

# Greying of the workforce

## Report on a symposium

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As the twenty-first century approaches and baby boomers enter their later years, the aging of the workforce is receiving more attention. New policies and programs are necessary to respond to the needs of the pre-retirement years.

On September 30, 1994, *Perspectives* held a one-day symposium on the "Greying of the workforce." The symposium explored the myths and realities facing older workers and featured presentations by researchers, employers, workers, and representatives from labour unions and self-help groups.

The morning session examined the demographics of the greying of the workforce and the implications of these trends from a variety of viewpoints: social science, private sector, government, and individual. The afternoon session focused on actual and planned responses to an aging workforce. The speakers' comments are summarized below.

### Opening remarks

*Noah Meltz, Principal, Woodworth College, University of Toronto and Chairperson, Advisory Committee on Labour Statistics*

It is not clear whether the effects of the aging of the workforce will be positive or negative. Negative effects include "plateauing," whereby more workers compete for fewer senior positions and in turn block the advancement of younger colleagues; longer periods of unemployment for older workers who lose their jobs, because employers are reluctant to hire people they believe will be less healthy, less flexible, and less trainable than younger workers; and a rising dependency ratio as the proportion of people who do not work and must be supported grows.

Offsetting these effects may be the "Freedom 55" scenario, in which well-off workers willingly retire at younger ages. Meanwhile, older workers who remain on the job will give their employers a more experienced, stable and committed workforce with less turnover.

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*For more details on the symposium, contact Hubert Frenken, Labour and Household Surveys Analysis Division at (613) 951-7569.*

## Overviews

### New vision on aging – myths and realities

*Susan Fletcher, Executive Director, Seniors Directorate, Health Canada*

Canada's workforce is aging. Workers aged 45 and older will account for almost 33% of the workforce in the year 2000 and 40% in 2010, up from 27% in 1993. One of the major challenges will be eliminating outmoded attitudes about older workers' capabilities.

Age discrimination in the workplace is not uncommon. While mandatory retirement is probably the most obvious example, discrimination takes many forms:

- Compared with those under age 45, older workers are more likely to be laid off and tend to have longer periods of unemployment.
- Training lasting more than 25 hours is considerably less common among older workers.
- Older workers tend to have lower earnings.
- Hiring practices favour younger workers.

Age discrimination is fostered, or even endorsed, by attitudes with no scientific basis. Many studies refute the myths that older workers suffer diminished capacity, are ill more frequently, are less flexible and less trainable, and are not well-motivated. Research on aging shows enormous variation among individuals in the rate and extent of deterioration in the physical and cognitive capacities that affect work performance.

Ageism has been compounded in recent years by older workers' generally lower level of formal education compared with their younger colleagues, and by their concentration in sectors that have been hardest hit by economic restructuring. Many older workers are excluded from the new information economy because they lack the basic educational requirements.

Although discrimination against older workers is an institutionalized labour market strategy, especially in bad economic times, predicted labour shortages have led Germany and the United States to raise the standard age of retirement. The disadvantage of such policies is that they expose displaced older workers to longer periods of joblessness before they become eligible for old age pensions.

## Demographic outlook

*Jean Dumas, Chief, Current Demographic Analysis, Demography Division, Statistics Canada*

Projections suggest that between 1993 and 2015 the ratio of 15 to 64 year-olds in the total population will hover around 68%. However, the labour force itself will age as the ratio of younger to older adults declines. From 1993 to 2015, there will be a complete inversion, with the ratio of 15 to 24 year-olds to 55 to 64 year-olds dropping from 163.5% to 88.4%.

The youth population (15 to 24) will increase only slightly (5%), while older age groups, 45 to 54 and 55 to 64, will grow dramatically: 155% and 194%, respectively. The pace of growth of these older groups will eventually slacken as the baby boom advances beyond this age range.

Similar changes in the age distribution of the labour force will occur in several parts of the industrialized world, but nowhere will the increase in the population aged 45 and older be as great as in Canada. For example, patterns in the south and west of Europe will be similar to Canada's, but less pronounced. By contrast, in the northern European countries, the population aged 15 to 24 is expected to increase, while the other age groups decline slightly. And in Japan, the age distribution is expected to change very little.

## Implications

### Broad perspective

*Grant Schellenberg, Researcher, Canadian Council on Social Development*

The most striking aspect of the aging workforce is the rate at which men 55 and over are leaving it. Two theories are often used to explain this phenomenon. The "push" theory proposes that bad economic times push older workers out of their jobs, while the "pull" theory suggests that financial incentives offer older workers a means to leave the workforce. The most likely explanation is a combination of the two.

There is a great diversity in roads to retirement and in the ages at which people retire (from their early fifties to past sixty-five). Involuntary retire-

ment most often affects blue-collar workers and those with lower educational attainment, while voluntary retirement is more common among well-educated professionals who receive early pension benefits and buy-outs.

The next generation of retirees will be far larger than the next generation of labour force entrants, so it is possible that the economy may suffer a labour shortage. Such a shortage would give employers an incentive to keep their older workers. However, it is equally possible that the demand for labour will fall as technology takes over more tasks, or as demand is met by tapping other supplies of labour, such as offshore workers.

The impact of displaced older workers on the public purse could be substantial. For example, C/QPP disability pensions are now paid to twice as many 55 to 64 year-olds than was the case 10 years ago. As the workforce ages, the number of applicants for disability pensions is likely to continue to rise. This has happened in Europe, where disability pensions are increasingly used as income assistance for older displaced workers not yet eligible for old age pensions.

The mismatch between labour market conditions and public programs threatens to grow even larger as it becomes clear that old age and retirement are no longer synonymous. We must ask how society will support retirees who are not self-sufficient.

### Private sector

*Hélène David, Sociologist, Guest Researcher, Department of Sociology, University of Montreal*

Studies of the internal policies and practices of private firms show that there are currently no mechanisms for managing an aging workforce, nor are there any appropriate human resource management tools. By default, two admittedly inadequate measures are used: retirement and disability insurance plans. Numerous prescriptive studies, however, offer various methods of keeping an aging workforce employed.

Examples of strategies adopted by four Quebec manufacturers with higher-than-average proportions of older workers confirm that few firms have adapted management practices to the aging workforce. What stands out is the prevalence of early retirement schemes. In this respect, Canada is no different from most advanced countries. Governments have responded to pressure on employment by modifying income security plans and by implementing programs to encourage older workers to leave the labour force. But these measures carry some costs for the individual and society, as well as for the organization.

However, firms might consider a number of other options to deal with workers reaching the end of their careers: short-term withdrawal (with incentives to quit, or retire early), partial withdrawal (part-time work, job sharing), second careers (job rotation, re-employment), staying put (training that provides incentives to remain, flexible schedules, job restructuring, increased responsibilities, new roles, mentoring), and continuing growth (promotions, rotation to expand knowledge, incentives to stay).

### Personal experiences on labour force re-entry

*Connie Delahanty, job-seeker*

For an older job-seeker, ageism may manifest itself in discouraging remarks (“this job needs an energetic person”), minimum wages for high-level professional work, or young workers’ discomfort at the prospect of having an older co-worker. Human resources managers may suggest to older job applicants that they are overqualified, that younger workers are more entitled to jobs, or that “McJobs” are more appropriate for someone “your age.” Newly hired older workers may be advised not to complain about anything that would hint of age or infirmity – too many stairs, not enough heat, etc.

### Federal government programs

*Elayne van Snellenberg, Director General, Older Workers Adjustment Branch, Human Resources Development Canada*

Many of the jobs lost in the last recession have been those likely to be held by older workers. As well, employers tend to believe that retraining older workers is less cost-effective than upgrading the skills of younger workers. A considerable number of laid-off older workers face not retirement but welfare, with the concomitant loss of self-esteem and financial assets. This, in turn, leads to other social problems.

The federal department, Human Resources Development, has two types of program specifically for older displaced workers: the first tries to reintegrate them into the labour market through retraining and counselling; the second offers income assistance when reintegration has failed or is not appropriate.

In the future, as older workers play a more dominant role in the workforce, discrimination against them may be reversed. And if this does not occur naturally, governments may have to eliminate barriers to older workers. Society will also have to consider when long-term assistance is effective in helping older workers, and whether it should be tied to factors such as household income, length of employment, or community service.

### Summary

*Doug Norris, Director, Housing, Family and Social Statistics Division, Statistics Canada*

Summarizing the morning’s presentations, Mr. Norris made the following observations:

- An aging workforce affects all the actors in society – governments, employers, individuals (who must make decisions about retirement, or about work outside paid employment, such as caregiving), and the volunteer sector.
- The context of the discussion changes with the times, as the economy is in recession or in recovery, as trade policies open up new markets, and as workers’ individual circumstances change.
- Researchers need new information, especially on firms’ human resources practices and policies. Longitudinal data are particularly important, as is putting labour market data in a broader social context.

### International experiences

*David Gray, Assistant Professor, Department of Economics, University of Ottawa*

Research from the United Kingdom, Canada, France and the United States indicates that even during good years, displaced older workers fare poorly in the labour market. And for most of them, industrial or regional mobility is not an option. The current system gives displaced workers an incentive to claim disability benefits. Workers must somehow be insured against the risk of layoff between ages 50 and 65. The public policy challenge is to bridge the gap between layoff and pension eligibility.

The United States has virtually no subsidized early retirement program. Workers displaced because of international trade have access to Trade Adjustment Assistance payments, which consist mostly of subsidized retraining. In the private sector, larger firms that do not face stiff competition may offer buy-outs and early retirement programs. Thus, these benefits are financed by lower profits and/or higher prices. Many displaced older workers lack such benefits, so they essentially pay the entire cost of a pre-retirement layoff. This creates marked inequality largely based on the sector of employment.

In Canada, too, adjustment costs are usually borne by the workers or their employers. However, the incidence of layoff with buy-out or employer-funded early retirement benefits may be higher because of the presence of Crown corporations.

In France, where the normal retirement age is 60, the situation is markedly different. Employees displaced from the quasi-public sector often receive buy-outs or early retirement benefits. These government-funded benefits were widely used throughout the 1980s, but the program is expensive.

Ultimately, workers will have to bear a large portion of the cost of special pension plans for displaced workers between 55 and 65. This implies higher premiums for younger workers, who must save for retirement, obtain life insurance and long-term disability insurance, and now, pre-retirement layoff insurance.

## Actual and planned responses

### Individual worker

*Karen Snyder, Owner, Bengka Corporation*

Laid-off older workers have a number of options: attempt to get a new job, retrain, live off investments, or become self-employed. The last option, self-employment, requires preparation, and may not be for everyone: 85% of new businesses fail within the first five years.

Self-employment means being one's own boss, but it also means taking responsibility for all decisions. The self-employed lack the structured environment and the structured time that go with a "9 to 5" job. Often this can result in a 7-day workweek with long hours.

There is more than one kind of self-employment. Perhaps best known is owning an independent business, but entrepreneurs need not always start from scratch. Other options include buying a business that is already in operation or buying a franchise. Network marketing – which depends heavily on word-of-mouth, involves one-on-one selling, and entails a much lower investment than buying an established business or franchise – may be particularly suitable for older workers. Self-employment is also possible through a group-owned business, or through a strategic alliance of related businesses; for instance, a desktop publishing firm and a printing company.

### Labour union

*Jo-Ann Hannah, National Representative, Pensions and Benefits Department, Canadian Auto Workers*

The problem of an aging workforce does not top the list of union priorities. The generally accepted norm is "30 and out" – that is, any worker with 30 years' service should be able to retire. Some companies, however, are trying to keep older workers for a few

more years. Falconbridge Ltd, for instance, offers an improved retirement package for those willing to accept "35 and out."

The Canadian Auto Workers has changed with the admission of members from the service sector and from industries such as mining and forestry, which may not offer pension plans or pay enough for workers to retire comfortably. Inevitably, these people will rely on government-sponsored pensions. Without an improvement to pension plans, these workers, particularly women, who may lack the means to retire, are candidates for late, not early, retirement. Unions, therefore, are fighting to maintain government income security programs.

There are several conditions under which unions would negotiate early retirement. They would do so to maintain jobs for younger workers or to deal with new technology, which is particularly troublesome for plant workers with relatively little education. As well, early retirement may be desirable in industries with difficult working conditions. "Just-in-time" production has increased the pace on production lines to the point where repetitive strain injuries and other problems are becoming more common.

Competition with countries like Mexico has also increased the pace of work. Although most Canadian unions have resisted pressure to speed up assembly lines, companies continue to push by offering incentives and bonus payments. If retirement is going to be postponed, healthier working conditions are needed. Workers require time off to regenerate. Thus, unions negotiate reduced time with no loss in pay.

Workers generally have not shared corporations' major productivity gains. Rather, most families now require two incomes. Perhaps we should look to the model in Europe where workers have more time off, vacations, and parental leave.

### Self-help group

*Canon Keith Calder, Co-ordinator, Operation Rainbow*

Few community resources are available to help unemployed professionals and executives, and those services that do exist are very expensive. Operation Rainbow – Resource and Information Network for Business Professionals Out of Work – was started in 1988 as a non-profit self-help effort to give such people an opportunity to meet, share information, and re-orient their style of job search. The program, costing \$50 per person, consists of six sessions and is offered three times a year to correspond with peak hiring periods (January-February, April-May, and October-November).

One of the most important functions of the program is to address the personal concerns of the unemployed. Job loss is a dramatic blow to self-confidence and creates a strong sense of isolation. Age is an important factor, as the people in this situation tend to be older and therefore encounter the attitude that “over-40” is “over the hill.” Nonetheless, they are still in their prime working years and have continuing financial commitments.

Participants learn to build on their strengths, but not necessarily to look for the kind of job they previously held. Much of the program is planned by the participants themselves. They decide what job search skills they need, learn how to prepare for interviews, and share their successes and frustrations. They also become advocates for each other.

### Private sector

*Aurèle Quenneville, Director, Employee Benefits, Bell Canada*

The private sector faces numerous challenges including increased competition, changes in technology, cost constraints and shifting consumer demands. Bell Canada has responded to these pressures by downsizing and restructuring. Since 1982, 11,500 employees have accepted early retirement packages. Others have been retrained and redeployed. The resulting workforce is smaller, more flexible and more technically skilled.

Bell Canada's workforce tends to be more “middle-aged” than the overall labour force in Ontario and Quebec. This is the result of the combination of reduced hiring of young people, early retirement programs and high recruitment in the past. Consequently, although Bell Canada has offered early retirement packages to its employees, the reverse may be necessary in the future. As the baby boom generation reaches early retirement age, firms may have to provide incentives to entice workers to remain until they are 65 in order to avoid a sudden sharp loss of staff. At Bell Canada, early retirement packages are a temporary measure. The long-term plan is to improve pension programs to retain employees.

Not only will the early retirement trend likely reverse, but pension packages offered to employees may change. Cutbacks in public pensions and health care may put pressure on employers to extend coverage to these areas. In addition, employers must facilitate the evolving worker lifecycle. Specific options include recruitment programs for older workers starting a second career, internal retraining to ensure equal opportunity, and phasing-in of retirement through part-time work.

### Federal government

*Paul Mercier, Director, Research and Analysis, Policy Development Division, Treasury Board Secretariat*

The public sector has to deal with some of the same constraints and challenges that confront the private sector. As a result, the Treasury Board has sought to reduce and restructure the public service. Management prefers early retirement over other means of workforce reduction. Older workers are usually at the top of the pay ladder, so diminishing their numbers will lower salary costs. As well, vacancies at upper levels cause a ripple effect that facilitates worker mobility. Thus, although the pension plan for public servants allows retirement with no pension penalty at age 55 after 30 years' service, the need to downsize has meant that early retirement incentives have been offered.

At the moment, the separation rate in the public service is actually declining, reaching approximately 3% last year, somewhat below what is traditionally considered optimal (5% to 7%). Since the natural separation rate is too low to meet Treasury Board objectives, workforce adjustment programs have been implemented. Of employees remaining in the public service after age 55, 70% are eligible to receive a pension without penalty. Incentives have been offered to entice them to retire early, but surprisingly, some have not accepted generous compensation packages and buy-outs.

Like Bell Canada, the federal government has also seen a trend toward an age distribution more concentrated in the middle years than is the labour force at large. The result is a “retirement bubble,” which will burst around the year 2005. This phenomenon is likely to be intensified by a tendency to hire “job ready” workers, rather than train current employees. Hence, “middle-aged” workers with relevant work experience are shutting inexperienced young adults out of federal service jobs. After the turn of the century, as the retirement bubble bursts, mobility and hiring within the public service will improve.

### Summary

*Shahid Alvi, Vice-President, Global Demographics*

Mr. Alvi summarized the afternoon's presentations with four observations. First, there is a spectrum of planned and actual responses to the greying of the workforce, ranging from self-help to organized corporate programs. These initiatives are currently isolated and unco-ordinated. Second, because a conflict exists between the need for productivity and the right to work, data must be placed within a social

and economic context. Third, more data are required – although firms, unions and governments have aggregate statistics, micro-level information on the outcomes of individuals is missing. Finally, a flexible approach is warranted. There is no single solution; solutions must be tailored to different circumstances.

### Overview and closing remarks

*John Coombs, Director General, Labour and Household Surveys Branch, Statistics Canada*

Aging-and-retirement policies and practices should seek a balance in the needs of the three actors – governments' need for fiscal restraint; employers' need to be competitive and to create career paths for younger employees; and individuals' need for well-being (for the young to have the expectation of a job and career, and for older persons to work as long as they are able, to retire without a major disruption in their lives, and/or to combine work and retirement). There seems to be no lack of models of how to meet these challenges.

Society has changed since the early 1970s. The presentations have revealed the need to eradicate discrimination, and to debunk myths about older workers. Today's speakers have also raised the question, "Will there be incentives or penalties for 'early' retirement in the future?"

Further, the distinction between voluntary and involuntary early retirement is becoming sharper. Bridges must be built to span the gap between invol-

untary retirement and the time when pensions begin to provide income. Workers themselves may have to pay more toward involuntary retirement before the age at which public pensions kick in. The experience in France demonstrates the problems of government's taking sole responsibility for income assistance during this period. Such a program must be based on insurance principles rather than being totally government-funded. Nonetheless, there will be a continued need for government social security for workers who lack the economic resources to retire – even in the face of government fiscal restraint.

Retraining workers in new technologies must occur on a larger scale to create a more flexible workforce. Statistics seem to suggest that hiring experienced entry-level workers to obtain "work ready" employees is preferred to training young recruits. At the same time, managers in the public service have encouraged older workers to retire, thereby creating job vacancies.

In summary, there are two main issues:

- the need to change the culture – to extinguish ageism and the myths surrounding age. On this issue, solutions are not solely a question of resources.
- the need for bridging assistance until displaced older workers reach the age at which pensions are normally paid, and the question of who should pay for this assistance.