

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

CANADA (situation mid-2012)

In 2011, the employment rate for the population aged 50-64 in Canada was 2.6 percentage points higher than in 2005 and 5.4 percentage points above the OECD average. Further statistical information about the labour market situation for older workers in Canada is presented in the scoreboard in Table 1.

A major multi-country review of ageing and employment policies took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country review.

The main actions taken in Canada since 2005 are described in this Note. A summary assessment of the extent to which Canada has followed the OECD's recommendations in the report *Ageing and Employment Policies: Canada* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Canada in 2005 – action taken

Increase flexibility for combining pensions with work income

Changes made to the Canada Pension Plan (CPP) in 2010 began to be implemented in 2011. The changes are being phased in gradually over a six-year period, with full implementation planned for 2016. The amendments enhance flexibility, allowing CPP contributors more options so they can choose what is right for them as they make the transition from work to retirement.

As of January 2012, contributors can begin receiving their CPP retirement pension without any work interruption. Previously, contributors who decided to take their CPP retirement pension before the age of 65 had to either stop working or significantly reduce their earnings for at least two months. They could subsequently return to work or start earning more. Arising from recognition that retirement now tends to be a process and not a one-time event, this change will help avoid an interruption in the income of workers and disruptions in the supply of human resources. The amendment increases the flexibility with which pensions can be combined with work income.

Also as of January 2012, individuals under the age of 70 who work while receiving their CPP retirement pension can increase their retirement income by continuing to contribute to the CPP in order to earn *the new Post-Retirement Benefit (PRB)*. Each year of additional contributions generates a new PRB the following year, which will be added to the CPP retirement pension. The PRB is fully indexed and payable for life; the first PRBs are payable in 2013. If working recipients of the CPP retirement pension are under the age of 65, these contributions are mandatory, both from them and their employer. After the age of 65, the contributions are voluntary until age 70. Employers must contribute if workers do.

Adjustments for pensions taken both before and after the age of 65 are now gradually being rebalanced to *actuarially fair levels*. This will further increase the CPP retirement pension for those who delay receiving it until after the age of 65, and further reduce it for those who begin receiving it before that age. These adjustments will ensure that there are no unfair advantages or disadvantages in taking pensions before or after the age of 65, and so strengthen financial incentives to carry on working.

The *income-tested Guaranteed Income Supplement (GIS)* is provided to low-income seniors who receive the Old Age Security (OAS) benefit. It is reduced by CAD 0.50 for every CAD 1 of other income, to ensure that it is targeted to seniors with little or no income apart from their OAS benefit. Since 2008, up to CAD 3 500 of employment income is exempted from the GIS benefit calculation; the increased earning exemption was designed to provide more flexibility for low-income seniors to work while in receipt of the GIS.

Although not exclusively for older workers, the *Working Income Tax Benefit (WITB)* – a refundable tax credit for individuals and families – aims to strengthen incentives for low-income Canadians to work and reward those who do. It was introduced in 2007 and further strengthened in 2009. In the 2011 tax year, the maximum amount of WITB is paid if a family's working income is between CAD 9 856 and CAD 14 791. The WITB payment is withdrawn completely once the family net income exceeds CAD 26 281.

Help the partners of low-income pensioners get back into the labour market

Allowance beneficiaries are not required to stop working to receive allowance benefits, but their benefit is reduced on the basis of income from other sources. The 2008 budget increased the amount of employment income that can be exempted from calculation of allowance benefits, to CAD 3 500. Consequently, allowance beneficiaries who choose to work can earn more before their benefit is reduced.

Reassess the saving and retirement incentives built into retirement savings plans

In 2007, *amendments to income tax regulations* were passed to allow for phased retirement under defined-benefit registered pension plans. These changes allow individuals to receive up to 60% of their pension while at the same time continuing to accrue pension benefits through continued contributions from the same plan or another plan of the same or related employer. The changes also provide employers with more flexibility to retain older workers.

In 2009, changes to the Pension Benefits Standards Act were made to permit phased retirement in *federally regulated defined-benefit pension plans*. Some provinces have followed suit and made changes to their legislation to specifically address phased retirement for those with provincially regulated defined-benefit plans. To remove disincentives to work, the minimum age to benefit from registered retirement savings plans and registered pension plans was increased from 69 to 71 years from 2007.

A.2. OECD recommendations to Canada in 2005 – no action taken

Encourage greater take-up of the Canada Pension Plan (CPP) Disability Vocational Rehabilitation Programme

Work is currently under way to review this programme and to test innovative partnership models through pilots. The aim is to continue to encourage clients to engage in volunteer and paid work and support that engagement, while supporting co-ordination with other initiatives and promoting consistency across regions. This work is still in early stages of development

Intervene early in spells of sickness

There is evidence to suggest that many individuals move from sickness benefit to CPP disability. Assessment at an early stage in sickness spells may help prevent the onset of a health condition leading to the loss of a job, or help promote a prompt return to employment. Each year, the Employment Insurance (EI) Commission's Monitoring and Assessment Report tracks the use of EI sickness benefits. On average, claimants collect 9.3 weeks of benefits, or 62% of the maximum entitlements.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Canada in 2005 – action taken

Move ahead with abolishing mandatory retirement

The normal pension eligibility age in Canada is 65 years, but early pension can be claimed from the age of 60. The effective labour force exit age is considerably lower than 65 (Table 1). In Canada, mandatory retirement had been regulated partly through federal and partly through provincial and territorial legislation. The provinces and territories have abolished mandatory retirement from their legislation over

the past decades. The change in federal law took effect only in December 2011. There are still exemptions relating to work under special conditions at both the federal and provincial and territorial level.

Update evidence regarding employer attitudes and perceptions

In 2011, Human Resources and Skills Development Canada (HRSDC) held informal consultations with employers and older workers. Although there were no specific questions on employer attitudes and perceptions, the consultations sought *qualitative evidence on the labour market challenges and opportunities for older workers and employers*. Particular focus was placed on workplace practices and conditions affecting the labour market attachment of older workers.

In 2010 the *National Seniors Council* was asked by the Government of Canada to examine the issues concerning the labour force participation of seniors and near-seniors, and intergenerational relations. Based on consultations the Council held with stakeholders from across Canada, some of the areas for future action suggested include more employment programmes, lifelong learning and retraining, age-friendly workplaces and a workforce ageing strategy.

As a follow-up to the 2010 consultations, the Government of Canada mandated the National Seniors Council to further examine the issue by seeking the views of employers on how to attract and retain older workers, specifically those most at risk of withdrawing from the labour force or becoming unemployed. The National Seniors Council has committed to submitting a report of their discussions with employers by March 2013.

The *2008 Federal Jurisdiction Workplace Survey* asked employers about arrangements already in place to encourage workers to keep their jobs beyond the age at which they could retire, and about arrangements to help older workers to prepare for retirement. Retirement preparation training and part-time work without penalty in future pension benefits were relatively widespread, while arrangements such as transfer to less demanding jobs or more desirable shift schedules were less common.

Promote better work practices

Evidence shows that the working conditions are one of the key factors affecting older workers' choice between work and retirement. The Mental Health Commission of Canada decided in 2011 to develop a *National Standard of Canada for Psychological Health and Safety in the Workplace*. The standard is expected to be introduced in 2012. While voluntary, it will nonetheless be a useful tool for employers to identify psychological risk factors related to their working conditions.

B.2. OECD recommendations to Canada in 2005 – no action taken

Undertake detailed national surveys to assess the extent of age discrimination in employment

There is some evidence to suggest that older workers view age as a major barrier to hiring. Therefore, the extent to which older people feel discriminated against and may be reluctant to file complaints of age discrimination should be investigated further.

B.3. Other implemented measures unrelated to specific OECD recommendations

The *Forum of Federal/Provincial/Territorial Ministers Responsible for Seniors* aims to advance issues of concern, and to focus on collaborative projects and actions that will have an impact on the lives of seniors. The Forum identified promoting the active participation of seniors in the community through employment or volunteering as one of their priorities for 2011-12. As such, the committee has disseminated information promoting volunteerism, raising awareness of the personal benefits of volunteering. They also launched an

initiative targeting employers, part of which involves developing an information booklet outlining the benefits of hiring and retaining older workers, and preparing an age-friendly checklist for employers. The Forum is also developing a *Workplace Charter* – a one-page document to involve employer champions and reinforce their commitment to maintaining age-friendly workplaces.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Canada in 2005 – action taken

Strengthen the employment services offered to unemployed workers

Since 2008-09, the Government of Canada has provided CAD 500 million annually to provinces and territories (P/Ts) through *Labour Market Agreements* (LMAs) to support the delivery of eligible labour market programming. These bilateral agreements, which will expire in 2013-14, provide P/Ts with the flexibility to design and deliver programming to increase the labour market participation and skill sets of unemployed individuals who are not eligible for Employment Insurance, including older workers and other underrepresented groups.

As part of *Canada's Economic Action Plan*, the Government of Canada allocated an additional CAD 500 million over two years (2009-10 and 2010-11) through the Strategic Training and Transition Fund (STTF). Delivered via LMAs, the STTF provided support to P/Ts to help workers in communities and sectors affected by the economic downturn retrain to stay employed or transition to new jobs. It also provided supports to individuals affected by the downturn to participate in training or other employment initiatives. In 2010-11, P/Ts assisted approximately 425 700 Canadians using funding received through the LMAs; of these, over 80 000 received funding through the STTF

Through the *Labour Market Development Agreements* (LMDAs), the Government of Canada invests nearly CAD 2 billion annually in provincial and territorial programmes for unemployed Canadians under Part II of the Employment Insurance Act. Through these agreements, government funding enables P/Ts to design, deliver and manage skills and employment programmes for unemployed Canadians, particularly for those who are eligible for Employment Insurance benefits.

Programmes delivered under Part II of the Act are called *Employment Benefits and Support Measures* (EBSMs). EBSMs are labour market programmes and services established to assist those eligible for Employment Insurance (EI) – including older workers – prepare for, obtain and maintain employment. EI-insured clients as well as non-insured clients are eligible to participate in EBSMs; however, the type of assistance available differs for the two groups. The EI-insured client group is composed of two client types, “active” and “former” claimants, who are eligible for all types of EBSM interventions. Active claimants are claimants who have established a regular EI claim; they tend to have strong and recent labour market attachment, and therefore tend to be able to return to work faster than those with a weaker attachment. Former claimants are individuals who established a regular EI claim in the previous 36 months, or who received maternity or parental benefits during a benefit period established in the previous 60 months. Former claimants can receive living allowances through Part II of the Act. By contrast, the Employment Assistance Services Support Measure (which includes such activities as employment counselling and job search assistance) is available to non-insured unemployed clients.

As part of Canada's Economic Action Plan (EAP) the government invested an additional CAD 1 billion over two years (2009-10 and 2010-11) through LMDAs. This measure was introduced to respond to the higher demand for labour market programmes and training brought on by increased unemployment during the economic downturn.

In 2010-11, P/Ts assisted 756 046 clients (approximately 372 000 active EI clients, 115 000 former EI clients and 269 000 non-insured clients). In total, Canada's investment assisted 1 513 210 Canadians in 2009-10 and 2010-11 (including 309 000 through EAP funding), through P/T programmes and services funded by LMDAs.

The Government of Canada transfers approximately CAD 218 million annually to ten provinces under *Labour Market Agreements for Persons with Disabilities* (LMAPDs) to enhance and increase the employment opportunities available to persons with disabilities (including older workers), and to share information and best practices in that area so as to build on the existing knowledge base.

Each year, LMAPDs support approximately 300 000 interventions through over 100 programmes that are funded in part by the Government of Canada and designed and delivered by provinces. This gives provinces the flexibility to determine their own priorities and approaches to best address the needs of persons with disabilities in their jurisdictions.

These broad, flexible programmes are supplemented by initiatives to improve the labour market participation of older workers through grant and contribution funding. One of these projects has as objective to create an effective and replicable online community-based model to assist older workers in realising job opportunities: the model embeds essential skills into job search strategies for older workers and into recruitment strategies for employers.

Build upon the lessons learned from the Older Workers Pilot Projects Initiative

The *Older Workers Pilot Project Initiative* (OWPPI), which ended in 2006, provided valuable lessons on older workers' needs. Tools found to be especially useful included group programming that combines approaches such as individual work assessment, training, work experience and job search supports; hands-on, relevant and practical training; flexible programming that can be tailored to an individual's needs; and projects that include community partnerships. It was also determined that employment outcomes were lowest for approaches that did not include employment assistance or marketing of workers to employers; work placements involving 100% wage subsidy (no employer contribution); and stand-alone interventions such as employment assistance.

Building on the lessons learned from OWPPI, the *Targeted Initiative for Older Workers* (TIOW) was introduced in 2006 as a federal-provincial/territorial (F-P/T) cost-shared measure to provide employment assistance services and employability improvement activities (such as skills upgrading and work experience). The target groups are unemployed older workers aged 55 to 64, who: live in communities of 250 00 or less; experience ongoing high unemployment; or rely heavily on one employer or industry affected by downsizing or closure.

The initiative has since been enhanced and extended in the Budgets 2008, 2009 and 2011, the last of which extended the programme until 31 March 2014.

The formative 2010 evaluation of TIOW indicates that the design incorporates many of the lessons learned from the OWPPI. The results show that TIOW has been successful at reintegrating unemployed older workers into the workforce: 75% of the participants surveyed found employment during or following participation. TIOW supports the tailoring of projects to the needs of local communities and to the learning styles of individual participants. It provides a suite of employment assistance and employability improvement measures (including skills development and work placements), offered in a group-based setting where participants can benefit from the support of their peers. As of June 2012, 354 projects have targeted over 17 800 participants.

Facilitate self-employment among older people as an option for extending working life

The *self-employment* (SE) benefit through the LMDAs is one of the five forms of employment assistance established by the EI Act. Self-employment helps individuals create jobs for themselves by starting a business or becoming self-employed. Evaluation results showed that in general, both active and former claimants of SE had significantly increased the hours they were employed. Unfortunately, these employment gains were not often accompanied by increases in earnings. Future evaluations may examine the long-term impacts of the SE benefit on earnings and the duration of individuals' working lives.

The formative 2010 evaluation of TIOW also found that 37% of TIOW projects between 2006 and 2008 provided preparation for self-employment activity.

C.2. OECD recommendations to Canada in 2005 – no action taken

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. At this time, no actions are targeted directly towards older workers. However, one of the ways the Government of Canada has improved training access and take-up for Aboriginal people, which can include older workers, is by funding training intervention through the Aboriginal Skill and Employment Training Strategy (ASETS), the Skills and Partnership Fund (SPF), the Aboriginal Skills and Training Strategic Investment Fund (ASTSIF) and the Aboriginal Skills and Employment Partnership (ASEP) programme

C.3. Other implemented measures unrelated to specific OECD recommendations

The *Expert Panel on Older Workers*, established in 2007, was charged with studying labour market conditions affecting older workers and reporting back on ways to enhance the work prospects for older workers as well as on ways to support older workers' adjustment, with special attention accorded the circumstances of displaced workers.

The Panel's report, published in 2008, represented a good road map for addressing issues affecting the employability and potential of older workers. The federal government has since implemented a number of measures, including extending and enhancing the TIOW, administering a Survey of Older Workers, and amending the CPP to increase flexibility and choice for older workers as they transition from work to retirement.

The *Survey of Older Workers*, sponsored by HRSDC, was created to develop a statistical database that would provide estimates relating to the issues of work and retirement. In furnishing relevant information on the perspective of older workers, the survey helps policy makers understand the factors that actually figure in the all-important decision between work and retirement.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Canada			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	59.7	64.0	66.6	55.6	58.4	61.2
<i>of which</i> 50-54	75.2	78.3	79.6	71.8	73.7	76.1
55-59	59.0	64.6	68.4	55.9	59.9	64.8
60-64	34.6	41.7	47.4	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	48.2	54.7	58.7	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	11.3	16.7	22.6	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	18.0	18.5	19.4	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	9.7	10.4	10.0	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.24	1.26	1.22	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t</i> -5)	39.7	46.4	48.4	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t</i> -1)	10.3	9.9	9.0	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	62.8	63.3	63.8	63.1	63.3	63.9
Women	61.1	61.5	62.5	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	5.8	5.4	6.7	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	16.8	16.4	22.1	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	28.3	36.3	42.2	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	-	-	-	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	-	-	-	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings in 2000, 2005 and 2010.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. Ageing and employment policies: Canada (situation mid-2012)

OECD's recommendations to Canada in 2005	Action taken
A. Strengthening financial incentives to carry on working	
<i>Increase flexibility for combining pensions with work income</i>	++
<i>Help the partners of low-income pensioners get back into the labour market</i>	+
<i>Reassess the saving and retirement incentives built into retirement savings plans</i>	+
<i>Encourage greater take-up of the Canada Pension Plan (CPP) Disability Vocational Rehabilitation Programme</i>	/
<i>Intervene early in sickness spells</i>	/
B. Tackling employment barriers on the side of employers	
<i>Move ahead with abolishing mandatory retirement</i>	++
<i>Undertake detailed national surveys to assess the extent of age discrimination in employment</i>	/
<i>Update evidence regarding employer attitudes and perceptions</i>	+
<i>Promote better work practices</i>	+
C. Improving the employability of older workers	
<i>Improving training access and take-up</i>	/
<i>Strengthen the employment services offered to unemployed workers</i>	+
<i>Build upon the lessons learned from the Older Workers Pilot Projects Initiative</i>	++
<i>Facilitate self-employment among older people as an option for extending working life</i>	+
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2005), <i>Ageing and Employment Policies: Canada</i> and answers to the follow-up questionnaire from Canada.</p>	