

Canadians must have more opportunity to extend their working lives, says OECD

Giving Canadians more opportunity to remain in the workforce longer will benefit both the economy and the workers themselves. If Canadians continue to retire early, population ageing will lead to a pronounced slowdown in labour force growth and hence to weaker economic growth. There is a human dimension as well - many older Canadians would prefer to remain in paid employment for longer if the appropriate policies and workplace practices were in place.

Part of the OECD series on *Ageing and Employment Policies*, the OECD's report on Canada outlines the main barriers to employment facing older workers, an assessment of the adequacy and effectiveness of existing measures to overcome these barriers and policy recommendations for further action by the Canadian government, employers, trade unions and older workers themselves.

Recommendations for reform

The OECD's report notes that Canada is better placed to meet the challenges of population ageing, than many other OECD countries. First, Canada's population is not expected to age as rapidly or as extensively as in Japan and many European countries. Second, past reform has strengthened the financial sustainability of public expenditures on old-age pensions. Third, the labour market situation of older Canadians has improved considerably in recent years.

Nevertheless, the OECD argues, Canada should do more to improve employment opportunities for older Canadians whose participation rates are still below the levels in several other OECD countries. Though there have been some recent improvements, to successfully meet the challenges of population ageing Canada will need to adopt a co-ordinated and comprehensive package of measures to encourage older workers to work longer. The OECD report puts forward numerous policy recommendations including:

- *Increase flexibility for combining pensions with work income.* Allow older workers to combine pension income with salaries by:
 - *Abolishing the stop-work clause in the CPP.* Under current rules, workers aged 60 to 64 to must stop working a month before the first pension payment. This should be abolished so individuals can work and draw a pension.
 - *Reviewing the income tax and private pension systems.* Defined-benefit Registered Pension Plans (RPPs) offer strong financial incentives to retire early. At a minimum, the federal government should review the rules under the federal Income Tax Act which currently prohibit the simultaneous accrual and receipt of benefits. In addition, unions and employers should increase the possibilities for phased retirement under these plans in conjunction with the necessary changes to the federal Income Tax Act.
 - *Allowing people to accumulate future pension rights.* Presently, individuals receiving a public pension cannot accumulate future pension rights on any future earnings. This restriction should be relaxed.
- *Survey the extent of age discrimination in the workplace and update the evidence regarding employer attitudes and perceptions.* This should include investigating claims that older workers are reluctant to file complaints of age discrimination and updating existing information regarding employer attitudes *vis-à-vis* older workers. If negative attitudes persist, federal and provincial/territorial governments should work with social partners and employers to champion good practices in the workplace. The United Kingdom's Age Positive campaign

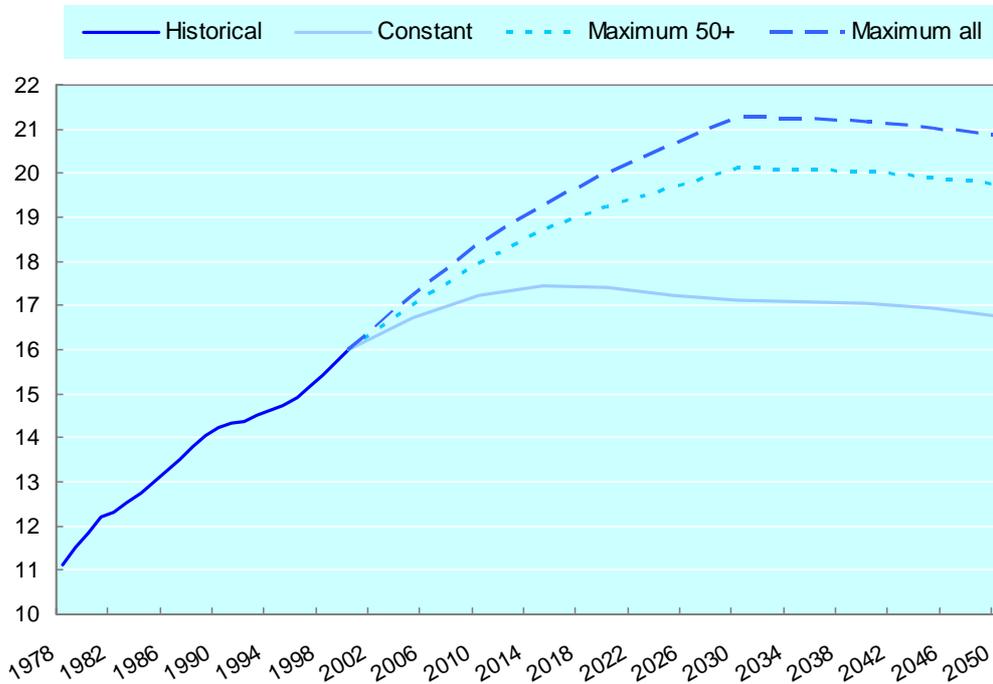
and its guidelines for employers, the Code of Practice on Age Diversity in Employment would be a good example to follow.

- *Strengthen the employment services for the unemployed.* The federal and provincial/territorial governments should remodel employment programmes and services:
 - *Extend eligibility of Employment Benefit and Support Measures.* Many older job seekers are not entitled to employment assistance measures which often require receipt of Employment Insurance (EI) benefits. By amending the EI Act, the federal government could extend 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).
 - *Increase participation of older job seekers in employment programmes.* Strengthening job-search requirements for all individuals, including older workers, should be an integral part of this effort.
 - *Build upon the lessons learned from the Older Workers Pilot Projects Initiative.* After final evaluations of the pilot projects are assessed, the federal and provincial governments should follow them up with concrete suggestions for providing better employment assistance, in particular greater provision of training, for older people.
 - *Increase resources available to employment programmes.* Implementing changes will necessitate increased spending on public employment programmes. However, there is scope to increase expenditures of this nature, since current spending on active labour market programmes as a share of GDP in Canada is among the lowest in OECD.

To obtain a copy of the publication, journalists should e-mail: news.contact@oecd.org. For further comment or information, please contact the report's author [Steven Tobin](#) ([33] 1 45 24 19 48) or the head of the OECD's Thematic Review of Ageing and Employment Policies, [Mark Keese](#) ([33] 1 45 24 87 94).

Figure 1. Labour force growth scenarios in Canada, 1978-2050^a

Millions, projections after 2000

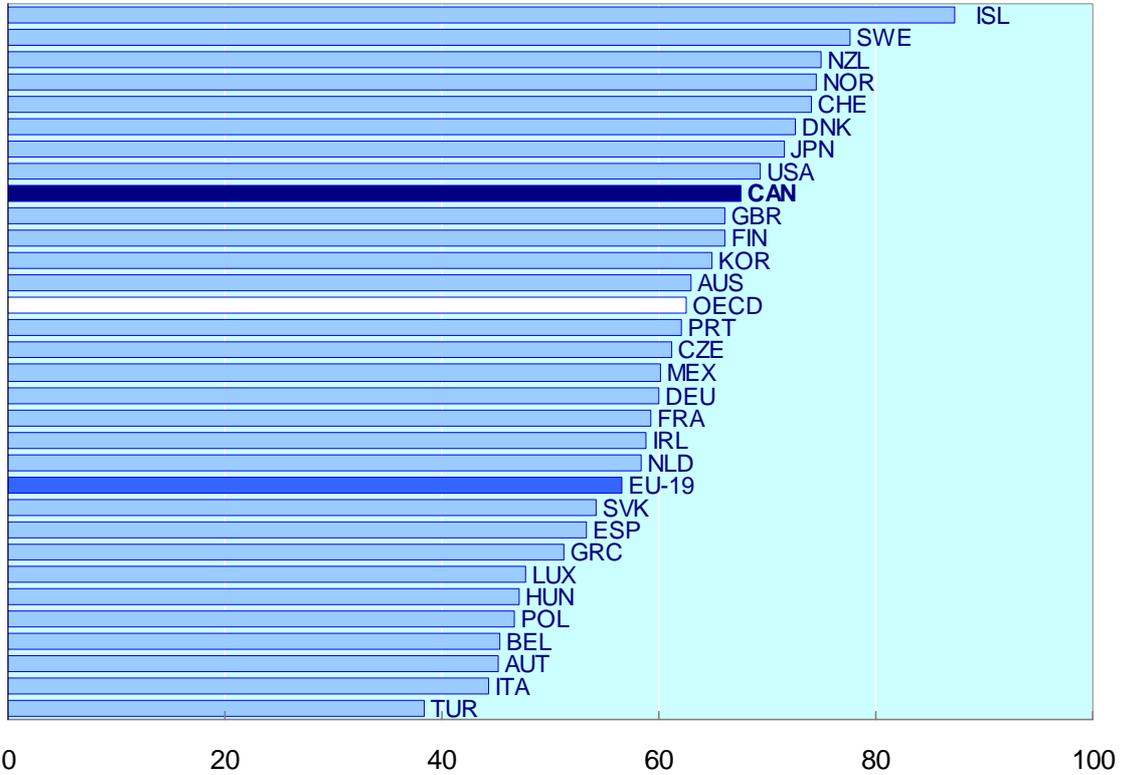


a) The constant scenario assumes that current participation rates by five-year age group and gender remain constant over the period 2000 to 2050. The maximum scenario applies the maximum participation rates (for workers aged 50 and over for "Maximum 50+" and for all workers for "Maximum") in the OECD 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), *Ageing and Employment Policies: Canada*, Paris.

Figure 2. There is much room for raising labour market participation of older Canadians

Proportion of the older population aged 50-64 in the labour force, 2004 (%)



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