Falling through the Cracks: Addressing the Needs of Individuals between Employment and Retirement

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In this paper, we examine some of the public policy that provides financial support to individuals who are no longer in the labour force. We argue that these programs neglect the specific needs of individuals who are considered older by labour force standards and who are yet too young to collect full pension benefits. We show that the potential exists for these workers to fall through the cracks of public policy, leaving them with a financially insecure future. Finally, we explore some of the programs that have been used in other countries to address the needs of this group.

INTRODUCTION

The fact that Canada’s population is aging is well known (Denton and Spencer 1995). The economic strain that an aging population may pose to Canada, a country with a large national debt and several social welfare programs that are disproportionately used by older persons (defined by pension policies as persons aged 65 and older), is also real and cannot be ignored (Henripin 1994). However, the crisis ideology that frames public perceptions on this topic (McDaniel 1987; Northcott 1994) creates a sense of urgency about Canada’s financial problems while downplaying the economic needs of disadvantaged people.
These discussions also create an environment of competition over the distribution of limited resources between younger and older adults. Although such intergenerational conflict has been slow to evolve in Canada (Marshall, Cook and Marshall 1993; Northcott 1994), with health care and pension reform now at the anterior of the political agenda, politicians are starting to make proposals that could fuel such debates. For instance, in 1994 Lloyd Axworthy, human resources minister of Canada, suggested that a portion of the monies spent on old age security should be redirected toward job retraining for young people (Globe and Mail, 9 March 1994, cited in Myles and Street 1995). In fact, the theme of intergenerational conflict seemed well entrenched in the minds of most of the academics and policymakers who recently participated in a well attended conference on intergenerational equity in Ottawa (Intergenerational Equity in Canada, February 1997). Put simply, the view of many of the participants seemed to echo the common sentiment in the media that older generations are prospering at the expense of younger and future generations of Canadians.

The tendency in these and similar discussions of aging populations, intergenerational equity, and related policy directives is to categorize the population into the old and the young. Simple bifurcations such as these are problematic because they assume that no further age distinctions are necessary. Neglected in these discussions are persons who are disadvantaged because of their age but who are not considered “old” (over the age of 65) or “young” (under the age of 20) in the minds of policymakers and politicians. Of particular interest in this regard are displaced workers who are between the ages of 45 and 64. These workers are considered “older” within the context of the labour market and often have difficulties finding employment after a job loss (McMullin 1996; McMullin and Marshall 1997). At the same time, these workers are considered “younger” within the context of pension policy (McMullin 1996; McMullin and Marshall 1997). Thus, displaced workers between the ages of 45 and 64 may be at a heightened risk of financial disadvantage because of social constructions that label them young in one context and old in another.

In this paper, we examine the public policy options that are available to displaced workers who are between the ages of 45 and 64. In doing so, we ask the following questions: (i) do these programs take the specific needs of older displaced workers into account? (ii) do displaced workers between the ages of 45 and 64 fall through the cracks of public social security programs? (iii) how do other bases of inequality, such as gender, class, and age structure, affect the policy options and benefits that are available to these workers? and (iv) what are the future directions that social policy could take that would help to ensure adequate support for this group of displaced workers? Before turning to these specific questions, however, it is necessary to put this analysis in context by examining the extent to which workers between the ages of 45 and 64 are leaving the labour force, the reasons for early labour force withdrawal, the related ambiguity between early labour force exit and early retirement, and the potential misconceptions about the financial circumstances of these individuals.

**Early Labour Force Withdrawal**

In most Western industrialized countries, early labour force exit among older workers has increased substantially over the last two decades (Organisation for Economic Cooperation and Development 1995). Data in support of this trend indicate that between 1970 and 1990 the labour force participation rates of workers over the age of 55 have dropped in the G-7 countries. The rate of decline varies from country to country, however, with the United Kingdom experiencing the highest drop of 17.2 percent and Italy the lowest drop of 4.5 percent. Canada’s decline fell between these two extremes with a drop of 8.7 percent (LeBlanc 1995).

In Canada, differences in labour force participation rates exist among older workers of different age groups (Schellenberg 1996). In the last two decades,
the most dramatic decrease in labour force participation occurred for men aged 60 to 64. This group recorded a 26.9 percent drop in labour force participation from a high of 74.1 percent in 1971 to a low of 47.2 percent in 1994. Men between the ages of 55 and 59 recorded a drop of 12.2 percent, from 84.9 percent in 1971 to 72.7 percent in 1994. Recently, there have also been drops in the labour force participation rates of younger men, aged 45 to 54. Schellenberg suggests that this decline “may well be the precursor of a more significant shift out of the labour force among men in the early fifties and late forties” (p. 152).

Among women aged 55 and over, labour force participation rates increased by 1.7 percent between 1971 and 1994 (from 24.3 percent to 26.0 percent). However, further delineations on the basis of age suggest that this increase is a result of an increase recorded for women between the ages of 55 and 59 (from 38.7 percent to 49.2 percent). The labour force participation rate for women aged 60 to 64 has, in fact, dropped by 3.6 percent (from 29.1 percent to 25.3 percent) and among women over the age of 65 the rate declined 1.6 percent (from 5.1 percent to 3.5 percent). Although these data suggest that the trend toward early labour force withdrawal is not as significant for women as it is for men, this conclusion may be misleading because to explain older women’s labour force participation rates two confounding trends must be taken into account. First, women’s labour force participation rates have been steadily increasing, and second, their average age of retirement has been dropping (LeBlanc 1995; Schellenberg 1996).

There are several reasons for the trend toward early exit from the labour force including greater ideological acceptance of early retirement, company restructuring (such as downsizing) due to a poor economic climate, and the growing use of early retirement packages by employers. Since the early 1980s many employers have attempted to reduce the size of their labour force by encouraging employees to engage in early “retirement” incentive programs (Finlayson 1985; Weitz 1992). Generally, these programs either consist of a one-time, lump-sum payment or the option to leave employment at an early age with a full pension. The lump-sum payment is thought to be a bridge of financial support for workers until they become eligible for their pension. The second strategy allows workers to leave paid employment with a full private pension before they reach the age of eligibility for public pensions.

No systematic data are kept on the number and circumstances of “early retirement” buy-outs in Canada, but media accounts of labour force reductions by major employers such as Bell Canada (staff reduction of 10,000) and the Ontario government (staff reduction of 13,000), and the federal government (staff reduction of 45,000) point to their significance. It is often assumed that the individuals who take “early retirement” incentives formally retire and do so voluntarily. Although there is little information available regarding the status of individuals who take early retirement incentives, some research questions the voluntary nature of these incentives. One study found that while managers may define the acceptance of an incentive package as voluntary, the workers who took them were less likely to do so (McGoldrick and Cooper 1988). Workers who take early retirement incentives may not have planned to retire at such an early age and may be faced with a difficult financial future. Their income is substantially reduced and they are no longer able to contribute to either private or public pension plans. Many older workers may feel the need to find other employment to provide a financial bridge between early labour force exit and formal retirement (Doeringer 1990).

The distinction between early retirement and early labour force exit is increasingly being clouded by company induced labour force reduction strategies. However, offering early retirement incentives is only one means by which labour force reduction occurs. For instance, in the Montreal garment industry manufacturing companies simply close their doors as a means of eliminating older, more highly
paid workers, only to open up a few months later under a different name and employing less expensive labour. These workers are offered no early exit incentives and often lose their pensions. Most collect unemployment insurance while they search for work in an economic climate where jobs are hard to find, particularly for older, unskilled workers (LeBlanc, McMullin and Edwardh 1996; McMullin 1996).

In fact, a close examination of unemployment trends among Canadians aged 45 to 64 further supports the claim that the distinction between early retirement and early labour force exit is ambiguous. The unemployment rate rose from an average of 6.7 percent in the 1970s to an average of 10.2 percent between 1990 and 1993. This trend is similar for younger and older workers although older workers appear to fare a bit better based on official statistics. However, compared to younger workers, older workers are overrepresented among discouraged workers (i.e., those who have abandoned their job search) and are unemployed for longer periods of time (Schellenberg 1994). Further, the stigma associated with being out of work and the increasing acceptance of “early retirement” as socially desirable often leads older unemployed individuals to define themselves as retired rather than unemployed, displaced, or discouraged (Osberg 1990). Because researchers often use either self-definitions or lack of labour force participation as operational definitions of retirement, a potentially disadvantaged group of workers is ignored.

Recent analyses of national Canadian data indicate that the incidence of displacement among older workers is a significant problem (Schellenberg 1996). Among workers aged 55 to 64 who have left their job in the last five years, one-quarter left due to layoff or plant closure. Schellenberg estimates that almost 250,000 older Canadians were displaced from their job in 1991-1992 (1996, p. 157).

It is often assumed that the half (47 percent) of the working population in Canada who are covered by a private pension plan will be or are well-off in retirement (Statistics Canada 1994). However, the amount of coverage offered by pension plans varies according to age and service requirements. Age 65 has become the socially constructed marker at which a “normal” retirement occurs (Myles 1989). Indeed, 90 percent of Canadian private pension plans define age 65 as the age at which individuals qualify for a full pension, the size of which depends on individual life-time earnings and tenure within the plan (Weitz 1992). There are provisions for early retirement in almost all pension schemes but the criteria for eligibility vary. Some are based only on age (usually age 55 or 60), others on years of service, whereas most factor in both age and seniority (Ibid., p. 216). If individuals leave the labour force before they meet the early exit criteria they must wait until they reach the minimum age of eligibility before collecting any benefits. Regardless of the criteria, individuals who opt to retire before age 65 receive smaller pensions than they would qualify for at age 65.

Further, Schellenberg (1996, p. 161) notes that individuals between the ages of 55 and 64 who are displaced from the labour force due to job loss are worse off financially than other labour force leavers (i.e., those who retired, left for health or for other reasons). Displaced workers are also less likely to be covered by a private, employer pension, and are less likely to have investment income than are other labour force leavers. They are more likely to have been employed in low paying jobs than other labour force leavers, which results in lower retirement pensions even if they qualified for them. Thus, older displaced workers tend to be more reliant on government-sponsored pensions than are older workers who have left the labour force for other reasons.

The preceding analysis shows that individual financial circumstances vary considerably depending on which factors trigger early labour force withdrawal. Yet, as the next section shows, because there is a tendency among researchers and policymakers to equate early labour force exit with an early and presumably lucrative retirement, those in less than ideal economic situations are potentially ignored.
PUBLIC PROGRAMS

Since the Second World War, Canada has developed a number of public programs which act as a social safety net. These programs address various aspects of social life from health benefits to disability insurance and retirement pensions. In this paper, we focus on the sub-set of these public programs that potentially addresses the needs of older displaced workers. In doing so, we recognize that social life is structured by many factors and thus we adopt an approach that is sensitive to gender, class, and age (Bakker 1994; Jennissen 1996; McMullin 1996; McMullin and Ballantyne 1995). To explore the potential influence of public policy on individuals who find themselves between employment and retirement, we focus on programs that either provide access to retirement benefits or help workers remain in the labour force. Thus, we explore the role of the public pension system as well as employment-related programs such as Employment Insurance and the Canadian Jobs Strategy. We also examine the role of the Program for Older Worker Adjustment (POWA) which was developed specifically to address the needs of a sub-set of older displaced workers. Finally, we assess disability insurance and social assistance programs. Although disability insurance and social assistance are not pension- or employment-related programs they are included here because past research has suggested that some older workers may use these programs to bridge the time between employment and retirement (Guillemard 1989; Guillemard and Rein 1993; LeBlanc, McMullin and Edwardh 1996).

Public Pensions

When an older worker loses his or her job, thoughts of retirement likely come to mind. Thus one of the first social security options that these workers likely pursue is the public pension system. This section explores the potential of the public pension system in addressing the needs of older displaced workers.

The Canadian public pension system comprises several programs which include Old Age Security (OAS), Guaranteed Income Supplements (GIS), Spouse’s Allowance (SPA), and the Canada and Quebec Pension Plans (C/QPP). Generally, public pension structures are either based on preretirement income or on the idea of a national minimum benefit. In the first instance, pensions perpetuate class- and gender-based inequalities in older age by “graduating” pension income according to preretirement income. In the second instance, income equality among older people is sought because the same sum of money is paid to everyone based on citizenship only (flat benefit structure).

Like most other Western industrialized nations, Canada’s pension structure combines flat and graduated pension schemes (Myles 1989). In Canada, OAS has traditionally guaranteed a flat monthly benefit, based on a minimum residency requirement, to all people aged 65 and over. Since 1989, high income seniors (those whose income exceeds $50,000) have their OAS benefits “taxed back” thus eliminating the universality of this program.

By 2001 the OAS program will be replaced by the Senior’s Benefit. There are no changes incorporated in the Senior’s Benefit that affect the age of eligibility. However, one significant change will put some women at a disadvantage. Unlike the OAS system, for married couples, the amount of the payment will be determined based on the combined income of spouses. By basing benefits on the combined income of a couple rather than on individual income, women who have well-off spouses will not receive individual benefits. This will not be problematic in households where couples truly share their income. However, past research tells us that the distribution of income between couples is not always equal and where unequal, usually does not favour women (Pahl 1983, 1988). Indeed, for many women the first time they have an income they call their own is when they receive Old Age Security benefits (Ballantyne et al. 1993; Wilson 1993).

The second pillar of the public pension system is the Canada/Quebec Pension Plan. The program is a
graduated scheme whereby employees and employers pay into the plan according to the employee's preretirement income. The C/QPP is a compulsory contributory wage-related pension program developed in 1965 aimed at "making income available to retired and disabled workers, surviving spouses of deceased contributors, and orphans" (Coward 1991). Contributions are mandatory for all individuals between the ages of 18 and 65 who are working in the paid labour force and who earn a minimum annual salary ($3,500 in 1996). The plan is designed to provide 25 percent of a worker's average income up to a maximum of 25 percent of the average industrial wage.6

Like the OAS program, the defined age of eligibility for full benefits under the C/QPP is 65. However, since the mid-1980s individuals have been given more flexibility in the timing of their retirement. Today, under the C/QPP, individuals may claim benefits if they are between the ages of 60 and 70. A penalty of 1/2 percent is imposed for each month below age 65 individuals begin to draw on their pension. Conversely, for each month past the age of 65 the pension is deferred, benefits rise 1/2 percent. Thus the C/QPP is more inclusive than OAS because it allows displaced workers between the ages of 60 and 64 to claim reduced benefits.

Nonetheless, the structure of the C/QPP also creates inequalities on the basis of age. It is assumed that older, retired people only require a small proportion of their employment income to meet their needs in retirement. While this assumption may be reasonable for middle- and upper-class, typically male, workers, men and women in lower-class jobs may not be able to afford having their incomes reduced. Further, because chronological ages are established as a basis of rules of eligibility, some workers are disadvantaged relative to others according to the age at which they leave the labour force. This is particularly problematic for older workers who are displaced before they reach age 60, who can no longer contribute to a public pension, and who are ineligible for any benefits. Even among those who are between the ages of 60 and 64, eligibility comes with reduced benefits.

Rules about what chronological age constitutes "old" in these public pensions are somewhat arbitrary and have fluctuated over time. In 1951, under the Old Age Security and Old Age Assistance acts, Canadians aged 70 and over were entitled to old age security and individuals who could demonstrate need and were between the ages of 65 and 69 were provided a pension. It was not until 1966 that modifications to the act changed the age of eligibility for the universal OAS benefit from 70 to 65. This reduction was implemented gradually and was final by 1970 (McDonald and Wanner 1990). These policy changes suggest that the age of retirement and pension eligibility is socially constructed and thus could be altered to meet the needs of older displaced workers.

Because the C/QPP is linked to workers' lifetime earnings, this program provides less pension coverage to workers who have earned less throughout their lives. This puts individuals who have had interrupted work histories, due to bouts of unemployment or childcare responsibilities, at a disadvantage. However, some allowances are made for periods that individuals spend out of the labour force. For instance, pensions may be calculated by dropping 15 percent of the eligible months of employment if the remaining months equal at least ten years. Changes were instituted in 1977 under QPP and in 1983 under CPP to allow parents to drop-out for up to seven years if they were raising a child under the age of seven.

At first glance the C/QPP appears to be sensitive to the retirement needs of women because it takes child-rearing responsibilities into account. Individuals (mostly women) who take time off from paid employment to work at home caring for their children do not receive yearly wage increases and often re-enter the labour market with lower salaries than they were previously making. Adjusting the C/QPP to cover a seven-year absence from work does not consider the wage reductions and limited saving
power that is associated with taking a leave from paid employment. Further, because the C/QPP does not adjust for other structural inequalities within labour markets that determine wages, inequalities associated with gender-based segregated occupational practices are perpetuated into older age.

Proposed changes to the CPP have been recently announced. These changes will be in effect in January 1998 pending parliamentary approval. Before the changes were announced, there was considerable talk about raising the maximum-benefit age. This change would have placed older displaced workers at a greater disadvantage, particularly given the continuing business trend of downsizing and restructuring. As it turned out, this proposal was not carried through and the age-based structure of the CPP remains the same. However, two changes were introduced that are particularly disadvantageous to low income workers. First, over the next six years, the contributions that individuals make to the CPP will increase from the current 5.6 percent to a high of 9.9 percent. These changes will disproportionately affect lower income workers who have less disposable income and are required to make contributions on larger proportions of their earnings than higher income workers. (Income above the Average Industrial Wage [$35,800 in 1997] is not subject to contributions.) The second significant change is that pensions will be calculated by averaging an individual’s last five years of income, rather than the last three years as is the case now. Among people with steady, secure employment this change will lead to a slight reduction in pension income because salaries tend to increase on a yearly basis. This change places individuals with discontinuous work patterns at a greater disadvantage as well because such individuals are more likely to lose a job within a five-year period than a three-year period.

Employment Insurance
Because individuals must be at least 60 years old to be eligible for any component of public pensions, the needs of many older displaced workers are not addressed through this option. One alternative would be for older displaced workers to find employment. However, older workers who lose their job often face difficulties re-entering the labour market. Compared to younger workers, older workers tend to have longer periods of unemployment when they lose their job and are more likely to find temporary employment when they find work (Picot and Pyper 1993). Further, a recent Canadian study suggests that age-related discrimination acts as a barrier to labour market re-entry among older workers (Globe and Mail, 15 April 1997).

The Employment Insurance program is likely the first social security option considered by displaced workers under the age of 60. This program is geared to workers who have lost their employment. Although the underlying intention of this program is to provide workers with a cash benefit when they experience “temporary, involuntary interruption of earnings from employment” (McGilly 1991, p. 61), certain criteria must be met before individuals qualify. As of 1 January 1997, unemployed individuals must have worked a minimum number of hours in the preceding year. This replaces the old system of a minimum number of weeks. The new hours-based system is similar in most respects to the old weeks-based system. One major change in the new system is that it now assumes a 35-hour week. In the past, any week where an individual worked more than 15 hours qualified. Under these rules, individuals who worked under 15 hours a week could not participate in the program (Human Resources Development Canada [HRDC] 1996). This new system enables more part-time workers to be eligible since those who work less than 15 hours a week now participate. Despite the increased inclusiveness, under the new system it will take an individual working part-time longer to qualify. Thus, for women, who are more likely to work part-time than men, these changes mean that they are more likely to be covered by this program, but must work longer to qualify. For example, persons who work 15 hours a week would be required to work more than a year (61 weeks) to qualify for employment benefits.
Among the changes that have been put in place under the new system are penalties for those who are repeat users. These individuals will have their benefits cut if they have collected more than 20 weeks of benefits in the past 5 years. The benefit rate for the new claim will decline 1 percent for every 20 weeks of benefits collected in the previous 5 years. The reductions can reach a maximum of 5 percent resulting in benefits which amount to 50 percent of the worker’s average insured earnings. This new rule will be particularly detrimental for older displaced workers. As we note above, older workers are less likely than younger workers to lose their employment. However, when they do, they are often unemployed for longer periods of time and are more likely to become discouraged workers who are not counted as part of the formal labour force. For older workers who are re-employed, the work is often lower paid and temporary, thus resulting in further bouts of unemployment (Picot and Pyper 1993).

Under the new system, these individuals will be penalized each time they re-enter unemployment. Another change in the new Employment Insurance program is a requirement that new workers, and those who re-enter the labour force after years out of it, establish a “reasonable attachment to the labour force” (HRDC 1996, p. 15). These individuals, including the young and older individuals entering or re-entering the labour market, will need to work a minimum of 26 weeks, regardless of the regional unemployment levels, before they qualify for benefits. This may be particularly difficult for older women who find themselves in a position to re-enter the labour force after years spent caring for children.

The length of time individuals can receive benefits is also variable. Similar to the old system, as of January 1997, the maximum duration of benefits ranges from 14 to 45 weeks depending on the amount worked in the preceding period and on regional unemployment levels. No provisions exist for extensions of benefits beyond the 45-week maximum. Thus for older displaced workers, Employment Insurance provides only a temporary solution to their financial needs after leaving the labour force. At the end of the maximum period, individuals who have not found long-term employment must turn to other alternatives to survive financially.

In short, the Employment Insurance system is set up to provide temporary aid to individuals who lose their jobs under specific conditions. The system penalizes individuals who have no or weak ties to the labour force and those who have intermittent career histories. Although this covers a wide spectrum of individuals of all ages, it may have particularly adverse impact on older individuals who have a more difficult time re-entering the labour force after job loss particularly in trying to find stable, well paid employment.

**Canadian Jobs Strategy**

One requirement of the Employment Insurance program is that recipients be actively searching for employment. Yet, older displaced workers face many distinct difficulties in their job search. In general, older workers are inexperienced at job search techniques, they tend not to have the skills required for available jobs, they tend to have lower levels of education than younger workers, they are less willing and/or able than others to relocate for employment, employers discriminate and cast older workers in a light of negative stereotypes, and employers are reluctant to retrain older workers (Canadian Labour Market and Productivity Centre [CLMPC] 1991; Globe and Mail, 15 April 1997). Despite these distinct difficulties, the federal government tends not to design programs that specifically aid older displaced workers.

Although older workers are able to take part in the four programs that comprise the Canadian Jobs Strategy (Job Development, Job Entry, Skill Shortages, Skill Investment), they are not represented among the program target groups (women, natives, visible minorities, and disabled) and they are underrepresented as participants in the programs (CLMPC 1991). According to the CLMPC, this underrepresentation occurs because there are fewer
“unemployed” older workers, employers are reluctant to train older workers due to shorter payback periods, and the potential that these programs are unsuitable for older workers because they require entry skills and education that are too high. Thus, older displaced workers wanting to re-enter the labour market, do not have access to potentially vital skills training programs, available to their younger counterparts.

Program for Older Worker Adjustment

The only Canadian program designed specifically with older workers in mind is the Program for Older Worker Adjustment (POWA). POWA is a joint provincial and federal government program specifically designed to provide financial assistance to older workers who have lost their jobs and who are too young for pension programs. Since the early 1980s, the federal government has provided some financial assistance to unemployed older workers. Originally called Labour Adjustment Benefits Program, its aim was to provide assistance to laid off persons who were at least 55 years of age and who worked a requisite number of years in designated industries. This assistance would continue until they became eligible for a public pension or they found other employment (Tindale 1991).

POWA replaced the Labour Adjustment Benefits Program in 1986. One difference between the two programs is the implementation of a provincial/federal cost sharing component in POWA, allowing provinces to opt out of participating. British Columbia, Ontario, Quebec, Newfoundland, and Nova Scotia all have active agreements that were established between 1988 and 1990. New Brunswick signed an agreement in 1989 but has not participated in the program since 1994 when it developed its own program, the NB Job Corps. Manitoba also signed in 1989 but has not participated since 1992 because it believes that the program should cover all older workers (see below for eligibility criteria). Saskatchewan signed in 1991 but has only used the agreement twice. For various reasons, Prince Edward Island, Alberta, Yukon, and Northwest Territories have never become involved in the program (Program for Older Worker Adjustment 1996).

POWA is designed to selectively focus assistance on major permanent layoffs that may cause severe hardship for older workers. The following are taken into account in determining eligibility: (i) the permanence of the layoff and the importance of its economic impact with respect to a community and region; (ii) the extent to which the layoffs are considered major within the industry; and (iii) whether the layoff affects a high percentage of older workers who consequently have no prospect for new jobs even if they retrained or moved. Workers who are between the ages of 55 and 64, who have worked 13 of the last 20 years for a minimum of 750 hours, who have taken advantage of opportunities to reenter the labour market through retraining or moving, who are Canadian citizens or permanent residents and currently reside in Canada, who have exhausted their unemployment insurance benefits are eligible (Labour Canada and Government of Quebec, n.d.).

POWA recipients tend to have less education, to be blue collar workers, and to work in manufacturing, mining, or trade industries. Twenty-seven percent (n=3,600) of the 13,565 older workers who have received POWA assistance are women (Program for Older Worker Adjustment 1996). Although this number reflects the different labour force participation rates and unemployment rates between men and women, it also points to the subtleties in the program that discriminate on the basis of gender. POWA defines a major layoff as one that affects more than 100 workers in large urban centres and more than 25 workers in small cities. Because women are disproportionately employed in small firms and women are less likely than men to be employed in manufacturing, mining, and trade industries, these workers are less likely to be eligible for POWA benefits. As well, because the program is restricted to those who are between the ages of 55 and 64, workers between the ages of 45 and 54 who have lost their jobs and are often considered...
“old” by labour market standards are excluded because they are too young. In fact, the exclusive nature of POWA led Manitoba to opt out of the program in 1992, stating as its reason for withdrawal that the program should cover all older workers.

Along with this downfall, several other criticisms including financial concerns, subjectivity in designating eligible layoffs, lack of involvement by unions and employers, and lack of uniformity across the provinces, have been raised against POWA. These are discussed in detail elsewhere and need not be considered here (CLMPC 1991). However, regardless of these criticisms and exclusions, POWA should be commended for being the only program available in Canada to deal with the specific needs of older workers.

POWA was terminated in March 1997. It will not be replaced with a program more suitable to meeting the needs of older workers. Instead, it appears any government initiatives regarding employment will be directed toward the young (S. Deilencourt, personal communication, 29 August 1996). The question we must then ask is, what do older workers do if they are unable to claim POWA benefits and their unemployment insurance has come to an end?

Disability Insurance
For some older displaced workers, turning to the Disability Insurance program might be an option. Although this program was not set up to address the needs of displaced workers, evidence from Europe indicates that it is an increasingly common route to retirement (Guillemard 1989). This program provides financial aid to individuals who become physically or mentally disabled. Disability is defined as “a severe and prolonged mental or physical disability, such that the contributor is unable to engage in any substantial gainful employment” (Coward 1991, p. 117). For those who qualify, disability benefits are payable from the C/QPP, regardless of an individual’s age.

As long as the disability persists, individuals can receive payments until they are transferred to the pension system at age 65. The Disability Insurance system rules do not penalize individuals for the years that workers have been out of the labour force since their disability. For these individuals, C/QPP contributions at age 65 are based on their work history (i.e., years worked, amount paid into C/QPP, interruptions) before the disability, extrapolated to the years spent out of the labour force due to the disability. Thus, the years of collecting disability would be treated as years of employment. For example, individuals with no work interruptions and maximum benefits contributions prior to disability would receive maximum C/QPP pension benefits at age 65 as if they had never left the labour force (CPP representative, personal communication, 5 September 1996).

Disability Insurance was initially developed for individuals who have physician certificates certifying that they are either mentally or physically disabled. It does not address the needs of the vast majority of older displaced workers. However, in 1984, the Quebec Pension Plan changed its rules to provide disability benefits to workers aged 60 and over who regain their health but who cannot find employment similar to what they were doing prior to the disability. This helps to create a financial bridge for the time spent between employment and retirement for a small number of people. For the majority of older displaced workers, Disability Insurance does not provide an institutional pathway between employment and retirement.

Social Assistance
If older displaced workers do not qualify for any of the preceding programs, they may need to rely on Social Assistance. Until 1 April 1996, federal and provincial governments shared equally the costs of social assistance in Canada under the guidelines of the Canada Assistance Plan (CAP). Under this plan the federal government stated that provinces must establish programs that provided for persons in need. Persons in need were those who were unable to provide basic sustenance requirements such as food, clothing, and shelter to themselves and their
dependents (HRDC 1994; 1995). Provinces were re-
quired to determine financial eligibility by admin-
istering needs tests which take into account “budg-
etary requirements, income and assets available to
the applicant and other members of the applicant’s
household to meet such requirements” (Ibid. 1994,
p. 6). Under this plan, the federal government also
required provinces to provide a legislated appeal
procedure of welfare decisions and would not allow
provinces to set up minimum residency conditions
for eligibility.

The federal government’s budget speech of
27 February 1995 radically changed the face of so-
cial welfare in Canada. This budget introduced the
Canada Social Transfer, later named the Canada
Health and Social Transfer (CHST), which outlined
the details of a block funding approach whereby the
federal government would provide an annual lump
sum payment to the provinces. There were two stated
goals of this program: (i) to reduce federal govern-
ment spending and (ii) to give more autonomy to
the provinces by giving them the authority to deter-
mine how this money should be divided among
health, postsecondary education, and public assist-
ance. The CHST eliminated the federal requirements
for legislated appeal procedures and for providing
assistance to all people judged to be in need. It does,
however, maintain that provinces are not allowed to
set up minimum residency conditions.\textsuperscript{11}

Regardless of the specifics of the program, so-
cial assistance is considered the last resort among
older displaced workers who have exhausted or do
not qualify for the options discussed above
(LeBlanc, McMullin and Edwardh 1996). The
stigma attached to the welfare recipient label and
the struggle of making ends meet on meagre ben-
efits are among the many reasons people of all ages
avoid going on social welfare. Specific to older
workers, however, is that in order to qualify for so-
cial assistance, individuals must deplete most of
their liquefiable assets such as cash, RRSPs, and
GICs.\textsuperscript{12} Thus, older workers who have been encour-
gaged to save and invest in their “old age” are in a
troublesome situation. Their “old age” comes pre-
maturely because they are required to spend their
retirement savings earlier than planned. Younger
workers in seemingly similar situations may have
time to recover financially (although not likely fully)
before they enter their retirement years. However,
workers who are close to retirement age lack the
time that would make such a recovery possible. Fur-
ther, although liquefiable assets do not formally in-
clude a house, it is unrealistic to assume that indi-
viduals would be able to maintain their home own-
ership even if they received the maximum shelter
benefits established by their province of residence.\textsuperscript{13}

The CHST assumes that government spending on
health, postsecondary education, and social welfare
will remain relatively constant from year to year.
While this may be true of postsecondary education
and health, the same cannot be said of social wel-
fare. The money spent on social welfare is inversely
related to the health of the economy; in bad eco-
nomic times more government spending is neces-
sary for social welfare programs. Yet, federal fund-
ing for the CHST is likely to be tied to economic
growth (National Council of Welfare 1995) which
suggests that provinces will either be faced with
large financial burdens in times of economic crisis
or will have to further cut spending on social wel-
fare. Notably, this will affect displaced workers re-
gardless of age but consider the following research
finding: compared to younger workers, older work-
ers suffer disproportionately in times of economic
crisis, restructuring, and downsizing (Marshall
1995). Thus, we can project that at precisely the time
when older displaced workers will be most in need,
government spending on social welfare will be at
its lowest levels.

\textbf{DISCUSSION AND CONCLUSIONS}

The preceding critique of Canadian public policy
illustrates that the needs of older workers who are
cought between employment and retirement are ne-
glected. Older displaced workers are forced to rely
on public policy that was developed with the needs of younger workers or retired workers in mind. This distinction ignores the specific needs of older displaced workers and stems, in part, from a traditional life-course approach that assumes an orderly predictable life course of education for children and teenagers, work for adults, and retirement for the elderly (Kohli et al. 1991). However, in the face of massive social changes, such as youth remaining in school longer and having difficulty entering the labour market (Cote and Allahar 1994) and trends toward early labour force exit and economic downsizing (Organisation for Economic Cooperation and Development 1995; Schellenberg 1996; Weitz 1992), traditional life-course assumptions require modification. Indeed, with regard to early labour force withdrawal, some European researchers have proposed that the time spent between work and formal retirement is a new life-course stage that requires research and policy attention (Laczko and Phillipson 1991).

Unlike the situation in Canada, several European countries have developed strategies to address the specific needs of older displaced workers. For instance, in contrast to the Employment Insurance system in Canada, some European countries have modified their unemployment insurance systems to address the needs of older displaced workers. In 1973, France instituted changes to guarantee benefits for older displaced workers until they are old enough to collect public pensions. Initially, workers were required to be at least 60 years old to qualify for the program, but in 1982, the age of eligibility was lowered to 55 (Guillemard 1989). If similar changes were made to Canada’s Employment Insurance, older displaced workers would be guaranteed a minimum standard of living which would allow them to avoid depleting the liquefiable assets they were encouraged to accumulate for their retirement.

Other countries, such as the Netherlands, Sweden, and Germany, have employed their disability insurance as a pathway between paid work and retirement. This institutional pathway was created by changing the definition of disability to include the inability to find work. The need for public policy that bridges the time between employment and retirement is perhaps best illustrated by the growth of these programs. For example, between 1973 and 1979 economic disability claims rose by 130 percent in the Netherlands. By 1978, one-third of the disability insurance recipients were defined under the inability-to-find-work category and in 1979, 60 percent of the disability insurance recipients were over the age of 50. In Germany, almost half of the new pension recipients come off disability insurance (Guillemard 1989).

Compared to these European countries, Canada has fallen well behind in providing public financial support for older displaced workers. Little research exists that explains why, how, or when strategies to address older workers developed in some countries or why they developed in some countries and not in others. One exception is Guillemard’s (1983; 1985) work on the development of these policies in France. Her research shows that the French system emerged as the result of ongoing negotiations during the 1970s between unions, the state, and employers’ associations, aimed at finding solutions to address the country’s recession and at easing the high unemployment rates. She notes that older workers were targeted as the way to address unemployment problems. “Under pressure from the economy ... all actors agreed, for various reasons, on a policy of literally ‘unemploying’ older workers” (Guillemard 1985, p. 381). As a result of this tripartite agreement between the unions, state, and employer’s associations, “unemploying” older workers was achieved through the use of public programs including the modification of the unemployment compensation system.

In Canada, although older workers have also been targeted to address economic problems, the strategy has primarily focused on private sector solutions, rather than the public solutions created in Europe. Employers have modified their private pension plans using early retirement incentives as the
primary strategy to “entice” older workers to retire early (Finlayson 1985; Weitz 1992). Changes to public programs, such as lowering the age of eligibility in the Canada and Quebec Pension Plan and the creation of POWA, have addressed the needs of some older workers. Yet, these measures fail to address the needs of most older individuals who find themselves between employment and retirement. Although it is beyond the scope of this paper to explain why cross-country differences exist, the fact that several European countries have implemented strategies that address the needs of older displaced workers enables us to examine alternatives that might be possible in Canada.

Instituting programs similar to the European ones discussed above in the current era of government cutbacks may seem absurd and naive to Canadians. However, the alternative contradicts the ideas upon which Canada’s pension schemes have been developed; that persons who have worked hard for many years in the paid labour force are entitled to a non-impooverished retirement. It seems unlikely that this will be the case for older displaced workers who are required to deplete all of their savings in order to qualify for social assistance.

Besides these European solutions, there are other policy alternatives that may be suitable for Canada. For instance, training programs are one type of employment re-entry strategy that tend to be treated as viable by businesses. However, unlike the Canadian Jobs Strategy policy, older workers must be targeted for these programs and the curricula must be developed with older workers in mind. As well, in order for these programs to work, employers must be educated to eliminate stereotypes about older workers’ productivity and discrimination on the basis of age.

Some of these policy options are being addressed by Options 45+, an employment initiative for experienced workers that is guided by the Canadian Network for Experienced Workers and administered by One Voice, the Canadian Seniors Network. Options 45+ is being funded for two years by the targeted labour market incentives of Human Resources Development Canada. The mandate of this project is to establish effective programs that meet the needs of unemployed and underemployed workers aged 45+ by: developing Canada-wide older workers employment bureaux; marketing the value of older workers to employers and unions; conducting public awareness campaigns; promoting public policy dialogue about older workers; providing links between organizations that may serve older workers’ needs; and forging alliances with organizations, governments, employers, unions, and professional associations who will join in these efforts (Options 45+ 1996).

One might assume that the recent establishment of Options 45+ and its two-year funding commitment by HRDC is a sign that the situation for older workers is about to improve in Canada. In fact, the media attention given to the results from an Options 45+ study (Globe and Mail 1997), suggests that the problems facing older displaced workers are gradually being recognized. However, countering this positive step, and perhaps more significantly, is the unsuccessful lobbying attempt of Options 45+ and One Voice to persuade the Canadian government to retain the POWA program.

In summary, our analysis suggests that older displaced workers, because they are too young from a pension policy standpoint and too old in the context of the labour market, fall through the cracks of public policy. Because these individuals cannot be categorized into a clearly demarcated traditional life-course stage they are hidden from view and have needs that do not correlate perfectly with those of younger or older adults. As a result, they have few institutional resources available to them to meet their specific needs. Thus, our analysis suggests that public policy must address the needs of disadvantaged people regardless of age. Further, our assessment demonstrates that social programs which appear to be age neutral, are structured in such a way that some age groups are disadvantaged relative to others. To write and promote good public policy both of these
issues must be placed at the fore of the public policy agenda.

NOTES

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1 We recognize that there are other important divisions of social life such as ethnicity, sexuality, and disability that interact with age, gender, and class which are not addressed in this paper.

2 In some provinces supplemental programs exist for low income seniors. These differ by province and not all provinces provide them. We will not discuss these in this paper.

3 Beyond the OAS, individuals may be eligible for a Guaranteed Income Supplement (GIS). Eligibility is aimed at low income seniors and is based on an income test. There is also a Spousal Allowance Program (SPA) that is like the GIS but is targeted to persons between the ages of 60 and 64 who are married to GIS recipients or who are widows or widowers. When SPA recipients reach age 65, Spouse’s Allowance is replaced by OAS/GIS. Like the GIS, the SPA is intended to help low income seniors (Tindale 1991).

4 Persons who are currently aged 65 and over have the right to choose the new system or the old system, whichever plan benefits them more. Persons who are aged 60 and over on 31 December 1995 also have the right to choose the plan that is best for them.

5 The projected maximum benefit under this new system is $11,420 for unmarried persons and $18,440 for a couple per year. This is $120 more than the projected maximum value of OAS/GIS in 2001. The benefit is reduced by 50 cents for every dollar of income until the amount payable reaches $5,160 per senior. At an income level of $25,921, regardless of marital status, the benefit is reduced by 20 cents for each dollar of additional income.

6 This works out to a maximum benefit of $8,724 a year in 1996 or $727 a month.

7 On 1 July 1996, the Unemployment Insurance system was replaced with the Employment Insurance system. Although the components of the system are being implemented in stages, the last coming into effect in 2001/02, we discuss the system as it will look upon completion making note of when a particular feature is slated to take effect.

8 According to recent Statistics Canada data, 25.5 percent of all women over age 45 work part-time as of July 1996 (Statistics Canada 1996).

9 This rule is also problematic for workers in seasonal or unstable industries. However, it is beyond the scope of this paper to discuss the specifics of these situations.

10 Ontario, Alberta, and British Columbia, the three wealthiest provinces, are exceptions here. In 1990, the federal government announced that it would limit the yearly increases in these provinces to five percent. Thus, these provinces would have to absorb the costs of social welfare if spending increases exceeded that level.

11 The shortcomings of the CHST for displaced workers have been discussed elsewhere (see especially National Council of Welfare 1995; Pulkingham and Ternowetsky 1996) and need not be reiterated here. The point of this discussion is to outline the specific problems of the program for older displaced workers.

12 The dollar value to which liquefiable assets must be reduced is low across Canada and varies considerably by province.

13 For example, in Ontario the maximum shelter benefits are $325 per month for a single person and $511 per month for two-person families (J. Kirkham, personal communication, 3 September 1996).

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