

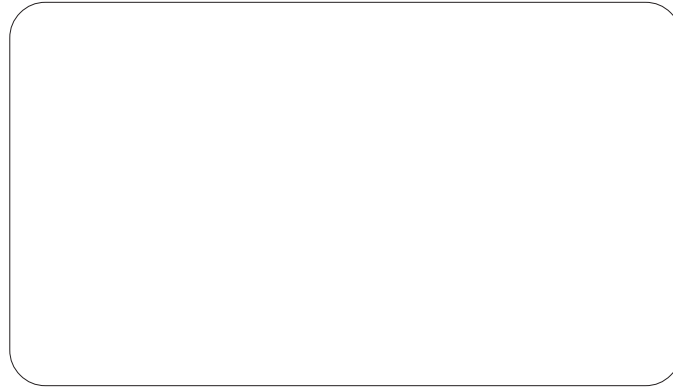
To be employed or not to be employed?:
An examination of employment
incentives and disincentives for
older workers in Canada
WANE Working Paper #7

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Workforce Aging in the New Economy

A Comparative Study of Information Technology Employment



WORKFORCE AGING In The NEW ECONOMY (W.A.N.E.) explores the relationships among workforce aging, employment growth in information technology (IT) labour markets, and the transformation of employment relations in the new economy. This work involves a multi-disciplinary, cross-national comparison of IT employment and workforce aging in Canada, the United States, the European Union, and Australia.

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Introduction

Like many other developed nations, Canada's population is aging. In 1966, 42 percent of the Canadian population was under the age of 20, and by 1996 this percentage had dropped to 27 (Denton & Spencer, 1999). By 2031 it is projected that Canadians, over the age of 65, will comprise about a quarter of the population (Denton & Spencer, 1999, p. 2). This demographic trend has led to concerns about the implications of population aging for Canada, to the point where some view it as an impending crisis (see Cooke for a review, 2003). Many of these concerns are related to the labour force participation rates of older Canadians and how retirement and early retirement trends will affect the productivity of the nation and the ability of the working population to sustain public pension systems.

Indeed, population aging is reflected in the increasing proportion of older Canadian workers who are in the labour force. Between 1991 and 2001, the percentage of workers between the ages of 45 and 54 increased from 16.7 percent to 23 percent, while the percentage of workers between the ages of 55 and 64 rose from 8.6 percent to 9.6 percent. Over the same period, the percentage of workers between the ages of 25 and 34 dropped from 28.8 percent to 21.3 percent (Cooke, McMullin & Downie, forthcoming). Whether this represents a crisis for Canada's productivity and the sustainability of its public pension system has been widely debated and no definitive conclusion has been reached. Either way, there is little doubt that Canada needs to adapt to workforce aging. Are firm and government policies in place that can effectively deal with an aging workforce? This paper considers this and related

questions by outlining the employment trends of older workers, the limited Canadian evidence on employers' attitudes and practices toward older workers, and government policies regarding older workers. We conclude by arguing that Canadian public policy does not go far enough to encourage the employment and training of older workers.

Employment trends of older workers

Labour force participation rates

Since the 1970s Canada's labour force has grown because of both an influx of women into the labour market and the entrance of a large "baby boom" cohort into paid employment. Assuming that age specific labour force participation rates do not dramatically change, this growth is soon expected to slow and then reverse. Estimates suggest that the current total labour force participation rate of 67% will drop to as low as 57% by 2025 (Statistics Canada, 2004a). This is due, in large part, to the retirement of older workers in the baby boom cohort.

As Table 1 shows, between 1976 and 2001 the labour force participation rates of workers between the ages of 45 and 59 increased, while the rates of workers over the age of 60 decreased. In 1976, 72.3% of the Canadian population aged 45 to 49 participated in the workforce, but by 2001 the participation rate had climbed to 85.4%. A similar increase occurred for those between the ages of 50 to 54, from 67.6% in 1976 to 79.6% in 2001. However, during the same period, a much smaller increase in labour force participation is observed for those workers age 55 to 59 (from 60.5% in 1976 to 62.7% in 2001), while this trend is reversed for workers aged 60 to 64 and for those aged 65 and older. The labour force

participation rate for 60 to 64 year olds decreased from 44.8% in 1976 to 37% in 2001 and for those aged 65 and over it decreased from 9.1% in 1976 to 6.0% in 2001.

Trends in overall labour force participation rates mask very significant differences in the labour force participation rates of older men and women. The labour force participation of older men has declined rather dramatically since the mid-seventies. In 1976, 84.1% of men between the ages of 55 and 59 participated in the labour force, however by 2001 their rate of participation had dropped to 72.4%. Over the same time period, the labour force participation rate of men between the ages of 60 to 64 dropped even more from 66.5% to 47% and for those aged 65 and older the rate dropped from 15.2% in 1976 to 9.4% in 2001. A recent study of labour force inactivity among men over the age of 55 found that retirement is the primary reason for this decrease in labour force participation (Habtu, 2002).

Unlike men, the labour force participation rates of older women have increased. In 1976, 50.8% of women aged 45-49 and 45.5% of women aged 50-54 were in the labour force. By 2001 these percentages increased to 79.7% and 72.5% respectively. Similarly, in 1976 38.3% of Canadian women aged 55 to 59 participated in the workforce but by 2001 their participation rate had climbed to 53.2%. Interestingly, the participation rate of women between 60 and 64 years of age did not change that dramatically between 1976 and 2001 (24.7% and 27.4% respectively). Notably, although women's participation rates have increased compared to their male counterparts, older women are still considerably less likely than men to be employed (Statistics Canada, 2003a).

Early Retirement

While Canada does not have a statutory retirement age, age 65 remains the most common age at which to retire (Kieran, 2001). The reason for this is twofold: Canada's retirement income system stipulates that individuals become eligible for full benefits at age 65, and corporate policies or collective agreements in Canada often mandate that workers must retire at age 65.

Although age 65 is still the most common age at which Canadians retire, the median retirement age declined from age 65 in 1976 to close to 60 years of age in 2000 (Kieran, 2001). This trend toward early retirement had been led, in large part, by government downsizing in the public sector during the mid 1990s, which encouraged many older workers to take early retirement packages. This resulted in the overall early retirement rate climbing to 46% in 1997. However, the trend towards early retirement appears to be turning around because by 2000 the early retirement rate had dropped to 40 percent. Indeed, there seems to be much ambivalence and uncertainty about retirement and early retirement in Canada (MacGregor, forthcoming). Further, a recent General Social Survey suggests that one-third of working-age Canadians planned to work beyond age 65 (Statistics Canada, 2003b).

In discussing early retirement, it is important to note that many Canadians who are classified as "retired" may be displaced older workers who have given up looking for a job. In fact, a recent Canadian study showed that only 51% of men and 30% of women defined their job exit as retirement by the age of 65. As Rowe and Nguyen suggest "in many cases, the job separation that ultimately ended a career must have been a layoff, an illness or disability, or a

family related event” (Rowe & Nguyen, 2003, p. 56). LeBlanc and McMullin (1997) note that there may be a multitude of reasons for early exits from the labour force ranging from “greater ideological acceptance of early retirement, company restructuring (such as downsizing) due to a poor economic climate, and the growing use of early retirement packages by employers” (LeBlanc & McMullin, 1997, p. 291).

Unemployment

In 2003, the nation-wide unemployment rate was 7.6% and for Canadians aged 25 and older it was 6.4% (see Table 2). As Table 2 shows, Canadian unemployment rates vary by age. Unemployment among workers aged 25 to 34 was 7.3%, while those between the ages of 35 and 44 experienced unemployment at the rate of 6.6%. Interestingly, in comparison to all other age groups, Canadians between the ages of 45 and 54 experienced the lowest rate of unemployment at 5.7% while the unemployment rate for those between the ages of 55 and 64 increased slightly to 6.3%.

Although rates of unemployment for older workers tend to be lower than average rates, a recent study of long term unemployment shows that compared to younger workers, older workers experience greater difficulty when it comes to reintegrating into the workforce. In 2003, older workers (defined in this study as those aged 45 and over) made up 35% of the labour force and posted a 17% incidence of long-term unemployment. This led the author to conclude that, compared to all other age groups, older workers “consistently posted the highest incidence of long-term unemployment” (Dubé, 2004). The possible reasons for long term older worker unemployment are many and include the fact that they “experience greater labour

market difficulties since they are concentrated in traditional industries, many of which experienced zero or negative growth; have held jobs requiring limited qualifications, low levels of education and training; and look for jobs that offer similar wages to those they used to receive” (Forum of Labour Market Ministers & HRDC, 2002).

In summary, labour force participation rates of older male Canadian workers are low relative to what they were in the early 1970s. This is partly due to an increase in the rate of voluntary early retirement (that is also true for older women). But precise rates of voluntary retirement are hard to nail down because of the many push and pull factors that influence labour force exit among older workers. The long term unemployment that is characteristic of older workers who lose their jobs may lead some to define their situation as retirement. Employers’ attitudes may influence whether older workers are retained or rehired and workplace or government policies may intentionally or unintentionally encourage early exit. These push and pull factors are discussed in the sections that follow.

Employers’ attitudes toward older workers and ageism

The research on employers’ attitudes, bias, and discrimination against older workers in Canada is scarce. In the Issues of an Aging Workforce (IAW) project, arguably the most comprehensive Canadian study on older workers to date, Victor Marshall and his colleagues surveyed managers and employers in a large health and life insurance company, a large utility company and a mid size steel mill about their attitudes toward older workers. In a summary of this work Marshall (2001, p. 5)

makes the following conclusions about attitudes toward older workers:

1. In general, both managers and other employees have largely favorable attitudes toward older workers in their own companies;
2. Given this general pattern, the attitudes of managers are somewhat more favorable than those of employees. This suggests a hint of age-based tension (since managers tend to be older) but certainly not significant conflict;
3. The areas in which attitudes are less favorable than others are those dealing with the ability and the motivation of older workers to adapt to new 'hard' technology (but there were no differences concerning adaptability to organizational change). Nevertheless, in these case studies attitudes were more favorable than not, even on these dimensions;
4. Both managers and other employees are in overwhelming agreement that older employees serve as mentors or teachers to younger employees.

Of course, positive reports of attitudes towards older workers tell us only one part of the story; they do not tell us whether older workers are discriminated against, whether they are harassed on the basis of their age, whether they are patronized, or considered invisible. In Canada, we know very little about these latter issues, in part, because they are difficult matters to study through survey research. In a qualitative study of the Montreal garment industry, based on data from one of the case-studies in the Issues of an Aging Workforce (IAW)

project, McMullin & Marshall (2001, p.121) found that managers and owners used ageist stereotypes in their attempts to discourage older workers and to legitimize their exclusion from paid work. Difficult work was given to older employees without changing the pace or demands of the labour, and perceived or real age-related declines in physical ability or dexterity were used to eliminate older workers from paid work. Further, owners eliminated older workers by closing their factories and opening them a short-time later under a new name and with younger, non-unionized employees. As McMullin & Marshall (2001, p.121) conclude, "seemingly age-neutral strategies of cost reduction become systems of inequality in which age is implicated and older workers are placed at a heightened disadvantage relative to younger workers".

Regarding displaced older workers, as work is restructured in new economies, some older workers find themselves out of jobs in an economy where their skills may have become obsolete. When companies downsize as a result of globalization or other economic factors, older employees are often the first to go (McMullin & Marshall, 2001; Platman & Tinker, 1998), and once they are let go they often have a hard time finding another job (Henkens, Sprengers, & Tazelaar, 1996). Indeed, in a study of managers and counsellors who worked in Human Resource Centres in Canada, Underhill, Marshall, and Delicourt (1997, p. 3) found that 84% either agreed moderately or strongly that "employers discriminate against older workers in hiring practices".

In short, the jury is still out with respect to the extent of ageism and the attitudes of employers toward older workers in Canada. There is, however, a movement toward the extension of working life among some

publicly held organizations and some larger companies. This has led to discussions of, and limited implementation of, phased retirement policies and more flexible private pension schemes. These policies will be discussed in the next sections.

Employer based retirement policies

Phased retirement

There are two different forms of *phased retirement*: gradual retirement and deferred retirement. Gradual retirement entails “a pre-retirement gradual reduction in hours (or days) of work”, whereas deferred retirement generally refers to “post-retirement part-time work for pensioners who wish to remain employed” (Fourzly & Gervais, 2002, p. 168). While gradual retirement was most often encouraged in the 1990s by Canadian companies seeking to downsize their workforce, more recently employers are encouraging deferred retirement as a means of retaining older workers.

With the baby boom generation nearing retirement age, many employers have implemented phased retirement programs as a means of off-setting the expected shortage of experienced workers (Buckler, 2003). Large Canadian corporations such as banks and high technology firms seem to be more likely to offer formalized phased retirement programs, however it is likely that many smaller firms make similar, albeit informal, arrangements with older employees (Buckler, 2003). Moreover, phased retirement programs are becoming more and more common in both private and public collective agreements in Canada.

Provincial governments in Canada have also started adopting phased retirement programs. Saskatchewan has adopted a program to allow its civil servants to reduce

their hours as they approach retirement age, while Nova Scotia has implemented a phased retirement program for its teachers (Buckler, 2003). As of January 2004, the province of New Brunswick allows hospital nurses to take advantage of a phased retirement program. The program has been adopted in an attempt to improve retention and recruitment of nurses and will be evaluated for its effectiveness within two years of implementation. Nurses may apply for the phased retirement program at the age of 56 in 2004, in the following year the age of eligibility will drop to 55. The program allows nurses to reduce their hours to 50 or 60 percent and supplement their income by accessing their pension (Buckler, 2003; Office of Human Resources, 2003). Interestingly, while this program allows for gradual retirement, it does not allow for deferred retirement. Nevertheless this program may still be effective in retaining nurses as many in the nursing profession retire by age 56. Indeed, projections of the future supply of nurses based on a median retirement age of 56, forecast that 28% of the 2001 registered nursing workforce will be ‘lost’ to retirement by 2006 (O’Brien-Pallas, Alksnis, & Wang, 2003).

One of the pitfalls of phased retirement programs for employees is the possibility of having their pension payments reduced. Pension plans often base their payments on the last five years that an employee works. Under this type of plan individuals electing to participate in a phased retirement program will receive reduced pension payments. However it should be noted that, recognizing this pitfall, many Canadian companies have changed their pension plans to calculate pension payments based on the employee’s “five highest-earning years” (Buckler, 2003). A second pitfall of phased retirement is that Canadian tax laws do not allow an employee to be both a contributor

and a beneficiary of a pension plan at the same time. In an attempt to offset this pitfall, some Canadian employers base their share of the employee's pension payment on their full-time salary, even if they work reduced hours (Buckler, 2003).

There are advantages to implementing a phased retirement program for both employees and employers. Employees that enter into phased retirement programs benefit by avoiding an abrupt change from working full-time to not working at all. Workers who participate in a phased retirement program also have the opportunity to continue earning a higher income than they would receive from their pension alone (Fourzly & Gervais, 2002). Many employers hope to benefit from phased retirement by retaining experienced older workers who otherwise might enter full retirement. By retaining these workers, employers often gain both the time to find replacement workers and the opportunity to have older workers train and mentor their replacements (Fourzly & Gervais, 2002).

Employer pension programs

The percent of retirement income that was covered by private pensions grew from 18% in 1990 to 29% in 1999 (Statistics Canada, 2003c). In 2003, approximately 5.5 million working Canadians belonged to an employer sponsored pension plan (Statistics Canada, 2004b). Following a decline in numbers during the 1990s, the number of Canadians covered by these plans has been on the rise since 1997. Much of the overall decline in the early to mid 90s was caused by a decline in the number of members in the public sector (-14%), which was the result of downsizing by the federal and provincial governments and an increase in the number of older workers taking early retirement packages in this sector. However, between

1997 and 2000, the total number of plan members increased by seven percent (Statistics Canada, 2003c). Interestingly, while the public sector saw an increase of only five percent, the private sector led the way in this resurgence with the coverage in this sector increasing by 10 percent between 1997 and 2000. As a result, by 2000 the gap in Retirement Pension Plan (RPP) membership widened between the public sector (2.5 million) and the private sector (2.9 million) (Statistics Canada, 2003c).

Although the absolute number of persons covered by private pensions has increased of late, the rates of coverage continue to decline. About one third (33.6%) of the Canadian labour force was covered by a private pension in 2001, down from 36.7% in 1991. Differences in coverage by employer pension plans exist between men and women. Prior to 1991, men in the labour force were covered at a rate of 38.9%, however as a result of the recessionary times this rate dropped to 34.1% by 1997. In comparison to their male counterparts, women's coverage remained fairly consistent at about 34% (Statistics Canada, 2003c). Currently, employer sponsored pension plans in Canada are more likely to be defined benefit plans (84%) than defined contribution plans (14%). Moreover, a majority of RPP members (73%) in Canada belong to plans in which both employees and employers contribute (Statistics Canada, 2003c).

The increased importance of and reliance on private pensions has been heralded as giving older people more control over their finances in later life (OECD, 2000). Yet, as the above data show, many Canadians are not covered by private pensions and the retirement income that is replaced by private pensions is relatively low. Further, because private pensions, and especially contributory

private pensions, are dependent on market fluctuations, overemphasizing the benefits of such systems masks the risks that are inherent in them. Furthermore, by placing increased importance on private pension systems, we forget that Canada's three tier pension system is unbalanced in favour of those who have good and well paid jobs (Battle, 1997).

Government policies and labour force participation of older workers

Besides employer attitudes toward older workers and employer sponsored retirement policies, several government policies serve to either encourage or discourage older workers' employment. These policies are discussed below beginning with those that act to push older workers out of employment followed by those policies that encourage the employment of older workers.

Mandatory Retirement

The employment situation of older workers in Canada cannot be discussed without considering the issue of mandatory retirement. Mandatory retirement is not enforced by law in Canada however corporate policies or collective agreements often dictate that workers must retire at age 65. Canadians have been debating whether to outlaw mandatory retirement since at least the early 1970s and over the years this issue has been brought in front of the Supreme Court of Canada several times resulting in contradictory rulings (Klassen & Gillin, 1999). One of the key issues in these court cases revolves around equity provisions in Provincial and Federal Human Rights Codes. As many of them stand, age 65 is the upper age limit for protection against age discrimination in employment (MacGregor, forthcoming). A second key issue has to do with the tension between individual human

rights and societal benefit. The rulings in several of these court cases suggested that mandatory retirement was not discriminatory because it "is functional for society as a whole because forcing older workers to retire creates job opportunities for younger workers" (Gillen & Klassen, 2000, p. 61).

In 1986, the federal government abolished mandatory retirement for federal public servants by eliminating age 65 as an age cap in human rights legislation. However, six years later, when the federal government attempted to amend Bill C-108 which would have eliminated provisions in the Act that allow mandatory retirement policies in Canada, the bill did not reach Second Reading in the House of Commons (Canadian Human Rights Act Review Panel, 2000). As a result, there are significant differences among the provinces in mandatory retirement. Four provinces, Alberta, New Brunswick, Nova Scotia and Prince Edward Island, have removed age 65 as the upper age limit for protection against age discrimination in employment but allow contracts to be negotiated with mandatory retirement provisions. Ontario, British Columbia, Newfoundland, and Saskatchewan allow mandatory retirement by stipulating an upper age limit of 65 in their human rights codes. Only Quebec and Manitoba have banned mandatory retirement (Gunderson, 2004).

Canadians seem to be increasing their opposition to mandatory retirement. In a recent telephone poll conducted by Decima Research in 2003, 33% of respondents voiced opposition to mandatory retirement compared to 20% in 1996 ("Opposition", 2004). Mandatory retirement has become a hotly debated issue in Canada's most populous province, Ontario. The recent round of debates began in April of 2003

when the government of Ontario led by Premier Ernie Eves called for the abolishment of mandatory retirement (O'Malley, 2003). In its' Speech from the Throne the government promised to "introduce legislation that would allow more seniors to remain active in the workforce – retiring at a time of their own choosing, not an arbitrary, government-appointed time" (Hewitt Research Advisory, 2003, p.1). Bill 68, the Mandatory Retirement Elimination Act, was introduced shortly thereafter. The bill faced heavy opposition from the New Democratic Party which argued that eliminating mandatory retirement would weaken public support for pensions as well as violate contractual agreements. Employer groups, such as the Canadian Vehicle Manufacturers Association and the Toronto Board of Trade, also voice their opposition. Ultimately, the Bill never passed as an election was called and the Liberals were defeated by the Tories before it made it to its Second Reading (MacGregor, forthcoming). However, on January 29th, 2004, the newly elected Liberal government announced that they would also seek to abolish mandatory retirement, with Premier Dalton McGuinty stating that "the policy thrust is the correct one" (Benzie & Brennan, 2004).

Union representatives have spoken out against abolishing mandatory retirement. Buzz Hargrove, the president of the Canadian Automobile Workers (CAW) Union argues that banning mandatory retirement "gives corporations – and governments, by the way – who fund pension plans ... an argument to put less money in because they say you can work longer and make an equal amount of money" (Benzie & Brennan, 2004). Invoking intergenerational equity debates, Hargrove also argued that "the longer people work, the less opportunities there are for young people" (Benzie & Brennan, 2004).

In a report published by the C.D. Howe Institute in March 2004, entitled *Banning Mandatory Retirement: Throwing Out the Baby with the Bathwater*, Morley Gunderson (2004, p. 6) argues that "mandatory retirement should not be regarded as blanket age discrimination, but as part of a mutually agreed company personnel policy or collective agreement, generally negotiated by individuals with reasonable individual or collective bargaining power". Gunderson states that although the age cap should be removed from the human rights codes, exemptions for legitimate pension plans and collective agreements should be made. Ultimately, he purports that banning mandatory retirement entirely "throws out the baby – mutually agreed private contracts – with the bathwater – age discrimination" (Gunderson, 2004, p. 7).

At the federal level, support for eliminating mandatory retirement policies has been voiced by several high profile politicians including the Canadian Prime Minister Paul Martin (Martin, 2004). Support for the idea that mandatory retirement amounts to age discrimination, has also come from a report commissioned by the Department of Justice. The report, *Promoting Equality: A New Vision*, reviewed the Canadian Human Rights Act and addressed the issue of mandatory retirement. In the Panel's view, mandatory retirement policies remove the choice of when to retire from the older worker and are thus discriminatory. The report also acknowledges the negative impact these policies may have on recent immigrants and women, noting these workers may have insufficient funds for retirement due to a shorter period of employment (Canadian Human Rights Act Review Panel, 2000; Gillin & Klassen, 2000).

Public Pensions

Linked to issues of mandatory retirement are the rules and regulations of Canada's two-tiered public pension system. The first tier is the Old Age Security (OAS) and the second is the Canada Pension Plan (CPP). The Old Age Security (OAS) program has been the foundation of Canada's retirement income system since 1952 (HRDC, 2004a). The OAS program encompasses the basic OAS pension, the Guaranteed Income Supplement, and the Allowance.

To be eligible to receive an OAS pension individuals must have reached their 65th birthday, be a Canadian citizen or legal resident, and lived in Canada as an adult (over the age of 18) for a minimum of ten years. The OAS is not dependent on a person's employment history and is designed to provide Canadians aged 65 and over with a minimum income (Government of Canada, 2004a). An individual's benefit rate is based on the personal income of the individual in the year prior to applying for the OAS. The maximum amount of annual income for which a person may claim full benefits is \$57,879. In other words, if an individual's income exceeds \$57,879 in the year prior to applying for the pension their OAS benefits would be reduced. An applicant is not eligible for the OAS if their annual income exceeded \$94,530 in the year prior to their application (Government of Canada, 2004a).

The Guaranteed Income Supplement (GIS) provides additional income for low-income seniors who receive the OAS pension. It is intended to boost the retirement income of those individuals who have little or no income beyond their OAS benefit. The benefit rate of recipients is based on the individual's marital status as well as their annual income and how much they receive

from their OAS pension (HRDC, 2002a). Furthermore, it is only available to individuals who live in Canada. Unlike the basic OAS pension which allows individuals who live outside of Canada to continue to collect benefits, if a GIS beneficiary leaves the country for more than six months their benefits are cut off (Government of Canada, 2004b).

The Allowance is the third component of the Old Age Security program in Canada. Individuals between the ages of 60 and 64, with low incomes, and whose spouse or common-law partner receives the GIS, are eligible to receive the allowance. Additionally, individuals' whose spouse or partner predeceased them may be eligible to receive the Allowance of the Survivor. These benefits are intended to help "bridge the gap until these people become eligible for the OAS pension" (HRDC, 2003, p. 2). According to the National Advisory Council on Aging (NACA), by limiting eligibility to spouses and widows of GIS recipients the Allowance effectively discriminates against both divorced/separated low-income women and women who never-married (National Advisory Council on Aging, 1999).

The Canada/Quebec Pension Plan (C/QPP) is the second tier of Canada's retirement income system. The C/QPP is a contributory, earnings-based pension plan which is funded by compulsory employee and employer contributions. It is paid to those individuals who have contributed to the plan and benefit rates are determined by how long and how much the contributor has paid into the plan. To begin collecting benefits an individual must be either 65 years of age, or between 60 and 64 and be either no longer working or earning less than the current monthly maximum C/QPP retirement pension payment³ (\$814.17 in 2004) (HRDC, 2002b; HRDC, 2004b). The

plan, which was introduced in 1966, is designed to replace 25 percent of the earnings on which a person's contributions are based.

In keeping with the movement toward allowing for flexible retirement, the C/QPP allows for both early and late retirement. Under the plan, Canadians may retire between 60 and 70 years of age. This presents an opportunity for older displaced workers to begin collecting benefits between the ages of 60 and 64 (LeBlanc & McMullin, 1997). However, it should be noted that individuals are penalized for drawing benefits before the age of 65 and rewarded for retiring later. Depending on the timing of retirement, benefits are permanently adjusted by 0.5 percent for each month before or after their 65th birthday. For instance, when compared to a person who retires at age 65, a person retiring at age 60 will receive payments that are 30 percent lower, whereas a person who retires at age 70 will receive pension payments that are 30 percent higher (HRDC, 2002b). On the surface, this public policy removes the incentive to retire early and encourages later retirement. However, CPP does not allow provisions for flexible or phased retirement and, in fact, discourages it. Thus, from an economic standpoint, the CPP does not effectively discourage early retirement (Cooke, McMullin, & Downie, forthcoming)

In recognition of the aging Canadian population, changes were made to contribution levels to the C/QPP in 1977 to ensure its continued solvency. Over a six year period, the contribution rates increased from 5.6 percent to 10 percent. It is important to note that, while the increase in contribution rates helped to ensure the C/QPP was there for future generations, the rate increase is problematic for lower

income Canadians. Because income above the maximum pensionable earnings (set at \$39,100 in 2002) is exempt from mandatory contributions, this increase has disproportionately affected lower-income workers as they "have less disposable income and are required to make contributions on larger proportions of their earnings than higher income workers" (LeBlanc & McMullin, 1997; see also NACA, 1999; HRDC, 2002b).

Despite claims that the C/QPP is now on solid ground thanks to the reforms mentioned above (Mérette, 2002); some Canadian organizations still contend that the age of eligibility for the C/QPP needs to be increased to deal with the aging Canadian population. This latest recommendation comes from The Canadian Taxpayers Federation. The federation recently released a report in which it suggested that the age of eligibility for full benefits should be raised to 69, while the lower age limit for reduced benefits should increase from 60 to 64. The federation notes that the ratio of working people to those drawing benefits is projected to drop dramatically from 9-1 in 1966 to 3-1 in 2025. It cites concern over a potential backlash from young workers, who will see more and more deductions from their earnings go towards supporting the CPP, as the reason for the needed eligibility change. Ultimately, the Canadian Taxpayers Federation suggests that the savings generated from increasing the age of eligibility should be returned to current workers (Turchansky, 2004). By calling for an increase in the age of eligibility for CPP, the Canadian Taxpayers Federation is not only calling for an extension of work-life, it is also subscribing to the belief that population aging in Canada is of crisis proportions. Old age dependency ratios are often used by those predicting a looming crisis as a result of population aging even

though Canada's total dependency ratio is currently below what it was in 1971 and will remain lower for at least the next 20 years (Cooke, McMullin, & Downie, forthcoming).

Setting aside the sensationalistic responses to workforce aging from organizations such as the Canadian Taxpayers Federation, the issue of abolishing mandatory retirement and extending working life must be considered within the context of the unique labour market experiences of older workers. As shown above, employers do not always treat older workers favourably and when older workers lose their jobs they are often considered too old to be re-hired. How does and will Canada reconcile the tension between the extension of working life and the labour market experiences of older workers? The next section of this paper considers Canadian employment and training programs that target older workers.

Employment and training programs that target older workers

Until recently, older displaced workers in Canada have received very little support from the Canadian government. In a report entitled *Older Worker Adjustment Programs: Lessons Learned*, Human Resources Development Canada (HRDC) acknowledged that "historically, there have been very few government programs in place for assisting displaced older workers" (HRDC, 1999, p. 4). Furthermore, the report notes that this population tends to be underrepresented among the major Canadian employment programs (HRDC, 1999, pp.16-17). The Canadian Jobs Strategy (CJS) is an ideal example of how the needs of displaced older workers were not being met by a major employment strategy of the Canadian government. Not only were they not included as one of the many groups targeted

under this training employment program, displaced older workers were also underrepresented as participants (LeBlanc & McMullin, 1997; HRDC, 1999). In 1987-88, older workers accounted for approximately 25% of the Canadian labour force, however only 8% of the CJS participants were older workers (HRDC, 1999, p. 16).

The governmental support that has existed for displaced older workers has shifted in recent years from a focus on compensation programs to programs that assist in reintegrating these workers into the labour market. This shift was signaled by the termination of the Program for Older Worker Adjustment (POWA) in March of 1997. At the time, POWA was Canada's only program for displaced, older workers. A joint provincial and federal initiative, the POWA program provided financial assistance to workers over the age of 55, who had been laid off, and had worked the necessary number of years in specific industries (LeBlanc & McMullin, 1997).

In recognition of the paucity of programs for older workers in Canada, the purpose of the HRDC report was to uncover the best practices for assisting displaced older workers. This report found that programs that include job placement services were among the most successful in re-integrating older workers into the labour force. Additionally, it found that older workers are most benefited by "intensive, local and peer-based support and guidance" (HRDC, 1999, p. 27). In an attempt to follow the recommendations of the report, in June of 1999 the Canadian government announced \$30 million in funding for the Older Workers Pilot Project Initiative (OWPPI). A joint initiative between the federal and provincial/territorial governments, the projects targeted older workers between the ages of 55 and 64 who were displaced or

who were being threatened with displacement. The drivers of this initiative were concerns about higher unemployment among older workers and the difficulties they faced in re-entering the workforce (Treasury Board of Canada Secretariat, 2003). The programs that were implemented around the country were multifaceted and the industries to which they were applied ranged from the construction industry, to the non-profit and community service sector, to agriculture. They encompassed a variety of the measures that have been identified as a means of improving the employment situation of older workers. Many of the pilot projects incorporated employment subsidies with the purpose of encouraging employers to hire and retain older workers. Most of the projects provided some form of guidance and training for the older workers themselves. Additionally, many of the programs included an awareness raising campaign targeting employers about the need to retain older workers.

In March 2003, the OWPPI initiative received a one year extension and benefited from an additional \$15 million in funding (Treasury Board of Canada Secretariat, 2003). At that time, the OWPPI was scheduled to officially end in March 2004, however in May of this year the Minister of Human Resources and Skills Development Canada (HRSDC) announced additional funding for 2004-2005 for those provinces already participating in the OWPPI (HRSDC, 2004c). Each of the participating provinces and territories were expected to submit their preliminary evaluations of the pilot projects by the end of March 2004. HRSDC has plans to complete an evaluation of the entire initiative by September 30, 2005 (Treasury Board of Canada Secretariat, 2003).

In summary, for the most part older workers are under-represented in job training programs in Canada. Programs that target older workers have been industry specific or are in the pilot stage. As a result, many older displaced workers are left floundering their way through the social assistance programs in Canada for their economic livelihood. In particular, Canada's employment insurance and its social assistance program are used by older displaced workers as bridges to retirement.

Government policies that act as bridges to retirement

For most displaced workers aged 60 and older, relying on reduced CPP benefits is a viable, and in some provinces, a mandatory, option (National Council on Welfare, 1997). But for older workers who are under the age of 60, financial bridges to retirement pensions are required. For the more privileged displaced worker, "golden handshake" severance packages, personal savings, and company pension programs make early retirement financially feasible. However, the majority of less privileged displaced older workers need to rely on various programs within the social welfare system until they are eligible for their CPP and other pension benefits. Employment insurance and social assistance are the two key social welfare programs in Canada that are utilized in this regard.

Employment Insurance

The Employment Insurance program in Canada is intended to assist individuals who have lost their jobs. Previously called the Unemployment Insurance program, this program was revamped and renamed in 1997. At this time, the focus of the program was expanded beyond the national employment service and the provision of

income to unemployed workers. The newly designed program encompasses many new measures to help individuals prepare for, obtain and maintain employment. These new measures include: targeted wage subsidies intended to encourage employers to hire individuals they might not otherwise hire without the subsidy; targeted earnings supplements which act as a financial incentive to encourage workers to accept offers of employment; job creation partnerships to allow participants to gain work experience and may lead to on-going employment; and skills development and training purchases to assist individuals with obtaining the necessary skills to compete in the job market (HRSDC, 2004d).

Still, one of the key goals of the program is to provide unemployed individuals with regular cash benefits to assist them financially while they look for work. In order to be eligible for benefits, potential recipients must demonstrate that they have been out of work and without pay for 7 consecutive days and worked a minimum number of hours within the last 52 weeks. The minimum number of hours varies by region as it is tied to the unemployment rate of the economic region in which the recipient resides (HRSDC, 2004d). Eligible recipients receive 55% of their wage up to a cap of \$413 dollars per week for between 14 and 45 weeks depending on the recipient's work history and regional unemployment rates. Recipients must demonstrate that they are actively seeking employment or their benefit will be revoked. Thus, if older workers who are in their 60s lose their jobs, they may collect employment insurance for up to 45 weeks before collecting CPP, provided that they engage in job searches. Indeed, some research suggests that older garment workers intentionally use Employment Insurance as a bridge to

collecting their pension benefits (McMullin & Marshall, 2001).

For older workers who are under the age of 60, who lose their jobs, and who have no access to public or private pensions, employment insurance is the most likely choice for social assistance. However, as noted above, older workers have longer durations of unemployment than do younger workers. Thus, the Canadian employment insurance program may not provide long enough coverage for older workers who have difficulty re-entering the labour force (LeBlanc & McMullin, 1997; McGregor, 2002). Further, recent changes to the employment insurance program penalize repeat users. This is also disadvantageous to older workers because older workers who find work after being displaced often do so in lower paid, non-standard jobs and they thus are highly susceptible to further spells of unemployment (Picot & Pyper, 1993).

Social Assistance

For older displaced workers who do not qualify for retirement benefits and who have exhausted their employment insurance benefits, social assistance may be the only program available to them. The funding structure of social assistance programs in Canada has undergone a number of changes during the last decade. Prior to 1996, social assistance in Canada was administered under the Canada Assistance Plan (CAP) and the cost of administering social assistance was shared equally between the federal and provincial governments. In 1995, the federal government announced changes to the funding structure that "radically changed the face of social welfare in Canada" (LeBlanc & McMullin, 1997). In the budget speech of that year, the federal government introduced the Canada Health and Social Transfer (CHST), which came

into effect on April 1st, 1996. Rather than continuing to base payments on provincial spending decisions, the CHST allocated an annual lump sum payment from the federal government to each of the provinces. Upon receiving the CHST, the provinces were responsible for allocating the funds to each of the programs to be covered by this block funding. The programs funded by the CHST included health care, post-secondary education, and social assistance programs (LeBlanc & McMullin, 1997).

In moving to the CHST block funding, the government intended to give more autonomy to the provinces and reduce spending on these programs (LeBlanc & McMullin, 1997). As such, the implementation of the CHST fostered many changes to social assistance programs in Canada. Under the CHST arrangement, the provinces were no longer required to provide a legislated appeals process for those wishing to appeal welfare decisions. Additionally, the federal government no longer required that provinces provide assistance to everyone judged to be in need (LeBlanc & McMullin, 1997). The CHST also signaled a reduction of \$7 billion in funding for all of the programs covered by the transfer. As a consequence of the reduced funding, social programs, including social assistance, were significantly altered across the country. While these changes varied from province to province, some changes included the freezing of social assistance rates, placing tighter restrictions on eligibility criteria, and the introduction of work-for-welfare programs (Canadian Council on Social Development, 2004).

The CHST block funding was in place from 1996 to 2004. However, in November of 2002, *The Romanow Commission*, which was charged with making recommendations to sustain a publicly-funded health care

system in Canada, recommended that a separate transfer for health be implemented to ensure both stable and predictable funding for health care (Romanow, 2002). As a result of the Commission's recommendation, the funding for social assistance in Canada has once again been altered. In April of 2004, the Canada Health and Social Transfer (CHST) was split into two separate transfers. One transfer now funds health services and is called the Canada Health Transfer (CHT), and the other, called the Canada Social Transfer (CST), supports social programs, including social assistance and other social services such as child welfare (Department of Finance Canada, 2004).

The movement from funding under the CAP to the CHST and now to the CST and CHT has eroded the funding of social welfare programs in Canada. While the shift from the CAP to the CHST signaled a reduction in the actual amount of funding given to the provinces, it also eroded the funding of social programs in a less transparent manner. By rolling the funding for health care, social programs and post-secondary education together "the proportion of the CHST funding nominally directed to social programs shrunk as a proportion of the total funding envelope" (Canadian Council on Social Development, 2004). Additionally, the move from a combined CHST to the two separate transfers, the CHT and CST, further eroded the funding of social programs as the funding allotted to the CST was essentially based on what was left after the creation of the health fund (Canadian Council on Social Development, 2004).

In summary, welfare, through the social assistance program, is a final option for older workers if they do not qualify for any of the programs discussed above. The benefits offered through this program vary

from province to province but are generally meager. For older workers, utilizing this program is an absolute last resort because to be eligible, recipients must exhaust most of their savings and assets. Although this is true for younger workers as well, older workers are in a more precarious situation because they have limited time to regain their retirement savings (LeBlanc & McMullin, 1997).

Conclusions

In 1997 LeBlanc and McMullin published a paper in *Canadian Social Policy* entitled, "Falling through the cracks: Older workers between employment and retirement". In that paper, LeBlanc and McMullin argued that the various Canadian programs that provide assistance to retired and displaced workers (discussed above) overlook the specific needs of older workers. Many of these programs are "age neutral", they argue, but because older workers are in different circumstances from middle-aged or younger workers, these policies are unintentionally ageist. As the preceding discussion of these policies show, little has changed in Canada since 1997. Older displaced workers, in particular, are disadvantaged because age-targeted training programs are not institutionalized in Canada and financial assistance programs are typically developed with younger workers or "the elderly" in mind. The result is that older displaced workers have the potential to "fall through the cracks" of public policy in Canada. Thus, Canadian public policy needs to think carefully about its social programs, keeping the needs of older workers in mind. This may be especially problematic in light of the government and business concerns over the need to extend working life.

Yet, if employment programs target workers of specific chronological ages, some of them

will continue to fall through the cracks of social policy. Consider the headline that appeared on the front page of the *Globe and Mail* in August, 2003, "A mother flees religious persecution in Iran only to find age discrimination in Canada." This article described how Rashel Ebrahim became a Canadian citizen, worked part-time and went to college while singly raising her two teenaged children. Ms. Ebrahim graduated from George Brown College at the age of 39 as a computer programming analyst and got a job at a small, start-up software company. The catch was that she needed to qualify for the Industrial Research Assistance Program's employment assistance, which works in partnership with Canada's youth-employment strategy. This program provides incentives for high-tech firms to hire recent graduates who are between the ages of 15 and 30 by covering some of their salaries. In response to the charge of age discrimination, a spokeswoman for Industry Canada simply said that persons, aged 30 and over, do not qualify for this program (Oziewicz, 2003, p. A5). This case clearly demonstrates some of the potential problems of targeting programs to specific age groups. Indeed, Philip Taylor (2002) argues that the problems go beyond exclusion to include the potential for stigmatization of workers in the targeted age group.

In light of all of the political hype in Canada about innovation, responses from government that justify the exclusion of people from various programs because they are of a particular chronological age are surely unacceptable. Ms. Ebrahim's case also supports calls for policies that are based on life-course transitions, not on age (Marshall & Mueller, 2002). In this case, the school-to-work transition is at issue but in an era where life-long learning is becoming a necessity rather than a choice, the work-to-school transition will become

increasingly important. The type of schooling that is required in this transition and the character of the transition itself, vary along industrial, occupational, and individual lines. And at the individual level, age and life course stage will matter. If retraining programs or work-to-school policies are designed with 35 year olds in mind, even if this is subtle and implicit, older workers will fall through the cracks because they face very different barriers to employment than younger workers. For this reason, policies that target older workers and are cognizant of their unique needs are important. Also important, and an area of less emphasis in current Canadian public policy, are employer targeted programs that encourage businesses to invest in older workers.

In the coming decades we will continue to see increases in the proportion of older workers relative to younger ones and how individuals, businesses, and governments negotiate this shift will be critical. A key policy challenge will be to develop programs for both employers and employees that will enable older workers to maintain and enhance the skills that they need in new economies. Care must be taken, however, in targeting programs to workers of specific ages. Our past experience with age-specific targeting shows us that people are bound to fall through the cracks of such policy. Innovation is important here, with government agencies working together, and with business and individuals, to find integrative solutions to the problems associated with age-specific policies.

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Table 1: Labour Force Participation Rates by Age and Sex

	1976	1981	1991	2001
Total				
45 to 49 years	72.3	76.5	83.6	85.4
50 to 54 years	67.6	71.0	76.1	79.6
55 to 59 years	60.5	59.7	61.0	62.7
60 to 64 years	44.8	43.4	35.6	37.0
65 years and over	9.1	7.9	6.7	6.0
Men				
45 to 49 years	93.8	94.1	92.8	91.2
50 to 54 years	90.6	90.9	87.9	86.6
55 to 59 years	84.1	82.3	76.0	72.4
60 to 64 years	66.5	64.0	47.8	47.0
65 years and over	15.2	12.9	11.1	9.4
Women				
45 to 49 years	50.8	58.6	74.3	79.7
50 to 54 years	45.5	51.0	64.2	72.5
55 to 59 years	38.3	38.8	46.0	53.2
60 to 64 years	24.7	25.0	24.1	27.4
65 years and over	4.2	4.1	3.4	3.4

Source: Statistics Canada. (2004c). Labour Force and Participation Rates (CANSIM, table 282-0002). Ottawa: author. Retrieved May 5th, 2004, from http://cansim2.statcan.ca/cgi-win/cnsmcgi.exe?Lang=E&RootDir=CII/&ResultTemplate=CII/CII_pick&Array_Pick=1&ArrayId=2820002

Table 2: Unemployment Rates by Age, 2003

	Unemployment Rate
Total	7.6
25 and over	6.4
25-34 years	7.3
35-44 years	6.6
45-54 years	5.7
55-64 years	6.3

Source: Statistics Canada. (2004c). *Labour force characteristics by age and sex* (CANSIM, table 282-002). Ottawa: author. Retrieved May 5th, 2004, from <http://www.statcan.ca/english/Pgdb/labor20b.htm>

³ Through the CPP all workers who are unable to continue working because of a mental or physical ailment may collect a disability benefit. In order to qualify for benefits, an applicant must be under the age of 65, disabled, and not currently receiving a retirement pension. Eligibility also hinges on whether the person has made sufficient contributions to the plan. To be classified as disabled and therefore eligible for the plan, one must have “a physical or mental disability which is both severe and prolonged” (HRSDC, 2004e). According to the plan, ‘severe’ is defined as any condition that prevents an individual from working regularly at any job, while ‘prolonged’ is defined as a condition that is long term or may result in death (HRSDC, 2004e).