Country Policy Briefs

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Employment losses resulting from the 2008–09 recession were less severe than during previous downturns in Canada. Nonetheless, employment declined in a number of industries, notably in manufacturing. In some instances, the crisis merely accelerated the ongoing downward employment adjustment process in declining industries.

Older workers are over-represented in traditional sectors such as manufacturing and forestry, and some may be more vulnerable to periods of adjustment. In addition, many older unemployed workers face several important barriers to re-employment including age discrimination and lower geographic mobility. However, the experience and skills of older workers represent a valuable asset to the labour market and society more broadly, especially in the context of population ageing. To assist older workers with the adjustment process and to facilitate their labour market participation, in 2006 the Canadian Government introduced the Targeted Initiative for Older Workers (TIOW) which has continued to provide employment and income assistance to unemployed older Canadian workers throughout the crisis. TIOW is a federal-provincial/territorial cost-shared employment programme that offers a range of employment activities for unemployed older workers in vulnerable communities to help them reintegrate into employment.

Small-scale, well-targeted programme

TIOW aims to improve the employability of unemployed older workers and assist them in finding jobs. It allows them to remain in contact with the labour market while their communities undergo adjustment. This is of particular importance for older workers, for whom skills erosion or lack of appropriate skills can greatly reduce re-employment chances.

Since 2006, Canada’s Government has allocated C$220 million to the programme (figure 1). Initially, the Government provided C$70 million between 2006 and 2009, but the programme has since been extended. As part of Canada’s Economic Action Plan to mitigate the effects of the crisis, the Government allocated a further C$60 million over three years to raise the TIOW funding to approximately C$50 million per year until 2012. In Budget 2011 the Government announced that the programme would be extended until 2014 with an additional investment of C$50 million.

The federal Government, through Human Resources and Skills Development Canada (HRSDC), provides funding to the programme and establishes the broad framework and criteria for eligible participants, communities and project activities. Provincial and territorial levels of government identify projects and are responsible for overseeing design and delivery through third-party contracts with community-based organizations and partners to develop proposals based on the needs of older workers and their communities.

The federal Government contributes a maximum of 70 per cent of total TIOW costs per region, with the participating province or territory contributing a minimum of 30 per cent. As of 2011, all 13 provinces and territories had finalized an agreement with the federal Government, and over 15,000 older workers in vulnerable communities had been targeted through the initiative. These agreements also provide sufficient flexibility to provinces and territories to tailor the assistance to local needs.

Figure 1. Federal Government spending on TIOW, 2006–11 (C$ million)

* Planned spending. Source: Treasury Board of Canada Secretariat, Reports on Plans and Priorities (various years).
TIOW is a small-scale programme targeted at older workers most in need. To take part, workers must not only be between the ages of 55 and 64 (aside from exceptional cases), but also lack the skills needed for new employment. Among eligible participants, priority is given to those most in need, such as those not receiving employment insurance benefits. Among participants in 2008, close to half considered that they did not have the education and skills required for available jobs. Nearly one-third had not completed high school.

The project also focuses on older workers in smaller cities and towns with populations of under 250,000, high unemployment rates and heavy dependence on single industries or sectors. In particular, the programme targets communities affected by firm closures or downsizing, with priority given to traditional sectors, confronted with adjustment, such as forestry and mining.

An evaluation of the first wave of programmes undertaken in 2008 indicates that the vast majority of projects (93.6 per cent) were delivered in communities that had been affected by a significant downsizing or sectoral closure. Moreover, close to 60 per cent of projects took place in communities where the unemployment rate was 10.1 per cent or above, which is significantly higher than the 6.1 per cent national average at the time.

TIOW projects involve a combination of activities in a group-based setting where participants benefit from the support of their peers. All projects are tailored to the needs and circumstances of participants and provide employment support, including job-search assistance, interview techniques and job counselling. Projects must also involve at least two other employability improvement activities; on average they offered 10 employability measures.

A key element of TIOW is that participants in the programme receive income support via allowances, wages and wage subsidies. Project sponsors pay allowances to participants who are engaged primarily in developmental activities, such as training and competency assessment. In other cases, participants are paid a wage or wage subsidy, depending on whether they are working for a community-based organization or a private sector employer, respectively.

**Employment outcomes**

The evaluation of the first round of TIOW participants revealed that the vast majority (74 per cent) were able to find a job during or following participation in the programme. Moreover, 80 per cent of participants felt more employable as a result of the project activities. Significantly, the evaluation found that most projects were successful in matching participants with local economic development opportunities in their area. These results are particularly positive considering that 30 per cent of TIOW participants did not have a high school diploma, 50 per cent were unemployed for more than 12 months prior to participation, and all lived in communities with diminished prospects for employment. However, respondents who were unemployed for a longer period (more than 12 months) prior to the TIOW project were less likely to find work following the project, and, on average, worked for a shorter percentage of time.

**Complementary reform efforts**

Canada also has undertaken a number of reform efforts that complement TIOW and serve to improve

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**Box 1. Complementary reforms to encourage labour market participation among older workers**

- **Employment Benefits and Support Measures (EBSMs):** These assist individuals to prepare for, obtain and maintain employment. Provinces and territories deliver most of the EBSM programming through transfer Labour Market Development Agreements (LMDAs). In 2008–09, more than 580,000 workers received EBSM support, including nearly 48,000 older workers. In the wake of the 2008–09 recession, provinces and territories were provided with an additional C$1 billion in funding, over two years, to meet increased demand for training.

- **Canada Pension Plan (CPP):** As part of the regular reviews of the CPP, changes were introduced in January 2011, with full implementation by 2016, to provide greater flexibility for older workers to combine pension and work income and to improve fairness in the Plan’s flexible retirement provisions. Specifically, there were adjustments to the actuarial factor so that CPP retirement pensions will be lower if taken before age 65 and higher if taken after. In addition, starting in 2012, contributors will be able to receive their CPP retirement pension without needing to stop working. This will make it easier for older Canadians to make a phased transition to retirement and maintain their link to the labour force.

- **Guaranteed Income Supplement (GIS):** The exemption for employment earnings was enhanced from C$500 to C$3,500 a year as of 1 July 2008. This change allows GIS recipients to earn more without seeing a concomitant reduction in their benefits, encouraging labour market participation while providing income support.
the labour market participation and attachment of older workers (box 1). The looming challenges of rapid population ageing and a shrinking proportion of working-age people in the total population have motivated a number of such policy initiatives.

**Prudent scaling up**

Canada has emerged from the financial and economic crisis faster than other advanced economies. Moreover, older workers in Canada have fared well in comparison to their counterparts in these countries – aided in part through the range of reform efforts undertaken in recent years as well as TIOW, which, already in place in 2006, could be leveraged by the public authorities to provide complementary support to mitigate the effects of the crisis.

Given that TIOW is a small-scale targeted initiative, it can only make a limited contribution towards strengthening participation of older workers in the labour market. At the same time, the inherent difficulties in fully evaluating the cost effectiveness of such initiatives suggest that a prudent approach should be adopted to their scaling up, and that initially targeting older workers most in need (i.e., not in receipt of Employment Insurance and living in small communities) is an appropriate starting point.

Looking ahead, the considerable variation in employment outcomes across provinces and territories indicates that a better diffusion of lessons learned and best practices should be encouraged to improve overall results. In addition, monitoring and evaluation efforts should continue and be strengthened, with a view to identifying the most effective combinations of activities. In parallel, there is a need to assess the longer-term impacts of programme participation, especially regarding employment and income. The latter is particularly important.

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1 OECD (2005).
2 Canada’s Economic Action Plan is a C$62 billion stimulus plan aimed at creating and maintaining 220,000 jobs by the end of 2010.
3 Department of Finance (2009).
4 HRSDC (2011).
5 ibid.
6 HRSDC (2010).
7 ibid.
8 OECD (2010).
References:


