FRASER INSTITUTE
2022

BARRIERS TO THE LABOUR FORCE PARTICIPATION OF OLDER WORKERS IN CANADA

Morley Gunderson

Contents

Executive Summary

Removing barriers to the labour force participation of older workers in Canada is of increasing importance for a wide range of reasons. These include:

- an aging population with increased life expectancy and a greater capacity for many older workers to continue working;
- the approximate doubling of the senior dependency ratio (ratio of seniors to the working age population) from 20.3 percent in 2010 to 38.4 percent in 2040;
- the banning of mandatory retirement;
- insecurity about the adequacy of retirement income;
- the negative health and cognitive consequences that often accompany abrupt retirement;
- changes in the nature of work that are more accommodating to older workers;
- dealing with the labour shortages from the "great resignations" emanating from the current pandemic.

Of particular importance, given the aging workforce and our current labour shortages, is whether our pension policies create (often unintended) barriers to the continued labour force participation of older workers. Those barriers include features related to:

- age discrimination;
- government pensions to provide minimum income guarantees: OAS, GIS and provincial supplements;
- Canada Pension Plan (CPP);
- the disability component of the CPP (CPP-D);
- Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Plans (RRIFs);
- personal income tax credit for seniors;
- workers' compensation for disability;
- private employer-sponsored pension plans and retirement policies.

This paper identifies various barriers to the continued labour force participation of older workers. For example:

- age discrimination initiatives are given less priority than are other anti-discrimination initiatives;
- clawbacks exist in retirement income support programs such as OAS, GIS and provincial supplements. Such clawbacks reduce the payments if seniors earn additional income in the labour market, effectively imposing an additional tax on working;
- the age of 65 for the normal receipt of CPP and for OAS and GIS has not changed despite substantial increases in life expectancy and hence a longer period to receive the pensions. This contrasts with most other developed countries. Actuarial adjustments could also be made more generous for those who postpone receipt of CPP to provide incentives to continue to work;
- in the disability component (CPP-D) of the CPP the incentive to return to work is blunted by the risk of losing benefits if earning more than $6,100, and the pressure to return to work may also be reduced by lax administration of the program;
- the personal income tax has a federal tax credit for people age 65 and over, with a clawback rate of 15 percent for income above approximately $39,000 in 2021;
- workers' compensation provides payments ranging from 80 to 90 percent of wage loss, which clearly provides little monetary incentive to return to work;
- RRSPs must be converted to a RRIF or to an annuity, and the benefits drawn down starting in the year an individual turns 71. To the extent that annual withdrawals when combined with labour market earnings would move the recipient into a higher tax bracket, it can discourage employment. As well, individuals can no longer contribute to their plan after age 71, thereby eliminating that benefit from continued employment;
- private employer-sponsored occupational pension plans can contain subsidies for those taking early retirement and penalties for those delaying their retirement, which can discourage continued employment. Later retirement can also be discouraged if plan members are not allowed to accrue service credits or if there are caps on the earnings base upon which pension benefits are calculated. The same can apply if those who work past certain ages lose benefits like long-term disability, life insurance, and prescription drug coverage.

The emphasis in this report is on facilitating the ability of individuals and employers to make their own choices, without being constrained unduly by barriers that can limit and distort those choices. While there may be rationales for many of the barriers, those rationales should be re-evaluated based on the changing nature of work, including such factors as the desire of many individuals to continue working and perhaps transition into retirement, and the employers' need to address current and looming labour shortages amid Canada's aging population and the current pandemic. Employers can also benefit by using older workers' mentoring capabilities and skills. Policies designed for the previous world of work must be re-evaluated for their applicability to the new world of work. Pension policy is no exception.

[We] have to rethink the range of policies that tend to assume the elderly will not be in the labor force… we must remove features such as age discrimination and our willingness to embed confiscatory or near-confiscatory tax-back rates in their income support programs... One wonders if the politics of pension reform ... might become more "doable" if they were accompanied by a set of policies designed to ensure that the elderly can continue to participate fully in Canadian economic, social, political and cultural life.

The reform of the retirement income system is probably the most daunting policy challenge on the horizon. Its dimensions are staggering: it is essentially a cradle-to-grave issue; it embodies implicit social contracts; it is a jurisdictional quagmire and it is underpinned by every conceivable equity issue.
—Courchene (1997: 313, 330)

… it is important to conduct a critical review of various aspects of federal policy – in particular income support policy – with a view to identifying and removing any unnecessary barriers to labour force participation among older workers. Older workers who wish to work and/or retrain should not be discouraged from doing so by the prospects of losing, say, CPP or other retirement benefits.
—Kuhn (2005: 21)

As a minimum, it is imperative to examine the constraints – often subtle and unintended – that exist in current legal and institutional arrangements and that inhibit the private parties from working out their own best flexible retirement arrangement to meet the increasingly heterogeneous needs of both employers and employees.
—Gunderson (1998: 3, 4)

[We] stress the need for a comprehensive review of overlapping tax and tax-back rates associated with various income-tested programs, as these undermine the usefulness of pre-retirement saving for low-income earners, and of staying employed for older workers… We flag the need to minimize overlapping tax and tax-back rates, which serve as disincentives both to save for retirement and to take employment at an older age.
—Baldwin and Shillington (2017: 1)

Introduction

The labour market activity of older workers in Canada is of increasing importance from both a policy and a practical perspective for a wide range of reasons. As outlined in more detail below, this is evident in various inter-related tendencies: an aging population with increased life expectancy and a greater capacity for many people to work beyond the "normal" retirement age; the banning of mandatory retirement; insecurity about the adequacy of retirement income; the negative consequences that often accompany abrupt retirement; and changes in the nature of work that are more accommodating to older workers. Of particular importance is the labour shortages arising from the "great resignations" emanating from the current pandemic, which underscores the importance of keeping older workers in the labour force.

Yet many of our policies and workplace practices create (often unintended) barriers to the continued labour force participation[1] of older workers, as noted by the quotes above. The purpose of this paper is to identify those barriers. It emphasizes the need for parties (individuals and employers) to make their own choices, without being constrained unduly by barriers that can limit and distort those choices. Prior to reviewing the barriers that older Canadians face in joining or staying in the workforce, the paper will outline some relevant background facts and trends.

1 Formally, labour force participation implies working or being unemployed and actively seeking work. Throughout this study, the phrases participation, working, or employed will be used interchangeably since being unemployed and actively seeking work implies the desire and intention to be employed and to work.

Background Facts and Trends

On the demographic side,[2] the workforce is aging. The proportion of the Canadian population age 65 and older (termed seniors hereafter) is projected to increase from 14.1 percent in 2010 to 23.6 percent by 2040. The proportion of the population in the typical working ages of 15 to 64 is expected to fall from 69.3 percent in 2010 to a projected 61.5 percent in 2040. This expected increase in the proportion of seniors and decline in the proportion of the working age population implies an almost doubling of the ratio of seniors to the working age population—from 20.3 percent (14.1/69.3) in 2010 to 38.4 percent (23.6/61.5) in 2040.[3] This shift in the senior dependency ratio highlights the importance of doing more to ensure that older persons can remain employed and pay employment-related taxes rather than being the recipients of public expenditures. It also points to the fragility of the inter-temporal contract in pay-as-you-go expenditure systems such as the CPP and Workers' Compensation, where the current generation of taxpayers pays for the expenditures required to support the older retired cohort, with the expectation that later generations will in turn cover the cost of supporting current taxpayers into their own old age.

Canada's aging workforce has the *potential* to continue working longer given the increase in conditional life expectancy upon reaching age 65. Today, that conditional life expectancy at age 65 is 81.7 years for males and 85.8 years for females.[4] The potential to continue working is augmented by an enhanced *capacity* to work because of improvements in the health of many older persons (Milligan and Schirle, 2018). The growing proportion of the older population that has the capacity to work longer is fortunate given a fertility rate that is declining below replacement levels. The need to keep more older people working also aligns with the fact that the education level

[2] These trends are discussed in ESDC (2018), Klassen (2016, 2017), Ouellet-Léveillé and Mila (2019), and in Fuss and Globerman (2020)—the latter emphasising their implications for fiscal challenges and deficits associated with increasing age-related expenditures and declining revenues.

[3] Calculations based on Statistics Canada (2020). Ouellet-Léveillé and Mila (2019) highlight the occupational dimension.

[4] Calculations based on Statistics Canada (2015).

of the Canadian workforce has increased substantially. This means a longer working life can enable both workers and the society that pays much of the cost of public education to amortize these education expenditures over a more extended period.

The capacity to work longer is also enhanced because the nature of work has shifted from physically arduous blue-collar jobs towards white-collar and non-standard work (e.g., part-time work, limited-term contracts, self-employment, platform work in the gig economy, and working from home) that is often well suited to older workers. This is especially the case for those who want bridge jobs to transition back into employment from a former long-term job that they may have lost or from which they retired (Cohen, 2008; Cook, Diamond, and Oyer, 2019; OECD, 2019a; 2019b), or to replace lost income from an unanticipated negative event (Koustas, 2019). The flexibility of working from home, as evidenced during the recent pandemic, may be particularly accommodating to older workers.

Many individuals want to continue working because of uncertainty about the adequacy of their retirement income, especially older workers who have lost their former "lifetime" jobs due to industrial restructuring. People in this situation can experience earnings losses of 20 to 30 percent as well as long-run negative effects on health and life expectancy (Morissette, Zhang, and Frenette, 2007; Schirle, 2009; Sullivan and von Wachter, 2009). The uncertainty about income adequacy in retirement is reinforced by continued gains in life expectancy, the marked decline in the proportion of employed workers with defined-benefit pension plans, and economic shocks such as the 2008-09 global financial crisis and the current pandemic.

Other aging workers who are more financially secure may want to continue working to stay mentally and physically active, recognizing the negative health and cognitive consequences that can result from abrupt and involuntary retirement (Bonsang et al., 2012; Kuhn, Staubli, Wuellrich, and Zweimüller, 2018; Mazzonana and Peracchi, 2012; Rohwedder and Willis, 2010). The conclusions of Mazzonana and Peracchi are particularly relevant to our analysis of the barriers to continued work for older employees: "Our findings show an increase in the rate of decline of cognitive abilities after retirement… this reflects the reduced incentives to invest in cognitive repair activities after retirement. Our result has two important implications. First, incentives to early retirement and mandatory retirement rules both cause important losses of human capital because they make it less attractive to preserve the level of human capital inherited from the past. Second, the loss caused by retirement is not one-time, but increases with the length of the retirement spell" (2012: 709).

Employers can also benefit from the continued employment of older workers, especially to help fill labour shortages (Cohen, 2008; Conference Board, 2005; OECD, 2019a; 2019b). This is especially the case given the "great resignations" from the recent pandemic where labour shortages are hampering the recovery. Employers may also gain from retaining the institutional knowledge and firm-specific human capital and mentoring capability of older workers, and from the fact that a mix of older and younger workers is often optimal for firm performance (Lazear and Freeman, 1997).

There are both myths and realities about the productivity of older workers. A reality is that many physical attributes like strength, dexterity, and balance decline with age, as is also the case with some cognitive attributes such as neural plasticity, memory, and concentration. However, older workers often compensate for these declines through such attributes as diligence, experience, mentoring capability, institutional knowledge, and their stock of accumulated knowledge. Reviews of the literature on the productivity of older workers emphasize the offsetting effects of these tendencies, suggesting no clear relationship exists between productivity and age (Fang, Gunderson, and Lee, 2021).

There are similar myths and realities about the ability of older workers to be retrained. The realities are that older workers have a shorter benefit period from which to amortize the costs of retraining and skill upgrading. They can also face difficulties related to the previously discussed physical and cognitive aspects of the aging process. Other factors that may affect the utility of training older employees include the need for a slower pace of instruction; difficulties in conceptual learning; the fact some older workers can lack the foundations of basic education upon which to build subsequent training; unfamiliarity with computers and up-to-date information technologies; and discomfort in being retrained with younger workers. However, these need not be barriers if training is designed to accommodate the requirements and characteristics of older workers. Such design features include slower, self-paced, and practical hands-on instruction that builds on older workers' accumulated knowledge base and practical experience; using modular training components in a building-block fashion; providing constant feedback; and training in small groups separately from younger workers (Fang, Gunderson, and Lee, 2021).

Governments and the general public can also benefit when older workers continue to work since their earnings contribute to income and payroll taxes, and earning employment income may reduce the receipt of transfer payments (Baker, Gruber, and Milligan, 2003). At a time of concern over rising government deficits and debt, such fiscal relief may be especially welcomed.

Barriers Inhibiting the Continued Employment of Older Workers

Age discrimination

Age stereotypes and discrimination are obvious barriers to the continued labour force participation of older workers.[5] Age discrimination, however, generally does not attract the attention that is given to discrimination in other areas, such as gender or race. As the Ontario Human Rights Commission indicated, "Partly because of the recognized social utility of retirement policies and partly because of the differing attitudes to age discrimination, the legal and normative approach to age discrimination appears to be less critical and rather accepting of the practice" (2000: 7). The same Ontario Human Rights Commission report further states, "Age cases tend to be treated differently than other discrimination cases, particularly when the case involves retirement issues. The most noticeable difference from a human rights perspective is the lack of moral opprobrium linked to age discrimination which, in comparable circumstances would generate outrage if the ground of discrimination were, say, race, sex or disability" (2000: 39). Klassen (2016) reiterates these points, highlighting that age issues are unique in the human rights area because everyone expects to be older some day but not all are members of an enumerated group that can be subject to discrimination. While the legislative regimes governing discrimination now puts greater emphasis on age-related factors, in part reflecting the aging population, these earlier notions can still have currency today. Klassen (2013, 2016) highlights the growing importance of age discrimination legislation in Canada, but also emphasizes how it has often been inconsistently applied.

[5] Evidence of age discrimination in employment and reviews of that literature include Baert et al. (2016), Bayl-Smith and Griffin (2014), Carlsson and Eriksson (2019), Chou and Choi (2011), Harris et al. (2018), Neumark, Burn, and Button (2020), and Postuma and Campion (2019).

While the human rights codes of all Canadian jurisdictions prohibit discrimination based on age, in practice this can be extremely difficult to enforce and often requires individuals to complain. Mandatory retirement is now banned across all the jurisdictions in Canada (Messacar and Kocourek, 2019). Exemptions at age 65 can still prevail in the judiciary and for professional firms in areas like law and consulting, as well as in areas where it is deemed a bone fide requirement, usually involving issues of public safety, as for police, firefighters, paramedics, airline pilots, and school bus drivers. This area, however, remains contested in the courts.

Government pensions that provide minimum income guarantees: OAS, GIS, allowances and provincial supplements.

A number of government pension programs[6] operate as safety-net programs; they are financed out of general tax revenues and are designed to provide a minimum income for low-income seniors. They are based on income, with clawback rates (recovery taxes, tax-backs) that reduce the benefits if the recipients earn income from the labour market. This can reduce incentives for older workers to remain in the labour market and earn employment income.

The federal *Old Age Security (OAS)* pension is a fixed payment of approximately $7,500 per year in 2021. It is paid to all individuals 65 and older who have at least 10 years of Canadian residency since the age of 18. The OAS is pro-rated based on years of residency with maximum benefits for those with 40 years of residency (e.g., three-quarters of the benefit for those with 30 of the 40 years of residency). A clawback rate of 15 percent applies after net income of approximately $80,000 in 2021, with OAS payments falling to zero at a net income of approximately $130,000. Adding this to the high marginal tax rates on higher income individuals in Canada can create a disincentive to stay in the labour market, particularly for experienced individuals whose skills are most needed. Receipt can be delayed on an actuarially adjusted basis (i.e., with the benefit increasing) to a maximum of age 70. Policymakers might consider allowing seniors to delay receiving this benefit beyond age 70 to enable them to continue working and avoid facing the OAS clawback in cases where earnings from employment along with other sources of income would push them above the clawback threshold.

[6] Descriptions of these programs come mainly from current government websites and earlier descriptions in Gunderson (1998).

The federal *Guaranteed Income Supplement (GIS)* is an additional income-tested program that provides a non-taxable supplement to the OAS pension to individuals whose income is less than approximately $19,500 in 2021 (with a higher threshold for married or common-law partners). The GIS is subject to a clawback rate of 50 percent, which clearly reduces the incentive to work for those with relatively low earnings. As Baldwin and Shillington aptly stated, "The role of GIS in limiting the gains people can make from incremental income from sources other than OAS is particularly a problem for low-income seniors. It not only reduces the incentive to save for people who expect to have low income in their later years, it also limits the incentive for older low-income Canadians to take paid employment" (2017: 14). As Dickinson also stated, "With the GIS benefit reduction, combined with federal-provincial income taxes, a taxpaying GIS recipient can face a combined marginal tax rate between 70 and 80 percent, depending on the provincial tax rate" (1996: 180).

A *Spousal/Partner Allowance* is available to individuals aged 60 to 64 who are spouses/partners of people who are receiving OAS and eligible for the GIS. The maximum annual payment is approximately $14,000 for those whose combined income is under approximately $36,000 in 2021. A *Survivor's Allowance* is available to widows or widowers aged 60 to 64. The maximum payment is approximately $16,000 for those whose annual income is under $26,000. For both allowances a complicated set of clawbacks applies, ranging from 25 percent to 75 percent.[7]

Provincial Supplements also provide top-ups to the federal GIS for low-income seniors.[8] They have complicated requirements that vary substantially across jurisdictions. Table 1 provides illustrations for single individuals, with an emphasis on the clawback rates.

Laurin and Poschmann (2014: 4) provide simulations indicating that such provincial supplements, when added to the clawbacks that apply to other programs, including federal ones, can lead to marginal effective tax rates (METRs) over some ranges of income that are in the neighbourhood of 100 percent or more. Such punitive tax rates clearly reduce the incentive for older people to work over those income ranges. As Laurin and Poschmann state:

> The interaction of federal and provincial cash transfers that are phased out together may also give rise to arguably punitive income ranges in which seniors' METRs approach or surpass 100 percent; particularly in provinces west of Quebec. The

[7] Based on calculations from the raw data in Employment and Social Development Canada (2022).

[8] These are outlined in Laurin and Poschmann (2014) as well as in the websites cited in table 1.

Table 1: Illustrations of Provincial Supplements for Low-Income Seniors

Jurisdiction	Supplement	Income Cut-off	Clawback
Ontario (GAINS)	Up to $1,000	<$2,000	50%
Alberta Senior Benefit	$3,400	<$29,000	15.6%
B.C. Senior Supplement	Up to $1,200	Depends on OAS-GIS	50%
Saskatchewan Senior Income Plan	$3,600	Depends on OAS-GIS	80%

Source: Ontario, 2022; Alberta, 2022; British Columbia, Undated; Saskatchewan, Undated.

> most egregious example is Saskatchewan, where the phase out [from the clawback] of the province's Seniors Income Plan, applied on top of the loss of GIS benefits, pushes the METR over 115 percent on the first $2,030 of a single senior's pension income, and over 180 percent on the next $1,580. In Ontario and British Columbia, income-tested GIS supplement schemes, when phased out, push the METR to 100 percent on roughly the first $1,000 of taxable pension income received. In Alberta, the combination of the GIS and the Seniors Benefit program means seniors face a METR of 92 percent between taxable incomes of roughly $2,000 to $4,500. (2014: 4)

Canada Pension Plan (CPP)

While the previously discussed income supports and pensions are designed to provide a minimum income guarantee for seniors at age 65 and are financed out of general tax revenues, the Canada Pension Plan is based on earnings contributions from employees and employers prior to retirement. The CPP does not require cessation of work in order to receive the pension and benefits are not subject to clawbacks, although if individuals keep working past age 65 their combined pension and labour market earnings would likely put them in a higher marginal tax bracket which itself can discourage working. There are other features of the CPP, however, that could be a barrier to continued working. The Quebec Pension Plan (QPP) is separate from, but similar to, the CPP.

The age of 65 for the normal receipt of CPP has not changed despite substantial increases in life expectancy and hence a longer period to receive the pension. This contrasts with most other developed countries which have slowly increased their age of entitlement for public pensions (Milligan and Schirle, 2018; Eisen, Lafleur, and Clemens, 2022). The additional income from receiving CPP for a longer period of time can encourage earlier retirement among some older workers, compared to a situation where the age of normal receipt has been increased, as it has been in many other affluent countries.

Robson (1996: 1) and Lam, Prince and Cutt (1996: 158) have recommended policies that would raise the eligible age for normal CPP retirement benefits. In 2012, the Conservative government announced that it would slowly increase the age of eligibility for the OAS and the GIS from 65 to 67. It intended to start by increasing the age of eligibility in 2023, planning to achieve full implementation by 2029. The subsequent Liberal government cancelled this proposal in 2016 (Eisen, Lafleur, and Clemens, 2022: 3).

The CPP allows the pension to be received as early as age 60, but the monthly payments are reduced to account for the fact that the pension is received earlier and for longer than is the case for a "normal" retirement age of 65. The rules also allow receipt of the CPP pension to be delayed to age 70, in which case the monthly payments are increased to account for the fact that the pension is received later in life and for a shorter period. In the past, those adjustments created a subsidy for those choosing an early retirement and a penalty for those opting for a delayed retirement (Gunderson, Hyatt and Pesando, 2000). More recently, the CPP adjustments have been changed to be actuarially more neutral. However, as Milligan and Schirle have pointed out, "If there were a desire to provide incentives to continue to work, these actuarial adjustments could be made more generous – even beyond the point of actuarial fairness. The induced work could make up the extra fiscal cost through higher tax revenue on employment income" (2018: 169).

Milligan and Schirle (2021) provide simulations of the implicit tax rates in Canada's public pension system and relate these to employment rates. They find that "for both men and women, there is a clear negative relationship between the employment rates at older ages and the implicit tax rates on continued work – when we see higher [implicit] tax rates, we see lower employment rates… and those with the lowest lifetime earnings generally have higher implicit tax rates" (p. 102). They observe that this reflects the high clawback rates in the GIS program.

Milligan and Schirle (2021) provide similar international evidence of higher implicit taxes from public pension schemes being associated with lower employment rates of older workers. As the editors of the volume in which the Milligan/Schirle chapter is published state: "overall we find strong [international] evidence for the expected negative association between old-age employment rates and implicit taxes on working longer" (Börsch-Supan and Coile, 2021: 30).

Canada Pension Plan disability component (CPP-D)

The Canada Pension Plan has a disability component (CPP-D) for non-work-related disabilities that are severe and prolonged for those under age 65 who have met certain CPP contribution requirements. After age 65, such individuals would go on the regular CPP program where the incentives for work are the same as in CPP-D (Milligan and Schirle, 2021: 86). The CPP-D benefit is a combination of a fixed payment of approximately $6,300 per year and an amount depending on one's past contributions to CPP, and therefore is related to wage loss. Work-related injuries are generally covered under provincial workers' compensation schemes, which are discussed below.

The use of the CPP-D has grown in recent years in part because of the increase in soft-tissue and mental health issues that are difficult to monitor. As well, there has been "forum shopping," involving a substitution from provincial workers' compensation systems, which are more stringently monitored, to the federal CPP-D system where monitoring and administration is less stringent.[9] Interestingly, this offloading from provincial compensation schemes to the federal government via the CPP-D has not occurred in Quebec, where both workers' compensation and QPP-D are under provincial jurisdiction so there is no incentive to shift financial responsibility to the federal government.

There is no formal income-related clawback in the CPP-D program. However, recipients of CPP-D are allowed to work and earn up to $6,100 in 2021, after which their disability status is reviewed, and they could lose their disability benefits. In essence, even though their disability is prolonged and severe, there is an anticipation that some individuals receiving CPP-D could return to work. This is reinforced by the fact that CPP-D has a vocational rehabilitation component whereby recipients who could return to work are given vocational rehabilitation to facilitate that return (Campolieti, Gunderson, and Smith, 2014).

Basically, returning to work is a potential option in CPP-D, but the incentive to do so is blunted by the risk of losing benefits if one earns more than $6,100, and the pressure to return to work may also be reduced by the

[9] For evidence of forum shopping and substitution across programs in Canada see Bolduc et al. (2002), Campolieti and Krashinsky (2003), Fortin and Lanoie (2000), and Robson (1996). For US and international evidence, see Lindner (2016) and earlier references cited therein.

program's lax administration. Since disability is positively correlated with age, these issues apply disproportionately to older persons. Favre, Haller, and Staubli (2021) provide Canadian evidence that increasing the generosity of the benefit decreases employment, and a higher earnings threshold increases employment, as Campolieti and Riddell (2012) also found earlier. Both studies cite international literature with similar results. Interestingly, Favre, Haller and Staubli also find that "many DI recipients adjust their earnings to bunch precisely at the new earnings disregard, suggesting that they understand the incentives of the earnings disregard well" (2021: 4).

Registered Retirement Savings Plans and Registered Retirement Income Plans

Registered Retirement Savings Plans (RRSPs) are essentially tax-deferred earnings-based savings accounts where individuals are allowed to contribute up to 18 percent of their previous year's income up to a maximum of $27,830 in 2021. RRSPs are taxable when the money is withdrawn. Early withdrawals are possible, but the rules are restrictive and complicated. In the year a person turns 71, however, an RRSP must be converted to a RRIF or to an annuity, and the benefits draw down. To the extent that annual withdrawals when combined with labour market earnings would move the recipient into a higher marginal tax bracket, this can discourage continued employment. As well, individuals can no longer contribute to their plan, thereby eliminating that benefit from continued employment. Consideration should be given to extending the age limit for conversion to a RRIF from age 71 – where it has been stuck for several decades – to something like age 75 given longer life spans and the improved health status of many people in their 70s.

Personal income tax credit for seniors

The personal income tax has a federal tax credit for persons 65 and over. It has a clawback rate of 15 percent for income above approximately $39,000 in 2021.

Workers' compensation for disability

Workers' compensation provides disability payments for people injured at work. Workers' compensation is under provincial jurisdiction and the payment arrangements vary by jurisdiction. Typically, compensation ranges from 80 to 90 percent of wage loss, implying that workers who return to work would typically get 10 to 20 percent more in earnings, and less because of work-related expenses including childcare and commute costs as well as the fact that the benefits are not taxable. Clearly, the monetary incentive to return to work is negligible and perhaps negative. The evidence for both Canada and the US indicates that higher benefits lead to more claims as well as longer durations for claims (i.e., reduced incentives to return to work); a greater probability of being out of the labour force and not returning to work; and at least some incidence of false reporting of disability status. (The literature was reviewed in Gunderson and Hyatt, 2006).

When monetary incentives to return to work are absent, the policy response tends to involve more regulations to offset the monetary disincentives. In the workers' compensation area such regulations include: "deeming provisions," whereby administrators "deem" a certain level of earnings to employees who the administrators feel could return to work with their benefits reduced accordingly; requiring employers to return their injured workers to their former job, a comparable job, or to the first suitable job that becomes available; requiring employers to make workplace accommodations up to the point of "undue hardship"; and requiring recipients to take vocational rehabilitation to remain eligible for benefits (Gunderson and Hyatt, 2006). An employer or the regulating agency may use surveillance to ensure that recipients are not engaging in activities inconsistent with their claimed injuries.

Private employer-sponsored pension plans and retirement policies

The previous discussion generally referred to public pensions and other public support programs for older persons. Defined-benefit employer-sponsored occupational pension plans also often have features that encourage older workers to retire early and may penalize postponed retirement (Fougere et al., 2008; Gunderson, 2007; Ni, Podgursky, and Wang, 2022; Pesando and Gunderson, 1988; Pesando, Gunderson, and Shum, 1992).

For example, defined benefit pension plans can contain subsidized *early retirement* features whereby pension benefits in those plans are not actuarially adjusted downward to fully offset the fact that those who retire early from those plans receive the pension sooner and for a longer period of time. This is the case, for example, for the teacher pension plans in most provinces. Penalties for *delayed retirement* can occur if actuarial adjustments are not made to offset the delayed receipt of the pension.[10] In the case of final-earnings defined benefit plans[11] gradual retirement also can be discouraged by the fact that pension benefits may be based on the last years of earnings. Later retirement can also be discouraged if plan members are not allowed to continue to accrue service credits or if there are caps on the earnings base upon which pension benefits are calculated. The same can apply if those who work past certain ages fully or partially lose benefits like long-term disability, life insurance, and prescription drug coverage. As Lindzon has stated:

> Legislation pertaining to employee-benefit programs is relatively consistent across all provinces and territories, and puts no legal burden on employers to provide health-care coverage for employees aged 65 and older, even if they provide benefits for younger employees in identical roles… (2017, January 25)

Fougere et al. simulate the incentive effects of public and private pension plans and document that both types of plans reduce the incentive for older persons to continue working. Their conclusions merit quoting in full:

> Simulation analysis indicates that eliminating the main work disincentive effects of the Canadian public pension system on retirement behaviour would have a moderate positive impact on the labour supply of older workers in low- and medium-skilled occupations, but a marginal effect on high-skilled workers. On the other hand, the main distortionary effects of defined-benefit private pension plans are significantly larger for all skills groups, but particularly for older workers in high-skilled occupations. (2008: Abstract)

Furthermore,

> The analysis also shows that the main distortionary effects of defined-benefit private pension plans are significantly larger than those in public pensions and generate more work disincentive effects on older workers in high-skilled occupations.

---

10 It is the case that lower wages may be paid to compensate for desirable features of pension plans and higher wages paid to compensate for undesirable features (Gunderson, Hyatt, and Pesando, 1991). The fact that individuals may be paid a lower compensating wage for a subsidized early retirement feature in their plan, however, does not alter their individual decision to retire early.

11 In final-earnings plans, pension benefits are based on multiplying final earnings (e.g., last five years) by a percentage (e.g., 2 percent) times years of service.

> The cost of early retirement in terms of unused productive capacity associated with DB employer pensions is about seven times larger than that in the public pension system. (2008: 3)

Concluding Observations

Employment and Social Development Canada indicates various initiatives that governments have taken to facilitate the continued employment of older workers, and the agency suggests what it regards as promising additional areas (2018: 32-39). Those additional areas include:

- Multifaceted awareness campaigns to promote older worker initiatives, combat age discrimination, provide information on the benefits of hiring older individuals, and initiate a shift in general attitude regarding working at older ages
- Establish research/policy centres on older workers
- Award company prizes for age-friendly "best practice"
- Target training for older individuals
- Study the effectiveness of training, employability and productivity of older workers
- Provide job training grants to employers for training older employees
- Collaborating with education providers to make learning accessible for older individuals
- Provide job matching programs that specifically target older workers
- Provide targeted wage subsidies and targeted earnings supplements
- Provide targeting, referral and feedback
- Facilitate interest in self-employment for older individuals
- Provide financial incentives to hire older displaced workers
- Encourage initiatives that lead to more flexible work
- Encourage initiatives that lead to modifying work environment and tasks
- Facilitate partial retirement.

This paper takes the perspective that prior to any of these initiatives, a first step is to remove the wide range of (often unintended) barriers and disincentives identified in this paper that inhibit the labour force participation of older persons and constrain private parties (both seniors and employers) from working out their own best arrangements. Furthermore, the initiatives cited above should be justified only if there is a well-defined market failure that merits them being established by governments. As well, any such initiatives should be subject to a rigorous cost-effectiveness assessment.

Removing the barriers to the labour force participation of older works is necessary to provide the flexibility that is increasingly important given the heterogeneous needs of both employers and employees in the new world of work. The Canadian workforce is no longer characterized by male-dominated, blue-collar, often unionized workers, who could expect to spend a lifetime in a job with the same employer and retire on an occupational pension (often mandatorily) at age 65. A "one-size-fits-all" solution is no longer appropriate.

Many of the barriers that affect continued workforce participation by older adults may have a rationale, so that trade-offs are involved. For example, the clawbacks in many public pensions are intended to save on pension benefits that would otherwise go to people with higher earnings. The features in defined-benefit occupational pension plans that encourage early retirement and penalize delayed retirement can be substitutes for mandatory retirement when it is banned (Pesando and Gunderson, 1988).

While there may be rationales for many of the barriers, those rationales should be re-evaluated based on the changing nature of work, including such factors as the desire of many individuals to continue working and perhaps transition into retirement, and employers' needs to address current and looming labour shortages amid Canada's aging population and the current pandemic. Employers can also benefit by using the mentoring capabilities and skills of older workers. Policies designed for the previous world of work must be re-evaluated for their applicability to the new world of work. Pension policy is no exception.

References

Alberta (2022). Alberta Seniors Benefit. Government of Alberta. <https://www.alberta.ca/alberta-seniors-benefit.aspx>, as of March 15, 2022.

Baert, Stijn, Jennifer Norga, Yannick Thuy, and Marieke Van Hecke (2016). Getting Grey Hairs in the Labour Market: An Alternative Experiment on Age Discrimination. *Journal of Economic Psychology* 57, C: 86-101.

Baker, Michael, Jonathan Gruber, and Kevin Milligan (2003). The Retirement Incentive Effects of Canada's Income Security Programs. *Canadian Journal of Economics* 36, 2: 261-290.

Baldwin, Bob, and Richard Shillington (2017). *Unfinished Business: Pension Reform in Canada*. Study 64 (June). Institute for Research on Public Policy. <https://irpp.org/research-studies/unfinished-business-pension-reform-in-canada/>, as of March 15, 2022.

Bayl-Smith, Piers H., and Barbara Griffin (2014). Age Discrimination in the Workplace: Identifying as a Late-Career Worker and Its Relationship with Engagement and Intended Retirement Age. *Journal of Applied Social Psychology* 44, 9: 588-599.

Bolduc, Denis, Bernard Fortin, France Labrecque, and Paul Lanoie (2002). Workers' Compensation, Moral Hazard and the Composition of Workplace Injuries. *Journal of Human Resources* 37, 3: 623-652.

Bonsang, Eric, Stéphane Adam, and Sergio Perelman (2012). Does Retirement Affect Cognitive Functioning? *Journal of Health Economics* 31, 3 (May): 490-501.

Börsch-Supan, Axel, and Courtney C. Coile (2001). Introduction. In Axel Börsch-Supan and Courtney C. Coile (eds.), *Social Security Programs and Retirement around the World: Reforms and Retirement Incentives* (University of Chicago Press): 1-42.

British Columbia (Undated). Senior's Supplement. Government of British Columbia. <https://www2.gov.bc.ca/gov/content/family-social-supports/seniors/financial-legal-matters/income-security-programs/seniors-supplement>, as of March 15, 2022.

Campolieti, Michele, Morley Gunderson, and Jeffrey Smith (2014). The Effect of Vocational Rehabilitation on the Employment Outcomes of Disability Insurance Recipients: New Evidence from Canada. *IZA Journal of Labor Policy* 3, 10 (May): 1-29. <https://izajolp.springeropen.com/articles/10.1186/2193-9004-3-10>, as of March 15, 2022.

Campolieti, Michele, and Harry Krashinsky (2003). Substitution between Disability Support Programs in Canada. *Canadian Public Policy* 29, 4 (February): 417-429. <https://www.researchgate.net/publication/4749752_Substitution_Between_Disability_Support_Programs_in_Canada>, as of March 15, 2022.

Campolieti, Michele, and Chris Riddell (2012). Disability Policy and the Labor Market: Evidence from a Natural Experiment in Canada, 1998–2006. *Journal of Public Economics* 96, 3: 306-16.

Carlsson, Magnus, and Stefan Eriksson (2019). Age Discrimination in Hiring Decisions: Evidence from a Field Experiment in the Labor Market. *Labour Economics* 59, C: 173-183.

Chou, Rita Jing-Ann, and Namakee G. Choi (2011). Prevalence and Correlates of Perceived Workplace Discrimination Among Older Workers in the United States of America. *Aging and Society* 31, 6 (August): 1051-70.

Cohen, Erminie (chair) (2008). *Supporting and Engaging Older Workers in the New Economy.* Expert Panel on Older Workers. <https://publications.gc.ca/site/eng/381561/publication.html>, as of March 15, 2022.

Conference Board of Canada (2007). *Work to Retirement: An Emerging Business Challenge.* Conference Board of Canada. <https://publications.gc.ca/collections/collection_2013/rhdcc-hrsdc/HS28-80-2007-eng.pdf>, as of March 15, 2022.

Cook, Cody, Rebecca Diamond, and Paul Oyer (2019). Older Workers and the Gig Economy. *AEA Papers and Proceedings* 109 (May): 372-736.

Courchene, Thomas (1997). Generation X vs. Generation XS: Reflections on the Way Ahead. In Keith G. Banting and Robin Boadway (eds.), *Reform* *of Retirement Income Policy: International and Canadian Perspectives* (Queen's University, School of Policy Studies).

Dickinson, Paul (1996). Six Common Misperceptions About the Canada Pension Plan. In John Burbidge (ed.), *When We're 65: Reforming Canada's Retirement Income System.* C.D. Howe Institute.

Eisen, Ben, Steve Lafleur, and Jason Clemens (2022). *The Age of Eligibility for Public Retirement Programs in the OECD: 2022 Update*. Research Bulletin. Fraser Institute. <https://www.fraserinstitute.org/sites/default/files/age-of-eligibillity-for-public-retirement-programs-in-OECD-2022.pdf>, as of March 15, 2022.

Employment and Social Development Canada [ESDC] (2018). *Promoting the Labour Force Participation of Older Canadians: Promising Initiatives.* Government of Canada. <https://www.canada.ca/en/employment-social-development/corporate/seniors/forum/labour-force-participation.html>, as of March 15, 2022.

Employment and Social Development Canada (2022). *Table of Benefit Amounts by Marital Status and Income Level.* Government of Canada. <https://www.canada.ca/content/dam/canada/employment-social-development/migration/documents/assets/portfolio/docs/en/cpp/oas/sv-oas-jan-mar-2022.pdf>, as of March 15, 2022.

Fang, Tony, Morley Gunderson, and Byron Lee (2021). Can Older Workers Be Retrained: Canadian Evidence from Worker-Firm Matched Data. *Relations industrielles/ Industrial Relations* 76, 3: 429-453. <https://www.iza.org/publications/dp/14282/can-older-workers-be-retrained-canadian-evidence-from-worker-firm-linked-data>, as of March 15, 2021.

Favre, Giacomin, Andreas Haller, and Stefan Staubli (2021). *Induced Entry in Disability Insurance: Evidence from Canada.* Working Paper. Retirement and Disability Research Centre, National Bureau of Economic Research. <https://www.nber.org/programs-projects/projects-and-centers/retirement-and-disability-research-center/center-papers/nb20-08>, as of March 15, 2022.

Fortin, Bernard, and Paul Lanoie (2000). Effects of Workers' Compensation: A Survey. In *Handbook of Insurance* (Kluwer Academic Publishers): 421-458.

Fougere, Maxime, Simon Harvey, Yu Lan, Andre Leonard, and Bruno Rainville (2008). Incentives for Early Retirement in Canada's Defined-Benefit

Public and Private Pension Plans: An Analysis with a Dynamic Life-Cycle CGE Model. In Michael Abbott, Charles Beach, Robin Boadway, and James MacKinnon (eds), *Retirement Policy Issues in Canada* (McGill-Queen's University Press for the John Deutsch Institute for the Study of Economic Policy): 129-165. <https://www.researchgate.net/publication/235769308_Incentives_for_Early_Retirement_in_Canada%27s_Defined-Benefit_Public_and_Private_Pension_Plans_An_Analysis_with_a_Dynamic_Life-Cycle_CGE_Model>, as of March 15, 2022.

Fuss, Jake, and Steven Globerman (2020). *Canada's Aging Population and Long-Term Projections for Federal Finances*. Research Bulletin. Fraser Institute. <https://www.fraserinstitute.org/sites/default/files/canadas-aging-population-and-long-term-projections-for-federal-finances.pdf>, as of March 15, 2022.

Gunderson, Morley (1998). *Flexible Retirement as an Alternative to 65 and Out*. Commentary 106. C.D. Howe Institute.

Gunderson, Morley (2007). *Incentive Effects of Occupational Pension Plans.* Project 15: Pension Plans and the Labour Force. Ontario Expert Commission on Pensions.

Gunderson, Morley, and Douglas Hyatt (2006). Workers' Compensation Return-to-Work Issues: Lessons from Canada. In M. Shinada (ed.), *Moral Hazard and Workers' Compensation: The Present Condition and the Problems of Workers' Compensation Systems in North America* (Horitsu Bunkasha Publishers).

Gunderson, Morley, Douglas Hyatt, and James Pesando (1992). Wage-Pension Trade-Offs in Collective Agreements. *Industrial and Labor Relations Review* 46: 146-160.

Gunderson, Morley, Douglas Hyatt, and James Pesando (2000). Chapter 10: Public Pension Plans in the United States and Canada. In William T. Alpert and Stephen A. Woodbury (eds.), *Employee Benefits, Labor Costs, and Labor Markets in Canada and the United States* (Upjohn Institute): 381-411. <https://research.upjohn.org/up_press/171/>, as of March 15, 2022.

Harris, Kelly, Sarah Krygsman, Jessica Waschenko, and Debbie Laliberte Rudman (2018). Ageism and the Older Worker: A Scoping Review. *The*

Gerontologist 58, 2: e1-e14. <https://academic.oup.com/gerontologist/article/58/2/e1/2894393>, as of March 15, 2022.

Klassen, Thomas R. (2016). Age, Age Discrimination, and Ageism. In G. DiGiacomo (ed.), *Human Rights: Current Issues and Controversies* (University of Toronto Press): 198-217.

Klassen, Thomas R. (2013). *Retirement in Canada: Choices, Challenges, and Prospects*. Oxford University Press.

Koustas, Dmitri K. (2019). What Do Big Data Tell Us About Why People Take Gig Economy Jobs? *AEA Papers and Proceedings* 109 (May): 367-371.

Kuhn, Peter (2005). *Skills, Human Capital and the Life-Cycle.* Working Paper 2005 A-04. Skills Research Initiative. Human Resources and Skills Development Canada, Industry Canada, and Social Sciences and Humanities Research Council. <https://publications.gc.ca/site/eng/395267/publication.html>, as of March 15, 2022.

Kuhn, Andreas, Stefan Staubli, Jean-Philippe Wuellrich, and Josef Zweimüller (2018). *Fatal Attraction? Extended Unemployment Benefits, Labor Force Exits, and Mortality*. Working Paper 25124. National Bureau of Economic Research. <https://www.nber.org/papers/w25124>, as of March 15, 2022.

Lam, Newman, Michael Prince, and James Cutt (1996). Restoring the Canada Pension Plan: Simulating the Future and Stimulating the Social Policy Debate. In John Burbidge (ed.), *When We're 65: Reforming Canada's Retirement Income System.* C.D. Howe Institute.

Laurin, Alexandre, and Finn Poschmann (2014). *Who Loses Most? The Impact of Taxes and Transfers on Retirement Incomes*. E-Brief (November 13). C.D. Howe Institute. <https://www.cdhowe.org/public-policy-research/who-loses-most-impact-taxes-and-transfers-retirement-incomes>, as of March 15, 2022.

Lazear, Edward, and Richard Freeman (1997). Relational Investing: The Worker's Perspective. In Ronald Gilson, John Coffee, and Louis Lowenstein (eds.), *Meaningful Relationships: Institutional Investors, Relational Investing, and the Future of Corporate Governance?* (Oxford University Press). <https://www.nber.org/papers/w5436>, as of March 15, 2022.

Lindner, Stephan (2016). How Do Unemployment Insurance Benefits Affect the Decision to Apply for Social Security Disability Insurance? *Journal of Human Resources* 51: 62-94.

Lindzon, Jared (2017, January 25). Workers Face Potential Reduction in Benefits When They Turn 65. *Globe and Mail*. <https://www.theglobeandmail.com/report-on-business/careers/career-advice/life-at-work/workers-face-potential-reduction-in-benefits-when-they-turn-65/article33729090/>, as of March 15, 2022.

Mazzonna, Fabrizio and Franco Peracchi (2012). Aging, Cognitive Abilities and Retirement. *European Economic Review* 56, 4 (May): 691-710.

Messacar, Derek, and Petr Kocourek (2019). Pathways to Retirement, Well-Being, and Mandatory Retirement Rules: Evidence from Canadian Reforms. *Journal of Labor Research* 40: 249-275.

Milligan, Kevin, and Tammy Schirle (2018). Health and Capacity to Work of Older Canadians: Gender and Regional Dimensions. *Canadian Public Policy* 44, 2 (June): 159-172.

Milligan, Kevin, and Tammy Schirle (2021). Retirement Incentives and Canada's Social Security Programs. In Axel Börsch-Supan and Courtney C. Coile (eds.), *Social Security Programs and Retirement around the World: Reforms and Retirement Incentives* (University of Chicago Press): 79-108. <https://www.nber.org/books-and-chapters/social-security-programs-and-retirement-around-world-reforms-and-retirement-incentives/retirement-incentives-and-canadas-social-security-programs>, as of March 15, 2022.

Morissette, René, Xuelin Zhang, and Marc Frenette (2007). *Earnings Losses of Displaced Workers: Canadian Evidence from a Large Administrative Database on Firm Closures and Mass Layoffs*. Research Paper Series No. 291. Statistics Canada, Analytical Studies Branch. <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2007291-eng.pdf>, as of March 15, 2022.

Neumark, David, Ian Burn, and Patrick Button (2019). Is It Harder for Older Workers to Find Jobs? New and Improved Evidence from a Field Experiment. *Journal of Political Economy* 127, 2: 922-70.

Ni, Shawn, Michael Podgursky, and Xiqian Wang (2022). Teacher Pension Plan Incentives, Retirement Decisions, and Workforce Quality. *Journal of Human Resources* 57: 272-303.

Organization for Economic Co-operation and Development [OECD] (2019a). *Getting Skills Right: Future-Ready Adult Learning Systems*. OECD.

Organization for Economic Co-operation and Development [OECD] (2019b). *Future of Work: OECD Employment Outlook 2019*. OECD. <https://www.oecd.org/employment/Employment-Outlook-2019-Highlight-EN.pdf>, as of March 15, 2022.

Ontario (2022). Ontario Guaranteed Annual Income System Payments for Seniors. Government of Ontario. <https://www.ontario.ca/page/guaranteed-annual-income-system-payments-seniors>, as of March 15, 2022.

Ontario Human Rights Commission (2000). *Discrimination and Age: Human Rights Issues Facing Older Persons in Ontario.* Discussion paper. Ontario Human Rights Commission. <https://www.ohrc.on.ca/en/discussion-paper-discrimination-and-age-human-rights-issues-facing-older-persons-ontario>, as of March 15, 2022.

Ouellet-Léveillé, Bertrand, and Anne Milan (2019). *Results from the 2016 Census: Occupations with Older Workers.* Catalogue no. 75-006-X. Statistics Canada. <https://www150.statcan.gc.ca/n1/pub/75-006-x/2019001/article/00011-eng.pdf>, as of March 15, 2022.

Pesando, James, and Morley Gunderson (1988). Retirement Incentives Contained in Occupational Pension Plans and Implications for the Mandatory Retirement Debate. *Canadian Journal of Economics* 21 (May): 244-264.

Pesando, James, Morley Gunderson, and Pauline Shum (1992). Incentive and Redistributive Effects of Private-Sector Union Pension Plans in Canada. *Industrial Relations* 31: 179-94.

Pesando, James, and Morley Gunderson (1988). Retirement Incentives Contained in Occupational Pension Plans and their Implications for the Mandatory Retirement Debate. *Canadian Journal of Economics* 21: 244-264.

Posthuma, Richard A., and Michael A. Campion (2009). Age Stereotypes in the Workplace: Common Stereotypes, Moderators, and Future Research Directions. *Journal of Management* 35: 158-188.

Robson, William (1996). *Putting Some Gold in the Golden Years: Fixing the Canada Pension Plan*. Commentary 76. C.D. Howe Institute. <https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_76.pdf>, as of March 15, 2022.

Rohwedder, S. and Willis, R.J. (2010). Mental Retirement. *Journal of Economic Perspectives* 24, 1: 119-138. <https://www.aeaweb.org/articles?id=10.1257/jep.24.1.119>, as of March 15, 2022.

Saskatchewan (Undated). Seniors Income Plan (SIP). Government of Saskatchewan. <https://www.saskatchewan.ca/residents/family-and-social-support/seniors-services/financial-help-for-seniors>, as of March 15, 2022.

Schirle, Tammy (2009). *Earnings Losses of Displaced Older Workers: Accounting for the Retirement Option*. Working Paper Number 10. Canadian Labour Market and Skills Researcher Network [CLSRN]. <https://www.researchgate.net/publication/24096845>, as of March 15, 2022.

Statistics Canada (2015). Table 13-10-0134-0: Life Expectancy at Various Ages by Population Group and Sex. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310013401>, as of March 15, 2022.

Statistics Canada (2020). *Annual Demographic Estimates: Population by Age and Sex.* Catalogue Number 91-215X. Statistics Canada. <https://www150.statcan.gc.ca/n1/en/catalogue/91-215-X>, as of March 15, 2022.

Sullivan, Daniel, and Till von Wachter (2009). Job Displacement and Mortality: An Analysis Using Administrative Data. *Quarterly Journal of Economics* 124, 3 (August): 1265–1306.

About the author

Morley Gunderson

Morley Gunderson is a professor at the Centre for Industrial Relations and Human Resources (Director from 1985–97) and the Department of Economics at the University of Toronto. He has been a visiting scholar at the International Institute for Labour Research in Geneva, Switzerland and Stanford University. In 2002, he was awarded the Industrial Relations Research Association Excellence in Education Award in Labour Economics, and in 2003 the Gérard Dion Award for Outstanding Contributions to the Field of Industrial Relations; in 2008 he was elected as a Fellow of the Royal Society of Canada, in 2011 he was the first Canadian to be elected as a Fellow of the Labor and Employment Relations Association (LERA), and in 2015 he was given the Carolyn Tuohy Impact on Public Policy Award. He has published extensively in areas such as gender discrimination, pay, and employment equity; the ageing workforce, pensions, and retirement; Indigenous issues; youth employment; apprenticeships and alternative education pathways; unemployment insurance; the evaluation of labour market programs; minimum wages; public sector wages; immigration; the causes and consequences of unionization; strikes; childcare; workers' compensation, disability and reasonable accommodation; labour market adjustment and training; volunteer labour supply; Information Technology; and the impact of trade liberalization and globalization.

Acknowledgments

The author thanks the anonymous reviewers for helpful comments on an earlier draft. Any remaining errors are the sole responsibility of the author. As the researcher has worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

Publishing information

Distribution

These publications are available from <http://www.fraserinstitute.org> in Portable Document Format (PDF) and can be read with Adobe Acrobat® or Adobe Reader®, versions 8 or later. Adobe Reader® DC, the most recent version, is available free of charge from Adobe Systems Inc. at <http://get.adobe.com/reader/>. Readers having trouble viewing or printing our PDF files using applications from other manufacturers (e.g., Apple's Preview) should use Reader® or Acrobat®.

Ordering publications

To order printed publications from the Fraser Institute, please contact:

- e-mail: sales@fraserinstitute.org
- telephone: 604.688.0221 ext. 580 or, toll free, 1.800.665.3558 ext. 580
- fax: 604.688.8539.

Media

For media enquiries, please contact our Communications Department:

- 604.714.4582
- e-mail: communications@fraserinstitute.org.

Copyright

Date of issue

April 2022

ISBN

978-0-88975-689-2

Citation

Morley Gunderson (2022). *Barriers to the Labour Force Participation of Older Workers in Canada.* Fraser Institute. <http://www.fraserinstitute.org>.

Supporting the Fraser Institute

To learn how to support the Fraser Institute, please contact

- Development Department, Fraser Institute
  Fourth Floor, 1770 Burrard Street
  Vancouver, British Columbia, V6J 3G7 Canada
- telephone, toll-free: 1.800.665.3558 ext. 548
- e-mail: development@fraserinstitute.org
- website: <http://www.fraserinstitute.org/donate>

Purpose, funding, and independence

The Fraser Institute provides a useful public service. We report objective information about the economic and social effects of current public policies, and we offer evidence-based research and education about policy options that can improve the quality of life.

The Institute is a non-profit organization. Our activities are funded by charitable donations, unrestricted grants, ticket sales, and sponsorships from events, the licensing of products for public distribution, and the sale of publications.

All research is subject to rigorous review by external experts, and is conducted and published separately from the Institute's Board of Trustees and its donors.

The opinions expressed by authors are their own, and do not necessarily reflect those of the Institute, its Board of Trustees, its donors and supporters, or its staff. This publication in no way implies that the Fraser Institute, its trustees, or staff are in favour of, or oppose the passage of, any bill; or that they support or oppose any particular political party or candidate.

As a healthy part of public discussion among fellow citizens who desire to improve the lives of people through better public policy, the Institute welcomes evidence-focused scrutiny of the research we publish, including verification of data sources, replication of analytical methods, and intelligent debate about the practical effects of policy recommendations.

About the Fraser Institute

Our mission is to improve the quality of life for Canadians, their families, and future generations by studying, measuring, and broadly communicating the effects of government policies, entrepreneurship, and choice on their well-being.

Notre mission consiste à améliorer la qualité de vie des Canadiens et des générations à venir en étudiant, en mesurant et en diffusant les effets des politiques gouvernementales, de l'entrepreneuriat et des choix sur leur bien-être.

Peer review—validating the accuracy of our research

The Fraser Institute maintains a rigorous peer review process for its research. New research, major research projects, and substantively modified research conducted by the Fraser Institute are reviewed by experts with a recognized expertise in the topic area being addressed. Whenever possible, external review is a blind process. Updates to previously reviewed research or new editions of previously reviewed research are not reviewed unless the update includes substantive or material changes in the methodology.

The review process is overseen by the directors of the Institute's research departments who are responsible for ensuring all research published by the Institute passes through the appropriate peer review. If a dispute about the recommendations of the reviewers should arise during the Institute's peer review process, the Institute has an Editorial Advisory Board, a panel of scholars from Canada, the United States, and Europe to whom it can turn for help in resolving the dispute.