainer, follows a planned programme and receives some form of formal recognition upon completion, such as a certificate, diploma or degree.
- c) *Low* refers to less than upper secondary, *Medium* to medium upper secondary and non tertiary, and *High* to tertiary level of educational attainment.

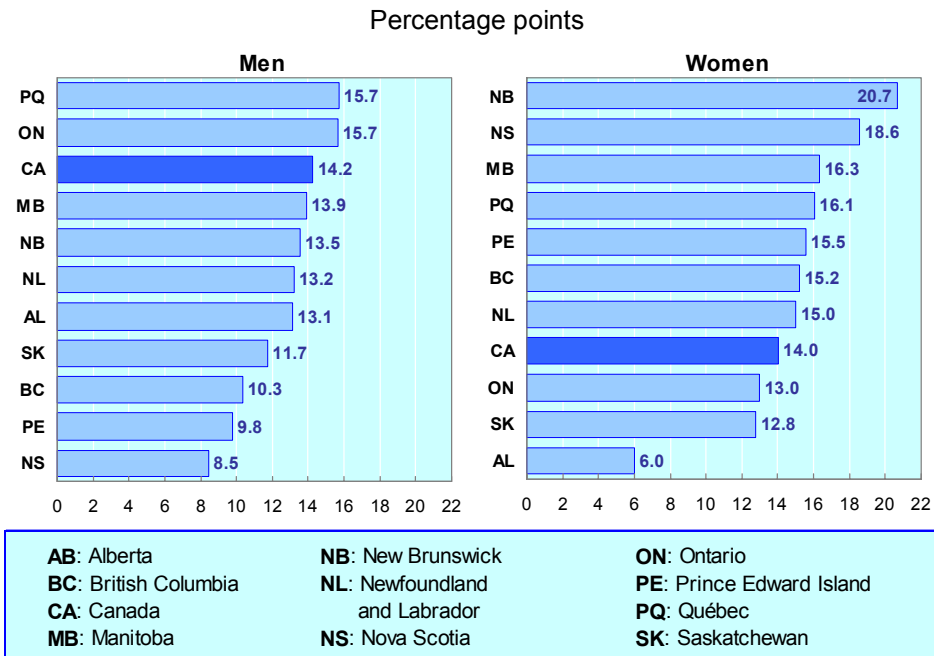
Source: Statistics Canada, Adult Education and Training Survey, 2002.

There are also great variations in the age gap of training incidence by province (Figure 5.4). The gap in training participation between prime-age and older men is greatest at 15.7 percentage points in the two largest provinces,



Ontario and Québec, compared to, for example, 8.5 percentage points in Nova Scotia. For women, however, four of the five provinces with the largest difference are located in Eastern Canada.

Figure 5.4. **Difference in the incidence of job-related training between prime-age (25-49) and older (50-64) workers by gender and province, 2002<sup>a, b</sup>**



- a) Percentage of persons employed at some point during the reference period. Figures inside the bars represent the share of employer- and employee-supported training in total job-related training.
- b) Job-related training includes courses or programmes related to a worker's current or future job that occurred at least once in the reference year. These courses and programmes have a structured plan whereby a student, led by a teacher or trainer, follows a planned programme and receives some form of formal recognition upon completion, such as a certificate, diploma or degree

Source: Statistics Canada, Adult Education and Training Survey, 2002.

### C. *Recent initiatives to promote workplace training and skill upgrading*

A number of initiatives to encourage job-related training have been taken recently, though not necessarily targeted towards older workers. In particular, the Workplace Skills Strategy was introduced in 2004.

### *Workplace Skills Strategy (WSS)*

WSS brings together, among others, employers and unions to develop a strategic plan for addressing future skill needs. It builds upon the already existing Sector Councils, but also introduces a number of new measures.

### Sector Council Program (SCP)

The SCP, an HRSDC initiative, works to establish Sector Councils which are permanent organisations that bring together various stakeholders including employers and trade unions from a given sector to deal with human resource issues and skill needs within that sector.<sup>52</sup> In particular, Sector Councils carry out a range of activities designed to improve opportunities for, and access to, skills development relevant to the demands of the workplace. They also undertake sector and occupational studies to forecast the supply and demand of skilled labour with a particular industry or occupation as well as measure the impact of changing technology, the need for skills upgrading and the adequacy of existing training.

Through the financing of 31 projects, the federal government plans to reinforce the Sector Council Program, in particular its role in assessing future skill requirements and labour shortages. The advantage of the Sector Councils is that it directly involves the employers and promotes active collaboration on the issue of workplace skills. In the context of the WSS strategy, a number of objectives were set for the Sector Councils:

- Define and anticipate skills and Human Resources issues;
- Promote lifelong learning in the workplace to help workers get the skills and knowledge needed in the changing economy;
- Encourage the learning system to be more responsive to the labour market;
- Facilitate mobility and labour market transitions; and
- Encourage the private sector to invest in solutions to skill challenges.

---

52. Currently, 29 sector councils operate in a variety of industries, from tourism, textiles and auto repair to emerging fields such as biotechnology.

## Prior Learning Assessment and Recognition (PLAR)

Part of the WSS will also support and strengthen the current activities of PLAR by increasing awareness, knowledge, and enhancing tools to assess individual learning and promote the recognition of workplace learning.

Under the WSS initiative, the federal government will fund a new multi-year research project to be undertaken by the Centre for Education and Work, a not-for-profit educational organisation affiliated with the University of Winnipeg. The project will seek to examine the effectiveness of PLAR as a long-term tool for employment transition, in particular workers affected by an economic downturn. It will also measure the effects of PLAR on career development and improved employability in the job market.

### Other initiatives

There are plans to provide matching funding over two years for union-based training centres. The funding will be used to purchase new equipment and machinery to meet current industry standards and requirements. Other initiatives will provide skilled immigrants with work-related language training at more advanced levels.

## **2. Helping older workers to return to employment**

As in many OECD countries, the principal way through which the government assists unemployed workers to find new jobs is by means of active labour market programmes (ALMPs).

### ***A. Employment service and programmes in Canada***

Since 1996, Part II of the Employment Insurance (EI) Act includes provisions that provide EI clients with Employment Benefits and Support Measures (EBSMs). In some provinces/territories these programmes are delivered by the provinces and territories (Box 5.2). In those provinces/territories where the federal government continues to deliver these programmes, they are offered through local Human Resource Centres or a third agent.

*Eligibility is rather strict*

To be eligible to participate in Employment Benefit measures, individuals must be unemployed and have some EI benefit history. In fact, it is often the case that

much of the federal money earmarked through the Labour Market Development Agreements is attached to receipt of EI benefits.<sup>53</sup> However, in many regions of Canada, individuals lack the labour market attachment and EI history required for benefit receipt and therefore, assistance in the form of labour market programmes, excludes large numbers of people. In 2003, more than 40% of unemployed individuals were not eligible to receive EI benefits (Statistics Canada, 2004).

#### Box 5.2. **Employment Benefits and Support Measures in Canada**

##### **Employment Benefits**

**Targeted Wage Subsidies** provide employers with financial assistance to encourage the hiring of eligible unemployed individuals. The goal is for clients to obtain on-the-job work experience.

**Self-Employment** provides financial assistance and business planning advice to participants to help them to start their own business. The financial assistance is intended to cover only personal living expenses and other expenses during the initial stages of starting up the business.

**Job Creation Partnerships** provide insured participants with opportunities through which they can gain work experience that will lead to ongoing employment. Activities of the project help develop the community and the local economy.

**Skills Development** assists insured participants to obtain skills for employment through direct financial assistance to the participants to enable them to select, arrange for and pay for their own training.

##### **Support Measures**

**Employment Assistance Services** provide funding to organisations to enable them to provide employment services to unemployed persons. These services may include counselling, action planning, job-search skills, job-finding clubs, job-placement services, the provision of labour market information and case management and follow-up.

**Labour Market Partnerships** provide funding to assist employers, employee and/or employer associations and communities to improve their capacity for dealing with human resource requirements and to implement labour force adjustments. It involves the development of plans and strategies and the implementation of adjustment measures.

**Research and Innovation** supports activities that identify better ways of helping people prepare for or keep employment and be productive participants in the labour force. Funds are provided to eligible recipients to enable them to carry out projects and research for this purpose.

53. Note that provinces can combine federal EI dollars with their own funds, in order to offer integrated services to EI-eligible and other clients. In addition, all unemployed persons are eligible for support measures such as employment assistance. In fact, in 2002-03, more than a quarter of clients served through EBSMs were non-insured (HRDC, 2004).

*Participation is low among older workers*

As is the case in many OECD countries, older workers are under represented in EBSMs as a percentage of unemployed persons (Figure 5.5).<sup>54</sup> Even in looking at the share of new claims and clients served in EBSMs, older workers are still under represented, *i.e.* in 2002-03 workers aged 55 and over accounted for more than 10% of new EI claims but less than 6% of clients served. In fact, participation in EBSMs declines by age group for all programmes.

For both prime-age and older workers, employment assistance services and counselling services represent the most important programmes in terms of the number of participants. Skill Development is the third most important for both age groups, but the share of older workers participating in this programme is nearly half compared to their prime-age counterparts. Moreover, although the federal government stresses the importance of skill upgrading, the number of clients served as a percentage of unemployment in Skill Development has declined for all age groups over the past three years. At the same time, there has been a rise in the overall number of participants, both older and younger, in EBSMs as a proportion of unemployed persons.

*Activation measures are non-existent*

Although reforms of the EI programme were mentioned briefly in Chapter 3, one other important issue in the context of the delivery of labour market programmes is the level of active intervention during benefit receipt. With the assistance of ICT, applications for benefit receipt can be completed without any contact with an employment officer. Upon benefit receipt, individuals are obliged to attend an information session on the EBSMs available, after which contact with the employment office is no longer required, even for the continuation of benefit receipt. Participation in EBSMs is as such voluntary and, as a result, some of the most disadvantaged groups with poor employment prospects and low motivation to participate may be excluded. In particular, older unemployed workers are often the most discouraged in terms of actively looking for work. This is in part due to the availability of other options, *e.g.* early retirement (see Chapter 3) but also reflects the negative perceptions

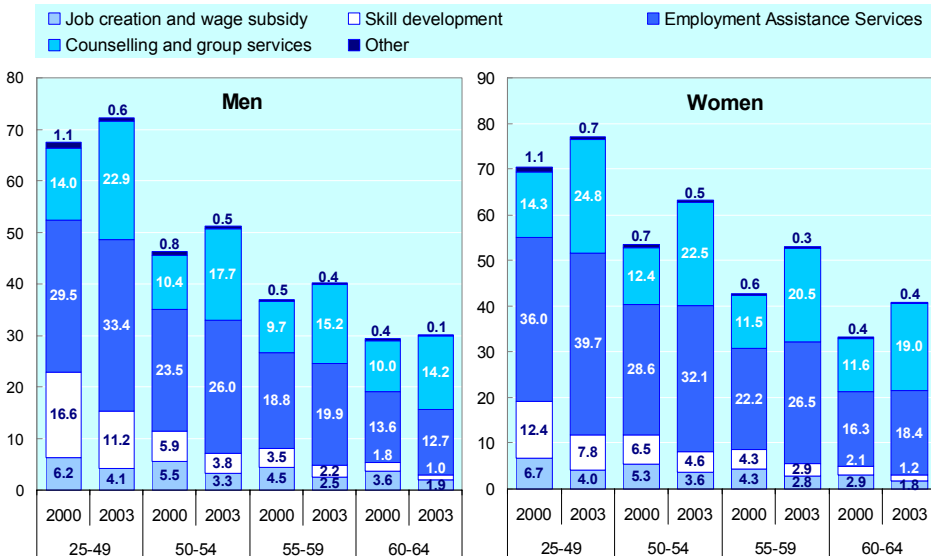
---

54. According to the rules of EI, the reference population should be EI benefit recipients but detailed data by age group and gender were not available.

which many older workers believe that employers have with respect to their age (see Chapter 4). The nature of the delivery of EBSMs, therefore, may help explain why older workers are under-represented. To bring the participation of older workers in line with other age groups, more active methods of intervention may be required.

Figure 5.5. **Participation in Employment Benefits and Support Measures by gender and age, 2000 and 2003**

Percentage of unemployment



Source: Human Resources and Skills Development Canada, administrative data; and OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming, for unemployment.

### *Extensive monitoring but room for improvement in evaluation*

As part of the restructuring of the EI programme that occurred in 1996 and 1997, annual Monitoring and Assessment reports were legislated to monitor and assess, among other things, the trends in benefit receipt. These reports have made significant contributions to understanding programme changes and have led, in turn, to further modifications and improvements in the programme. However, while monitoring of this nature has been strong, *evaluations* of net effects on employment outcomes have been weak overall, especially as regards older workers. For example, one important aspect of assessment in the regular process of assessment involves measuring the number of EBSM clients who

have returned to work. However, as the 2003 Monitoring and Assessment Report points out, evaluating the net employment impact across various EBSMs is currently not possible. Moreover, evaluations of the cost-effectiveness of various initiatives are also weak, *e.g.* while Skill Development accounts for more than one-third of the total returns to work, it also accounts for just over half of the budget (HRDC, 2004).

A number of recent initiatives have been taken to improve evaluation measures. As part of the Labour Market Development Agreements, a two-phased approach to evaluation has been implemented, the second of which focuses on outcomes, external impacts and cost-effectiveness. The 2003 Monitoring and Assessment Report presented the preliminary evaluation findings from British Columbia, Québec and Newfoundland and Labrador. To date, the results across provinces, programmes and client types are quite mixed and still rather preliminary. And while this initiative is a step in the right direction, more needs to be done. In particular, there has been little focus so far on the evaluations of outcomes among older workers. In this respect, the Older Workers Pilot Projects Initiative is a positive step in this direction.

### ***B. Older Workers Pilot Projects Initiative***

In June 1999, the federal government announced the Older Workers Pilot Projects Initiative (OWPPI) to assist displaced older workers, usually aged 55 and over, into employment or to maintain older workers at risk of losing their job in employment. The project is a joint federal/provincial/territorial initiative with an initial budget of CAD 30 million. However, since the project's inception, an additional CAD 25 million was channelled into the projects from 2003 to 2006 to extend some current pilot activities and to allow for additional pilot projects to be carried out. In total, more than 125 pilot projects are being undertaken with the aim of testing innovative measures and approaches designed to meet the labour market needs of older workers. Projects were administered in every province and territory except Alberta and Ontario. All projects had to fit within one of several approaches (Box 5.3).

#### *Nature of pilots*

The pilot projects tested a host of measures including, among others, wage subsidies, general employment services, skill testing, short duration courses, training, awareness campaigns, work experience and testing older workers as employment counsellors for older job seekers. However, due to the fact that the approaches and requirements to the pilot projects were quite broad, the nature

and level of support varied considerably across the more than 125 initiatives. In addition, the magnitude of the programmes, both in terms of finances and number of participants, also varied considerably.

**Box 5.3. Approaches to the Older Workers Pilot Projects Initiative**

**Awareness and promotion:** designed to remove the existing systemic barriers and prejudices concerning the hiring of experienced workers and to raise employers' awareness of the competitive advantages they can offer.

**Prevention:** provide support for projects or measures that offer alternatives to layoffs and facilitated the establishment of mechanisms for early detection of layoffs.

**Adjustment:** promote a more skilled and more mobile older labour force through the increased participation of older workers by introducing measures adjusted to their needs and creating job opportunities for them.

**Labour force participation:** facilitate older workers' transition from working life to retirement by retraining them for sectors in the social economy; by helping them to find jobs that required little training and no advanced schooling and were available nearby; and by offering an alternative to income support for certain older workers with limited education who lived in regions where there were few employment opportunities.

*Evaluation mechanisms*

The evaluations mechanisms that have been put in place to determine what works and why in these pilot projects are quite limited. First, due to the considerable variation in projects offered, establishing a consensus as regards best practices of particular interventions will be very difficult. Second, given that some of the pilots had as few as six participants, measuring any impact of the initiative undertaken would be, to say the least, inconclusive. Finally, with a number of pilot projects still proceeding, evaluations from participating provinces and territories are not due until later in 2005.

However, once all of the provincial and territorial evaluations have been carried out, an overall evaluation will be undertaken. To date though, some preliminary qualitative information based on focus groups held in various sites across the country is available. A select number of OWPPI participants responded to questions concerning their experience both as an unemployed older worker and as a project participant. Several important observations have emerged from the qualitative analysis (HRSDC, 2004b).



First, there appears to be substantial support among participants for programmes and services that target older workers. Although older workers cited several advantages to mix-age programming such as mentoring, there was an overall preference for age-specific interventions. Note, however, there is undoubtedly some selection bias behind this observation, *i.e.* individuals who participated in targeted programmes on a voluntary basis are more likely to favour programmes of this nature.

Second, there was some consensus on the barriers they faced in accessing employment; notably, in the context of this chapter, older workers cited the lack of formal specific training received as a main barrier. Older workers felt they were lacking suitable training opportunities due, in part, to negative employer attitudes about their unwillingness to undertake training and their own perceptions that employers were reluctant to train older workers due to low expected returns to their training investment. In addition, other barriers most frequently mentioned include ageism and negative employer attitudes more generally, physical limitations (perceived and real), patronage, *i.e.* it was important to know someone in order to be hired (barrier most cited) and lack of confidence among older workers themselves.

Finally, in terms of the strengths and weaknesses of the pilot initiative, older workers felt that the programmes provided good specific and general skills training. However, they would have preferred more focus on training including increasing the length of training provisions. In addition, participants felt that the job-placement provisions in many of the initiatives were inadequate and that there was insufficient co-ordination between programme staff and employers.

### *Follow-up*

Results of the evaluations will be reviewed by both the federal and the provincial/territorial levels of government to inform future approaches to assist unemployed older workers.

### **C. *Self-employment***

Facilitating the creation of self-employment can be another important way of enhancing the employability of older workers and to encourage them to remain longer in work. Indeed, the incidence of self-employment in Canada has a relatively steep age profile, with the share of self-employment reaching more than 37% for men aged 60-64 and nearly 24% for women of the same age group (Table 5.2). However, for all groups of workers, the incidence of self-employment has declined over the past five years.

Table 5.2. **Share of self-employed in Canada by gender and age, 1998 and 2003**

Percentages of total employment

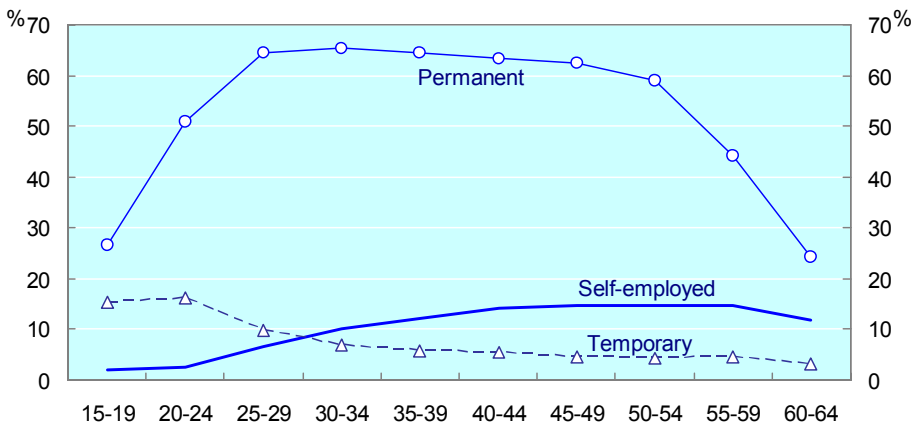
	1998		2003	
	Men	Women	Men	Women
25-49	19.2	12.2	17.5	10.8
50-64	29.6	17.8	27.6	15.2
50-54	27.2	15.4	23.8	13.1
55-59	29.2	19.4	28.9	15.8
60-64	37.8	23.6	35.6	21.7
<b>Total</b>	<b>20.2</b>	<b>12.7</b>	<b>18.7</b>	<b>10.9</b>

Source: Statistics Canada, Labour Force Survey.

The high share of self-employment for older age groups may be partly explained by the fact that temporary and permanent employees are much more likely to exit the labour market (Figure 5.6). In fact, in looking at employment status as a share of the population, between the ages of 40-44 and 55-59, the share of older individuals in self-employment remains more or less stable at around 14%, dropping slightly to under 12% for persons aged 60-64. Thus, there may be some scope to increase the incidence of self-employment among older workers in Canada, especially among those aged 60 and over.

Figure 5.6. **Employment status by age in Canada, 2003<sup>a</sup>**

Percentages of population



a) Includes owners of incorporated businesses.

Source: Statistics Canada, Labour Force Survey; and OECD (2005), *Labour Force Statistics, 1984-2004*, Paris, forthcoming, for population.

Research in the United States reveals that both “push” and “pull” factors may be driving the decisions of older workers to become self-employed (AARP, 2002; and OECD, 2005c). A work-limiting health condition or low employment prospects can push workers out of regular work into self-employment. At the same time, older people with both higher household wealth and higher education are more likely to transfer to self-employment. Policies to promote self-employment among older workers as a means to extending working lives need to take into account both factors.

One of the principal means through which the federal government promotes the take-up of self-employment is through the Employment Benefits and Support Measures programmes briefly discussed earlier (see Box 5.2). The financial assistance to EI clients is intended to cover their personal living expenses during the initial stages of their business start-up, not for investment in the business itself. However, individuals may also have access to technical and consultative expertise to help them assess their business opportunities and prepare business plans. Finally, assistance may also be provided to cover all or part of the incremental costs of participation in the programme such as expenses relating to dependant care, disability needs, transportation and accommodation. However, take-up of the programme is very modest, especially so among older workers, *i.e.* less than 1% of unemployed persons.

The federal government is also supporting self-employment and small business through a variety of initiatives, notably, the Business Development Bank of Canada (BDC). The BDC is a financial institution wholly owned by the federal government, which offers financial services, consulting services, subordinate financing and venture capital to Canadians wishing to start a business. However, there is very little federal or provincial government support targeting older workers, whereas some measures specifically target younger people. For example, one of the federal government agencies, the Atlantic Canada Opportunities Agency, has a programme designed to promote entrepreneurship among individuals aged 18 to 30. The programme offers assistance in the form of a repayable, unsecured personal loan while providing business counselling and training up to a maximum of CAD 2 000. Special services and financing of this nature should be considered also for older people.

#### ***D. Working-time preferences and flexibility***

As discussed in Chapters 3 and 4, creating greater opportunities for phased transitions into retirement, through part-time work rather than abrupt changes, seems one desirable policy option to encourage older workers to carry on

working longer. In fact, over one-quarter of recent retirees indicated they might have changed their decision to retire if they would have been able to reduce their work schedule without their pension being affected (Morissette *et al.*, 2004). However, current provisions of many company pension plans, as well as those of the Canada Pension Plan, do not promote gradual retirement by allowing workers to continue accumulating partial pension credits while drawing partial retirement benefits (see Chapter 3).

### **3. Measures to improve the employability of older workers**

While Canada has taken a number of important steps to improve the employability of older workers, more could be done. Helping older people to gain better access to better jobs requires a range of measures that include interventions from a lifecycle perspective. This should facilitate the extension of working lives for all workers, but as the population ages and needs vary, measures targeted at specific groups of older workers may also be necessary. More specific measures include: bringing the training incidence of older workers more in line with their prime-age counterparts; improving access to effective employment services for older, disadvantaged, job seekers, and; increasing options for older workers to carry on in the labour market, either through self-employment or more flexible working arrangements. More general measures that concern both younger and older workers include: intensifying the use of active labour market programmes and extending eligibility criteria; improving basic skills; and establishing better evaluation mechanisms.

#### **A. Improving skills and training among older workers**

##### *Upgrade basic skills and literacy*

While the federal authorities have identified the main barriers to improving literacy among adults, much of the effort to date to remove these barriers has focused on awareness and promotion. Better co-ordination of efforts to improve basic skills and literacy of workers between the provinces and territories is required and there may be a need for a national programme, delivered at the regional level. This will require close co-ordination with the various agencies but should also involve, to the extent possible, employers and trade unions. Moreover, such a programme could be part of a broader strategy on lifelong learning. Though substantial improvements would require an injection of significant resources, the long-term benefits of such intervention should be carefully weighed against any cost (OECD, 2004b).

*Making lifelong learning a reality*

For starters, the federal government could make better use of its Lifelong Learning Plan (LLP). First, it should consider broadening the nature of programmes eligible under the plan. Second, although take-up is currently modest, undertaking follow-up evaluations of the programme should commence as soon as possible and could shed important light on, for example, the nature and relevance of the programmes undertaken. This may help shape future policy in the area of lifelong learning. Indeed, more needs to be done to knit together the disparate parts of Canada's decentralised learning system in order to strengthen lifelong learning (OECD, 2002).

While the creation of the Knowledge Centres will be an important step in the right direction in facilitating collaboration between the various elements of Canada's learning system, unless the federal government is committed to making changes, existing learning gaps will continue to exist. Involving the provincial and territorial governments will be paramount to the process.

*Increasing training incidence among older workers in employment*

More efforts are also required to increase the incidence of training among older workers. The development of the federal Workplace Skills Strategy (WSS) is a welcome step in recognising the need to upgrade the skills of the workforce. In particular, increased recognition of prior learning should help older workers in particular. However, as part of the WSS strategy, the federal government should encourage employers to devote more resources to training low-skilled workers, among which older workers constitute a larger share. Both provincial/territorial and federal governments should also consider co-financing of firm-specific training for older workers. One example that merits consideration is the Employer Training Pilots in the United Kingdom. This programme provides wage compensation to firms that offer their low-skilled employees paid time off to train. In addition, training support is provided by the government.<sup>55</sup> It will also be important to engage older workers and motivate them to invest their time, effort and resources in training. Moreover, specific programmes targeting the needs of various regions may also be needed given the large regional disparities in the incidence of training.

---

55. It is important to note that final evaluations of the Employer Training Pilots are currently underway.

**B. Reform employment services to unemployed workers***Extend eligibility of EBSMs*

In many cases, some history of EI benefit receipt is required to participate in the Employment Benefit and Support Measure's programmes. However, in many regions of Canada individuals lack sufficient labour market attachment and therefore such strict eligibility requirements exclude large numbers of people. Older workers are under-represented in EBSMs as a share of unemployment compared to other age groups and therefore, the federal government should envision extending eligibility, at least on a trial basis, to those job seekers most in need (*e.g.* by giving greater discretion to in such decision to the employment counsellor). This should be complemented by more active intervention to increase participation among older job seekers. Unlike many OECD countries, activation measures in Canada are non-existent. Introducing the notion of mutual obligations that expect an active contribution by and effort from beneficiaries should also help. In particular, strengthening job-search requirements could be envisioned. The federal government may also wish to consider implementing a system similar to the United Kingdom where Jobcentres are evaluated on a regular basis and subject to performance targets set out in terms of successful job placements. Under this system, greater emphasis is given to groups at a greater disadvantage, such as older workers and lone parents.

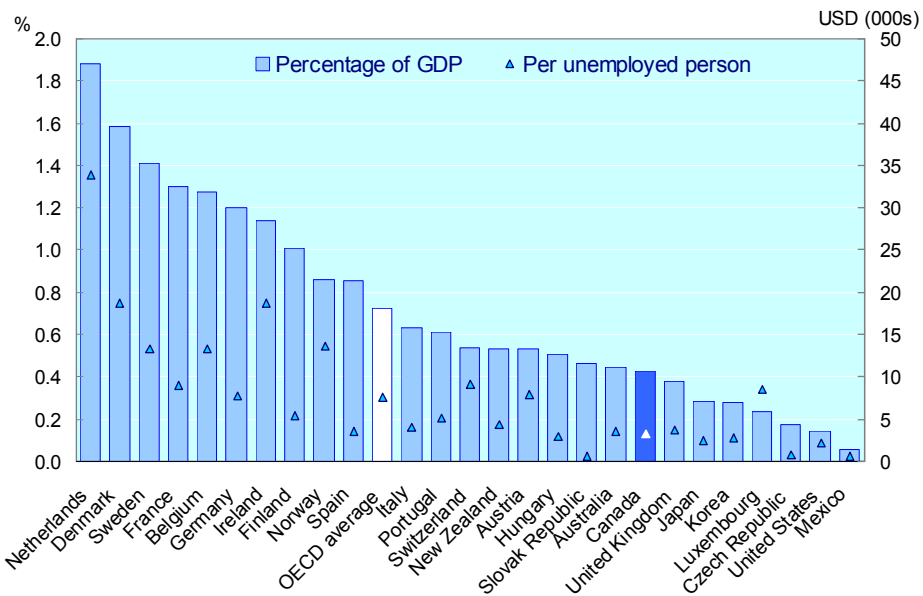
*Expand Skills Development programme and improve training organisation*

The number of clients served as a percentage of unemployment in the Skills Development programme has declined for all age groups over the past three years. Therefore, the federal government should make efforts to increase participation in this programme on the condition that better evaluations suggest positive outcomes (see below). Moreover, to increase the participation of older workers in this programme, the nature of the programme should be revised. Currently, the programme provides funding to unemployed persons to organise training on their own. However, low-skilled workers may find this difficult (OECD, 2004d). Therefore, incorporating an element that helps unemployed persons organise training should increase take-up of the programme, especially among older workers.

*Increased resources*

Naturally, implementing changes of this nature and scale would require increased expenditures on public employment programmes. There may be scope to increase resources given that current expenditures on active labour market programmes as a share of GDP in Canada are among the lowest in the OECD area (Figure 5.7). However, it will be important to carry out rigorous evaluations on existing programmes before any substantial injection of expenditures is made.

Figure 5.7. **Public expenditure on active labour market programmes in selected OECD countries, 2001/02<sup>a, b</sup>**



a) Data refer to 2001 or 2002, except for Denmark and Portugal for which they refer to 2000. Public expenditure per unemployed person is expressed in USD using PPPs for GDP.

b) OECD average is unweighted and for countries shown on the chart.

Source: Secretariat estimates derived from OECD Active Labour Market Programmes database.

### C. *Lessons learned from Older Workers Pilot Projects Initiative*

Although it will be important to await the final evaluation of the OWPPI, some important lessons have emerged from the preliminary qualitative research.

First, there is support among participants for programmes and services that target older workers. Second, older workers recognise the importance of training and would welcome increased training provisions in labour market programmes. While it will be important to test these outcomes more rigorously, the federal and provincial governments should follow-up with proposals to enhance the effectiveness of employment services that are currently offered to older job seekers and build upon the lessons learned in the pilot projects. For example, it has already been shown that for older displaced workers, general adjustment services using traditional approaches have not been effective for them and more targeted measures might be appropriate (HRDC, 1999). In addition, the federal government should recognise that while it was important to test a range of measures, more detailed guidelines for the nature of the pilot projects undertaken would have made it easier to evaluate what works and why for older workers, without compromising the diversity of the initiatives carried out.

#### **D. *Promoting flexibility***

##### *Self-employment*

The federal government should consider promoting self-employment among older people as a way of extending the working life of individuals. In particular, the federal government could introduce programmes similar to the one offered to youth by the Atlantic Canada Opportunities Agency. Part of that assistance should include: *i*) providing help and assistance with creating business plans; *ii*) making loans available at a more affordable rate; *iii*) enhancing post-loan help to increase the likelihood of success; and *iv*) developing evaluation mechanisms that determine not only the success rate but also what works and why. Moreover, this programme could be delivered through the Business Development Bank of Canada whose national network of agencies and existing infrastructure would increase the likelihood of success. Efforts at improving the self-employment programme within the EBSMs might also be envisioned.

##### *More flexible work and pension arrangements*

Many older workers state that they would have reconsidered their retirement decision if the possibility to reduce their work schedule had existed. This is an important point if, as discussed in Chapter 3, the federal government introduces more flexible work and pension arrangements. Moreover, the tax rules prohibiting private pension payments and pension accruals with the same employer rules should be revised. Co-operation and co-ordination with the employers and unions will also increase the chances of success.





## *Chapter 6*

### **ENSURING POLICIES ARE COMPREHENSIVE AND COHERENT**

Population ageing presents a number of challenges for policy-makers. As the previous chapters have demonstrated, encouraging greater labour force participation among older people will be a key to coping successfully with these challenges. To achieve this, action is required on a number of fronts and, therefore, the purpose of this chapter is to underline the need for a comprehensive and coherent set of employment policies to ensure success of any measures or reforms undertaken.

#### **1. Policy coordination and coherency**

As discussed in the previous chapters, the reasons why workers leave the labour market are complex and involve a range of issues including: income-support arrangements; employer attitudes and practices; access to employment services and training; health status; and working conditions. This means that policy action is required on many fronts and that a co-ordinated approach is necessary if these actions are to be mutually reinforcing. For example, any change in the criteria for an early Canada Pension Plan should be co-ordinated with a strengthening of measures for workers who face the greatest difficulty in remaining in work. Otherwise, the potentially positive impact of this change on labour force participation of older workers may be offset by an increase in the proportion of older workers exiting the labour market through other means, such as disability benefits.

Older workers are also a very diverse group, and the disadvantages that some of them face are not just associated with age but with other factors in common with younger workers. Therefore, employment policies that may not be specifically targeted on older workers as such may nevertheless benefit them as well. For example, greater possibilities for taking leave for caring responsibilities, such as is available under the new EI Compassionate Care Benefit programme, might be beneficial to both older and younger workers.

This could allow them to temporarily rather than permanently leave their employment to look after elderly and frail relatives. Thus any package of measures designed to encourage greater participation of older people should look beyond just those measures targeted specifically at older workers or older job seekers.

As part of a comprehensive package of reforms, it is also important to take a lifecycle approach to mobilising labour supply. For example, improvements both in occupational health and safety for workers of all ages and in access to training for all low-educated workers should be considered as long-term investments that will have a pay-off in helping older workers in the future to stay in work longer. In the case of women, if greater labour force participation among younger women can be encouraged through appropriate family-friendly policies, this will eventually lead to greater participation rates among older women.

Finally, any strategy to encourage greater labour force participation of older people will have to deal with a number of difficult choices. For example, measures to promote phased retirement could encourage some workers to postpone retirement but, if they also encourage other full-time workers to switch to part-time work at an earlier age than previously, the end result could possibly be a reduction in effective labour supply in terms of hours worked. In other words, there may be a trade-off or delicate balance to find between increasing flexibility in work/retirement transitions and increasing the effective labour supply of older people.

## **2. Directions for policy**

In some respects, Canada is well placed to meet the challenge of population ageing. However, while it is necessary to recognise the contribution and value of unpaid work, it will be important to ensure that the labour resources of growing cohorts of older people are more fully mobilised. This will require action on both the supply-side and demand-side.

On the supply-side, incentives to encourage individuals to carry on working longer could be improved by changes to the Canadian retirement system, notably, by: *i*) increasing flexibility for combining pensions with work income; and *ii*) helping partners of low-income pensioners get back into the labour market. However, as some work disincentives are removed within the retirement system, there is a risk that there will be renewed pressure on inflows into disability benefits. And so, it will be important to strengthen rehabilitation measures and intervene early in spells of sickness.

But these supply-side measures may need to be supported by changes in employer's attitudes and practices that will foster greater retention and hiring of older workers. At the same time, the practice of mandatory retirement is not consistent with strategies to address the challenges of population ageing. Given that illness and disability are important factors in explaining why older workers leave employment, workplaces and job requirements should be adapted to the needs of older workers. However, as a first step, it will be important to improve the evidence base in Canada on the extent of age discrimination as well as the impact of different types of work arrangements on the health of older workers and their retirement plans.

Finally, the provincial/territorial and federal governments should also consider strengthening the employment services offered to unemployed workers, including incorporating a number of changes to the Employment Benefit and Support Measures as well as various provincial/territorial programmes. Current expenditures on active labour market programmes as a share of GDP in Canada are among the lowest in OECD and therefore there may be some scope to increase expenditures to implement the required changes, subject to more rigorous evaluations of what works and what does not. Finally, some important lessons have emerged from the preliminary qualitative research of the Older Workers Pilot Projects Initiative. While it will be important to test these outcomes more rigorously, the federal and provincial/territorial governments should follow-up with proposals to enhance the effectiveness of employment services that are currently offered to older job seekers and build upon the lessons learned in the pilot projects.

The range and cross-cutting nature of these measures suggests that they are likely to be more effective if taken as part of a co-ordinated or complementary federal/provincial/territorial-wide strategies to tackle the various financial disincentives and barriers to employment facing older people. Any such strategies should be formulated, implemented and monitored in close co-operation with employers, workers and non-governmental organisations representing older people.



## BIBLIOGRAPHY

- AARP (2002), “Staying Ahead of the Curve: The AARP Work and Career Study”, Washington, D.C.
- Abe, M. *et al.* (1999), “Worker Displacement in Japan and Canada”, in P. Kuhn (ed.), *Losing Work, Moving On: International Perspectives on Worker Displacement*, W.E. Upjohn Institute for Employment Research, Michigan.
- Baker, M. (2002), “The Retirement Behaviour of Married Couples: Evidence from the Spouse's Allowance”, *Journal of Human Resources*, No. 37, Winter 2002.
- Baker, M. and D. Benjamin (1999a), “How Do Retirement Tests Affect the Labor Supply of Older Men?”, *Journal of Public Economics*, No. 71, January, pp. 27-51.
- Baker, M. and D. Benjamin (1999b), “Early Retirement Provisions and the Labor Force Behaviour of Older Men: Some Evidence from Canada”, *Journal of Labor Economics*, No. 17, October, pp. 724-756.
- Baker, M., J. Gruber, and K. Milligan (2001), “Income Security Programs and Retirement in Canada”, NBER Working Paper Series, No. 8658, December.
- Blöndal, S., S. Field and N. Girouard (2002), “Investment in Human Capital through Post-compulsory Education and Training: selected efficiency and equity aspects”, OECD Economics Department Working Paper, No. 333, OECD, Paris
- Campolieti, M. (2001), “Disability Insurance and the Labour Force Participation of Older Men and Women in Canada”, *Canadian Public Policy*, No. 27, pp. 179-194.

- Canadian Human Rights Commission (2004), *Annual Report 2003*, Minister of Public Works and Government Services, Ottawa.
- Chan, S. and A.H. Stevens (2001), “Job Loss and Employment Patterns of Older Workers”, *Journal of Labour Economics*, Vol. 19, No. 2.
- Compton, J. (2001), “Determinants of Retirement: Does Money Really Matter?”, Department of Finance Working Paper 2001-02, Ottawa.
- Conference Board of Canada (2001), *The Future Cost Of Health Care In Canada, 2000 to 2020 Balancing Affordability and Sustainability*, Ottawa.
- Coulombe, S., J-F. Tremblay and S. Marchand (2004), *Literacy Scores, Human Capital and Growth Across Fourteen OECD Countries, International Adult Literacy Survey*, Statistics Canada and Human Resources and Skills Development Canada.
- Daniel, K. and W.S. Siebert (2004), “Does Employment Protection Reduce the Demand for Unskilled Labour?”, IZA Discussion Paper, No. 1270, Bonn, September.
- Equal Opportunity Commission of South Australia (2001), *Age Limits: Age-related discrimination in employment affecting workers over 45*.
- Evans, R.G. *et al.* (2001), “Apocalypse No: Population Aging and the Future of Health Care Systems”, *Canadian Journal on Aging*, No. 20, pp. 160-191.
- Gee, E.M. and G.M. Gutman (eds) (2000), *The Overselling of Population Aging: Apocalyptic Demography, Intergenerational Challenges, and Social Policy*, Oxford University Press, Don Mills.
- Gibson, K.J., W.J. Zerbe and R.E. Franken (1992), “Job-search Strategies for Older Job Hunters: Addressing employers perceptions”, *Canadian Journal of Counselling*, No. 26 (3), pp. 166-176.
- Grant, H.M.K. and G.W. Grant (2002), “Age Discrimination and the Employment Rights of Elderly Canadian Immigrants”, Report for the Law Commission of Canada, September.

- Gruber, J. (2000), “Disability Insurance Benefits and Labour Supply”, *Journal of Political Economy*, No. 108, pp. 1162-1183.
- Gunderson, M. (1998), *Flexible Retirement as an Alternative to 65 and Out*, C.D. Howe Institute, Toronto.
- Gunderson, M. (2003), “Age Discrimination in Employment in Canada”, *Contemporary Economic Policy*, Vol. 21, No. 3, pp. 318-328.
- Hogan, S. and S. Hogan (2002), “How Will the Aging of the Population Affect Health Care Needs and Costs in the Foreseeable Future?”, Commission on the future of health care in Canada, Discussion Paper No. 25, October.
- HRDC (Human Resources Development Canada) (1999), *Older Worker Adjustment Programs Lessons Learned*, Canada.
- HRDC (2002), *Adult Literacy; Policies, Programs and Practices: Lessons Learned*, Canada.
- HRDC (2004), *Monitoring and Assessment Report, 2003*, Canada.
- HRSDC (Human Resources and Skills Development Canada) (2004a), “Evaluation of the Canada Pension Plan Disability Vocational Rehabilitation Program”, Canada, September.
- HRSDC (2004b), “Qualitative Research Associated with the Older Workers Pilot Projects Initiative”, Canada.
- Ilmarinen, J. (2002), “Promotion of Work Ability during Aging”, in M. Kumashiro, T. Cox, W. Goedhard and J. Ilmarinen (eds.), *Aging and Work*, Taylor and Francis.
- Lazear, E. P. (1979), “Why Is There Mandatory Retirement?”, *Journal of Political Economy*, No. 87 (6), December, pp. 1261-1284.
- Marshall, V.W. (1996), “Issues of an Aging Workforce in a Changing Society: Cases and Comparisons”, Centre for Studies of Aging, University of Toronto and CARNET: The Canadian Aging Research Network, Toronto.



- Marshall, V.W. (2001), “Problems of Older Workers”, Canadian research on older workers, paper prepared for a symposium at the International Association on Gerontology conference, British Columbia, Canada, July,
- Morissette, R., G. Shellenberg, and C. Silver (2004), “Retaining Older Workers”, *Perspectives, Statistics Canada*, Vol. 5, No. 10, October.
- OECD (2001), *Trends in International Migration*, OECD, Paris.
- OECD (2002), “Thematic Review on Adult Learning, Country Note Canada”, OECD, Paris.
- OECD (2003a), *Ageing and Employment Policies: Sweden*, OECD, Paris.
- OECD (2003b), *Transforming Disability into Ability: policies to promote work and income security for disabled people*, OECD, Paris.
- OECD (2004a), *Employment Outlook*, OECD, Paris.
- OECD (2004b), *Economic Survey: Canada*, OECD, Paris.
- OECD (2004c), *Ageing and Employment Policies: Finland*, OECD, Paris.
- OECD (2004d), *Ageing and Employment Policies: United Kingdom*, OECD, Paris.
- OECD (2005a), *Trends in International Migration*, OECD, Paris.
- OECD (2005b), *Pensions at a Glance – Public Policies across OECD Countries*, OECD, Paris.
- OECD (2005c), *Ageing and Employment Policies: United States*, OECD, Paris.
- Office of the Chief Actuary (2004), *20<sup>th</sup> Actuarial Report*, supplement to the Actuarial Report on the Canada Pension Plan as of 31 December 2000.
- Oliveira Martins, J., F. Gonand, P. Antolin, Ch. De la Maisonnette and K.-Y. Yoo (2005), “The Impact of Ageing on Demand, Factor Markets and Growth”, Economics Department Working Papers, No. 420, OECD, Paris.

- Pescarus, C. and M. Rivard (2004), “Registered Pension Plans and Early Retirement Incentives in Canada”, Economic Studies and Policy Analysis Division, Finance Canada, October.
- Peters, V. (2004), “Working and Training: First Results of the 2003 Adult Education and Training Survey”, Catalogue No. 81-595-MIE – No. 015, Statistics Canada, Ottawa, April.
- Pollack, A. and T. Sargent (2004), “Retirement Behaviour and the CPP: A Simulation Model”, Department of Finance Working Paper 2004-08, Ottawa.
- PRI (Policy Research Initiative) (2004a), “Population Aging: From Problem to Opportunity”, *Horizons*, Vol. 6, No. 2, PRI, Canada.
- PRI (2004b), “Population Aging and Life-Course Flexibility: The Pivotal Role of Increased Choice in The Retirement Decision”, Discussion Paper, March, PRI, Canada.
- Rowe, G. and H. Nguyen (2002), “Older Workers and the Labour Market”, *Perspectives on Labour and Income*, Vol. 3, No. 12, Statistics Canada, December.
- Shannon, M. and D. Grierson (2004), “Mandatory Retirement and Older Worker Employment”, *Canadian Journal of Economics*, No. 37 (3), August.
- Skirbekk, V. (2003), “Age and Individual Productivity: a literature survey”, Max Planck Institute for Demographic Research, Working Paper, WP 2003-028, Rostock, Germany, August.
- Statistics Canada (1999), *Survey of Financial Security, 1999*, Catalogue No. 13-595-XIE, Statistics Canada, Ottawa.
- Statistics Canada (2004), *The Daily*, June 22.
- Sterns, A. *et al.* (1996), “The Productivity and Functional limitations of older adult workers”, in W.H. Crown (ed.), *Handbook on Employment and the Elderly*, Greenwood Press, Westport, CT, pp. 276-303.

Tompa, E. (1999), “Transitions to Retirement: Determinants of Age of Social Security Take Up”, SEDAP Research Paper, No. 6.

Underhill, S.C., V.W. Marshall and S. Deliencourt, (1997), “Options 45+ Survey of Canadian Employers Final Report”, Institute for Human Development, Life Course and Aging, University of Toronto, and Ottawa, One Voice: The Canadian Seniors Network, Toronto.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16  
PRINTED IN FRANCE  
(81 2005 16 1 P 1) ISBN 92-64-01244-3 - No. 54237 2005

# Ageing and Employment Policies Canada

In the face of rapid population ageing and the trend towards early retirement, there is a need to promote better employment opportunities for older people. Much has been said about the need for reform of old-age pensions and early retirement schemes but this may not be sufficient to raise employment rates for older people significantly or to reduce the future risk of labour shortages. Both governments and firms will need to take active measures to adapt wage setting to ageing workforces, to address the extent to which other welfare schemes act as pathways to early retirement, to tackle age discrimination and to improve the job skills and working conditions of older workers. In addition, older workers will need to change their own attitudes towards working longer and acquiring new skills. Little is known about what countries have been doing or should be doing in these areas.

This report on Canada is part of a series of 21 OECD country reports that are intended to fill this gap. Each report contains a survey of the main barriers to employment for older workers, an assessment of the adequacy and effectiveness of existing measures to overcome these barriers and a set of policy recommendations for further action by the public authorities and social partners.

*This report is based on the proceedings of a seminar and is published in English only. However, a French translation of the Executive Summary and Recommendations has been included in this volume.*

In the same series:

Australia

Austria

*Belgique*

Czech Republic

Finland

*France*

Italy

Japan

Korea

*Luxembourg*

Netherlands

Norway

Spain

*Suisse*

Sweden

United Kingdom

United States

The full text of this book is available on line via these links:

<http://www.sourceoecd.org/employment/9264012443>

<http://www.sourceoecd.org/finance/9264012443>

<http://www.sourceoecd.org/socialissues/9264012443>

Those with access to all OECD books on line should use this link:

<http://www.sourceoecd.org/9264012443>

SourceOECD is the OECD's online library of books, periodicals and statistical databases. For more information about this award-winning service and free trials ask your librarian, or write to us at [SourceOECD@oecd.org](mailto:SourceOECD@oecd.org).

[www.oecd.org](http://www.oecd.org)



9 789264 012448

ISBN 92-64-01244-3  
81 2005 16 1 P

