THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Incenting Seniors to Continue Working

December 2011

Introduction

Canada, like many industrialized countries, is in the middle of a major demographic shift. Currently the 27th oldest country (i.e. age of population) in the Organization for Economic Cooperation and Development (OECD), Canada will become the 11th oldest within 20 years.[1] This demographic shift will have a major impact on Canada's labour pool. Aging of the population (see Figure 1) will move an increasing number of Canadians out of their prime working years and into retirement. Additionally, technological change and globalization will accelerate the shift towards more skilled and educated workers.

The demographic aging process will be more pronounced between 2010 and 2031, when the baby boom generation reaches age 65.[2] The baby boomers retiring in large numbers means huge labour market consequences that governments and employers will need to address. The possible loss of many key experienced workers—and the knowledge and skills they embody—will have far-reaching impacts on Canada's economy and Canadian businesses.

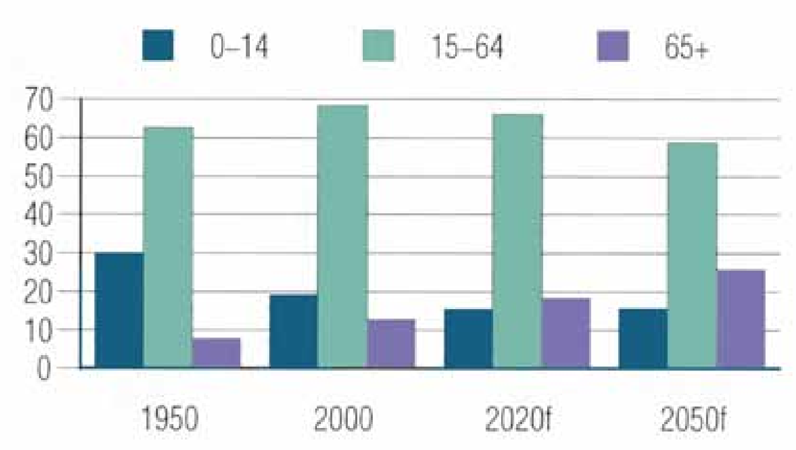
In order to draw more attention to the seriousness of the demographics issue, last October the Canadian Chamber of Commerce released a report entitled: *Canada's Demographic Crunch: Can underrepresented workers save us?*

How will Canada be able to ensure there are sufficient skilled people to replenish the aging workforce? The Canadian Chamber called for concerted action by government, business and other stakeholders in addressing the problem, and presented recommendations that were structured around three pillars: (1) tapping into underutilized sources of labour, (2) adding to the workforce through skilled immigrants, and (3) enhancing labour productivity. The proposed multipronged approach involved drawing more extensively from our own underutilized sources of labour, including seniors, youth, the Aboriginal population and people with disabilities, in addition to attracting immigrants.

1 "Find $46 billion to pay for aging population, budget watchdog says," *The Globe and Mail*, Sept. 28, 2011.

2 Statistics Canada, *Population Projections for Canada, Provinces and Territories 2009 to 2036* (Ottawa: Statistics Canada, 2010), Cat. No. 91-520-XIE.

Figure 1
Canada's Population, by Age Category, 1950-2050 (per cent)



f = forecast

Source: United Nations, Department of Economic and Social Affairs, Population Division.

As a follow-up to the report, this paper presents the Canadian Chamber's ideas for addressing the first recommendation—tapping into the underutilized labour sources—specifically with respect to older workers. The retention of older workers is a significant issue for policymakers and employers in an aging society where the workforce is not replacing itself and demographic research predicts ever increasing shortages of skilled labour (see Figure 2).

Figure 2
Median Age Estimates and Projections (age and years)

	1980	1990	2000	2010	2020	2050
Australia	29.4	32.2	35.4	38.0	40.0	43.4
Canada	29.2	32.9	36.9	40.0	42.1	45.3
France	32.5	34.7	37/9	40.0	41.9	44.7
Germany	36.4	37.7	39.9	44.2	47.3	49.4
Greece	34.2	36.1	38.3	41.9	45.2	50.1
Italy	34.0	37.4	40.2	43.8	47.5	50.4
Japan	34.0	37.4	41.3	44.6	48.5	54.9
U.K.	34.3	35.8	37.7	40.0	41.1	43.4
U.S.	30.1	32.8	35.3	36.5	37.5	41.1

Source: Judith L. MacBride-King, "Canada's Talent Race: It's More Than Time to Get Creative," Presentation to Pal Benefits, Toronto, November 2007.

Certain employers are sprucing up benefits, such as flexible work schedules and retirement planning to retain older workers, according to Bank of America Corp. "They believe that older workers are essential to the company's success. They understand the secular trend is one where there is likely to be some shortages in terms of skilled workers to fill key roles in companies," said Andy Sieg, head of retirement services for Bank of America Merrill Lynch.[3]

Seniors represent a constituency that needs to be better integrated into the workforce. They possess the essential skills employers need. Many do want to continue working and view work as an important part of their life balance. Yet, in 2010, only a small percentage of individuals 55 years of age and over were in the labour force.[4]

The Canadian Chamber believes the time is right to look at removing disincentives that discourage seniors from working. There are also some promising business practices that could be adopted to keep seniors actively employed. This paper pinpoints six key areas to be addressed in order to encourage the ongoing participation of seniors in the workforce in an effort to minimize the impact on the labour market.

We do hope this paper raises awareness of the advantages that will be gained by boosting the labour force participation of older workers and stimulates further discussion. Accordingly, the ultimate goal is to galvanize concrete actions by business and government that will result in more seniors choosing to remain in the workforce.

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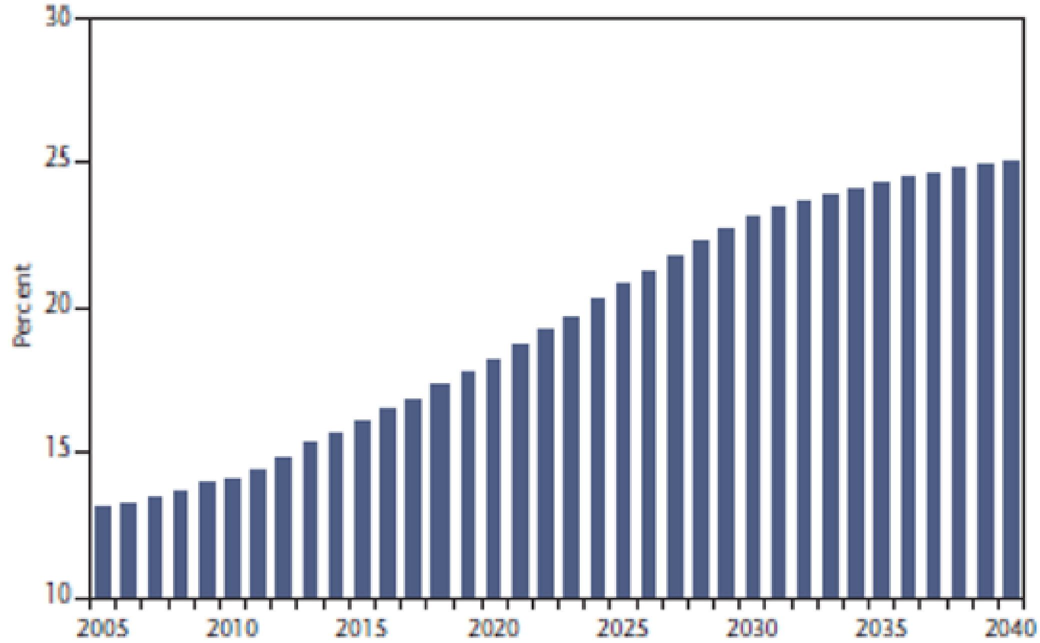
3 Margaret Collins, "Employers Spruce Up Benefits to Keep Older Workers," *Bloomberg*, June 14, 2011.

4 Statistics Canada, *Labour Force Survey* (Ottawa: Statistics Canada, 2010), CANSIM, table 208-0002.

The Main Areas of Concern

As the Canadian Chamber's report *Canada's Demographic Crunch: Can underrepresented workers save us?* recommended, it is necessary to draw far more extensively on the latent potential of underutilized sources of labour. These are large segments of the population relatively underrepresented in the workforce, or with average unemployment rates significantly higher than that of the general population. Seniors are a large and mostly untapped resource in the Canadian economy and a resource that is growing. In 2009, Canada had 4.7 million persons aged 65 years or over, twice the number recorded in 1981. Growth of this group is expected to more than double by 2036, ranging between 9.9 and 10.9 million. In 2061, this number could range between 11.9 million and 15.0 million.[5] (see Figure 3)

Figure 3
Seniors as a Percentage of Canada's Population, 2005-40



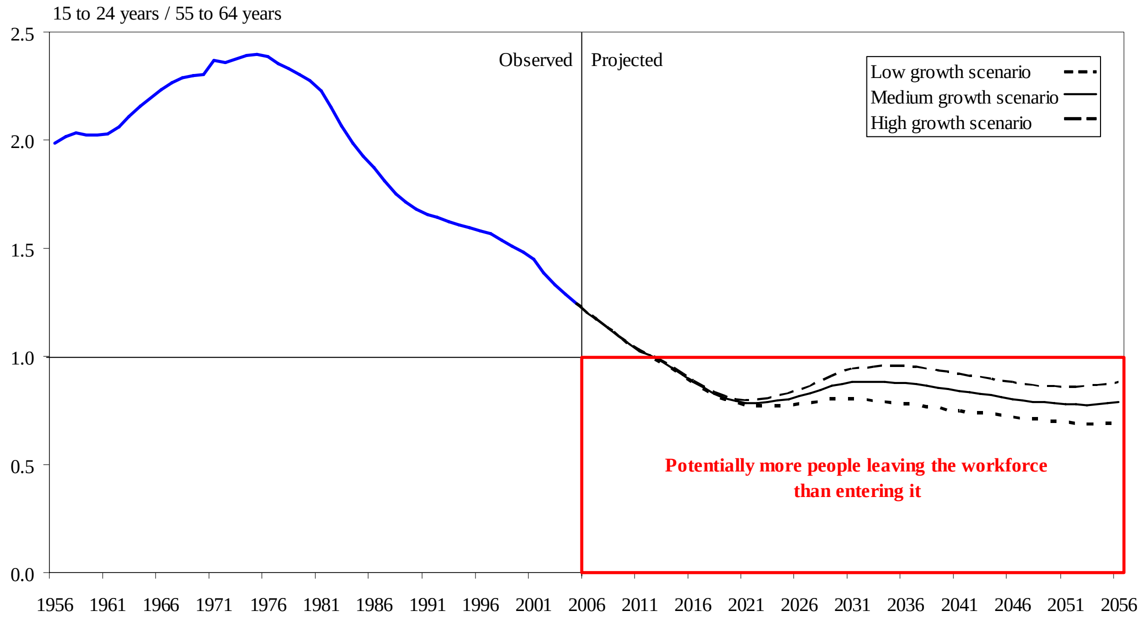
Source: Author's calculations based on data from Statistics Canada and Office of the Chief Actuary (*23rd Actuarial Report on the Canada Pension Plan*).

5 Statistics Canada, *Population Projections for Canada, Provinces and Territories 2009 to 2036* (Ottawa: Statistics Canada, 2010), Cat. No. 91-520-XIE.

Furthermore, according to Statistics Canada's *Labour Force Survey*, in 2010, there were 8.7 million Canadians over the age of 55, of which, 3.1 million (36 per cent) were in the labour force, and 4.5 million Canadians over the age of 65, of which, just 518,300 (11.4 per cent) were in the labour force.

With Canada in the middle of a major demographic shift and its population aging rapidly, by 2031 the entire baby boom generation will have turned 65.[6] Growth in the working age population has slowed by a little more than a third in the last 30 years and is projected to grow at an average annual rate of just one per cent over the next five years and less so over the next two decades.[7] By the start of the next decade, people old enough to leave the labour force will outnumber those old enough to join it (see Figure 4).

Figure 4
Number of Persons Aged 15 to 24 Years for Each Person Aged 55 to 64 Years in Canada, 1956 to 2056



Source: Statistics Canada, *Population Projections for Canada, Provinces and Territories, 2005-2031*, (Ottawa: Statistics Canada, 2005), Catalogue number 91-520-XIE, scenarios 1, 3 and 6, and Demography Division, annual population estimates from 1956 to 2005.

6 Statistics Canada, *Population Projections for Canada, Provinces and Territories 2009 to 2036* (Ottawa: Statistics Canada, 2010), Cat. No. 91-520-XIE.

7 Parliamentary Budget Officer, *Fiscal Sustainability Report* (Ottawa: Parliamentary Budget Officer, 2010).

Over seven million Canadians are set to retire in the next 20 years. Canada faces the prospect of significant skilled labour shortages across a wide spectrum of industries and occupations as the large baby boomer generation retires. The Conference Board of Canada has predicted a labour shortage in Canada of nearly one million people by 2020.

To be sure, labour shortages already exist. In the Bank of Canada's autumn 2011 *Business Outlook Survey*, 25 per cent of firms reported facing labour shortages that restrict their ability to meet demand. Slower growth in the labour force and the possible loss of many experienced workers—and the knowledge and skills they embody—is projected to restrain growth in the economy.[8] This, in turn, will slow the growth of government revenue. Furthermore, with an increasing share of the population moving into retirement, a smaller number of workers will carry a larger share of the personal income tax burden.[9]

The workforce will decline while spending pressures stemming from increased demand for publicly-funded health care services and elderly benefits skyrocket. The federal government's main health care-related expenditure is the Canada Health Transfer (CHT), through which it finances approximately 20 per cent of provincial/territorial government health expenditures, or about $24 billion in fiscal 2009–10. Incorporating annual increases of six per cent per year as stipulated in the 2004 First Ministers' Agreement, *The 10-Year Plan to Strengthen Health Care*, the CHT will reach $30.3 billion in fiscal 2013–14. Continued escalation in the CHT at six per cent annually would result in the CHT reaching $86.5 billion in 2031–32.[10] CHT funding is also provided through tax transfers that amounted to roughly $13.9 billion in fiscal 2009–10 and will continue to grow in line with the economy.

Elderly benefits—comprised of Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and the Spousal Allowance—will also put an increasing strain on federal finances. These benefits are the federal government's largest transfer to individuals ($33.4 billion in 2008-09). The Parliamentary Budget Officer projects elderly benefits will rise from 2.3 per cent of GDP in 2013–14 to 3.3 per cent of GDP by 2031–32. To provide perspective, a one percentage-point increase in GDP represents an added tax burden of $16 billion per year, relative to today's economy (see Figure 5).

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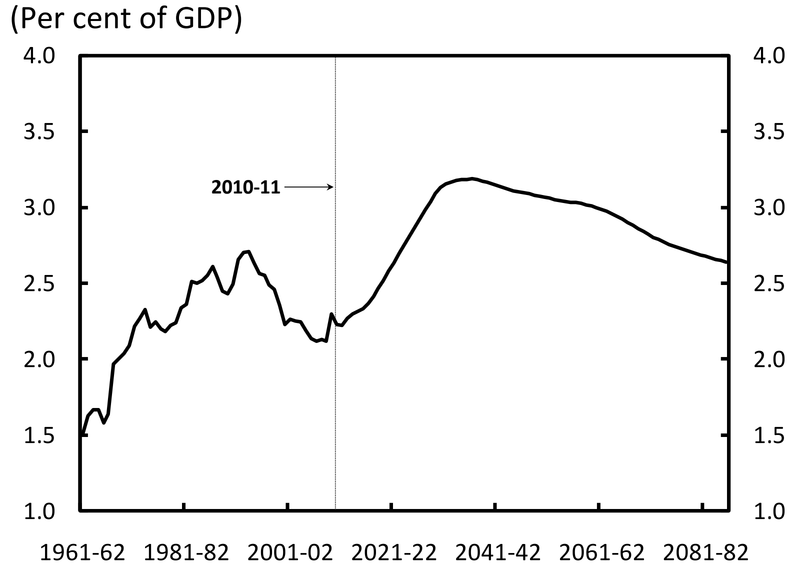
8 In simplest terms, the economy's long-term growth rate is determined by the growth rate of laboured employed plus the growth rate of the productivity of that labour. It has been extensively documented that Canada's record on labour productivity (output per hour) has been bleak. As a result, with an aging population and a declining birth rate, there will continue to be tremendous pressure to grow the labour force in order to achieve sustainable long-term economic growth.

9 Parliamentary Budget Officer, *Fiscal Sustainability Report* (Ottawa: Parliamentary Budget Officer, 2010). The ratio of prime working age Canadians to individuals of retirement age (i.e. those 15-64 years of age divided by those 65 and over) is projected to fall from approximately 5-to-1 in 2008 to 3.8-to-1 in 2019 and 2.5-to-1 by 2033.

10 Parliamentary Budget Officer, *Fiscal Sustainability Report* (Ottawa: Parliamentary Budget Officer, 2010).

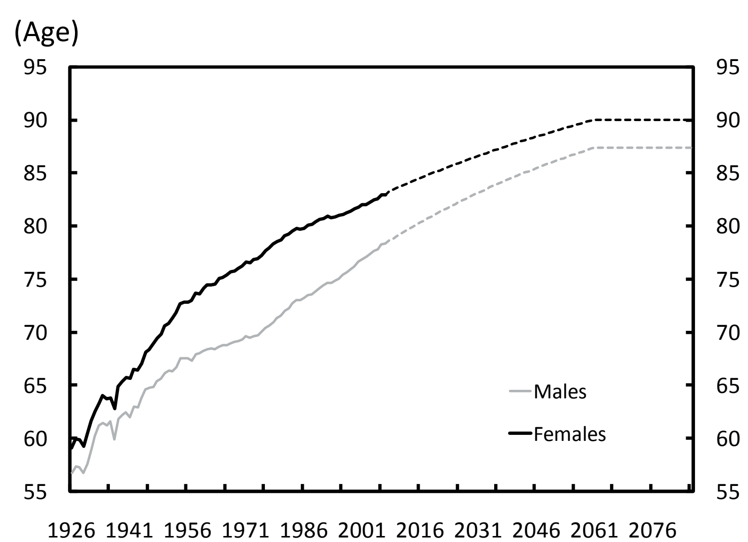
Figure 5
Federal Elderly Benefits



Source: Statistics Canada; Parliamentary Budget Officer.

The impact of the demographic crunch is therefore expected to be severe. In generating economic output and sustaining the livelihoods of Canadian families, businesses will be constrained by a shrinking workforce. In addition, the burgeoning number of retirees to support—retirees who are healthier and living longer—will exert significant pressures on government finances (see Figure 6).

Figure 6
Life Expectancy at Birth, 1926 to 2086



Source: Statistics Canada; Parliamentary Budget Officer.

In a labour supply crunch, the use of every potential worker becomes priority. As the demand for workers grows, participation of seniors is gathering increased attention. Older workers offer a wealth of skills and experience. They are tremendous assets for businesses in day-to-day operations and in transferring knowledge and expertise to younger workers. Taking necessary steps to enhance the labour market prospects and support the integration of older workers makes sense. Now more than ever, it is crucial to take further action to prevent skilled, knowledgeable mature employees from leaving the workforce in order to minimize the loss of experience, corporate memory and leadership talent and to improve the labour force supply. Increased participation of seniors will also enhance the financial security of people as they age and contribute to the strength of the economy.

If the aim is to retain workers, it should not be mandatory for seniors to retire. In all jurisdictions across Canada, except for federally regulated workplaces, forcing an employee working in enterprises under provincial/territorial jurisdiction to retire by reason of age is considered to be a human rights issue and regulated by human rights legislation. In Quebec, provisions dealing specifically with mandatory retirement are also contained in labour standards legislation.[11]

The Canadian Chamber is pleased that the federal government will eliminate mandatory retirement in the federal jurisdiction by introducing amendments to the Canadian Human Rights Act and the Canada Labour Code so as to remove mandatory retirement for persons aged 65 and older, while allowing for flexibility when there are bona fide and reasonable occupational requirements based on age. In the June 2011 federal budget, the government stated it "will change federal rules to eliminate the mandatory retirement age for federally regulated employees, unless there is an occupational requirement, to allow Canadians the freedom to choose how long to remain active in the workforce."

More may be done to further participation of seniors in the workforce. Where older people are capable and willing to work, policy must encourage, not deter them, from doing so.

The Canadian Chamber believes that immediate implementation of certain measures is called for and has identified six key areas that must be addressed in order to enhance the labour market prospects of seniors:

1. **Pension reform:** The pension system is not accommodating older workers who wish to participate in the labour force and earn income.
2. **Tax reform:** The tax system is punishing working seniors and is failing to provide them with adequate support.
3. **Flexibility:** The adoption of flexibility in the workplace is a win-win situation that should be more readily embraced by employers in order to incent seniors to stay in the labour force.
4. **Tools:** Innovative tools dedicated to the hiring of seniors, including online guides and websites, are important conduits for future success in increasing the employment of older workers.
5. **Continuous education:** The promotion of lifelong learning and training will assist older workers to find employment or start different careers.
6. **Work environment:** The advancement of a new business culture aimed first at retaining, rather than replacing, senior workers is the correct approach.

This paper examines each of these six areas as it presents ideas for addressing some of the challenges of the demographic crunch through the employment and retention of older workers.

11 However, it is considered that there is no discrimination when there are bona fide and reasonable requirements for an employment or occupation.

Pension Reform

In 2007, the federal government established the Expert Panel on Older Workers to find ways to enhance the labour market prospects of mature workers (defined as those 55 years and older) and support their adjustment. Through consultations and submissions to the Expert Panel, stakeholders were clear that governments should be active in efforts to maximize participation rates among older workers. The Expert Panel recommended that the federal government work with its provincial and territorial counterparts to undertake and implement changes to the pension and tax systems to remove systemic barriers and disincentives to employment and to provide flexibility and choices for older workers who wish to participate in the labour force and earn income. Specifically, it called on both levels of government to move to eliminate the work cessation clause in the Canada Pension Plan (CPP); allow eligible individuals to work and receive benefits while still contributing to a pension plan; minimize work disincentive effects associated with the GIS clawback provisions; and continue to promote phased retirement through facilitated changes in the tax and pension systems.[12]

Progress has been made as some of these recommendations have been implemented. Following their review of the CPP in May 2009, federal and provincial/territorial finance ministers unanimously recommended changes to enhance flexibility to meet the shifting needs of Canada's diverse and aging population and ever-evolving labour market. The amendments to the CPP were introduced in Bill C-51, the Economic Recovery Act (stimulus), which received royal assent on December 15, 2009. Regulations amending the CPP followed in December 2010.

The changes are being implemented gradually over a six-year period beginning in January 2011 with full implementation in 2016.

One change is to the monthly CPP pension amounts. To remove incentives to early retirement and encourage older individuals to continue working, the government will gradually increase the CPP pension amount for those who start receiving it after age 65 from 0.5 per cent per month to 0.7 per cent per month in 2013 and reduce it for those who start receiving it before age 65 from 0.5 per cent per month to 0.6 per cent per month. This means that by 2013, if contributors start receiving their CPP pension at the age of 70, their pension amounts will be 42 per cent more than if taken at age 65 and by 2016, if contributors start receiving their CPP pensions at the age of 60, their pension amounts will be 36 per cent less than if taken at age 65.

12 Human Resources and Skills Development Canada, Expert Panel on Older Workers, *Supporting and Engaging Older Workers in the New Economy* (Ottawa: Human Resources and Skills Development Canada, 2008).

A second change is the elimination of the Work Cessation Test, which will make it easier for Canadians to make a phased transition to retirement. Individuals who will commence their CPP pension in 2012 can begin receiving it without any work interruption. At present, the Work Cessation Test requires individuals who apply to take their CPP benefit early (i.e. before age 65) to either stop work or reduce their earnings. After having stopped work or reduced earnings for at least two months, the individual may return to work and/or earn more.

A third change is the newly-implemented Post-Retirement Benefit (PRB). Starting in 2012, if contributors are receiving CPP retirement pensions and they choose to work, they can continue to make CPP contributions that will increase their payments through the PRB. If they are under age 65, contributions will be mandatory for them and their employers. If they are age 65 to 70, contributions will be voluntary (their employers will have to contribute if they do). People between the ages of 60 and 70 who make these contributions may begin to receive the PRB the following year.

The Canadian Chamber welcomes these changes and, to help supplement the CPP, recommends that the federal government also make changes to Canada's voluntary personal savings system as current rules are out of step with today's demographic and economic reality. If a defined contribution (DC) plan or Registered Retirement Savings Plan (RRSP) suffers major losses, individuals do not have the flexibility to make up for the losses as they are limited to how much they can contribute annually. To address this discrepancy and provide all Canadians with the same opportunity to save for retirement, the federal government should increase tax-deferred contribution limits, allow DC and RRSP holders to save longer by delaying the age when they must stop making contributions (currently 71), expand the types of investments one can hold in these plans and reduce the amount an individual is required by law to withdraw (i.e. the minimum percentage) from a Registered Retirement Income Fund (RRIF) account each year. These changes would recognize that life expectancy has increased significantly and that many people need or want to worker longer.

Tax Reform

Canada's tax system, in particular its high marginal personal income tax rates, is punishing working seniors and is failing to provide them with adequate support. While families in Canada face an average marginal effective tax rate (METR)[13] on personal income of 32.7 per cent (averaged across all family types and income levels, across provinces), low-income seniors face among the highest possible METRs in Canada. METRs in excess of 50 per cent are not unusual for some of the lowest-income elderly families.[14] The METR influences an individual's decision to participate in the labour market and governs the choice between working more and taking more leisure time. Income-tested tax credits provided to seniors deliver financial benefits, but as these families' incomes rise past prescribed thresholds, many of the public transfers they receive are clawed back and reductions begin, raising the METR on each dollar of incremental income above the threshold, harming work incentives for many of their beneficiaries.[15] The GIS, for example, contains a clawback provision by which each additional dollar of earnings, including the withdrawal of taxable pension savings—RRSPs/ Registered Pension Plans (RPPs)—reduces the benefit received under the program by 50 cents. This creates a strong disincentive to work because each additional dollar of earned income is effectively "taxed" back at a rate of 50 per cent.

"Labour taxes are higher for skilled-intensive industries and lower for industries that tend to hire less-skilled workers. Taxes therefore can affect the allocation of employment among industries by reducing the demand for certain types of workers…or exacerbating labour shortages if certain types of workers are hard to find."[16]

High income taxes discourage people from working and saving and impact people's retirement decisions. Labour taxes also affect decisions by those considering flexible working arrangements.[17]

Personal income tax reform will have fiscal implications for the federal government. The ageing of Canada's population will strain government finances by putting downward pressure on budgetary revenues as growth in economic activity, and therefore the tax base, slows. At the same time, ageing will put upward pressure on budgetary expenditures on programs whose benefits are mostly realized by Canadians in older age groups, such as elderly benefits and health care. The upward pressure on the costs of these programs will only be partially offset by reduced spending (as a share of GDP) on programs with benefits largely focused on younger age groups, such as education and social services.[18]

The Canadian Chamber however strongly believes that personal income tax reform is necessary. Since people are living longer, healthier lives, removing financial disincentives for older workers to participate in the labour force could raise the age at which people choose to retire, thereby increasing federal employment income tax revenues and reducing overall government retirement program liabilities.

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13 This rate takes into account the statutory personal income tax rate as well as reductions and clawbacks of the benefits and credits that are intended to target support to low- and middle-income households, particularly families with young children or seniors.

14 Alexander Laurin and Finn Poschmann, "What's My METR? Marginal Effective Tax Rates Are Down—But Not for Everyone: The Ontario Case," *e-Brief*, C.D. Howe Institute (April 27, 2011).

15 Ibid.

16 Duanjie Chen and Jack Mintz, "Federal-Provincial Business Tax Reforms: A Growth Agenda with Competitive Rates and a Neutral Treatment of Business Activities," *SPP Research Papers* Volume 4, Issue 1, The School of Public Policy, University of Calgary (January 2011).

17 Ibid. See also Institute of Fiscal Studies and James Mirrlees, *Tax by Design* (Oxford: Oxford University Press, 2010).

18 Parliamentary Budget Officer, *Fiscal Sustainability Report* (Ottawa: Parliamentary Budget Officer, 2010).

Flexibility

With people living longer, healthier lives, postponing retirement becomes more attractive. As *Fortune Magazine* states: "Now they are being dragged into retirement—the first wave of boomers turns 65 this year—and they are not going gentle into that good night."[19]

The motivation to remain on the job varies according to the circumstances of seniors and some may want to continue working but not full-time. In such cases, flexible schedules are the answer and can be particularly attractive to older workers who want increased leisure time to volunteer and pursue other interests.

Research suggests that work-life balance plays an important role in retirement decisions. In Canada, over 25 per cent of retirees report that they would have continued working if they had been able to work part-time or shorter/fewer days, while six per cent would have done so if they had suitable caregiving arrangements.[20]

Freedom to continue working is also important for personal satisfaction. Studies have shown that people pursuing a professional or volunteer activity tend to have better physical health. Seniors who enjoy their work will be keen to continue. For example, artists rarely completely retire. Moreover, a growing number of older workers are opting to leave their working lives gradually in a quest to remain physically and mentally active and socially and professionally connected while supplementing their income.

Many businesses are therefore exploring new work arrangements to retain and attract seniors. Reduced hours of work, flexible work schedules, compressed work weeks, job sharing, telecommuting and contract work are popular strategies. These types of work arrangements also allow older workers to slowly transition into retirement. Businesses benefit by having access to the knowledge and skills of older workers and saving on recruitment costs.

"If programs and strategies aren't in place you're going to let all that talent and knowledge out the door. We want to make sure that we retain talent and have time to transfer the knowledge to younger workers," said Chasity Miller, managing director of compensation and benefits for AGL Resources Inc., a natural gas distribution company based in Atlanta, that started a "phased-retirement program" in July 2011 to give workers who retire the opportunity to return on a part-time or project basis, and still have access to the company's benefit programs.[21]

19 Paul Keegan, "Do you need a Retirement Coach?" *Fortune Magazine*, June 12, 2011.

20 Jorge Uriarte-Landa and Benoît-Paul Hébert, "Work-life balance of older workers," *Perspectives on Labour and Income*, Statistics Canada (October 2009).

21 Margaret Collins, "Employers Spruce Up Benefits to Keep Older Workers," *Bloomberg*, June 14, 2011.

A combination of options and creative approaches to managing work-life balance will provide value to older workers through increased accommodation. Business strategies that aim for future success in attracting and retaining older workers may include:

Phased retirement: A broad range of employment arrangements—formal and informal—allow older workers to gradually transition from full-time work to full-time retirement. Phased retirement takes many forms, including part-time, seasonal, temporary work or an extended leave of absence.

Job sharing: Typically, two people are retained on a part-time or reduced-time basis to perform a job normally fulfilled by one person working full-time. They work as a team. If partners have significantly different skills and experience it can provide cross training and lead to skills expansion. Job sharers tend to supervise each other's work and reduce errors, thus providing a built-in form of quality assurance and self-supervision. Compensation is allocated between the workers.

Telecommuting or telework: Employees are able to enjoy flexibility in work location and hours. Significant amounts of time can be saved each day by not commuting to work. Telework offers further advantages by lowering corporate costs on workspace and lessening energy consumption as fewer people commute.

Flextime: In contrast to traditional '9 to 5' work arrangements, employees can choose when they work subject to achieving total daily, weekly or monthly hours the employer expects and to the necessary work being done. Workers under flex-time can avoid commuting in rush-hour traffic and work when they are most productive.

Continuous Education

The Expert Panel on Older Workers also recommended that the federal government work with provincial and territorial governments to promote the value, benefits and importance to individuals and employers of increasing the levels of training and literacy, both in the workplace and through other programs, and promote the need for continuous learning throughout individuals' working lives.

The special challenges and circumstances of older workers displaced from their jobs demand particular attention. In the June 2011 federal budget, the government announced that it is extending the Targeted Initiative for Older Workers program until 2013–14. This program ensures older workers have access to training and employment programs to help them find new careers. It also opens training and employment programs to displaced older workers, ensuring they have the support they need to find a new job.

Lifelong learning will support older worker labour market adjustment. For older workers with considerable employment experience but lacking the opportunity or ability to continue in their former occupations, job counseling could be provided to match their skills with employer demands, and vocational-technical training could help them meet the skill requirements of available jobs. In the case of many mature individuals who desire or need to work but have little employment experience, the federal government could assist these persons in obtaining so-called entry level jobs by providing training and job-search assistance.

In addition, seniors will often choose to retire from one occupation only to begin another, preferring to follow new directions and find different work related to their interests. In an effort to accommodate them, career change can be encouraged, with necessary training provided to ease the updating of skills. Facilitating transfers and reassignments will further help foster second careers.

Yet another attractive option is self-employment. Training programs that aim to teach interested seniors how to launch and successfully operate their own business will foster this option.

The Expert Panel also identified improving the labour market information available to workers, employers, researchers and policy makers as an area for government action. The Panel identified definite gaps in information related to older workers and the limitations such gaps pose for informed decision-making.

Tools

Creating an environment that attracts and retains highly qualified older workers can be a challenge, particularly for small-medium sized enterprises (SMEs) that may not have any staff dedicated to human resources (HR). The bottom line is that no one rule or regulation will be the panacea for companies trying to retain retirees. “Companies need to create a culture around these initiatives. For many companies, that’s going to be a cultural shift,” said Donna Klein, president and CEO of Corporate Voices for Working Families.[22]

Even if more seniors may want to work, job opportunities for them are not keeping pace. Innovative tools, including online guides and websites dedicated to the hiring of seniors, (such as *ThirdQuarter.ca*, a pilot project developed with government support, that matches skills and experience of Canadians over 50 years of age with job opportunities), are important conduits for future success in increasing employment of older workers.

Additional non-profit services offering free employment referrals to seniors are also required. In order to provide flexibility, listings should include occasional, part-time, temporary and full-time employment opportunities. Job fairs that focus on recruiting mature workers with promotional materials targeted at them are another solution.

Work Environment

The Canadian Chamber believes that a new business culture aimed at retaining, rather than replacing, senior workers is the correct approach to pursue. Employers must develop long-term talent management strategies dedicated to retaining senior workers and foster a work environment where employees are encouraged to consider working in their sixties. Employers should provide their employees with retirement counseling and financial planning services well before they reach the age of 55 in order to prepare them for extended careers or gradual retirement. Managers also need to be sensitized to think about how to retain older workers before considering how to replace them.

Succession planning is important in order to minimize the loss of a company’s experience and corporate memory. Successful succession planning involves identifying a pool of internal talent to develop in advance of replacing key positions and should include strategies for transferring the skills and unique organizational knowledge of older workers. Loss of experienced leaders and the shortage of specialized skills and future leadership talent are top concerns for employers. A focus on older workers will become even more significant because of the challenges associated with recruiting and retaining scarcer young employees. “Most CEOs and senior management belong to a very

22 Jessica Marquez, “Employers Take Action to Retain Retirees,” *Workforce Management Online*, August 2007.

different generation to the one entering the workforce today. This generation has grown up with technology and social media as part of their everyday life. They have also grown up knowing that their relationship with a company is unlikely to be a life-long one."[23]

Today, an increasing number of employers are including senior workers in their workforce planning and are developing hiring strategies aimed at them. Employers are thus retaining trained employees with proven abilities. It is a fact that seniors make good employees. They are recognized for having a good work ethic and providing job stability. They are valued as loyal workers who may be counted on in a crisis situation.

Reinforcing a positive, inclusive workplace for older workers will cultivate an environment aimed at their retention. Dealing with any age-based discrimination is a priority. Companies may strive to achieve a proven track record in hiring and retaining older workers through the implementation of practices to mitigate age discrimination. A revision of HR screening and hiring processes is one way to prevent any age bias. In this light, conducting initial interviews by phone and creating a mixed-age interview board in the selection process are useful techniques.

Employers may want to brand their companies as diverse and accepting of all cultures and ages. Building intergenerational teams will create a positive, inclusive workplace. Project teams composed of both older and younger employees working together to share ideas and learn from each other will help promote a culture of inclusion. Initiatives such as job shadowing can help increase productivity and facilitate the transfer of organizational knowledge. In addition, experienced employees who have honed their professional skills over a lifetime may be keen to become involved in mentoring newly hired staff as it provides the chance to inspire young recruits and is very fulfilling. Thus, it makes sense for managers to encourage mentoring to help others develop through use of the knowledge, skills and expertise of older workers.

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23 PricewaterhouseCoopers, *14th Annual Global CEO Survey*, Feb. 1, 2011.

In Summary

The proportion of Canada's population 55 years of age and over has been increasing rapidly since 2001 and will grow substantially over the next two decades. Because people over 55 typically have lower labour force participation, the rising proportion of older individuals has important implications for the nation's labour supply. Canadian businesses risk a significant loss of knowledge and skills and will be faced with challenges in developing and implementing strategies to retain and attract older workers.

Policy development and action will address the future challenges brought on by the demographic shift. The appropriate government response is to provide flexibility in pension policies and take steps to deal with existing barriers to seniors remaining at work. Financial incentives in the form of favourable CPP and tax changes are necessary. For employers, the appropriate response is to develop long-term talent management strategies dedicated to retaining senior workers. Companies and organizations can develop innovative programs to retain, recruit and manage older workers beyond traditional retirement age. Employers could create flexible work schedules, encourage telecommuting, increase the availability of part-time work and provide training opportunities for older workers. These initiatives may also boost the labour force participation of other age groups.

Efforts to remove disincentives, stigmas and institutional deterrents to the greater participation by seniors in the workforce must grow and prevail. To demonstrate support for older workers who choose to remain in the labour force, related public policies will call for ongoing review in order to sustain their increasing participation.

In this paper, the Canadian Chamber of Commerce has highlighted the important role retaining senior workers plays in tackling the looming labour shortage and has outlined six key areas to be addressed. Dealing effectively with this serious issue means focusing on specific, concrete actions, by both the government and the business community, that will incent older workers to remain in the labour force.

How we respond to the challenges and opportunities associated with demographic change will have important consequences for the longer-run prospects of economic growth. Given the right conditions, older workers may choose to retire later and continue contributing to our nation's prosperity.

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