

DISPLACED OLDER WORKERS
ECONOMIC BURDEN - OR VALUABLE RESOURCE?

ISSUES AND OPPORTUNITIES

A DISCUSSION PAPER

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EXECUTIVE SUMMARY

In 1997, the Government of Canada initiated a comprehensive package of focussed policies and programs designed to help unemployed and underemployed people under the age of thirty, "... to get the experience, knowledge, skills and information they need to prepare for and participate in the world of work." The Youth Employment Strategy¹ includes a handbook called **Youth Link**, providing information on well over three hundred Government of Canada programs and services for youth². This broad strategy is having far-reaching success among Canada's youth and is becoming a model for similar programs elsewhere.

Now it is time to consider the growing challenges facing an even more vulnerable sector of Canada's employment population - displaced experienced workers - especially (but as we shall see, not exclusively) those considered 'older' workers – women and men between the ages of fifty-five and sixty-four. For while employment figures are complex, it is clear that the employment participation rate of workers fifty-five years old and older has, at least since the nineteen seventies, been much lower than that of youth³. And the Government of Canada is on record as recognizing the particular vulnerability of this sector. The Liberal Plan for Canada, **Creating Opportunities**, makes particular mention of, "*workers who have been displaced..., especially Canadian workers who have been in the work force for a number of years...*"⁴

The purpose of this discussion paper is to provide context, an overview and some approaches that might be explored regarding the challenges facing these Canadians. The public policy components of the challenge are complicated both by political jurisdiction and demographic definition. This paper makes no attempt to weigh in on the jurisdictional issues - the ideas and suggestions outlined may be of interest to more than one level of government. As to definition, the issues presented are of immediate concern for today's displaced older workers. It is left to others to debate the degree to which this is a short or long term challenge. In terms of public policy, the challenge is real, it is now, and it merits immediate action. Having said that, the imminent next generation of older workers constitutes another important catalyst for action now.

Tomorrow's Older Workers

There are those who say that the difficulties facing today's older workers should be less severe for tomorrow's older workers, those aged forty-five to fifty-four today, as most will have had the advantages of ongoing education and flexibility that were not as available to the earlier generation. However, there are many displaced and vulnerable workers in this group already, and given the sheer size of the baby boomer generation, there are significant numbers of inadequately educated individuals among them. Furthermore, the world of work is changing so fast, it seems not unlikely that even today's better-educated workers may be just as vulnerable in the unpredictable and imminent future.

¹ See APPENDIX #II

² Youth Link 1998-1999, HRDC and web site: <http://youth.hrdc-drhc.gc.ca/ythprg/overv.shtml>

³ See Chart 1, APPENDIX #IV.

⁴ **Creating Opportunities, The Liberal Plan for Canada**, in a discussion about the importance of small and medium sized enterprises, page 47.

Since today's older workers are forerunners of that much larger group following them closely, we would be well advised to establish effective policies and programs now - to both serve those Canadians now affected, and to provide a solid base of policy experience for those following in the almost immediate future.

What's The Problem?

For many reasons the rates of employment among all older workers have been declining over the last twenty years in Canada⁵. It is important to note that some of these Canadians left voluntarily, and have sufficient sources of income – with generous buyout packages, adequate pension funds, or other personal financial resources. However, there is serious and growing concern that many older Canadians are being *pushed* out of the labour market when they still have much to offer and at a time when many still have pressing financial obligations.

And this is causing even more immediate uncertainty for three groups among these workers - those with poor education or employment training, those whose skills are non-transferable, and those for whom relocation is not a viable option. Since these three factors are more prevalent among older workers, a larger proportion of this group faces serious difficulties in today's labour market.

Furthermore, regaining employment after a lay-off is a major challenge for these older workers. In attitude surveys towards older workers, employers cite many reasons for hesitating to consider them - the principal barrier being the lack of appropriate education and training⁶. So they face both higher unemployment rates and longer unemployment spells than Canadian workers in general. As a probable result of these and other difficulties, this group registers as having a lower overall participation rate in the work force⁷.

Problem or Resource?

In the simplest of terms, Canada's displaced older workers may be considered by some as primarily a temporary, if pressing, public policy challenge, as there are among them those who have substantial skills deficits and only a short period of time left before retirement. For people at this end of the spectrum, programs designed essentially to enhance employability may not be in their best interests. Solutions to be considered might give emphasis to those that provide

⁵ They account for 13% of the working age population, but their share of the labour market has dropped from 10% to 8% over the last two decades. See APPENDIX IV #1 Statistics Canada, **Older Workers**, March 1998.

⁶ Other barriers include the perception that older workers have high wage expectations and that they are less able to adapt. Simple age discrimination is also a key barrier. Gibson, Kevin J. et al, *Industrial Relations*, Vol. 48 No. 2, Spring 1993.

⁷ See APPENDIX IV, chart #2 and #7. The 'participation rate' is a term used in analysis of labour markets, to describe the ratio between the labour force and the total population, where the labour force includes those who are working as well as those who are unemployed but actively searching for work. There is another category known as 'discouraged' workers - those neither employed nor looking for work. This rate, although low overall, is highest for women and men aged fifty-five and over.

sufficient income support to tide these workers over until they qualify for the Canada Pension Plan and Old Age Security.

On the other end of the spectrum, however, are many thousands of older workers who have valuable abilities, much experience and many years of productive working life to offer. It is in our longer-term interest to recognize that many older workers are an important social and economic resource, with attributes that often come only with life experience - teaching capabilities, employment flexibility, commitment, tenacity, even wisdom. For these, the provision of relevant and effective policies and assistance programs will allow Canada to benefit from the significant contribution they can and want to make - both to future generations and to the economy.

And since these older Canadians will live much longer than their parents did, it is clear that even in the narrowest of economic terms, investing in their longer-term contribution will be much preferable to incurring the costs of the alternative - huge losses in tax revenues and long term additional demands on public insurance and assistance programs.

Ideas For Discussion

Excellent programs designed for other groups of workers could be modified to include older workers. As well, emerging work arrangements lend themselves to creative opportunities for older workers transition to retirement. There are employment incentives and innovative training policies to consider. Eleven policy and program ideas are raised for discussion in this paper - options range from doing nothing, to providing income; from phased-in retirement, to active reemployment and unemployment prevention services; from earnings supplements to 'top up' certain work arrangements, to a call to level the playing field among government employment assistance policies and programs.

Some of these ideas are already the subject of exploration and may be good candidates for pilot projects and early action. When assessed carefully by experts, others may be found to be impractical, unsuitable for jurisdictional reasons, or too expensive. Still others have been examined or tried before, but may be more attractive now, in the new economic realities.

Conclusion

Choosing options for early action, and design and implementation of instruments will require innovative intergovernmental partnership and subtle interdepartmental management. All this will call for commitment and investment - on the part of employers, workers and governments. Encouraging people to work longer will contribute to Canada's economic growth, increase the tax base, and reduce the numbers of dependent older persons. It is hoped that this report will add to our understanding of the important resource that older Canadian workers comprise - in human skills, in capacity for commitment and tenacity, in intellectual and information capital and in life experience.

THE CONTEXT OF CHANGE

Throughout the nineties, employment has been undergoing a significant evolution, affecting both the number and types of jobs available and the nature of work itself. These changes are a reflection of four key factors in the evolving employment environment:

- First, globalization of trade and finance has increased international competition;
- Second, new production technologies are revolutionizing the manufacture and distribution of products and new communications technologies are increasing the number and flow of tradable services;
- Third, demographic changes are affecting both the composition of the workforce and the market demands for goods and services;
- And finally, services provided by public sector organizations have diminished significantly, as governments have focused on deficit reduction and greater fiscal responsibility.

Although a compelling case has been made that in the longer term these four elements may bring economic prosperity and opportunity⁸, it is also true that the gap between the rich and poor in Canada is unacceptably high and growing⁹, and it should be no surprise that significant numbers of Canadians are experiencing more immediate and negative consequences of these economic realities. The resulting high levels of persistent unemployment combined with shrinking real incomes, contribute to a widely shared sense of personal economic insecurity among many Canadians.

For the purposes of this study, we will focus on one sector of this affected population - older workers who find themselves outside the labour market as a result of factors that are often largely beyond their control.

WHO ARE THEY?

Statistics Canada considers working men and women from the ages of fifty-five to sixty-four to be 'older workers'¹⁰. Born in the 1930s and early 1940s, many entered the work force just as the first baby boomers were starting high school. They had the benefits of a strong economy up to the mid 1970s - a consistently rising standard of living, the introduction of universal health and pension plans, improved working conditions and employee benefits.

However, this picture is not all rosy. Two circumstances are now impacting these workers in ways not experienced by others just a few years younger:

⁸ In one example, a Bright Future is described as one of four possibilities in, **Canada in a World of Rapid Change: Future Choices and Consequences**, Project on Governing in an Information Society, Meridian International Institute, 1995, page 6.

⁹ This gap is growing in all OECD societies, between those who have high levels of education and/or high skills, and those with low levels of education and obsolete skills. From the 1997 meeting of OECD Employment and Labour Ministers – http://www.oecd.org/els/labour/mini_3points.html#1

¹⁰ **The Daily**, Statistics Canada, May 28, 1998, page 5. Workers aged 25 to 54 are considered to be 'core-age' workers.

- First, they were born too early to benefit from universally accessible and publicly supported education. Many had left school by the time the post secondary system was introduced in the fifties¹¹. In those days, a lack of skills could be overcome by other factors, such as a willingness to do manual work. So their lower educational level is reflected in their occupations as fewer are employed in higher-skill white-collar positions. For first generation Canadians in this group, the combination of literacy/fluency challenges and technological change in their occupations has exacerbated these factors, forcing these workers into a critical employment impasse.

The new economy offers little for those without flexibility and technological expertise, so they are at greater risk of job loss than younger workers in a job market that values these skills. Further, workers aged fifty-five and over are only half as likely as core-age workers to participate in employer supported training¹², as employers feel that there is not sufficient time left to recoup the costs of training before the worker retires.

- And second, there are real concerns about their preparedness for retirement, as they are less likely to have employee benefits than their core-age co-workers, and many are not members of pension plans either¹³. This is made worse when their 'retirement' is forced through job loss with, in many cases, little hope for subsequent re-employment.

Moreover, they are expected to live much longer than their forefathers did - for example, OECD life span research finds that in the 1960s the average man lived sixty-eight years - or about three years after retirement. Today, the average life span for Canadian men is seventy-six. So on average, they must provide for at least eleven years of retirement.

Older Worker Employment

Between 1976 and 1997, individuals aged fifty-five to sixty-four accounted for thirteen percent of the working age population. In an overall labour market of just under fourteen million Canadians, right now workers aged fifty-five to sixty-four constitute almost ten percent of total employment, or 1.14 million workers¹⁴.

This percentage of older workers in the overall employment picture began to increase early in 1998, and is projected to reach twenty percent by the year 2015¹⁵. So it is important not to become too age exclusive when designing programs aimed at helping experienced older workers, because soon, as the baby boomers approach their final years in the labour market, there will be a much greater number of workers in this category.

¹¹ In 1997, 20% of the work force had less than high school education and almost half of these (47%) were between the ages of 55 and 64. **Labour Force Update, Older Workers**, Statistics Canada, Spring, 1998, page 9.

¹² 1994 Adult and Education Training Survey.

¹³ Even for the fully employed, only 64% of older men and 48% of older women are members of pensions. Statistics Canada, **Older Workers**, March 1998.

¹⁴ 857,000 men and 502,000 women. Statistics Canada, **Older Workers**, March 1998.

¹⁵ **Labour Force Update, Older Workers**, Statistics Canada, Spring, 1998, page 27.

In terms of eligibility as well, it would be a mistake to pin down one accepted exclusive definition for this demographic. "*Workers who have lost their jobs and are unlikely to return to their previous industries or occupations*", is a broad definition accepted in the U.S. and has included, for example¹⁶:

- long term unemployed persons with few opportunities in their field;
- farmers, ranchers and other self-employed persons who became unemployed due to general economic conditions;
- under certain circumstances, displaced homemakers.

For employed workers, both men and women in this category average less in annual earnings than core age workers. And these workers participation in pensions plans is by no means optimal - sixty-four percent for men and only forty-eight percent for women.¹⁷

Unemployed Older Workers

In 1997, there were officially almost one and a half million unemployed in Canada. Of these, a hundred and one thousand, or seven percent, were fifty-five years of age or more. And this age group is the one most likely to be still looking for work a year after job loss - twenty percent have been looking for work for more than a year¹⁸. Since the layoff numbers are highest among those with little education, these unemployed are particularly vulnerable - in 1996, fifty-six percent of older workers who were permanently laid off had not graduated from high school.

So, right now, there are at least one hundred thousand unemployed older workers in Canada¹⁹. And at least twenty thousand of these are still unable to find work after looking for more than a year - long after they have exhausted their forty-five weeks of employment insurance eligibility.

As discussed at the outset, there are many factors at work here. The bottom line remains however, that over the past two decades, the employment ratio of those in the fifty-five to sixty-four year age group has been steadily declining²⁰. One explanation for the longer unemployment spells among less educated older workers is the fact that they tend to be concentrated in declining industries, such as fishing, agriculture and traditional manufacturing, and have job skills that cannot be transferred easily to growing industries.

This has resulted in a particularly dramatic decline in employment for lower skilled older men²¹. In the 1990s so far, job losses for these older men are concentrated in a few industries. Key affected sectors are:

¹⁶ **U.S Dept. of Labour Employment and Training Administration Fact Sheet**, Economic Dislocation and Worker Adjustment Assistance Act.

¹⁷ Statistics Canada, **Older Workers**, March 1998.

¹⁸ **Labour Force Update, Older Workers**, Statistic Canada, Spring, 1998, page 19.

¹⁹ On average across the 29 OECD member countries, 45% of unemployed older workers have been unemployed for one year or more. **OECD New News**, June 12, 1998.

²⁰ See Charts #1 and #2, APPENDIX IV. This is partly offset by a small increase in the participation of older women. Older women now account for 37% of employment for this age group, up from 30% twenty years ago.

²¹ **Training for the New Economy**, A Synthesis Report, Canadian Policy Research Networks, July 1998, Participation Rates Chart page 32.

- Manufacturing - employment declined by twenty percent during the recession. Job numbers in this sector increased recently to the 1989 level, but are now dropping again;
- 'Other Primary' (fishing, mining and forestry) - employment declined by sixteen percent, or four thousand workers;
- Construction - employment declined sharply and is still down twelve percent. This represents nine thousand workers²²;
- Public Administration - the percentage of older men employed in this industry declined by thirty-five percent between 1989 and 1997, or twenty-one thousand jobs²³.

Concern is growing that older workers are at greater risk of involuntary job loss than core-age workers, in a labour market that increasingly values post secondary education, technological skills and flexibility. And once laid off, they are twice as likely as core-age workers to be without work a year later²⁴. While the national average of older workers in the labour force who have less than high school education is about thirty-four percent, this average is close to fifty percent in Newfoundland, Prince Edward Island and Saskatchewan²⁵. Further, workers with relatively low levels of education in areas with overall higher unemployment - the Atlantic Provinces and Quebec - are especially vulnerable.

It is timely and important to address the challenges faced by these Canadians.

CONCEPTUAL CONSIDERATIONS

If we are to develop policies and programs that truly respond to the stresses on this group, it will be useful to consider some factors that affect older experienced workers and reflect on the consequences that do and may result from these factors.

Discrimination in the Market Place

We know that employers cite lack of appropriate skills and education as their number one reason for laying off or not hiring older workers. Since this lack of skills is seen as a problem, one would think that training would be a high priority for employers. However, as employers do not perceive older workers as good candidates for the recovery of training investment, they often provide older workers with *fewer* opportunities for training²⁶. This of course reinforces and exacerbates their skills gap.

And potential employers often have other prejudicial perceptions of this group. They mention older workers' inability to adapt to a new work environment, higher costs (because of either a low

²² One startling example - for the week ending August 3, 1998, thirty percent of the Employment Insurance recipients in the North Toronto area were aged 45 to 64 years.

²³ This contrasts to a 7% decline among core-age (age 25-54) male workers.

²⁴ 63% compared with 30%, **The Daily**, Statistics Canada, May 28, 1998, page. 6.

²⁵ **Older Workers and the Labour Market**, HRDC June 1998. Writers note: Better educated workers may leave for provinces with more employment prospects.

²⁶ In a U.S. study in the early 1990s, only 16% provided training to older workers.

return on training or a higher incidence of health problems) and their own preference for younger workers (blatant age discrimination) as reasons for being reluctant to hire older workers. Any innovative response to these attitudinal biases must include the development of strong support and understanding on the part of employees, employers, and the community in general.

Increased Professional and Family Obligations

Often these employment pressures come at a point in the worker's life when other responsibilities are at their greatest. Many provide emotional and/or financial support for both aging parents and dependent children during these years²⁷. Even fully employed Canadians in this category face greater stress as a result of increased responsibilities and competing demands on their time, for example:

- Time pressures affect the health and morale of people who are working at a career at the same time as upgrading their education and taking required skills training;
- In addition to full time careers and ongoing training, it is estimated that women spend on average 17 years caring for dependent children, and then face a further 18 years caring for an elderly parent;
- Workers who remain after a downsizing often have added responsibilities and fewer resources. It is a challenge to maintain a high commitment to their work in spite of significantly lower levels of morale and substantial increases in workload.
- More employees are now working overtime, and more are holding down more than one job²⁸, often, as stated above, while caring for aging parents and supporting adult children as well.

Lower Mobility

Strong family and community responsibilities and financial obligations often mean that older workers are less available for transfers to another location or province. If the contemplated move is to an urban centre, the worker nearing retirement may be less willing or able to incur the significant increases in housing costs and other expenses.

And the limitations imposed by relatively lower education and fewer portable skills often add up to a lack of both occupational and sectoral mobility as well.

Changing Work and Retirement Patterns

The proportion of people working a traditional thirty-five to forty hour week has declined, dropping from sixty-five percent in 1976 to fifty-four percent in 1995. More people are working longer (over forty hours a week) and more people are working less (fewer than thirty-five hours a week)²⁹.

²⁷ Canadian Journal of Sociology and Anthropology, **The Cluttered Nest**, Monica Boyd and Edward Pryor 1989.

²⁸ For more on working time issues, see Statistics Canada, 1997b.

²⁹ **Changing Times, New Ways of Working**, Canadian Labour Market and Productivity Centre, April 1997, page 2.

And retirement isn't all happening at the age of sixty-five any more. Many workers are leaving the workforce earlier, as a result of downsizing and permanent lay-offs. Others are not retiring until much later³⁰, either from personal choice, or because they can not afford to - for example, those in the agriculture sector and many self-employed who lack employer pension coverage.

Basic Skills, Language and Literacy Issues

These three issues are often interrelated and a weakness in one area often compounds difficulties in the others. In order to be eligible for certification into some trades, or to be accepted for some training, applicants are required to pass an equivalency test. In some provinces, (Ontario for example) there is a perception among some that the Grade Ten Equivalency Test - Progressive Achievement Test (PAT)³¹ is culturally biased - i.e. geared for a white male born in Canada. Some older applicants may not be able to pass the test because they are not used to the testing format or they cannot read at the level the test requires³². When applicants fail the test (usually only 50% pass the first time around), they are often not told where their weak points are or what they need to do to pass the next time.

Often workers' language fluency and reading ability lag behind their competency as tradespeople. Fully forty-four per cent of Canadians aged fifty-five to sixty-four have only the lowest level of literacy skills (compared with fourteen percent of Canadians between the ages of twenty-six and forty-five) and only nine percent have the highest levels of literacy skills³³. Since literacy requirements have increased dramatically in today's job market, potentially excellent workers are being marginalized as a consequence of their literacy levels and lack of language fluency.

Self Employment

The likelihood of being self-employed increases with age, in part because it takes time to build the experience, resources and skills associated with owning and operating a business. However, the high incidence of self employed, especially after the age of sixty-four³⁴, reflects the fact that most employees have retired by that age, while self-employed are more likely to continue working. One reason for this is there are only extremely inferior and prohibitively expensive income protection and pension plans available to the self-employed. And few clients will match RRSP contributions the way many employers do.

³⁰ In 1993, there were approximately 74,000 Canadians aged 70 and over in the paid labour force. **The Road to Retirement**, Grant Shellenberg, 1994, page 37.

³¹ The PAT test is multiple choice, consisting of five parts - reading comprehension, mental ability (IQ), verbal ability, numerical aptitude and mechanical reasoning.

³² **Dismantling Barriers for Metro Toronto's Diverse Racial and Cultural Communities...**, Carpenters and Allied Workers Union Local 27, page 21.

³³ **The Employment Challenges Facing Today's Experienced Workers**, Grant Schellenberg for One Voice Seniors Network, 1997, page 14.

³⁴ In 1996, 7% of all workers aged 15 to 24 were self employed, compared with 28% for workers 55 to 64 and 59% for workers over 64.

It is interesting to note that the incidence of self-employment is highest among workers with the lowest and highest education. Given tough labour market conditions for those with less education, setting up in business may be an alternative to scarce employment opportunities. The single greatest job search obstacle identified by displaced workers is the dearth of available jobs³⁵.

Economic and Health Decline

A Statistics Canada summary reports that it is reasonable to assume that the vast majority of older workers leaving government employment during the downsizing benefited from pensions, and many received early-retirement packages³⁶. Be that as it may, it is important to note that the view that workers somehow prosper following involuntary departure due to generous buyout terms is now seen as a shortsighted misconception. Studies show³⁷ that displacement generally results in income decline - it simply takes longer in the case of a more generous buyout.

It is no surprise that research on the health impacts of unemployment have consistently demonstrated a significant co-relation between displacement and health. Even without factoring in age, studies comparing employed and unemployed segments of the labour force confirm higher rates of health problems³⁸ among those without work. Numerous studies cite links between long and often unsuccessful job searches and stress, depression, suicide, drug and alcohol addiction.

The Next Generation - Older Worker Baby-Boomer's

In any discussion of employment strategies for displaced older workers, mention must be made that it has been argued that this is primarily an immediate problem, not a long term one. In the near future, it is argued, demographics will change so dramatically that there will actually be considerable pressure to keep older workers *in* the work force.

Furthermore, the argument goes, those 'new' older workers will be much better equipped to adapt to new employment realities³⁹. They will be more computer literate and will have had on-going job related education and training that was not available to the current generation. And the group that is now forty-five to fifty-four may have better pension coverage, and therefore be better able to provide for their own retirement than today's older workers.

However, although the *proportion* of those with less than high school education will be considerably lower, the sheer size of the cohort is such that there will be well over half a million low-educated workers tomorrow⁴⁰. Add to this the unknown consequences of sheer speed and unpredictability of technological change, and it becomes clear that we must develop and

³⁵ Civilian Labour Adjustment in National Defence, page 6.

³⁶ **Labour Force Update, Older Workers**, Statistics Canada, Spring, 1998, page 18.

³⁷ See, for example, **Civilian Labour Adjustment in National Defence**, Dec. 1, 1997, page 37.

³⁸ Studies described in **Civilian Labour Adjustment in National Defence**, page 39.

³⁹ **Labour Force Update, Older Workers**, Statistics Canada, Spring, 1998, page 27.

⁴⁰ There are about 1.8 million with less than high school in the 25-54 age group – of these, close to 650 thousand are between the ages of 45-54. Statistics Canada.

implement relevant and effective public policies and programs on this issue now, if we are to avert a much greater challenge in the almost immediate future.

Financial Costs of Displacement

As pointed out above, these workers can not afford to be unemployed given their family obligations, financial responsibilities and their need to prepare for their fast-approaching retirement. Many are forced to deplete RRSPs and other personal retirement savings in order to meet their immediate obligations.

As well as these personal costs, additional demand is placed on public programs such as Employment Insurance and Social Assistance. And substantial health-care costs are incurred for the psychological and physical difficulties caused by the stress of this unemployment. When we add to this the loss in tax revenues that would have been paid to governments and tally in other implications such as reductions in personal savings, fewer business investments and less consumer spending, we see that even on strictly economic terms a strong case may be made to provide these workers with the tools they need to contribute to the economy.

While it is left to economists to quantify the current costs of these factors, even older numbers serve to make this point. In 1994, unemployment among workers aged forty-five and over resulted in \$14 billion in lost earnings, \$4 billion in lost income tax revenues and \$5 billion in Employment Insurance and Social Assistance benefits⁴¹.

MODELS AND PROGRAMS FOR OTHERS

Although not targeted primarily to either displaced or older workers, some public and private sector programs would make excellent departure points for further study to develop more specifically focussed initiatives. Following are a few examples of programs with particular appeal in this regard.

Government of Canada

As a result of the recent and massive downsizing of the federal public service, many departments and agencies implemented creative and effective employment transition initiatives. Two practical and cost efficient programs implemented by one of these departments are briefly summarized below.

Department of National Defence

⁴¹ **The Employment Challenges Facing Today's Experienced Workers**, Grant Schellenberg for One Voice Seniors Network, 1997 page 28.

The Department of National Defence has a long-term commitment to the provision of leading edge career transition assistance to departing military and civilian personnel. On the Canadian Forces side, the Second Career Assistance Network (SCAN) assists personnel in planning, preparing and successfully achieving their personal and professional transition to the civilian environment. SCAN provides partial reimbursement for academic, technical and vocational upgrading, as well as key transition services. Military members are encouraged to participate in these services well before they leave the service, often five or more years before their release.

When downsizing was required, the department offered comprehensive assistance programs to both military and civilian personnel. For example, on the civilian side, the Department put in place adjustment processes within its Civilian Reduction Program (CRP) that became the precursor initiative for many other departments. Some components of this program would make a strong contribution to programs for older workers. These include:

- departure incentive packages made up of both financial and post departure training elements, with a 60 day period for the worker to reach a decision;
- on-going assessment of the impacts of downsizing in order to modify the program in the future, based on a better understanding of the worker's socio-economic and labour market experiences. The Civilian Labour Adjustment in National Defence (CLAND) study is tracking⁴² all workers who were offered departure incentives, regardless of their departure decision. Both those who left and those who chose to stay are being tracked over a four year period.

Youth Employment Strategy

Another Government of Canada package of focussed policies and programs that might provide a model for displaced older workers is the Youth Employment Strategy⁴³. This comprehensive package is designed to help unemployed and underemployed people under the age of thirty to, "*... get the experience, knowledge, skills and information they need to prepare for and participate in the world of work.*" A document called Youth Link provides information on well over three hundred Government of Canada programs and services for youth⁴⁴. And, as mentioned above, the participation rate of workers fifty five years old and older has, at least since the nineteen seventies, been much lower than that of youth⁴⁵.

A Union/Provincial Government Literacy Program

The Carpenters and Allied Workers Union has an excellent work-centered literacy program, funded by the Literacy Branch of the Ontario Ministry of Education and Training. Designed to

⁴² This tracking is on a voluntary basis - 72% of individuals contacted have agreed to participate. **Civilian Labour Adjustment in National Defence**, December 1, 1997.

⁴³ See APPENDIX #II.

⁴⁴ Youth Link 1998-1999, HRDC and web site: <http://youth.hrdc-drhc.gc.ca/ythprg/overv.shtml>

⁴⁵ See Chart #1, APPENDIX IV.

address the problem of lack of literacy and language skills among some of their member carpenters, the method recognizes that the most effective way to "*educate adult learners is to draw on their experience as workers, creating a strong and dynamic relationship between daily practice and daily learning*"⁴⁶. While the program, 'Words to Action', has an immediate goal of upgrading work-related language fluency, reading and writing, the course also teaches a broad range of skills, including problem-solving, communications techniques and confidence building.

Private Sector Programs

In the private sector, two programs that were designed and implemented by a partnership between business and labour specifically to respond to the question of job losses may have interesting applications⁴⁷:

- Alcan and the SNEAA⁴⁸ union at Jonquiere Quebec has established an 'hours bank', to share more broadly the available work. Workers volunteer to contribute a certain number of work hours to the pool, thereby reducing their own work load. Laid-off co-workers are re-hired, using these contributed hours. Seventy percent of the workers had participated as of April 1997, and more than 100 jobs have resulted. As well, several other new work arrangements (see section below) have provided both workers and the company with more flexibility.
- At InterFor and the IWA⁴⁹ in Lower Mainland B.C., layoffs from a major restructuring were minimized by changing shift arrangements and by some provincial assistance to create jobs in forestry activity. Fewer than forty layoffs resulted, down from the initial projection of about 200 (out of a workforce of 650).

Other Countries

Other post-industrial countries are, of course, facing this dilemma as well. Some are initiating innovative programs to address the challenge. The United States is one example.

The U.S. Department of Labour defines dislocated workers as individuals who, through no fault of their own, face layoff as a result of the permanent shutdown of a plant or facility. Often highly skilled, dislocated workers are eligible for Department of Labour services and can receive relocation assistance as well.

In one program, the Department has initiated seven, two-year demonstration projects to examine options to get older workers back into the work force. One example⁵⁰ is a \$465,000 program developed by the Southern Mississippi Planning and Development District and the University of Southern Mississippi. It provides displaced workers with management skills and quality service

⁴⁶ 'Words to Action' program, Carpenters and Allied Workers Union Local in Toronto.

⁴⁷ **Changing Times, New Ways of Working**, Canadian Labour Market and Productivity Centre, April, 1997, page. 5.

⁴⁸ SNEAA = Syndicat national des employés de l'aluminium d'Arvida inc.

⁴⁹ IWA = Industrial Wood and Allied Workers.

⁵⁰ **Mississippi Business Journal**, Grant provides help for displaced older workers, Becky Gillette, <http://www.msbusiness.com/mbj971201/olderworkers.html>

training that results in a Management Association Level One Certificate geared to help identify and eliminate barriers that are preventing participants from re-entering the job market. The average age of applicants for this program is fifty-three or fifty-four.

U.S. Defense

Employees of defense companies and their subcontractors number among the many individuals being served in this category. Laid-off workers in companies such as Eaton/AIL and Northrop-Grumman have been helped by the Labour Department with funding provided through the Economic Dislocation and Worker Adjustment Act (EDWAA) under the Job Training Partnership Act (JTPA). In fact, layoffs in defense industries have been so severe, the Labour Department has taken up residence on-site at the Northrop-Grumman facilities in Bethpage to handle the large number of that company's dislocated population.

The U.S. Department of Labour and the Private Industry Council have also obtained special grant funds to retrain laid-off employees from formerly large local companies such as NatWest and Citibank⁵¹.

Conclusion

These few examples are representative of the many and varied public and private sector employment transition programs - for youth, seniors, Aboriginal people, disabled, rural, urban, even sector specific groups. Examined in this broader context, it is a finding of this discussion paper that in practical terms, a 'service gap' surrounds displaced older workers when compared with other segments of unemployed Canadians. Available services fall far behind - both in terms of numbers reached and in program effectiveness.

POLICY OPTIONS FOR CONSIDERATION

What are the Questions?

Canada has an enviable record of commitment to equity and effective safety nets when implementing our social and labour policies. As seen in the few examples touched on above, even a quick canvass of public and private sector institutions provides many excellent programs tailored to the needs of particular individuals and groups.

We know that there are programs designed to encourage workers to *leave* the labour market - such as public and private sector buyout packages and early retirement benefits. And, as outlined above, there are also good public and private sector models for programs to *sustain* worker

⁵¹ From web site: <http://www.co.suffolk.ny.us/labour/dislocat.html>

employability and assist in employee transitions. It is reasonable to suggest that this tradition of commitment can be brought to bear on these policies - to borrow, modify and transform them in order to sustain and provide new employment for displaced older workers.

When considering options that focus on the transitions facing displaced older workers, questions might include:

- When all costs⁵² are put into the equation, can a case be made for the relative cost effectiveness in the long run of finding ways to retain, retrain and reassign older workers within their current employment situations whenever possible? If so, what are the best ways to accomplish this objective?
- When displacement is unavoidable, are there practical, cost-efficient transition services that may be provided that are effective in terms of the recipients objectives - i.e. reemployment success or adequate provision for retirement?
- Should incentives for early retirement be discouraged? This would, of course require a major change in the attitudes of firms towards hiring and retraining older workers, and would also have to be matched by a sufficient number of job opportunities - two daunting challenges.
- In the broader context, what are new ways for Canadians to share the financial benefits derived from revenue generating activities among its citizens in ways that prevent and address societal and intergenerational conflicts?
- What are some specific, innovative tools that the public and private sector could provide in partnership to the barriers facing displaced older workers?
- And finally, what is the best way to develop these tools in order to stimulate and facilitate coherent, practical and efficient responses to this challenge?

Ideas for Discussion

The questions raised above may be addressed in many ways. Following are some ideas to contribute to the discussion:

Close Canada's Doors

Some might place responsibility for the displaced older worker on the growing openness of global labour markets. They see competition, particularly from low wage, low labour standard developing countries as a cause of Canada's unemployment challenge - particularly for low-skilled workers. So the solution, they say, is to implement policies that limit off-shore low-wage production and manufacture of products destined for Canadian consumption.

⁵² Including, for example, E.I., Social Assistance, public and private sector employee buyouts and pensions, as well as the social and financial costs of stress and health related consequences of displacement.

But according to a recent OECD Policy Brief⁵³, “*While it is recognized that trade, investment and technology change have interacted in ways that depress demand for unskilled workers, liberalization leading to competition from low wage countries has **not** been a major contributing factor.*” The paper argues that up to ninety percent of changes in wages and income distribution in OECD countries are the result of factors other than trade with developing countries. Only about 5% of Canada’s trade is with developing countries in any case.

Furthermore, as has been articulated well in many places, international trade agreements, communications and transportation technologies (not to mention commerce at the speed of light) make the option of simply closing the borders an impossible objective, even if it were otherwise desirable.

Do Nothing

There are, among Canada’s displaced older workers, those who have personally chosen to retire early. And there are some who, though they were displaced unwillingly, are financially secure as a result of generous pensions, buyout packages, or other financial resources. These Canadians have a choice - they may wish to learn new skills, go into business, pursue employment, contribute volunteer work, or enjoy their retirement. For these, special public policies or program assistance would be inappropriate and unfair to others.

Provide an Income

At the other end of the economic spectrum are low-skilled, under-educated displaced older workers nearing retirement, for whom consideration could be given to providing an annual income to a minimum standard, in order to increase their options, self-confidence and skills. In return, they might be required to provide the benefits of their experience to their communities - through work with community and other agencies⁵⁴.

A variation of this concept might be to mandate charities to provide training credits⁵⁵ in recognition of voluntary work that adds value to society. These credits could then be used at accredited training institutions. Governments, philanthropists, and industry could share the cost.

Earnings Supplements

When workers do find new positions, they may experience a substantial reduction in earnings. A new project⁵⁶ is currently underway to test the effectiveness of earnings supplements, paid to

⁵³ **Open Markets Matter: The Benefits of Trade and Investment Liberalization.** OECD Policy Brief No 6, 1998, page 5.

⁵⁴ The New Brunswick Job Corps project gives 1000 displaced older workers a living allowance to provide community work. Results so far demonstrate benefits to the morale and skill levels of the participants. It is unknown as yet (evaluation in 1999) whether such a program can help older workers return to the labour market.

⁵⁵ **Training for the New Economy**, Gordon Betcherman, Kathryn McMullen, Katie Davidman, June 1998, page 76.

⁵⁶ 1997 project initiated and funded by HRDC and conducted by the Social Research and Demonstration Corporation is testing a financial incentive designed to stimulate the reemployment of two groups: displaced workers and repeat users of unemployment insurance.

Employment Insurance recipients who return to work at lower paying jobs. The supplement will 'top up' earnings in a new job temporarily, under certain conditions. Although not specifically designed for older workers, there are 460 older workers among the 4000 displaced workers participating in the project. Programs of this nature may be appropriate for those whose skills deficits are too great to make training an option, and for those very close to retirement.

Basic Fluency and Language Training

There are communities and areas where lack of language fluency and literacy are the greatest barriers to a worker learning new skills. This can be a highly sensitive issue for these workers, many of whom have had successful coping mechanisms for years. Some may even go out of their way to avoid what they feel is an unfair and intrusive stipulation for reemployment. This is an important challenge – to provide 'enabling steps' that encourage older workers to upgrade language fluency and literacy in a non-threatening and also non-patronizing environment. As one union puts it, "...programs must be presented in a positive way so that people can see them as helping workers to achieve their goals, rather than 'fixing them up'"⁵⁷. Obviously, promotional considerations must take into account the language and literacy levels of the target clients.

New Work Arrangements

Unemployment, job creation and varied retirement goals among older workers may be addressed in part by some innovative work arrangements⁵⁸ being developed and implemented by resourceful organizations across the country. Strategies include redistribution of working hours, flexible work schedules, home-based and tele-work, compressed and reduced work-week, shift arrangements, job sharing, part-time work and self-employment. These emerging work arrangements streamline business operations and enhance the competitiveness of the enterprise and increase the participation rate of workers and are therefore important for social as well as business reasons.

But while they represent possible means by which older workers might exercise more control over their jobs and their lives, they bring issues of fairness and equity along with the benefits. Low wages, few benefits and little security may actually undermine the economic well-being of older workers to the point that their ultimate retirement is even more difficult. And of course, employees must possess appropriate education and skills capabilities if they are to take full advantage of them. These new work arrangements will require careful vigilance in both development and implementation, and are in any case not sufficient on their own.

Since many non-traditional work arrangements are offered by smaller firms that don't have the economies of scale required to deliver training, one effect of the rise of these work forms has been to increasingly place the financial responsibility for training on the workers, while at the same time limiting their ability to pay for it. One way around this problem might be to permit

⁵⁷ **Dismantling Barriers for Metro Toronto's Diverse Racial and Cultural Communities...**, Carpenters and Allied Workers Union Local 27, 1988, page 28.

⁵⁸ See descriptions of these work arrangements and their challenges in APPENDIX #I.

small businesses to pool their training budgets⁵⁹ in order to minimize the high costs of delivering employee training.

Pre and Post Departure Transition Programs

Often there is substantial lead-time knowledge about downsizing and closure, sufficient to provide affected workers with fluency, literacy, second language and skills upgrading training, as well as job search mentoring and even placement services. In Toronto, the Metro Labour Education Centre had an excellent HRDC funded pre-closure program that was highly evaluated just before it was terminated in early 1995. A proposal is on the table for an updated version of this early intervention service. Assessment of new models might include a look at this proposal.

Experience elsewhere shows that employment mentoring services - focussed training, job search help, counseling, job placement - are the most effective tools to reemployment. There are many excellent models - including the Department of National Defence programs outlined in this paper, that could be borrowed to develop older worker programs that provide strong personalized transition guidance services, including:

- Vocational assessment and aptitude testing;
- Resume assistance and preparation;
- Stress management;
- Job search and interview techniques;
- Employment referrals for real positions and
- Financial planning.

Post Departure Retraining

This would provide displaced older workers the retraining they need towards new employment outside the former organization and beyond the worker's former skill and education levels. The employer would provide a training allowance for use over a stipulated time period, as part of a departure package. The training could apply, for example, towards a broad variety of activities - from correspondence courses to university enrollment to on-the-job training. In one model⁶⁰, individuals could also apply a portion of their training allowance towards the purchase of tools and equipment. This idea could also be implemented as a partnership arrangement between government and industry.

Phased in Retirement

This idea would work well with several non-standard work arrangements mentioned above. In one model, an older worker nearing retirement is paired with a new employee apprentice. (One

⁵⁹ Firms in Quebec with payroll accounts exceeding \$250,000 are required to devote one per cent of their budgets to training. Firms are permitted to pool their training budgets to capitalize on the resulting economies of scale - from **Training for the New Economy**, Gordon Betcherman, Kathryn McMullen, Katie Davidman, June, 1998.

⁶⁰ The Civilian Reduction Program at the Department of National Defence. This program, though not designed specifically for either older or displaced workers, has excellent components that would lend themselves to further study in this regard.

idea would be to 'adopt a troubled youth'). The master worker would work with and teach the younger employee. The apprentice would benefit not only from learning the particular job, but would also have an inside friend/mentor, learn life/employment skills, get to know the company culture from an expert. The number of hours of employment for the senior worker would slowly diminish, while the number for the trainee would grow, until finally the master worker would retire, and the newer employee would work full time.

Services to Prevent Unemployment

Incentives might be strengthened, by tax⁶¹ or other financial or regulatory instruments, to provide more reimbursement/promotion/job security for academic, technical and vocational upgrading on the part of all employees. Maintaining and upgrading employability requires effective strategies for lifelong learning, available to ALL persons of working age.

For those in particularly vulnerable positions, programs could be extended to include mentoring in transition services such as:

- Employee Advocacy. Employees often feel under-informed as to their options when considering reduction program offers and departure incentives.
- Individual counseling. (career, education, personal and vocational);
- Group workshops and transition seminars;
- Vocational assessment and aptitude testing;
- Resume assistance and preparation;
- Stress management;
- Job search and interview techniques;
- Employment referrals for real positions and
- Financial planning.

Level the Playing Field

- Benefits and Pensions

The provision of retirement income should take account of all resources available, including public and private pension funds, earnings and assets. We must ensure that all relevant legislation and regulation provides rigorous rules of transparency and disclosure, equitable pension asset investment rules and coordination among all regulatory and supervisory agencies involved in the provision of retirement income. Employee benefits and pension plans should be examined to ensure that all employees share fairly in them. This might well entail investment at the outset, in order to 'catch up', to include those workers who formerly had inadequate or unfair coverage or who were outright excluded.

- Targeted Incentives

The specific ideas regarding incentives outlined in this paper may not be sufficient in the cases where prior discrimination has left older workers not only disadvantaged, but in many cases

⁶¹ Revenue Canada recently announced new guidelines that assist in clarifying taxable benefit when employees take employer-paid training. Income Tax Technical News No. 13, May 7, 1998.

displaced and with their entitlements to employment insurance exhausted. For these Canadians, simple fairness may indicate a re-balancing of this inequity by the use of special, focussed incentives to ensure that they are brought back into their rightful employment status as compared with their younger co-workers.

- Training

As mentioned elsewhere, employers may hesitate to encourage or allow older worker access to relevant skills training and other educational benefits, feeling that the return on investment won't be there. Further, often the higher-skilled employees get a disproportionate amount of employer sponsored training⁶². This discrimination is unacceptable. At the very least, training should be available to all employees, regardless of age. Ongoing access to training opportunities is essential if Canadians are to participate in the labour force throughout their working years

CONCLUSION

The world is changing in response to forces like globalization, technological advances and competition - changing quickly and irrevocably. The extent and implications of this social and economic transformation are difficult to grasp in many respects. One contributor to this transformation, the 'information revolution', is accelerating the pace of change well beyond our present capacity to control or even predict the resulting consequences for the nature of work and careers for society. How these changes will affect Canada is the subject of much discussion and projection. Futures experts as well as senior government officials and private sector executives are examining the transformation in terms of future employment scenarios and their implications for the Canadian Government⁶³.

We do know that as the population ages, there will be relatively fewer workers aged twenty-five to fifty-four to support the needs of the overall workforce. There will also be changes in the labour market that will result in more value being placed on expertise, experience and information manipulation, rather than physical strength. By the year 2015, these trends may result in a higher value being placed on older experienced workers. This makes it all the more important to ensure that these new older workers have the skills, flexibility and opportunities that some members of the current generation lack.

Business and labour are, of course, the principal agents of change; employers continue to be innovative in response to the fast changing business environment, while labour is incorporating a longer-term vision for how best to attain workplace reform. The importance of *avoiding* the forcing out of workers and the subsequent hardship that entails is crucial⁶⁴.

⁶² **Training for the New Economy**, A Synthesis Report. Gordon Betcherman, Kathryn McMullen, Katie Davidman, Canadian Policy Research Networks, July 1998, page 60.

⁶³ One example is, **Canada in a World of Rapid Change: Future Choices and Consequences**, Project on Governing in an Information Society, Meridian International Institute, 1995.

⁶⁴ The European Union has "DON'T LAY OFF PEOPLE" legislative models that could be examined for application here. From Mike McCracken, Informetrica.

And yes, government *has* a key role to play - growth in productivity, employment creation, and income distribution are all broad public policy concerns. Government must continue to place a high priority on providing leadership in framing policy instruments that support lifelong learning and economic security for all Canadians. The challenge for government is to devise these instruments in ways that encourage and permit individuals to invest in themselves, without creating substantial added public expenditures or new forms of dependency.

This paper has described the growing challenge of one particular part of Canada's population - displaced older workers. As pointed out above, they constitute an 'early warning system' for the much broader reality of the soon to manifest larger aging society issue. How we respond to the needs of these citizens will demonstrate our commitment to the generation that built this country⁶⁵ after the depression and Second World War, and our preparedness for the challenges that will emerge on a much greater scale over the next few years.

⁶⁵ For example, a person born in 1940 will pay 32% of his or her lifetime labour income in net taxes. **Taxes, Transfers, and Generations in Canada: Who Gains and Who Loses from the Demographic Transition**, Oreopoulos and Vaillancourt, C.D. Howe Institute Commentary, 1998, page 15.