

***Lessons Learned  
A Review of Older Worker  
Adjustment Programs***

**Technical Report #1**

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# *Table of Contents*

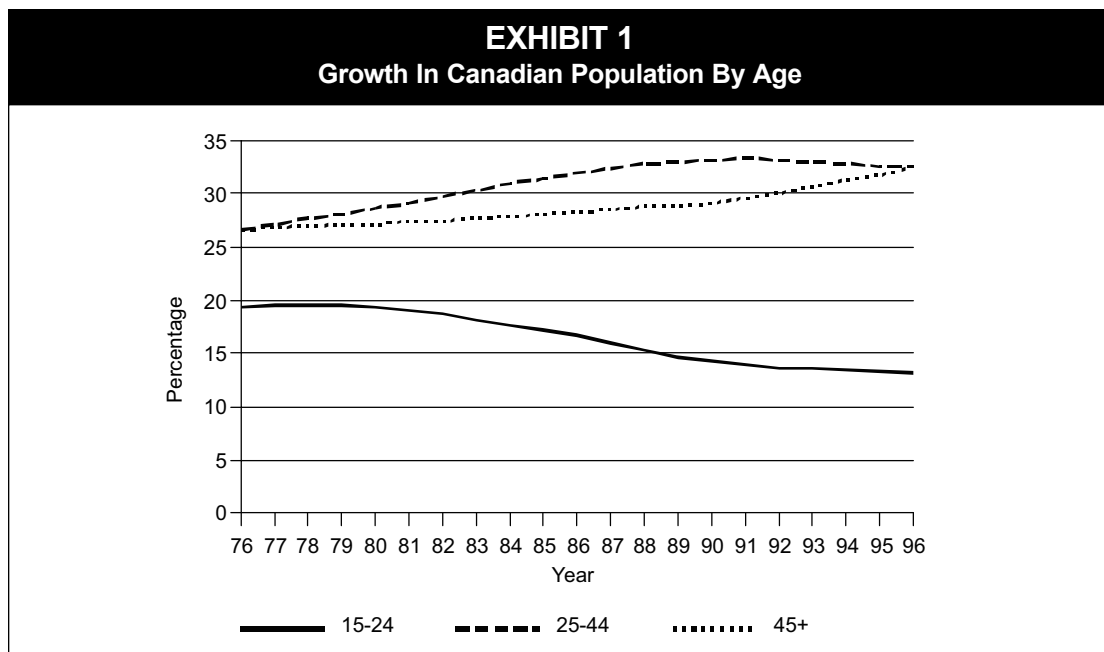
<b>1. Introduction .....</b>	<b>1</b>
1.1 Overview .....	1
1.2 Purpose of this Report.....	2
1.3 Scope of this Report .....	3
1.4 Organization of the Report .....	4
<b>2. Background .....</b>	<b>7</b>
2.1 The Displaced Older Worker .....	8
2.2 Evolution of Programs for Older Worker Adjustment in Canada .....	14
<b>3. The Canadian Experience with Older Workers.....</b>	<b>19</b>
3.1 Program for Older Worker Adjustment (POWA) .....	19
3.2 NB Job Corps .....	22
3.3 Canada Employment Centres (CEC) .....	22
3.4 Manpower Consultative Service (MCS) .....	24
3.5 Transitions .....	27
3.6 Outreach.....	27
3.7 Canadian Manpower Institutional Training Program (CMITP) .....	28
3.8 Industry and Labour Adjustment Program (ILAP) .....	29
3.9 Job Finding Clubs (JFCs) .....	30
3.10 The Atlantic Groundfish Strategy (TAGS) .....	31
3.11 Employability Improvement Program (EIP) .....	33
3.12 Lessons Learned .....	34
<b>4. The American Experience with Older Workers.....</b>	<b>41</b>
4.1 The Comprehensive Employment and Training Act (CETA) .....	42
4.2 The Job Training and Partnership Act (JTPA).....	43
4.3 The Senior Community Service Employment Program (SCSEP) .....	45
4.4 Experimental Projects .....	47
4.5 The Employment Service (ES).....	47
4.6 The Downriver Conference Economic Readjustment Activity (ERa) Program .....	48
4.7 The Washington Reemployment Bonus Demonstration (WREB) .....	49
4.8 Lessons Learned .....	49

<b>5. Lessons Learned from Selected OECD Countries .....</b>	<b>55</b>
5.1 Australia.....	56
5.2 France.....	59
5.3 Germany .....	62
5.4 Japan .....	64
5.5 Netherlands .....	67
5.6 Sweden.....	71
5.7 United Kingdom .....	76
5.8 Summary of Lessons Learned .....	79
<b>6. Research Gaps .....</b>	<b>85</b>
<b>7. Summary of Lessons Learned.....</b>	<b>89</b>
7.1 Specific Lessons Learned .....	89
7.2 Broad Lessons Learned.....	91
7.3 Overall Conclusions .....	93
<b>Bibliography .....</b>	<b>95</b>

# 1. Introduction

## 1.1 Overview

The population of older individuals in Canada has been growing at a steady pace over the past 20 years. As seen in Exhibit 1, in 1976, the population share of individuals aged 45 and up was 26.6%, while in 1996, this proportion rose to 32.5%. According to Statistics Canada, by the year 2000, the proportion of older individuals in Canada is expected to increase even further.



Coinciding with this growth has been the increase in the incidence of economic and industrial restructuring in the economies of industrialized countries. Technological advances, trade liberalization, and efforts to meet shifting consumer demand patterns have often required fundamental adjustments within these nations. While economic adjustment is generally perceived to be beneficial to the economy, it can also frequently lead to business closures and displacement of workers.

These circumstances have served to generate a number of labour market problems for all workers, and in particular, the older worker. While workers displaced by structural change tend to experience greater challenges in terms of reemployment than the general population of unemployed members of the labour force, problems associated with reintegration into the work force have historically been more profound among older individuals.

Workers who are 45 years of age or older are inclined to experience longer spells of unemployment than are younger workers. Many more mature workers were trained, and have developed skills, which are specific to positions which have become obsolete in the

technologically evolving work place. Older workers also lag behind their younger labour market competitors in terms of levels of educational attainment. Employer biases often result in favouring youth over older individuals. Measures such as re-training or career changes are generally not viable, nor preferred options for older workers. Moreover, particularly given today's labour market outlook, displaced older workers choose retirement over job search and/or re-training strategies. Unfortunately, a considerable number of older workers are simply not financially, nor emotionally prepared for retirement.

Hence, not only do displaced older workers face systematic barriers to reintegration into the labour market as a result of the inherent disadvantages which they possess relative to their appropriately skilled labour force competition, but they are often not prepared for retirement, nor are they equipped to sustain an adequate standard of living. There is also considerable indication that, as the working population continues to age, these problems will not only persist, but will gain increased significance.

Consequently, public programs aimed at older worker adjustment are taking on a more important role in today's economies, and, given the growing difficulties encountered by these individuals, these programs are frequently geared to address two primary concerns with respect to displaced older workers: income maintenance and skills acquisition. Programs focussed on the former concern provide older workers who have not been able to find suitable employment with sufficient financial support, while those designed to address the latter concern aim to help improve skill levels in order to improve their job search skills and labour market competitiveness. Given the increased importance attached to policy related to older worker adjustment, a need has been identified to study the lessons learned from past experiences with programs for assisting displaced older workers and to determine what has worked well and what has not worked well with respect to programming designed to assist older workers, such that future policy and programming designed to meet the needs of this growing segment of the population can be developed in a more informed environment.

## **1.2 Purpose of this Report**

The overall purpose of this report is to estimate the effectiveness of labour market adjustment programs for older workers. This study combines the results of research previously conducted on such initiatives at federal and provincial levels in Canada, as well as internationally, in an attempt to identify the impacts and lessons learned related to these programs. Bringing together a vast body of literature pertaining to the evaluation, assessment, and/or review of older worker adjustment programs, the report synthesizes the information contained in previous evaluative studies with a view to assessing the impacts of programs for older worker adjustment, and to delineating a series of lessons learned based on the experiences with these programs, from delivery as well as outcome perspectives.

The study focuses primarily on identifying programs for assisting older workers which have recently been initiated and reviewed, as well as on evaluating the extent to which

these programs have successfully reintegrated older workers into the labour market. Other important issues considered in this document include the impact of adjustment programs on the income, earnings, and welfare levels of older workers; on their acquisition of new skills; and on their transition into retirement.

The primary objectives of this report are to identify the impacts of adjustment programs on older workers along the following dimensions:

- utilization of income support;
- transition from work to retirement;
- labour market displacement;
- participation in training, reskilling and/or readjustment programs;
- early withdrawal from the labour market; and
- employment and reemployment prospects.

In addition, where the data are available, the research and analysis conducted in this review identifies the conditions under which these programs have worked more effectively, as well as the specific impacts of programs or types of strategies on various demographic groups within the population being served.

### **1.3 Scope of this Report**

The literature reviewed and included in this study comprises independent, academic and government-sponsored assessment of a variety of programs to assist in older worker adjustment. While the focus of this document is on the assessment of programs designed and delivered in Canada, the report also includes considerable literature relating to studies conducted in the United States and abroad. Consequently, the lessons learned drawn from the evaluative work reviewed reflect the Canadian and American experiences, as well as those from selected OECD countries.

Specific documents reviewed include individual evaluation studies of programs for older worker adjustment, reports which compare and contrast the effectiveness of a variety of older worker initiatives, and more theoretical academic work relating to the economic and social impacts of programming geared towards the more mature segment of the population.

This report focuses on labour market adjustment programs which offer assistance to displaced older workers. A number of the adjustment strategies outlined in this study, however, are not limited to older workers, nor are they necessarily designed to specifically serve this segment of the work force. The inclusion of these programs was deemed appropriate for meeting the study's objectives as these initiatives can serve a substantial older worker client base, and their experience with this client group may provide important information for identifying what has worked well in terms of the labour market adjustment of older workers. It is important to recognize, however, that only those programs for which studies have clearly identified impacts on older workers are considered in this report.

While this report has made considerable attempts to identify and acquire as many studies of older worker adjustment programs as possible, this document does not purport to contain an exhaustive analysis of all programs of this type. There is clearly a vast amount of literature pertaining to older workers which could not be identified, or which could not be obtained within the established timeframes for this study. Moreover, because this review synthesizes the information gathered from a number of sources on a variety of initiatives from various countries, it is often difficult to accurately compare the findings contained across individual sources, and even to make sound generalizations regarding a particular initiative or type of strategy. The differing methodological approaches used to conduct each of the studies reviewed for this report also create difficulties for comparing the results of individual studies. This absence of consistent approaches poses some analytical challenges, particularly with respect to drawing overall conclusions about the impacts and effectiveness of these programs. Consequently, given that the impacts, costs and benefits reported in the literature reviewed are not readily comparable, the reader should exercise some degree of caution when interpreting the overall findings and lessons learned contained in this document.

It is also important to note that this study does not represent a critical examination with respect to the relative merits of each source reviewed. For the purposes of this study, each of the individual pieces of literature are considered to be accurate reflections of the initiatives being measured.

## **1.4 Organization of the Report**

The remainder of this review is organized into seven chapters as described below.

Chapter 2 provides a brief overview of some of the background information in order to place report findings into the proper context. Specifically, this chapter presents a profile of the displaced older worker, discusses the rationale for providing adjustment services to older workers, and presents an examination of the historical development and evolution of programs for assisting labour market adjustment of older workers in Canada.

Chapter 3 identifies and describes older worker adjustment programs in Canada which have recently been evaluated or studied, and provides a discussion of the impacts of these programs based on the findings extracted from the literature. Initial lessons learned based on the Canadian experience are also presented.

In chapter 4, the American experience with programs designed to assist in the labour market adjustment of older workers is discussed. These experiences, and subsequent lessons learned are derived from the findings contained in the relevant literature.

Chapter 5 covers the experiences and lessons learned of programs for older worker adjustment in selected OECD countries. These are also based on an analysis and synthesis of the findings to emerge from the literature on strategies in these countries.



In chapter 6, information and research gaps with respect to programs for older worker adjustment are identified.

The final chapter of the report provides a summary of the lessons learned from the literature reviewed for this document and offers a set of overall conclusions with respect to the effectiveness of programs designed to assist in the labour market adjustment of older workers.



## *2. Background*

During the past 30 years, economies of industrialized nations have undergone significant restructuring, and workers in these nations have subsequently encountered considerable challenges in adapting to these changes. Profound technological advances and the application of these new technologies to production processes has required that a sizeable portion of the workforce update their skills base in order to replace obsolete skills with those necessary to keep up with emerging technology.

Moreover, as a result of decreases in trade barriers and increased acceptance of international trade as a viable tool for fostering the growth of export-oriented industries, many domestic firms have suffered the consequences of competing with willing and less expensive labour among trading partners around the world. In order to sustain operations, firms affected by trade liberalization policies, and ensuing increased global competition, have often been obliged to undergo restructuring, while those unable to compete have been forced to suspend operations. Either scenario has brought about wage roll-backs, job losses, and even permanent layoffs among experienced workers.

Similarly, the reductions in public service employment associated with recent budgetary and fiscal constraints at all levels of government, and the shifts from manufacturing to service-based economies have each had considerable implications for job security. These trends in the characteristics of labour market environments have greatly contributed to the increase in the number of displaced or dislocated workers in the economies of many industrialized countries.

A displaced worker can be defined as an individual with a stable and established work history who has suffered a job loss as a result of economic or industrial adjustment. The specific cause of the job loss, whether due to skills obsolescence, liberalized trade induced restructuring, budget reductions, or general business failure, has no bearing on their situation. All that is relevant is that these individuals have experienced involuntary separation from their employment which was not a direct consequence of their performance on the job.

Displaced workers generally face permanent dislocation, with limited opportunity for re-entry into the labour market in their previous position, or even a new position in their previous industrial sector. Research also indicates that dislocated workers are more likely to remain unemployed for a greater duration of time following the job loss than are other workers. As Saunders (1984) reports, results from the 1981 Labour Force Tracking Survey suggest that workers laid off from the clothing, textile, knitting, and electrical products industries were unemployed for an average of 12.5 months following their job loss. In addition, evidence from the 1984 and 1986 Displaced Workers Survey (Leigh 1990) indicate that 30% of displaced workers who found employment following the lay-off suffered at least a 20% reduction in earnings compared to their pre-lay off wage, and almost 25% were unable to regain the group medical insurance coverage from which they

had benefitted in their previous employment. Aside from employment and earnings setbacks, dislocated workers often face additional costs, including losses due to foregone employer contributions to pension plans and other benefit packages, and, if necessary, the costs associated with relocation in order to obtain suitable employment outside the community.

In response to the recent increased incidence of worker displacement, many governments at various levels have established public policy measures to assist job loss victims in adapting to economic and industrial restructuring. Programs to emerge from these measures are active, passive, or preventative in nature. Passive programming generally provides displaced workers with financial support to those who possess little or no chance of re-entry into the labour market, and are aimed at sustaining an appropriate standard of living among aid recipients, at ensuring that these individuals maintain adequate levels of health, dental, pension benefits, and at helping ease their transition from work to retirement. Active measures, such as retraining and job search assistance and counselling, are designed to help displaced workers who are more likely to obtain future employment acquire the skills necessary to compete and qualify for new positions. Preventative strategies tend to utilize a mix of active and passive approaches, and focus on early intervention in order to avert a layoff, or to help prepare the worker before the lay off actually occurs.

From a policy perspective, it is anticipated that these initiatives can help alleviate the social, financial, and psychological hardships associated with job loss among displaced workers. Moreover, adjustment programs have been implemented to reduce some of the structural unemployment and inflation often brought about by structural economic and industrial changes and subsequent labour market imbalances. In addition, by directing workers into growth occupations and industries, labour market adjustment programs can contribute to the improvement of overall economic environments.

## **2.1 The Displaced Older Worker**

Older workers, defined as labour force participants who are aged 45 and up, constitute an important and productive component of our economy. Statistics Canada reports that, since 1976, the participation rates of workers over 45 has remained steady at just over one-quarter of the total Canadian workforce. Not only does this proportion reflect overall population parameters, but it also indicates that a sizeable share of the labour market is comprised of these individuals. In addition, the labour market participation rates of members of this age group have also been fairly significant and constant in the past two decades. In 1991, for example, 64.8% of all individuals 45 years and up were estimated to be in the workforce, while in 1994, 65.3% participated in the labour market.

Several studies also indicate that older workers can make valuable contributions to the operational and “bottom-line” requirements of many businesses. For instance, surveys of US companies indicate that the majority of employers feel that older workers are more reliable and possess better attitudes than their younger counterparts (Taylor, Leitman and Bass, 1992). Employees aged 55 and over were found to fare above average along a

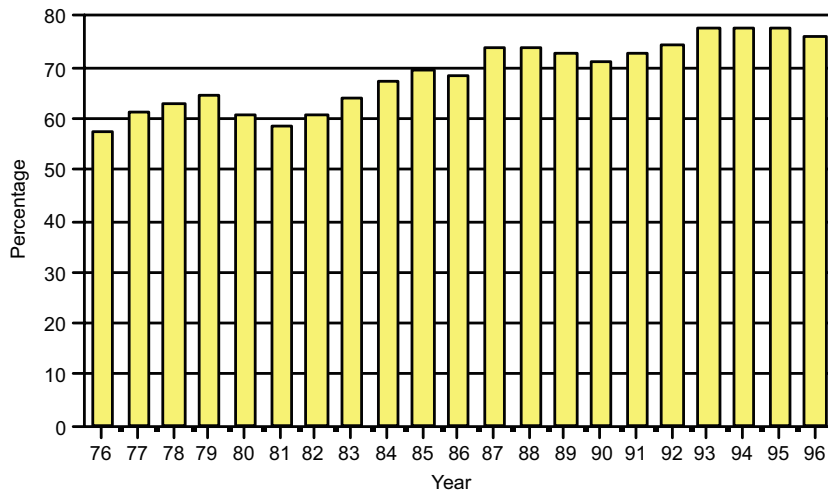
number of work related dimensions, including reduced turnover and absenteeism, and enhanced job skills, motivation and productivity. In Canada, the Canadian Seniors Network (1994) suggests that mature workers offer employers stability, reliability, sound judgement, serious work attitudes, motivation and desire to work, reduced absenteeism and tardiness, and enhanced work abilities and habits which have been developed through their years of experience.

Historically, older workers have demonstrated relatively higher earnings than their younger counterparts. Evidence from the Evaluation of the Program for Older Worker Adjustment suggests that workers aged 45 and up have made considerable gains in earnings relative to other segments of the labour market. These data indicate that while annual earnings in constant dollars among male workers aged 45 to 64 have increased by fewer than 2% between 1981 and 1993, average annual income among the 17 to 24, 25 to 34, and 35 to 44 age groups has declined by 33%, 16% and 11% respectively during the same period.

Similarly, over the last few decades, older workers have also enjoyed a fairly stable work history, and have demonstrated lower rates of unemployment relative to their younger labour market counterparts. As seen in Exhibit 2, since 1976, the unemployment rates of older workers have been consistently below those of other age groups. Moreover, in the past twenty years, the unemployment rate among older workers relative to the overall rate has remained below 77%, suggesting that individuals in the 45 and older age group have been considerably less likely to be unemployed than those in other age categories (see Exhibit 3). The exhibit also indicates, however, that the gaps in unemployment rates of older workers relative to other age groups has been closing over the past twenty years.

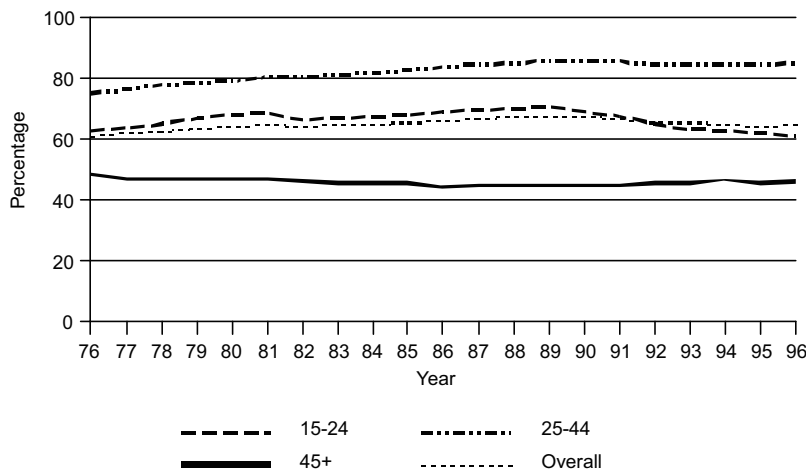


**EXHIBIT 3**  
**Unemployment Rates of Workers 45 and Over as a Proportion of Overall Rates**



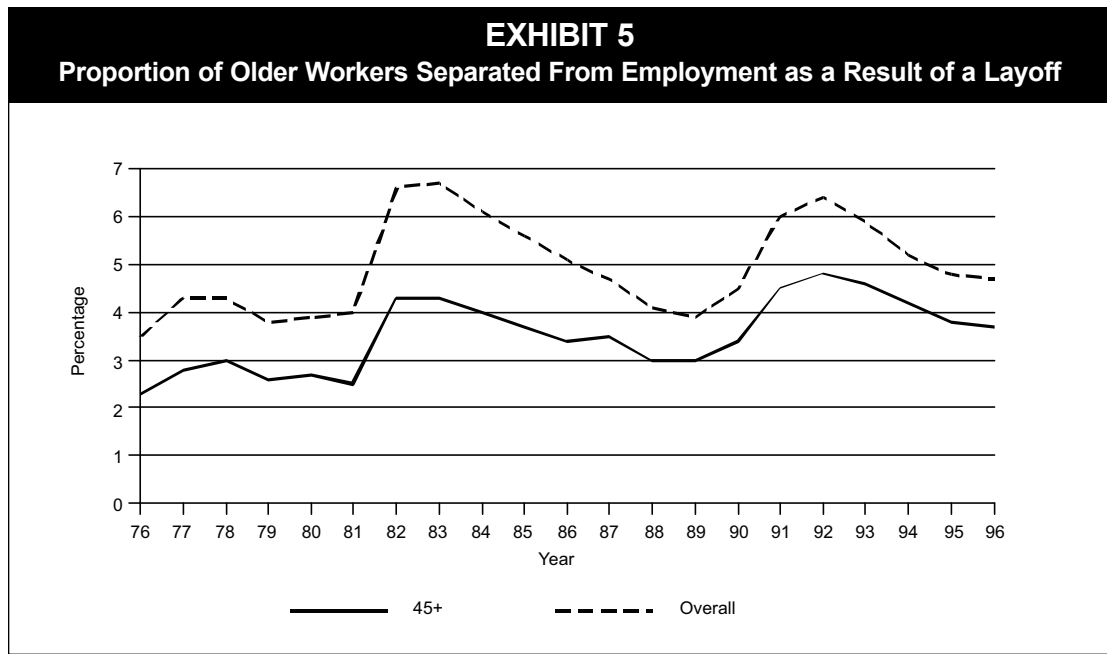
The fall in the participation rates of older workers (see Exhibit 4), however, may be a function of the recent trends towards early retirement. According to a 1997 article prepared by HRDC examining labour market trends among older workers, early voluntary withdrawal from the labour market has become a popular vehicle for labour market adjustment. Nevertheless, despite their relative decline in labour market participation, the older worker continues to represent a sizeable portion of the labour market (almost 30%).

**EXHIBIT 4**  
**Labour Force Rates Participation Rates By Age**



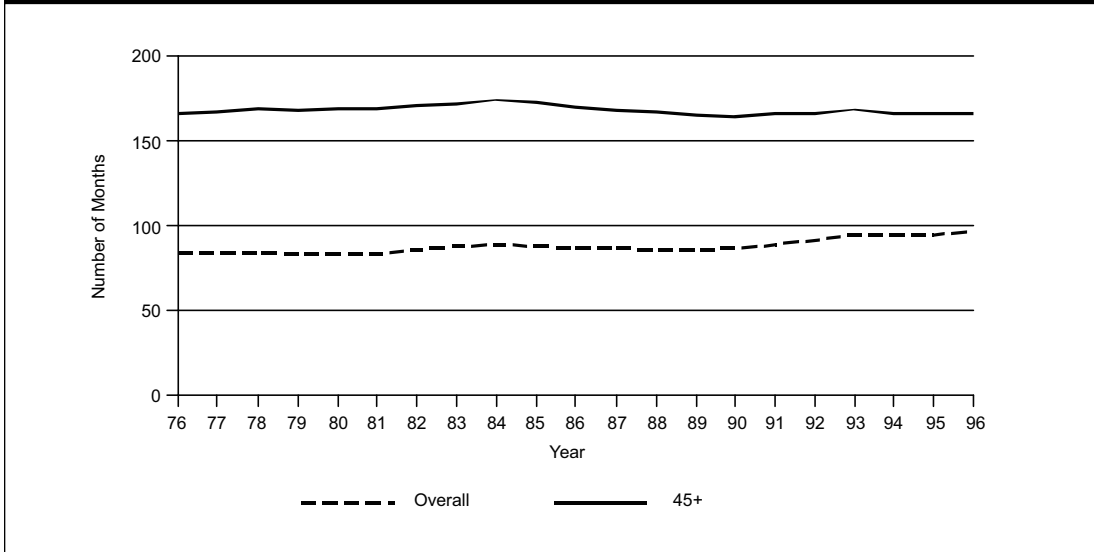
Statistics Canada data indicate that older workers have historically been less likely than younger members of the labour force to have suffered a job loss as a result of a layoff. In 1976, for example, only 2.3% of older workers had lost their jobs because of a layoff, compared to an overall average of 3.5% of the entire Canadian labour force. As seen in Exhibit 5, this gap between older workers and the overall working population has remained relatively steady over the past twenty years.

There is some indication, however, that the gap between younger and older workers with respect to job tenure is slowly closing. As seen in Exhibit 6, between 1976 and 1996, the overall average number of months a worker remained with an employer increased from 84.1 to 96.5, while the average job tenure for workers aged 45 and up remained constant at about 166 months. Moreover, in 1996, 35.2% of older workers held a position for over five years, compared to 33.8% in 1976. Overall, however, the proportion of the working population who held a job for over five years rose from 19.8% in 1976 to 24.7% in 1996 (refer to Exhibit 7).

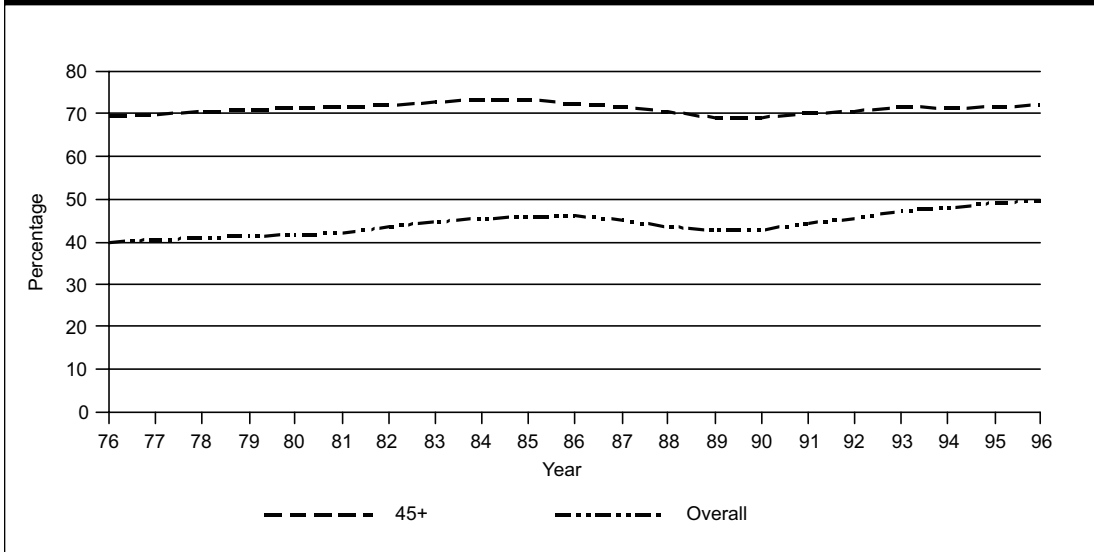


As seen in Exhibit 8, this segment of the working population has historically experienced longer spells of unemployment than those in younger age groups. Moreover, according to a 1997 study conducted by Ekos Research Associates, the incomes of laid off older workers appear to be severely affected by the job loss. This study, which identified how laid off older workers adjust to the loss of income associated with the layoff, estimated that laid off individuals in the 45 to 54 year old age group suffer as much as a 63% decline in earnings from employment, while those in the 55 to 64 year old category lose up to 98% of their previous wages up to seven years following the job loss. As outlined in the report, however, this loss is somewhat offset through UI/EI replacement, CPP and private pension income. Nevertheless, the study concluded that the total income from all sources of laid off older workers is, on average, 55 to 65% of their pre-layoff wages.

**EXHIBIT 6**  
Average Job Tenure of Older Workers



**EXHIBIT 7**  
Proportion of Older Workers With Over Five Years of Job Tenure



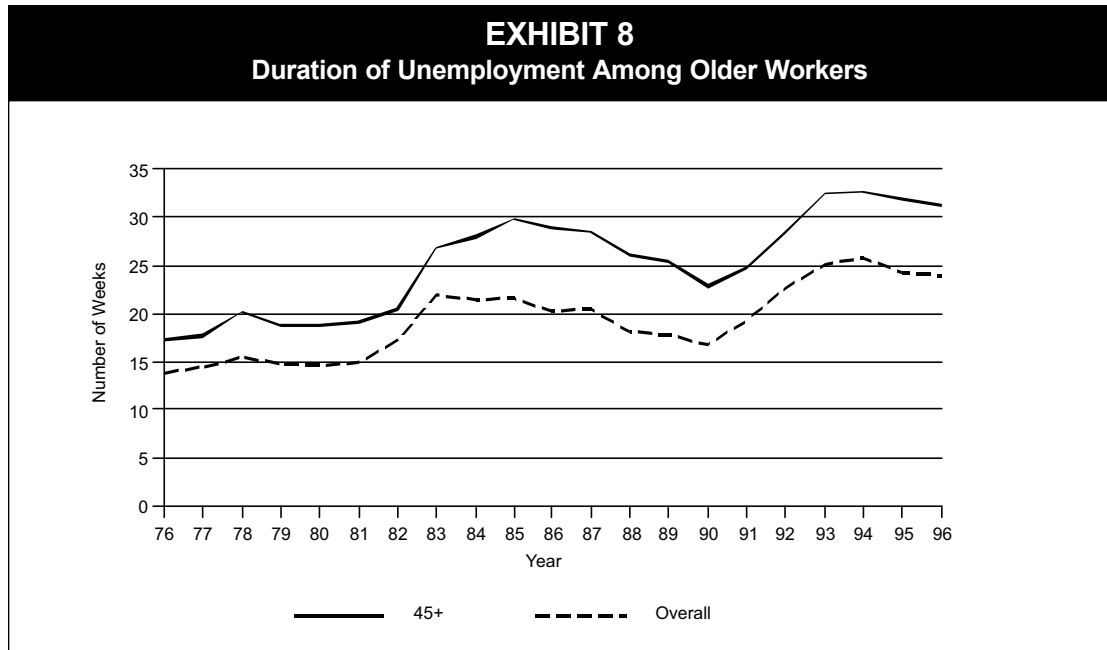
In addition, much of the literature pertaining to labour market adjustment of displaced older workers indicates that older workers face a number of systemic barriers to obtaining employment following a job loss which younger individuals do not experience.

One of the barriers encountered by older workers, as identified by the CLMPC (1990) is their lack of job search skills. Because older workers tend to experience relatively steady employment histories, they have rarely had the need to use, or to refine the skills required for a successful job search. As a result, their job search techniques are often outdated or not relevant for today's economy. Moreover, older workers tend to be more limited in their



approach than are their younger counterparts, particularly with respect to the use of employment agencies, advertisements and direct contact with employers.

Another identified obstacle to the re-employment of older workers is their absence of relevant skills for positions in the growth industries. Much of their experience and education is not easily transferred to positions in today's labour market, and many workers in this age group do not possess an adequate level of literacy, numeracy, and technical abilities to successfully compete for these jobs.



Related to this challenge is that of educational attainment. Overall, older workers tend to possess lower levels of formal education than the general population of workers. For example, in 1996, Statistics Canada reports that 17.5% of workers aged 45 and up had obtained a post secondary degree or diploma compared to 25.9% of those aged 25 to 44. In addition, whereas only 2% of the workers between 25 and 44 years of age possess less than a grade 9 education, almost 12% of those over 44 had not obtained formal education beyond grade 9. In the current economic environment, low educational attainment greatly hampers the abilities of workers to market themselves to prospective employers.

Older workers are also generally less willing to relocate for an employment opportunity than are younger individuals. Relocation to this group would constitute a significant lifestyle shift towards which many are unable, or prepared to undertake, while the costs associated with relocation, particularly as these relate to the selling and buying of homes, often do not outweigh the benefits of mobility. Moreover, many financial institutions are hesitant to approve long term mortgages to individuals with few remaining years of employment.

Preconceived notions related to the productivity and working abilities of older workers represent another obstacle to their re-employment. Some firms do not recognize the

potential benefits of employing the older worker, and often believe that these individuals will be less efficient, and suffer more health problems — leading to greater absenteeism and work-place safety hazards — than those who are younger. Moreover, this negative stereotyping is not limited to employers, as studies have shown that both private and public employment agencies have not accepted the older worker as a viable employment option for their clients (Dunn, 1985).

Another important barrier to the employment of older workers relates to their capacity for acquiring training and professional development. Because these individuals possess less formal education, are not as likely to relocate than younger candidates, and are often not perceived as a good “long-term investment” for skills upgrading or professional development, they are often passed over with respect to the provision of training. Consequently, not only do older workers not possess the skills necessary to sufficiently qualify for employment opportunities, they are frequently denied the chance to effectively upgrade their skills in order to enable them to adequately compete for jobs. Moreover, even if accepted into training and professional development programs, many of the designs of these programs are not well suited to meet the needs of older individuals.

The employment trends and obstacles to employment, re-employment and training for more mature members of the labour market identified above demonstrate that the labour force opulence enjoyed by older workers in the past may not persist. However, as the population ages, it will be important to ensure that this segment of the population remains as productive as possible. Consequently, as public agencies have come to recognize the challenges faced by older workers in today’s economy, and given the aging voting population, many governments have begun to direct increased resources into the provision of adjustment services for older workers.

## **2.2 The Evolution of Programs For Older Worker Adjustment in Canada**

Programs designed to provide active labour market assistance to displaced older workers in Canada have been considerably limited. For the most part, Canadian public policy directed towards older individuals was restricted to more passive measures relating to income support, financial assistance, and the provision of retirement benefits.

The Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) established in 1966, the introduction of the Guaranteed Income Supplement (GIS) in 1967, and the lowering of the age eligibility for Old Age Security pensions between 1966 and 1970, enabled many workers to retire early and to benefit from a guaranteed minimum income upon reaching the age of 65. In the same vein, in order to prevent future losses in private pensions, Bill C-90 passed in 1986 encouraged employers to reengineer pension plan criteria to include a broader employee base, reduce eligibility standards, and improve the portability of pensions.

These programs each represented passive approaches to assisting older individuals, and reflected the limited need for public policy to direct increased resources into active labour

market strategies for older workers. However, the linkages between the labour market and the retirement income system are changing. When the transition from work to retirement was quite distinct, retirement benefits provided some measure of passive adjustment for displaced older workers. The current reality is different in that older workers are finding themselves more and more in need of active adjustment programs to facilitate their reintegration into the labour force.

In order to combat Canada's structural unemployment problems of the past three decades, a number of active programming measures intended to improve the employability of disadvantaged and/or unemployed workers were introduced. Initiatives such as the Canadian Manpower Training Program and the Canadian Manpower Industrial Training Program, the Industrial Adjustment Service (IAS), the Canadian Jobs Strategy (CJS) and the Employability Improvement Program (EIP) were implemented to improve the labour market reintegration prospects of displaced workers. These programs, however, were designed to assist the general population of displaced workers, and, while older workers were not excluded from the services provided, the programming measures offered were not specifically geared to meet the special needs of individuals in the older age group who were unemployed.

Despite these increased efforts to providing active adjustment assistance to affected Canadians in general, older workers still faced limited opportunities for accessing government programs specifically designed to meet their specific needs. Consequently, the older segment of the population had to compete with other disadvantaged groups, not only for training and employability improvement opportunities, but also for the limited public funding available for specialized programming. Government programs focussing on older workers was thus generally restricted to passive income support.

The Labour Adjustment Benefit Program (LAB), established in 1972, for example, was designed to provide financial assistance to workers aged 54 and up who lost their jobs as a result of a layoff in designated industries in selected communities. The program provided compensation payments to older laid off workers (after their UI compensation had been exhausted) of up to 60% of insurable earnings in the last twenty weeks of work prior to the layoff. LAB benefits were reduced by the amount of income earned from employment, and eligibility continued until the recipient reached the age of 65.

Despite the LAB program's restrictive eligibility criteria (i.e., the worker must have been laid off from the textiles, clothing, footwear, or tanning industries because of import competition or industrial restructuring related to government policy, and eligible workers must have been employed with a firm which laid off 10% of its workforce or 50 individuals in the past 12 months), program participation experienced rapid growth between 1972 and 1982. In 1972, for example, a total of 27 laid off workers were in receipt of LAB benefits for a cost of almost \$16,000. By 1982, however, these numbers rose to 1282 worker participants for a total government outlay of \$5.15 million. In addition, LAB was primarily concentrated in central Canada. In 1982, for instance, 86% of program expenditures were made in Quebec, with 13% made in Ontario.

In response to criticisms relating to the restrictive nature of LAB, in 1981, the government initiated the community-based Industry and Labour Adjustment Program (ILAP) to encourage communities having suffered a mass layoff to implement industrial restructuring and labour market adjustment measures, such as enhanced UI benefits to displaced workers, mobility assistance and job creation. ILAP provided laid off workers from designated industries in designated communities who entered training in high demand occupations with extended and enhanced living allowances (up to 70% of their previous insurable earnings). The program also provided enhanced mobility assistance to laid off workers who relocated to obtain employment (up to \$9,000). The Community Employment program (CEP) under ILAP provided temporary employment at 20% more than the provincial minimum wage to laid off workers who had exhausted their UI benefits. In addition, ILAP offered firms in designated communities interest free loans for undertaking new projects or expanding existing projects.

ILAP programming aimed specifically to laid off workers aged 45 and up included portable wage subsidies of \$2 per hour for up to one year. This subsidy was tenable anywhere in Canada for work obtained which did not displace any existing employees. The program also offered workers between 54 and 65 who had at least ten years of employment out of the previous 15 years in the designated industry with early retirement incentives. The retirement benefits were set at 60% of the insurable earnings of the last 20 weeks of work prior to the layoff. Essentially, this component of the ILAP program expanded the client base of the LAB program to include those workers outside of the textiles, clothing, footwear, and tanning industries.

In 1987, the government introduced the Program for Older Worker Adjustment (POWA) as an extension of the LAB program. POWA provides financial assistance to workers aged 55 and over who have been displaced as a result of a mass layoff and who are not likely to become reemployed in order to ensure their financial stability between the layoff and their eligibility for retirement benefits. The program is jointly funded by the federal and provincial governments, in which the federal government share of the costs is 70%. POWA benefits are administered by a third-party private insurance company. Benefits are available to workers from designated layoffs who are between 55 and 64 years of age, have exhausted their UI benefits, are legally entitled to work in Canada, and have participated in the labour force for at least 13 of the past 20 years. A layoff is designated based on the size of the layoff relative to the affected community, the amount of economic disruption which can be expected, and the proportion of older workers associated with the layoff. The amount of the benefit paid to recipients depends on the financial needs of the client, as well as the client's province of residence (certain provinces link the benefit amount to prior insurable earnings, while others provide a basic minimum level).

While these three initiatives, which are specifically geared to assist older displaced workers, were found to significantly reduce the poverty rates among the elderly (Trueman, 1989), they still merely represent passive income support approaches to ensure the economic welfare of this age group.

It is also important to note that the research conducted for this review did not discover Canadian legislation specifically devoted to prohibiting the discrimination in the hiring and employment practices of older workers. In fact, under the *Canadian Human Rights Act* (1985), it is not considered discriminatory for an employee organization to exclude, expel, or suspend an individual because that individual has reached the *normal retirement age* for individuals working in similar positions.



### ***3. The Canadian Experience with Older Workers***

One of the primary objectives of this report is to identify the lessons learned from the experience of Canadian programs which provide older workers with labour market adjustment services. This chapter of the report identifies those Canadian programs which have recently been the subject of a review, analyzes the information contained in the studies of these programs, presents a synthesis of their results, and offers a set of lessons learned from the experiences with the programs reviewed. The lessons learned are based on conclusions derived from the synthesis and analysis of the findings emerging from the studies reviewed.

Before presenting the results, it is important to reiterate that only those programs for which a study has been completed, and only those studies which have been identified and obtained are included in this chapter. Moreover, the results and lessons learned drawn from programs with a broader client base, but which contain an older worker component, are presented here only if a study which specifically conducted analyzes for older workers could be acquired.

Labour market programs in Canada have historically been sparse with respect to older workers. Older individuals have traditionally relied on broader-based programming measures in order to obtain labour market services.

#### **3.1 Program for Older Worker Adjustment (POWA)**

Perhaps the most important Canadian initiative specifically designed for older worker adjustment is POWA. Workers from designated layoffs are eligible to receive POWA benefits if they are between 55 and 64 years of age, have exhausted their UI benefits, are legally entitled to work in Canada, and have participated in the labour force for at least 13 of the past 20 years, with a minimum of 750 hours of employment annually.

Layoffs are designated based on a number of criteria, including the size of the layoff relative to the size of the affected community, the amount of economic disruption which can be expected from the layoff, and the proportion of older workers associated with the layoff. While benefits levels for each individual POWA client varies according to specific financial needs, the level of benefits received via private pension plans is reduced dollar for dollar from the overall POWA benefits received. In 1992, the average monthly benefit rate to POWA clients was \$637.

POWA represents a joint federal-provincial cost-shared initiative in which the federal government is responsible for 70% of the costs, while the provinces contribute the remaining 30%. Currently, Nova Scotia, Quebec, Ontario, Newfoundland, New Brunswick, British Columbia, and Saskatchewan have initiated agreements with the federal government for the provision of services under POWA. The actual delivery of

POWA benefits are the responsibility of private sector insurance companies contracted by the federal government to provide monthly annuity payments to recipients until these individuals reach the age of 65.

The 1996 evaluation of POWA, which measured post-layoff labour market and lifestyle experiences of POWA participants compared to a group of non-participating layoff victims with similar characteristics, found very little difference in the post-layoff job search experiences between program and comparison group members, with about two-thirds of each group reporting that they had looked for work following the layoff. The evaluation also found, however, that POWA participants have a lower probability of being reemployed following their job loss than do non-participants. Only 19% of the participants surveyed had obtained full or part time employment after the layoff, versus 39% of the comparison group. This was particularly prevalent for older female workers, while POWA clients with a background in the service sector possessing higher levels of education and more elevated pre-layoff earnings were most likely to have obtained post-layoff employment.

In addition, the study reported that employment obtained by POWA clients was found to be less stable and to offer less compensation than jobs obtained by non-participants. Exhibit 9 provides a summary of the post-layoff employment characteristics of POWA clients.

<b>EXHIBIT 9</b>	
<b>Post-layoff Employment Characteristics of POWA Clients</b>	
<b>Post-Layoff Job Characteristics</b>	<b>% of POWA Clients</b>
Temporary or casual position	47%
Fewer than 40 hours worked per week	51%
Fringe benefits included	18%
Average weekly earnings	\$581.00

The evaluation study also revealed that while both participants and comparison group members experienced significant reductions in earnings following the layoff, the reduction was considerably more pronounced for POWA clients than for non-participants. Despite these differences in earnings, however, as a result of other government income support measures such as UI and CPP, as well as private pensions plans, total income among POWA participants four years following the layoff approached that of the comparison group.

In addition, the POWA study found that POWA clients fared better than non-participants in terms of non-labour force outcomes such as quality of life, geographic stability, and involvement in charitable and volunteer activities.

Overall, the evaluation concluded that POWA functions primarily as a passive income support strategy for the provision of financial assistance to those in need. It was also found



that, by broadening the eligibility criteria, or basing eligibility on labour market histories and financial needs, POWA could benefit a considerable number of older workers currently not served by the program and who experience similar or greater hardship as a result of a layoff. The report also suggested that consideration should be given to enhancing the role of private and public pension plans as a tool for providing adjustment services to older workers in need of assistance.

Although POWA is not intended to be a pre-retirement program in Quebec, another 1995 evaluation found that, on average, only 13.4% of POWA clientele were employed in any given month, and that only a total of 25% had found employment in the 22 month measurement period between December 1992 and October, 1994. In contrast, in April 1995, 17% of the overall population of Quebec residents aged 55 to 64 were employed, while 30% of this age group had been employed at some time in the past 100 weeks.

Moreover, earnings from employment among clients were estimated to represent only 6.3% of their total income from all sources, and 76.1% of POWA participants had received some form of government income support via the program. Not surprising, as seen in Exhibit 10, POWA participants who obtained employment fared better than those who remained unemployed.

<b>EXHIBIT 10</b>		
<b>Comparison of Average Monthly Incomes of POWA Recipients 1993 to 1994</b>		
<b>Income Source</b>	<b>Employed</b>	<b>Unemployed</b>
Employment income	\$682	—
Earnings from all sources	\$1,413	\$615 <sup>1</sup>

According to the evaluation, between December 1992 and October 1994, POWA benefits represented 38.3% of total income of participants in Quebec. While POWA participants appear to have not attained a level of financial well-being comparable to that of the average 55 to 64 year old in Quebec, they were found to be considerably better off financially than the 55 to 64 year olds in receipt of social assistance (refer to Exhibit 11).

Finally, the evaluation concluded that POWA did not have a significant impact on the reemployment of older workers in Quebec. The vast majority of POWA clients did not return to the work force following their initial job loss.

<sup>1</sup> The average of mean monthly incomes for 1993 and 1994.

<b>EXHIBIT 11</b>	
<b>Comparison of Average Annual Income Levels of Individuals Aged 55 to 64 in Quebec</b>	
<b>Category</b>	<b>Annual Income</b>
POWA recipients (1992 to 1994)	\$11,208
Social Assistance Recipients (1993 to 1994)	\$8,003
Overall (1990)	\$23,322

### **3.2 NB Job Corps**

NB Job Corps offers voluntary placement opportunities in the public, private and not-for-profit sectors to individuals aged 50 to 65 and who are social assistance recipients, Unemployment Insurance claimants or exhaustees, or displaced from the labour market. The project also provides a guaranteed annualized income of approximately \$12,000 to clients participating in the placement for a minimum of six months. The actual placements consist of community-based services in areas such as silviculture, tourism, and the environment, and are typically incremental in nature.

The 1996 Interim Impact and Interim Cost-Benefit/Cost-Effectiveness Evaluation of NB Job Corps attributed improvements to overall quality of life and attitudes among clients to program participation. The analysis revealed that without the program, participants income from all sources would not have reached the levels attained as a result of their participation and that clients would have relied on passive income support to a greater extent. In addition, 77% of the clients surveyed for the evaluation reported that NB Job Corps provided them with a realistic alternative to passive income support, while 54% believe that they are better off as a result of participation. It was also found that the project assisted in the development of projects which would not have occurred in the absence of the program.

The evaluation also concluded that the benefits of the program were produced in a non-demeaning manner, allowing participants to carry out meaningful work and to contribute to improving the general physical environment. Overall, 90% of worker clients felt that the work which they completed was good for the community, while 85% stated that the program contributed to their increased sense of self-esteem and confidence in their abilities, as well as made good use of their skills.

The study did find, however, that participants had very little paid employment during the inactive period. While some of the clients remained active through volunteer work, only 15% of the participants worked for pay outside of the NB Job Corps six month duration.

### **3.3 Canada Employment Centres (CEC)**

A 1985 study conducted by Gladys Dunn examined the level of use of CECs, as well as their effectiveness in terms of the provision of services to older workers. As part of this study, a survey of 616 unemployed individuals aged 45 and older was conducted to obtain information relating to the labour market obstacles encountered by older workers, the

employment related needs of this age group, and the methods used by CECs in responding to these needs. Although some of the programs and services offered through the CECs are specifically designed to meet the employment needs of certain segments of the population, for the most part, CEC services are generally geared to serve the general population of clients seeking employment related services.

Overall, the study found that, although a higher proportion of respondents contacted during the survey utilized CECs compared to voluntary employment agencies (i.e., non-profit incorporated bodies established to address the needs of certain designated demographic groups), clients of volunteer agencies appear to have received more services than those of CECs. As seen in Exhibit 12, the number of clients who were referred to jobs was 20 percentage points higher for agency clients than for CEC clients. Moreover, agency clients were clearly more satisfied than CEC clients with the counselling and information provided to them.

<b>EXHIBIT 12</b>		
<b>Results of Survey Comparing the Services Provided Through CECs and Voluntary Agencies</b>		
<b>Survey Items</b>	<b>CEC Clients</b>	<b>Voluntary Agency Clients</b>
Proportion of survey sample registered	84%	76%
Proportion referred to jobs	60%	81%
Proportion referred to other programs	21%	11%
Proportion referred to voluntary agency	12%	8%
Proportion meeting with a counsellor	75%	n/a
Proportion reporting that counsellors understood their problems	64%	83%
Proportion reporting that the job search assistance was adequate	47%	75%
Proportion reporting that information was readily available	58%	59%
Proportion developing an action plan	64%	n/a

While close to all respondents indicated that they would be willing to register into training programs or courses if these were subsidized by an employer or the government agency, only 28% of CEC-registered older workers indicated that training was available through the CEC which suited their needs. Among these individuals, 37% reported that they had to wait over six months for the training to begin and fewer than 11% stated that they waited one to two months before the training was made available to them. Reasons provided by CECs to respondents who were denied training included that they were over educated, that they already possessed the skill levels, that training was simply not available, and that they were too old. Similarly, the main reason cited by respondents for not registering at a CEC was that the programs and services offered through the establishment were not suited for older people.

When asked where they thought employment related services for older workers should be provided, 85% of the survey sample identified the CEC, while only 14% indicated a voluntary employment agency. Among those who identified that they would prefer to receive services from a CEC, 54% stated that services should be received through a specialized CEC for older workers, while 31% felt that a regular CEC would be more adequate in order to alleviate some of the discrimination which might occur as a result of separate operations. A total of 40% of those who preferred the employment agency believed that they would receive more “caring” services from these types of employment services providers.

Overall, the study concluded that the quality and responsiveness of front end CEC services were not adequate and often lacked sensitivity with respect to the needs of older workers. Similarly, because older workers appear to be harder to place into employment than are prime-aged workers, the study reported that many CECs did not possess the financial and human resources necessary to adequately provide these services to individuals aged 45 and up.

Professional and Technical/Executive Centres (PT/ECs) were introduced in the 1960s as an experimental extension of regular CECs. These centres were intended to provide similar services as those of mainstream CECs, but were geared to cater to clients with backgrounds in more professional employment. The centres tended to be located in attractive accommodations intended to reflect the background and lifestyle of the professional client. In 1985, four centres were operating in Canada in Vancouver, Winnipeg, Montreal, and Halifax.

The Dunn study reported that in two centres, older workers made up only 12% and 32% of the entire client base. The majority of older workers surveyed for the study reported that while they felt that the PT/EC atmosphere was conducive to meeting their labour market needs, a separately controlled PT/EC within an established CEC would have enabled them to consider applying for lower status and salaried positions without having to access two separate locations. The study also concluded that these centres indeed served the employment related needs of older workers with technical, professional and executive backgrounds.

### **3.4 Industrial Adjustment Service (IAS)**

The IAS, formerly the Manpower Consultative Service (MCS), was established by the federal government to help employers and employees meet the challenges encountered by industrial change and the disruptions resulting from mass layoffs. The program is designed to encourage the development of joint employer/employee resolutions to adjustment problems, and to coordinate and administer adjustment assistance programs where appropriate. In those cases where plant closures occurred, the IAS organizes the development of joint consultative committees made up of representatives from management, labour and the government. These committees are to establish guidelines for the implementation of adjustment measures to affected workers. Direct services to displaced workers include job placement assistance, job search preparation, retraining, and employment and preretirement counselling.

No government sponsored evaluation has been conducted on the MCS. Two separate evaluations of the IAS have been published, however, neither specifically studied the effects of the program on the labour market adjustment of older workers. However, a 1984 study completed by the Social Planning and Research Council of Hamilton and District entitled *The Impact of Plant Closures on Older Workers, Consolidated Bathurst: A Case Study* examined the effects of the plant shutdown, as well as the MCS established Placement Committee, on the post-layoff labour market experiences of older workers.

Consolidated Bathurst was a corrugated container manufacturer which began its Hamilton operations in 1946 as one of the six plants owned and administered by the company. On March 1, 1983, the 220 employees in the Hamilton plant received official termination notices to take effect on April 26 of that year as a result of increasing costs and serious financial losses incurred by the plant.

Of the employees terminated as a result of the plant closure, 8.8% were under the age of 25, 28.8% were between 25 and 44 years of age, and 62.4% were 45 or over. The study estimated that 17 of every twenty older workers displaced as a result of the closure possessed over 20 years of service with the company, and that the average income of these workers was just over \$23,000 per year.

An MCS-initiated Placement Committee was established in 1983, and the majority of the work completed by the committee was under the guidance of the union and employee representatives. The federal government contributed 50% of the costs associated with the committee, with the company contributing 40% and the province taking responsibility for the remaining 10% of the funding.

The Placement Committee initiated and referred former employees to a number of programs to assist in their labour market adjustment. These included seminars to help employees in resume preparation, basic job search and interview skills, budgeting and stress counselling. According to the case study, approximately 50 to 60% of the hourly workers took advantage of this program.

The Orientation to Change program, comprising of three weeks of in class instruction to help unemployed individuals in receipt of UI to assess their current situation, was also established. This course incorporated goal setting, career planning, retraining, and job search techniques as its fundamental objectives. The case study estimated that between 50 and 60 former employees registered for the program, with 26 of these registering for further retraining as a result of the course, of which, 25 were over the age of 45.

For the purposes of conducting the case study, a total of 39 former union employees were interviewed, representing 23% of the total number of employees terminated by the closure. Among these, 19 were between the ages of 25 and 44, with the remaining 20 were 45 years or over.

The interviews conducted with the former employees revealed that 85% identified the MCS Placement Committee as a union-initiated initiative to provide them with assistance.

Among these, 50% reported that they found the committee to be useful. Exhibit 13 compares the labour force outcomes of the respondents at the time of the interview (one year following the layoff). As can be seen, the younger respondents appear to have been more successful than their older counterparts in terms of finding employment, as well as in securing wages which were comparable to their pre-layoff levels. Despite these differences, among individuals who found work, 83% of those who were younger took over 12 weeks to become employed, whereas 62.5% of the older workers who obtained employment did so in fewer than 12 weeks.

<b>EXHIBIT 13</b>		
<b>Labour Force Outcomes of Workers Laid Off From Consolidated Bathurst by Age Group</b>		
<b>Outcomes</b>	<b>Under 45</b>	<b>45 and over</b>
Found full-time employment	32%	30%
Unemployed and looking for work	37%	55%
Enrolled in training/skills upgrading	21%	5%
Obtained at least one job since layoff	71%	42%
Obtained a similar position	50%	86%
Obtained a position at lower wage rates (among those who found employment)	33%	71%
Obtained a position offering a worse benefit package (among those who found employment)	17%	57%

The vast majority of respondents who obtained work in the post-layoff period in both age groups were found to be satisfied with their new position, including the level of compensation. For the most part, they indicated that they were simply happy to have obtained any kind of employment.

Among former employees who were unemployed at the time of the interview, only five of the 11 younger respondents had not obtained a job since the layoff, compared to 11 of the 12 older workers. Moreover, while both age groups cited the poor economy as the reason for not obtaining a job, the primary reason for remaining unemployed among the older age category was their age (reported by nine of the 12 unemployed older respondents). In addition, none of the younger workers interviewed for this study indicated that they did not need further training or retraining in order to obtain suitable employment, compared to 75% of those in the older age group. These individuals generally felt that they were too old or did not possess sufficient education to benefit from training.

The study concluded that, with respect to the MCS Placement Committee, the strategies initiated by the committee appear to be more helpful in adjusting younger workers back into the labour force than older workers, reporting that more than twice as many younger former employees than their older counterparts benefited from this approach to adjustment assistance.

The study also found, however, that older workers appear to have benefited from the Orientation to Change workshops initiated by the committee. Despite the finding that older workers generally do not see the value of retraining, this program allowed them to continue receipt of UI benefits, as well as provided them with some measure of optimism for the future. Moreover, because of the longer duration of the workshop than many other training alternatives, this program provided the older worker with more time to process the information contained in the courses in order to help them develop more appropriate job search strategies.

### **3.5 Transitions**

The Transitions program in Ontario is designed to provide workers aged 45 and over who have been given a notice of layoff or who have been permanently displaced with a \$5,000 training credit. This credit is available to cover training expenses with a new employer, private trainer, or public institution over a two year period. Training is to focus on reintegrating the recipient into the labour market, and thus represents an active measure to providing adjustment assistance to laid off older workers. In 1993, about 12,000 older individuals were being trained as a result of the program.

According to Leckie (1993), the 1991 evaluation of Transitions reported that the program met with only modest success in developing a training culture among laid off older workers. Moreover, a survey of participants conducted for the study revealed that the use of the training voucher did not have a significant impact on the labour market experiences in terms of their job search, their acquisition of employment in a new field or their attitudes towards participating in training activities. However, because the study did not use a comparison group approach, it did not venture to estimate the longer term impacts of the program on the reemployment of laid off older workers.

Another study on older worker training (Plett, 1990) reported that of the 263 training programs developed under Transitions which were underway in 1988, only nine were delivered through employers. Interest in the program among employers was expected to increase, however, with the strengthening of the Ontario economy.

In addition to these studies, the 1996 evaluation of POWA indicated that the Transitions study reported fairly elevated levels of program take-up and satisfaction among the participants of the Transition program.

### **3.6 Outreach**

Outreach, established in 1972 as an experimental program, offered specialized counselling and job placement services to individuals unable to benefit from the existing network of CECs. The Outreach projects, which were sponsored by community-based organizations and partially or fully funded by the federal government, were set up to improve the employability and self-reliance of members of selected target groups who generally face severe labour market problems and who cannot be served by mainstream CECs. These projects delivered innovative employment-related programming measures to employment disadvantaged clients which regular CECs did not have the resources to implement and

administer. In 1988-89, 281 Outreach projects were operating, serving approximately 191,000 clients. Among these, 33% were designed to meet the needs of Aboriginal People, 18% served persons with disabilities, 10% served women, 10% served youth, and 10% were established in remote or isolated communities. In 1985, eight Outreach projects devoted to improving the employability of older workers were operating across Canada.

The *Older Workers Study* conducted by Dunn in 1985 revealed that while the majority of the Outreach projects relating to older workers had a good working relationship with the local CEC, three of the eight 1985 projects demonstrated friction and hostility in their relations with the CECs. The study reported that this friction had an impact on the services provided to older workers, as it resulted in difficulties in obtaining information on job vacancy, programs and services from CECs; in delays in acquiring CEC approval for employment and training programs; and in limiting the number of job orders received by the project. In some situations, Outreach clients were required to access the CEC for labour market information related to the services provided by the Outreach project which would typically be available through the Outreach counsellor. Moreover, certain clients were subjected to an interview and referral process which led them back and forth from the Outreach project to the CEC.

The study also reported that while it may have been feasible to redirect the funding received by Outreach projects to the CECs such that these could acquire the resources necessary to deliver the required services to older workers, the need for Outreach projects to assist in the improvement of older worker employability would persist. The flexible nature of their operations was found to allow them to better and more rapidly respond to community needs, to emerging employment related needs, and to new means of delivering employment services.

Whereas the Dunn study focussed primarily on the delivery aspects of the Outreach program, a 1990 evaluation of Outreach was conducted to examine program outcomes on clients. This evaluation, however, did not report on labour market outcomes specific to older workers. Nevertheless, the 1990 study found that older workers demonstrated relatively stronger improvements only with respect to job satisfaction as a result of their participation in the Outreach program. It is not known whether or not this indicates that older workers were not found to significantly benefit along other measures of employability and/or self-reliance following their Outreach experiences.

### **3.7 Canadian Manpower Industrial Training Program (CMITP)**

The CMITP was an on the job training initiative designed to alleviate shortages of skilled labour and to provide assistance to workers at risk of becoming unemployed as a result of technological advancements or skills obsolescence. The program subsidized employers for up to 100% of the costs of training, and up to 60% of the trainees wages (or 85% if the trainee possessed special needs).



An interim evaluation of the CMITP was conducted by EIC in 1981, and was based primarily on a 12 month follow-up survey of individuals who either completed or withdrew from CMITP sponsored training in fiscal year 1978-79. According to Saunders (1984), the evaluation found that while all age groups showed significant increases in their employability following the training, the smallest gain was among those aged 45 and up. On average, this group of participants were employed 41% of the time in the 12 months preceding the training (versus an overall average of 40%), and 67% of the time following the training, compared to an overall average of 84%. As Saunders reports, however, much of the analyzes conducted for this study was done at an aggregate level and that very little program results were identified for trainees in the 45 and over age group. Consequently, the reasons for this difference could not be explained.

### **3.8 Industry and Labour Adjustment Program (ILAP)**

ILAP, announced in 1981, was intended to fill some of the programming gaps identified in the Labour Adjustment Benefits (LAB) and Canada Manpower Mobility Program. The overall purpose of ILAP was to encourage industrial restructuring and labour market adjustment in communities affected by large scale layoffs. Under the program, laid off workers who entered training programs for high demand occupations were provided with living allowances which exceeded their UI entitlements. ILAP also administered a mobility assistance fund which provided affected workers with up to \$9,000 for relocating in order to obtain employment. In addition, the program included a direct job creation strategy which provided displaced workers who had exhausted their UI benefits with temporary employment at a rate which was 20% higher than that of the regional minimum wage. In order to promote industrial adjustment at the firm level, ILAP was also designed to provide interest-free loans to businesses for a maximum of 50% of the capital costs associated with undertaking, expanding or restructuring new projects.

In terms of the older segment of the population, ILAP provided displaced workers aged 45 and up with a portable wage subsidy of \$2.00 per hour for up to two years, tenable anywhere in Canada. To be eligible, the worker must have had at least two years of employment in the last ten years within the affected industry, and have faced limited opportunity for rapid reemployment.

The program also offered displaced workers between the ages of 55 and 64 with early retirement benefits of up to 60% of the average weekly insurable earnings for the twenty weeks prior to the job loss.

Although Saunders did not specifically examine the older worker component of ILAP, he was considerably critical of the overall program design. Based on his research, Saunders concluded that, although ILAP was a useful mechanism for extending adjustment benefits beyond the industries covered under LAB and the Canada Manpower Mobility Program, the wage subsidy and job creation strategies were not likely to yield any long term impacts. Moreover, the mobility component was not designed to offset any losses incurred by relocated workers due to the depressed real estate market, nor was any financial assistance provided to workers below the age of 55. Most important, perhaps, was that due

to the limited ILAP budget, Saunders saw the program as being excessively restrictive with respect to the communities and layoffs which it could designate for program support. In fact, the case study on the impacts of plant closures on older workers in Consolidated Bathurst reported that despite the work of the MCS committee, some displaced workers remained unemployed or without training. As a result, the committee applied to EIC for ILAP benefits. Their request for ILAP assistance, however, had not been accepted by the time the case study was published because “. . . funding was scarce . . .”, indicating that, in at least one instance, older workers had been affected by the shortage of ILAP resources alluded to in the Saunders study.

### **3.9 Job Finding Clubs (JFCs)**

JFCs were pilot projects initiated as part of the 1988 federal government effort to provide greater assistance to unemployed older workers experiencing difficulties in their job search. The objective of JFCs was to utilize an intensive group process approach to teach effective job search techniques to unemployed older workers such that they could find suitable employment in the shortest possible time. The JFC approach was based on the premise that unemployed individuals can more effectively conduct their job search independently, and without excessive reliance on government employment support mechanisms. JFCs were also developed on the notion that obtaining employment is itself a full time job which is made easier in a group setting which provides a learning and motivational environment.

All clients involved in the JFCs for older workers were required to be 45 years of age or older and be willing to search for employment. Most clients were referred to JFCs through community agencies or CECs. Overall, 36% of the clients referred to JFCs were UI recipients, while 15% were social assistance recipients. A total of 698 individuals participated in the pilot between November 1988 and March 1989.

The 1989 *Phase I Interim Progress Report on JFCs for Older Workers* reported that three months following their implementation, 70% of clients had been placed into employment, with over 80% of the jobs obtained being full-time positions. Overall, only 8% of the clients left the program early. The report also states that the job placements were obtained through the clients' own efforts rather than via referrals to employers from counsellors. The most frequently cited source used by clients for employment leads was personal contacts through friends, family, and acquaintances.

The study also reported, however, that while 38% of the jobs obtained by clients paid equal or better salaries than their previous position, 62% of those finding employment through the JFCs did so in jobs which paid an average of 15% less than their previous position.

Although it was found that the basic elements of JFCs provided positive encouragement to help older job seekers who have experienced frustration and discouragement with the means to obtaining employment, the report identified a number of weaknesses with the JFCs. It was found that certain regions had problems recruiting sufficient numbers of clients to ensure the level of group dynamics and support necessary for achieving overall

objectives. It was also reported that in order to maintain the job placement success of JFCs, it would be important to focus on transferrable skills, and on the necessity for older workers to consider several employment options. In addition, applying modelling and mentoring techniques in teaching job search skills was considered critical, particularly for older worker who typically resist utilizing new job search approaches.

### **3.10 The Atlantic Groundfish Strategy (TAGS)**

TAGS was announced in 1994 as a \$1.8 Billion response package to help restructure the suffering fishery industry in Atlantic Canada which had been significantly affected by the groundfish declines. The program provided labour adjustment measures designed to help individuals associated with the fishery in accessing new career training and job opportunities outside of the industry.

TAGS, which was jointly managed and delivered through HRDC, the Department of Fisheries and Oceans (DFO), the Federal Office for Regional Development (Quebec) (FORD-Q) and the Atlantic Canada Opportunities Agency (ACOA), was comprised of three major components. The labour adjustment component provided income support to eligible fishers, trawlers and plant workers affected by the Atlantic groundfish crisis. Services offered under this component included measures to facilitate access to employment such as career planning, counselling, and mobility and other reemployment related assistance. Labour adjustment programs also provided a number of pre-employment services, including literacy and basic skills training. Activities under the labour adjustment option also consisted of support for entrepreneurship, as well as for restoration of the environment and the community.

The second primary component of TAGS related to the restructuring of the fishery industry through the development of partnerships among government, industry and labour dedicated to fostering an industry renewal which reflects local concerns and conditions. This element of the program implemented initiatives such as limiting licenses and early retirement incentives for fishers.

The community economic development component was geared towards ensuring community and individual adjustment, employment creation, and economic diversification for affected areas. This component offered financial support to help strengthen local infrastructure, to encourage community-level adjustment and development, to promote entrepreneurship, to support research and information-sharing for local economic development, and to develop responses to adjustment problems.

Although the *First Formative Evaluation Report* of TAGS contained very limited information, particularly with respect to the effects of the program on older workers, it appears from the report that older individuals were less likely to engage in the adjustment activities offered through TAGS. The study found that younger workers were among the TAGS clients most apt to attend TAGS counselling, and to find the counselling useful. They were also found to support the overall goals of training and of finding employment outside of the fishery to a greater extent than were other client groups.

On the other hand, clients over 30, particularly those who are older and more discouraged, tended to be inactive or still employed in the fishery. Moreover, TAGS clients between the aged of 35 and 54 were found to be among the client groups most likely to expect to remain employed in the fishery despite program measures.

As seen in Exhibit 14, participation in TAGS programs tends to decline with age. In addition, the formative evaluation reported that, although the TAGS employment programs were not extensively used by participants in all age groups (fewer than 4% of all clients took advantage of TAGS employment programs), participants aged 50 and above were less likely to have registered to receive these services. Moreover, a 1996 survey of TAGS participants revealed that only 55% of individuals in their 50s and 29% of those over the age of 60 had successfully found employment despite the availability of TAGS employment and training programs, compared to 80% of clients between the ages of 20 and 29.

<b>EXHIBIT 14</b>		
<b>Proportion of TAGS clients Groups involved in Training and Skills Upgrading</b>		
<b>Age</b>	<b>Training</b>	<b>Skills Upgrading</b>
20 to 29	40%	27%
30 to 39	34%	23%
40 to 49	23%	14%
50 to 59	9%	5%
60 to 69	2%	2%

Given that one of the objectives of the program was to help affected individuals adjust to the changes in the groundfish industry, the study ventured to assess the extent to which workers associated with the industry had been successfully adjusted. The evaluation defined successful adjustment out of the groundfish industry as a decreased reliance on UI and EI at a rate which is lower than prior to the closure of the fishery **and** the achievement of a level of total income from all sources which is at least 80% of the total income received prior to the fishery closures. Based on this definition, it was reported that individuals aged 35 to 40 had a higher probability of being successfully adjusted, while clients in their 20s, as well as those aged 50 or older experienced more difficulty adjusting to the fishery closure.

The evaluation also indicated that many potential TAGS clients did not apply for the early retirement component of the program because they did not understand the related material provided to them, or did not trust the information contained in the literature received. In fact, the study reported that the information packages regarding early retirement were so complex, that even members of the evaluation team had difficulty understanding them. This barrier to successful adjustment was found to be considerably more important given that many of the prime candidates for early retirement represent the least literate segment of the TAGS client population.

### **3.11 Employability Improvement Program (EIP)**

EIP, established in 1991 to provide employment development programs which focus on individual workers and their needs, is designed to improve the employment opportunities of individuals who require assistance in overcoming existing and anticipated barriers to labour market participation. The program offers a mix of programming options including counselling, training, work experience, mobility assistance and income support. EIP is structured to increase client access to a continuum of services to address their specific employment-related needs.

EIP clients are typically those who face serious labour market difficulties but who are motivated to find work. Client eligibility is also based on an agreement between the participant and HRDC on an action plan. The program is designed to serve a variety of demographic groups which have been traditionally underrepresented in the labour market, such as women, social assistance and UI recipients, visible minorities, Aboriginal people, and persons with disabilities.

A 1995 evaluation of EIP was conducted to measure the labour market outcomes of clients in three components of the program — Job Opportunities (JO), Project-based Training (PT), and Purchase of Training (POT).

The JO component provides a wage subsidy to employers who hire participants such that these clients can obtain the necessary training and work experience to allow them to obtain long-term employment. PT provides integrated classroom and on the job training to clients who face serious labour market barriers, require a high degree of assistance and a variety of on-going services. The types of interventions associated with the PT include job skills training, life skills training, job search, and job placements. Under the POT component, eligible clients receive training to learn new skills which meet the needs of the local labour market as well as the client's own interests and aptitude. While enrolled in the training, which is primarily vocational in nature, participants are eligible to receive income support through established UI training and supplemental allowances.

The study utilized data from a survey of 6,756 EIP clients who participated in one of these three components between July 1991 and January 1994, from a survey of 5,313 non-participants, and from HRDC and Revenue Canada administrative files to estimate the impacts of program participation on a number of labour force outcomes.

The evaluation found that although the three components of EIP are not specifically designed for providing services to older individuals, in the study's measurement period, approximately 25% of the clients in the JO option were over the age of 40 (with 8% being 51 and over), 26% of those in the PT component were over 40 (with 6% being 51 and over), and almost 37% of the POT participants were aged 41 and over, of which 11% were over the age of 50.

In terms of the labour market outcomes for older participants of the three evaluated components of EIP, as seen in Exhibit 15, the study estimates that older workers appear to have benefited considerably from their participation. The evaluation reported that, on average, with the exception of the JO component, older EIP participants increased the number of weeks worked following the program to a greater extent than the general population of clients. In addition, the program was found to lead to increases in annual incomes of older workers enrolled in each of the three components which were more than the average overall increase among all EIP participants.

<b>EXHIBIT 15</b>			
<b>Labour Force Outcomes of Older EIP Participants by Component</b>			
<b>Outcome</b>	<b>JO</b>	<b>PBT</b>	<b>POT</b>
Increased Weeks Worked:			
Older clients	13.7	10.8	12.1
Overall	11.2	14.5	15.9
Increased Annual Income:			
Older clients	\$4,828	\$3,789	\$5,175
Overall	\$4,998	\$5,161	\$6,182

### 3.12 Lessons Learned

The lessons learned presented in this section of the report constitute those which could be derived from the Canadian experiences with the programming measures described in this chapter. Consequently, when interpreting these lessons, it is important to consider that other Canadian programs which provide adjustment assistance to older worker have existed and/or continue to exist, but have been omitted from this analysis.

Nevertheless, based on some of the findings to emerge from the literature reviewed, a number of interesting lessons can be identified.

1. *Income support mechanisms for older workers appear to be effective means for ensuring the financial security of those who have suffered a job loss. They do relatively little for improving their opportunities for reemployment.*

Both evaluations of POWA indicated that, while the program is not designed as a pre-retirement income support strategy, because of the limited amount of employment obtained by clients following POWA participation, many individuals utilize the income support provided through the program to help bridge the financial gap between the layoff and receipt of private and public pension plan benefits.

These income support measures have been found to be significantly effective for ensuring an adequate standard of living among unemployed older workers. The results from the evaluations of POWA suggest that, the program's financial support, in combination with other means of public income support, has enabled POWA recipients to enjoy a greater

income than non-recipients. Moreover, in Quebec, POWA clients were found to be considerably better off financially than similarly aged workers in receipt of social assistance, while more than half of the clients of NB Job Corps believe that their financial situation has improved as a result of participation.

On the other hand, income support programs for older workers were also found to create disincentives for reemployment. For instance, non-participants were found to be twice as successful as POWA clients in obtaining employment following their layoff. In addition, fewer than 15% of NB Job Corps participants worked for pay outside of the six minimum work-term duration required to qualify for the program's guaranteed annualized income. As a result, while programs which offer income support to unemployed older workers appear to have helped alleviate poverty among this segment of the population, these strategies may also have served to perpetuate unemployment among individuals in this age group.

## *2. Segregated delivery approaches can be effective vehicles for placing older workers into employment*

The relative success of Job Finding Clubs for older workers suggests that separate and segregated programming measures may be a viable tool for the labour market prospects of this segment of the population. The JFCs, which utilize peer counselling and mentoring strategies for encouraging the labour force reintegration of older workers, were found to place 70% of their clients, among which 80% were in full time positions. In contrast, only 20% of POWA clients were found to have obtained employment as a result of the program, with less than 40% of the POWA comparison group having acquired a job.

In addition, the Dunn study revealed that, compared to CECs, voluntary employment agencies were found to be more effective with respect to job referrals, to understanding the problems faced by older workers, and to providing adequate job seeking services to older clients. The study also identified that over one-half of the older workers surveyed would prefer to receive services from a voluntary employment agency or specialized CEC for older individuals. Dunn's report also noted that the quality and quantity of counselling services available to older workers did not enable these individuals to truly benefit from this service, particularly given the severity of the labour market hardships faced by unemployed workers in this age group. Similarly, because older workers appear to be harder to place into employment than are prime-aged workers, the study reported that many CECs did not possess the financial and human resources necessary to adequately provide these services to individuals aged 45 and up.

Although the Outreach program was found to lead to only modest gains in the job satisfaction of older workers, their success was attributed to their association to and somewhat ineffective relationship with CECs.

The literature also identified several instances where the services provided under more mainstream programming were not well suited for the unemployed older workers. For example, much of the training available under TAGS and the mobility assistance provided

through ILAP was not found to be particularly attractive, or relevant options for older clients of these programs.

3. *In situations where segregated approaches have not been feasible, labour market adjustment strategies which focused on specific client needs or on particular employment disadvantaged clients have been found to be effective for improving earnings and employability among older workers.*

Active programs in Canada which were found to be particularly effective for improving the employability and earnings of older workers were the JO and POT components of EIP. The evaluations of these components revealed that workers aged 40 and over experienced higher wages and spent more time employed in the post program period relative to a similarly-aged group of non-participants. Moreover, older participants appeared to fare better than prime-aged worker EIP clients.

While neither component was designed specifically to address the special needs of older workers, the JO program provides integrated training to clients who face serious labour market barriers or require a high degree of assistance, and the POT component focusses on the client's own interests and aptitudes. In addition, although the majority of the strategies initiated by the Consolidated Bathurst MCS placement committee were found to be more helpful in adjusting younger workers back into the labour force than older workers, older workers appear to have benefited from the Orientation to Change workshops. These workshops, which consisted of in class instruction to help unemployed individuals in receipt of UI assess their current situation, incorporated a number of counselling and assessment measures to help clients develop realistic goals based on their needs and interests. Moreover, because of the longer duration of the workshop than many other training alternatives, this program provided the older worker with more time to process the information contained in the courses in order to help them develop more appropriate job search strategies.

These findings suggest that older workers can benefit from non-targeted programming when these incorporate client-oriented approaches to assisting individuals who face serious labour market barriers, and when they recognize the diverse needs and interests of the various participants.

4. *Training for older workers is typically not perceived by the general population as being an appropriate option, despite findings which indicate that this approach has met with modest to good results for this age group.*

Training has typically not been perceived as a favourable strategy for improving the labour market prospects of older workers. Many older workers believe that the value of training does not outweigh the costs and the commitments associated with enrolling in this type of programming. Others contend that the designs of training programs, both in terms of curriculum and delivery, are not well suited to meet the needs of older individuals. Voluntary participation of older individuals in training programs has thus been extremely limited.



In addition, because these individuals possess less formal education, are not as likely to relocate than younger candidates, and are often not perceived as a good “long-term investment” for skills upgrading or professional development, they are often passed over with respect to the provision of training. Consequently they are frequently denied the chance to effectively upgrade their skills in order to enable them to adequately compete for jobs.

For instance, the evaluation of TAGS and the Dunn report on older worker experiences with CECs identified extremely low participation rates of older workers in training programs. A study of the Transitions programs revealed limited interest on the part of private sector partners. Similarly, fewer than 10% of EIP training clients between 1991 and 1994 were aged 51 and over.

On the other hand, results from studies of training programs have shown that training has been a fairly effective strategy for helping older workers adjust to economic and industrial change. The Transitions program, for example, was found to have modest success in terms of developing a training culture among laid off older workers, as well as in promoting participation and satisfaction among older participants. In addition, an evaluation of the CMITP reported that, despite their lower levels of success relative to individuals in other age groups, older trainees were found to have significantly increased their employability following the training.

Moreover, the Orientation to Change workshops offered through the Consolidated Bathurst MCS placement committee appear to have encouraged older workers to register for further training, while the evaluation of EIP revealed that training under the JO and POT components were extremely effective for increasing the earnings and employability of older workers.

The research clearly demonstrates that training activities can provide significant benefits to the older worker. Yet, participation among older workers remains conspicuously limited. The literature suggests, however, that there is an absence of a training culture for older workers in Canada. Consequently, there may be some value in promoting the training option as a viable tool for the reintegration of older individuals into the labour market to the clients, the employers and the service providers.

*5. The review confirms the existence of significant barriers facing older workers. A need may exist to ensure full and equitable access into Canadian programs and services to older workers.*

Some of the evidence contained in the literature suggests that a subset of older individuals may face barriers to access to existing programs and services for assisting in their labour market adjustment. As previously demonstrated, unemployed older workers have a considerably lower probability of reintegration into the labour market than does the general population of workers. Much of the literature examining the impacts of job losses on older workers indicates that, as a result of the reemployment barriers encountered, in combination with the limited number of programs for assisting older workers improve

their labour market opportunities, many of these individuals become discouraged with respect to their future employment prospects and withdraw from the labour force. Consequently, those who have left the labour market become ineligible for certain income support mechanisms which require that a beneficiary actively seek employment (e.g., EI, etc.).

Dunn also reported that CEC employees were frequently found to possess preconceived notions with respect to the needs, interests and abilities of older clients. As a consequence, older workers were often referred to programs and services which were inappropriate, and/or denied access to potentially more effective employment-related measures. For instance, according to the survey of CEC-registered older workers, only about one-quarter of those who were willing to register into training programs or courses subsidized by an employer or the government agency were granted the opportunity. Although Dunn did not compare this proportion to that of other CEC clients willing to enroll in subsidized training, the reasons provided by CECs to respondents who were denied training included that they were over educated, that they already possessed the skill levels, that training was simply not available, and that they were too old. Similarly, the main reason cited by respondents for not registering at a CEC was that the programs and services offered through the establishment were not suited for older people.

In addition, programs such as POWA, ILAP and IAS, limit their services to industries or firms which have been designated based on a set of predetermined criteria. As a result, older worker access to these services has, by definition, been restricted to those employed or previously employed in eligible businesses. Moreover, the evaluation of POWA in Quebec revealed that more than one-half of the job loss victims who applied for POWA benefits between 1992 and 1994 were excluded from the program, of which, two-thirds were denied benefits because the layoff did not meet eligibility criteria.

Particularly given the difficulties faced by older workers who have lost their jobs, there may be some value in initiating measures for improving older worker access to existing programs and services. Moreover, as will be described in later sections of this report, other countries have met with some success in terms of implementing programs which grant universal access to services, and which loosen and extend older worker eligibility to adjustment and income assistance programs. Many of these measures could be applied to Canadian strategies.

*6. There currently does not appear to be an urgent need to create programming measures for older workers.*

The research conducted for this study revealed an extremely limited number of active employment-related programs specifically geared for the older segment of the working population. With the exception of POWA, NB Job Corps, and the Job Finding Clubs for older workers, individuals aged 45 and over have had to access employment services from initiatives designed to serve the general population. Moreover, POWA is primarily an income support program with little emphasis on the reemployment of clients.

The absence of targeted programming for older workers, however, may have been justified. According to Statistics Canada, workers in the older age groups have historically enjoyed more steady employment at higher wages than their younger cohorts. Moreover, there is limited evidence to suggest that Canadian programs which are targeted towards providing labour market adjustment assistance to older workers improve their employability or their earnings from employment over that which occurs in non-targeted programs.

This does not suggest, however, that older workers should be ignored. As the population continues to age, and the unemployment gaps between younger and older workers continues to close, particularly given the reemployment barriers specific to older workers, it will be important to monitor the labour market experiences of individuals aged 45 years and older. This will help ensure that older individuals continue to be provided with access to established non-targeted programs. It will also assist policy-makers assess the need for developing or expanding active employment-related programming for the older segment of the population.



## 4. *The American Experience with Older Workers*

As was the case with the Canadian experience, U.S. programs designed to provide older workers with active labour market adjustment assistance have been extremely limited. While older worker access to existing labour market adjustment programs is not restricted, many of the programs specifically geared for this segment of the population are passive in nature, or encourage early retirement.

For instance, the U.S. Social Security system, established in 1939, included a “pay-as-you-go” mechanism for providing financial support to individuals who have reached the age of 65. While this system serves to provide health maintenance and disability insurance to older workers, its primary objective is that of income transfer as a partial wage replacement for retirement through public and private pension plans (French, 1980).

In addition, the *Employee Retirement Income Security Act* (ERISA) of 1974 is designed to protect older workers from the loss of private pension benefits resulting from early retirement or plant closures. Under this legislation, after a minimum number of years in a private pension plan, a worker acquires the absolute vested rights to, and is guaranteed payment of, all or part of accrued pension plan benefits regardless of premature withdrawal from the labour force for any reason. The regulations under the act allow for a variety of early retirement incentive structures such as immediate lump-sum payments or early discounted pension benefits depending on the pension plan and its provisions. According to a report commissioned by the Commonwealth Fund (1993), ERISA, and the method by which private pension plan benefits are derived, has served to encourage the early retirement of many workers, as the financial incentives associated with retirement often outweigh the costs of working.

On the other hand, American policy toward retirement has also favoured the prolonged labour force participation of workers. The *Age Discrimination and Employment Act* (ADEA) enacted in 1967, and subsequently modified in 1978 and 1986, prohibits arbitrary age discrimination in the hiring, discharge, wage-level, promotion, employment-related benefits, or other aspects of employment among workers aged 40 and over.

In terms of active measures for older worker adjustment, according to Plett (1990), and based on the research conducted for this study, only three government-sponsored programs exist in the U.S. which are specifically designed to help displaced workers aged 45 and over obtain employment. Under Title IIA of the JTPA, 3% of the funds allocated to this portion of the legislation is to be devoted to providing older workers aged 55 and up with employment-related assistance. In addition, the Senior Community Service Employment Program (SCSEP), which provides part-time employment opportunities to low income individuals aged 55 and over in community service agencies, renders training and income support to eligible participants who perform useful community services. The

third U.S. federal program targeted towards older workers is the Experimental Projects under the *Older Americans Act*. This initiative is designed to place unemployed older workers into unsubsidized positions in the private sector.

Some of the literature reviewed for this study, however, identifies a number of private sector initiatives which help older individuals retain their labour market participation or reenter the work force. These corporate policies are primarily based on alternative work arrangements such as part-time employment, work-sharing, and phased-retirement measures. Other studies have also cited not-for-profit agencies which are active in providing employment-related assistance to older Americans. For instance, the National Association of State Units on Aging (NASUA) and Chicago’s Ability Based on Living Experience (ABLE) offer community-based job placement services for helping older individuals obtain suitable employment.

The remainder of this chapter identifies the U.S. programs for which information related to their effectiveness on older workers could be obtained, and examines the impacts of these programs on the labour market and lifestyle experiences of older workers in the U.S. Lessons learned relating to the U.S. experience with programs for older worker adjustment are then derived based on the information contained in the literature.

#### 4.1 The Comprehensive Employment and Training Act (CETA)

CETA, which represented a consolidation of nine existing employment programs in the U.S., was a significant source of labour market programming for disadvantaged workers between 1973 and 1982. Under CETA, clients could access a mix of training, work experience and job creation programs delivered through state and local authorities.

The 1985 report produced by the National Commission for Employment Policy (NCEP) identified that, participation in CETA among workers aged 45 and up was considerably low relative to their younger counterparts. As seen in Exhibit 16, only 1% of the eligible population in the 45 and older age group participated in CETA. Moreover, among eligible workers, 1.8% of those between the ages of 45 and 54, 1.0% of those between 54 and 65, and about 0.2% of those 65 and older participated in CETA.

<b>EXHIBIT 16</b>		
<b>CETA Participation Rates by Age Groups (1980)</b>		
<b>Category</b>	<b>Under 21</b>	<b>45 and Over</b>
Proportion eligible	18%	11%
Proportion of eligible population participating	7%	1%

This limited participation in CETA among older individuals was attributed to the negligible interests of older workers in maintaining their labour force participation, particularly when their continued participation required a significant investment of time,

commitment, and resources into CETA-sponsored training. The study also cited previous labour force participation, family income, level of education, and health status as major contributors to the uneven participation of older workers in CETA. That is, individuals with stronger labour force attachment and lower family incomes, as well as those who possessed above average education and better health were most likely to participate in the program.

Despite their lower rates of participation in CETA, older workers appear to have significantly benefited from the program-sponsored training. The study reported that in the first 12 months following their participation, 53% of dislocated workers aged 45 and up who had enrolled in CETA training had obtained employment compared to only 45% of similar individuals who had not participated. In addition, the program was found to significantly contribute to post-program increases in earning and time spent working among this segment of the population. Overall, CETA resulted in average gains in earnings of \$418, and an average annual increase of 4.5 weeks of employment for participants over the age of 45.

Another study conducted by Rupp *et. al.* (1983) concluded that CETA had a positive impact on the employment of workers aged 45 and up. According to their analysis, which compared the labour force outcomes of CETA participants who were 45 years of age or older to those of a similarly aged group of non-participating individuals, CETA workers experienced a relative gain in employment of almost 20% over members of the comparison group 15 months after program entry. Moreover, the program was found to be most effective for workers aged 55 and up (10.4% more CETA participants in this age group found employment than did members of the comparison group). In comparison, for those between 45 and 54, where 7.7% more participants than non-participants found employment in the first 15 months following their entry into the program.

Rupp also found that the annual earnings gain in the immediate post program period of CETA participants compared to non-participants was approximately \$400. This represents a 12% increase in earnings as a result of participation in CETA. Participant increases in earnings relative to the comparison group was attributed, however, to the estimated gains in employment among CETA clients. In fact, the study reported that since the relative increases in employment were higher than the relative increases in earnings, participants were likely obtaining employment at lower wage rates (or shorter work weeks) than were members of the comparison group. The research suggested that this may indicate the program's success in placing marginally employable older workers into lower-paying part-time positions, which would result in increased post-program employment, but would also serve to depress average wage rates and hours workers per week.

## **4.2 The Job Training and Partnership Act (JTPA)**

The JTPA, established in 1982, represents the major U.S. source of federal funds for the training and job placement of people with employment barriers. In terms of older workers, JTPA is the first federal training program specifically designed to provide training opportunities to low-income individuals 55 years of age or older. Title IIA of the act

specifies that 3% of the funds under this component be set aside for the provision of services to individuals in this age group. Depending on the state or local delivery agent, these services include training, counselling, placement assistance, work experience, and remedial education. In addition, under Title III, older workers can access adjustment assistance if they have become unemployed as a result of a layoff or plant closure, although programs funded under this component of the JTPA are not necessarily designed to meet the specific needs of the older worker.

A number of criticisms have been made with respect to JTPA's design for recruiting older participants and for ensuring their access to programs and services. For instance, a 1988 study commissioned by the National Council on the Aging (NCOA) reports that relatively few older workers have been served through the main Title II programs, and that their participation has increased only marginally over time from 19,600 in 1984 to 21,000 in 1986. It appears that, despite their legal rights to access these programs, certain state and local authorities automatically refer individuals who are aged 55 and over to the 3% set aside component of the act regardless of their needs. In fact, as stated in the report, because their emphasis has primarily been on assisting youth and welfare recipients, few Title II programs have made special efforts to recruit older workers. Moreover, although states are mandated to set aside 3% of the funding received under Title IIA towards disadvantaged adults over the age of 55, because of the distribution of these funds within each state, many of the programs and services developed as a result of this funding are not available to older workers who do not reside in targeted jurisdictions.

The report also found that older workers have not been adequately served under Title III of the JTPA. Overall, according to the General Accounting Office (GAO), only 8% of the workers enrolled in Title III programs in 1984 were 55 years of age or older, although about 20% of members of this age group were eligible to participate. In addition, only 19% of Title III participants were found to be aged 45 to 54. In contrast, almost 70% of the clients served under these programs were between the ages of 22 and 44.

Another 1988 study on older workers (Boris, *et. al.*) indicates that, while the overall participation rates of eligible candidates is low, the percentage of eligible persons participating in JTPA decreases with age. In 1985, for example, about 4.4 million workers between the ages of 55 and 64 were eligible to participate in JTPA funded programs, but only 0.4% of the eligible portion of this segment of the population actually participated.

Boris attributed the low participation rates among older individuals to the labour market expectations and interests of the 55 and over age group. Essentially, to be eligible for JTPA programming, the participant must be unemployed, have earnings below the poverty level, and demonstrate a willingness to obtain employment. In 1986, however, only 5% of the individuals aged 55 and over whose income was sufficiently low to qualify them for JTPA training and job search assistance were unemployed, compared to 13% of those between the ages of 22 and 54. Moreover, many older individuals prefer retirement over making considerable investments into the training and job search alternative.



In terms of labour force outcomes for older workers, Plett indicates that, according to a 1984 survey (Lester) conducted with over 1,500 JTPA participants in programs covered by the 3% set aside funds, 75% of the participants were placed into employment following their participation. In addition, although post-program employment rates did not significantly differ between males and females, on average, the wages of male participants who found employment following their JTPA participation were 20% higher than for those of females. The survey also revealed that among individuals who deliver the program, the majority attribute its job placement success to the improvements in self-confidence and self-esteem of clients as a result of the counselling and job finding clubs. Training was not seen as an effective aspect of these programs.

Overall, Lester's survey indicated that the average age of participants was 60 years and that 46% possessed less than a high school education. At their program intake, over two-thirds were found to have been unemployed for six months or longer, with about 33% reporting no income. Among those with some earnings, the average family income was estimated to be just over \$3,500. The most frequently reported service received was job counselling (88%), followed by job skills training (77%) and placement assistance (75%). Fewer than 20% received on the job or occupational skills training, while only 4% had been placed into a work experience program.

In contrast, a 1988 survey conducted by the NCOA among JTPA Service Delivery Areas (SDAs) in California revealed that the on the job training component of the 3% set aside program of the JTPA was found to be most effective for improving labour market prospects of older workers. The information gathered for the survey suggests that on the job training, while providing income to the participants to satisfy initial needs, can be individualized, and usually results in a permanent job placement. The assessment and counselling components of the JTPA were also found to be useful tools for identifying the strengths, weaknesses, and special needs of older individuals, and for allowing program delivery agents to better match the client with the appropriate training or reemployment intervention.

The survey also indicated, however, that job search assistance in combination with a placement component which provides individualized services to older participants improves their self-confidence and enables these clients to become more independent in their job search. It was also reported that the job search assistance portion of the program should include on-going motivational mechanisms for older workers in order to contribute to the clients' confidence levels and continued personal growth.

### **4.3 The Senior Community Service Employment Program (SCSEP)**

The SCSEP, administered by the U.S. Department of Labor [in partnership with local units of 10 national non-profit organizations such as the American Association of Retired Persons (AARP), the National Council on Aging, and Green Thumb Inc.], was established under Title V of the *Older Americans Act*, and provides part-time minimum-wage employment to low-income older individuals in community service agencies. Although

some training is available to SCSEP participants for subsequent unsubsidized employment, the program concentrates primarily on the provision of income support to clients via subsidized job opportunities performing useful community services.

Eligible candidates must be 55 years of age or over, and have a family income which is less than 125% of the established U.S. poverty level. The 1988 study conducted by Borus on older workers estimates that in 1983, while 26.4% of individuals this age group met the eligibility criteria, fewer than 1% participated in the program. Similarly, the NCEP report identified that, while approximately 25% of the population aged 55 and over were eligible for SCSEP services in 1980, less than 1% actually participated in that year. The patterns of participation among this segment of the population, however, differed from those of CETA. The report found that program participation was highest among those aged 62 to 65, at about 1.1% of the eligibles in this age group. Their increased participation was attributed to the elevated incidence of individuals who retire between the ages of 62 and 65. It appears that many participants in this age group had used SCSEP's part-time employment programming to supplement their Social Security benefits.

The NCEP report did not attempt to measure the labour force outcomes of its clientele, but rather focussed on program impacts with respect to lifestyle and well-being characteristics. The study concluded that, although only a small fraction of participants successfully obtain part-time jobs at minimum wage levels through the program, those who acquired employment considered the positions to be worthwhile. In addition, the report refers to studies which indicate that the self-esteem and sense of well-being among SCSEP participants have been found to increase over what would have occurred in the absence of the program.

The Borus study reflects this elevated level of satisfaction among program participants, sponsors, and community agencies, citing that communities have reported benefits from the program. Moreover, the report indicates that subsidized employment for older workers is an important component of employment policy at the community level for individuals with shorter work horizons.

Plett reported that, according to a survey of 3,800 SCSEP participants in 1983 and 1984, despite the fact that clients tend to be more disadvantaged than eligible non-participants in terms of labour market prospects and income, 75% of the clients surveyed were employed 12 months following their participation. However, the likelihood of finding work through the program declines as the participant's age increases. In addition, males, as well as those with higher formal education levels, were found to have a higher probability of being placed into a position than their female and less educated counterparts.

The survey also revealed that programs operated by non-profit or community sponsors were more successful in placing participants into employment than were those operated by state offices. Moreover, the projects which displayed the highest placements rates were associated with those which provide job-finding clubs, which incorporate a job developer function, which utilize door-to-door solicitation for obtaining unsubsidized employment

opportunities, which more frequently reassess the clients and their needs, and which place limits on the duration of employment with any one host employer.

The Rupp study, which also examined the effects of SCSEP participation on the probability of finding employment estimated a 7.5% increase in the likelihood of finding a job as a result of SCSEP 15 months after entry into the program. The study cautioned, however, that data limitations did not allow for a reliable estimate of the impacts of SCSEP, and that this finding could not be generalized to the entire population of SCSEP participants.

#### **4.4 Experimental Projects**

Similar to SCSEP, the experimental projects are funded under Title V of the *Older Americans Act*, and eligible candidates must be 55 years of age or older. The Experimental Projects, however, are designed to place eligible candidates into unsubsidized private sector employment opportunities rather than into public, community, or non-profit positions. In addition, the projects can serve older workers whose income is more than 125% of the established poverty levels. The funding levels for the Experimental Projects are also considerably less than for the SCSEP. For instance, in 1983, \$3 Million was allocated to the Experimental Projects, compared to \$400 Million for the SCSEP.

The Experimental Projects offer a mix of services to participants, including classroom training, work experience, on the job training, and pre-employment training. The projects also focus on the use of job-sharing, flex-time, and other work alternatives to help place clients into appropriate positions. In 1983, 220 projects were providing employment assistance to approximately 2,800 older individuals.

Plett reported that, according to a 1986 survey, 55% of Experimental Project participants had been placed into unsubsidized positions in the private sector. Although the survey revealed that clients of the Experimental Projects were somewhat younger than those of the SCSEP, it found that the job developer function within the projects, which makes personal contact with local employers, ranked among one of the most important features for assisting in the reemployment of older individuals.

#### **4.5 The Employment Service (ES)**

Since 1933, the ES has typically provided a range of services to unemployed and disadvantaged individuals of all ages wishing to obtain employment and/or qualify for UI. While the ES services concentrates primarily on job referrals and on matching job-seekers to employer-registered job vacancies, the service also provides, in some cases, counselling, assessment, job development, and referrals to training. In addition, in order to acquire eligibility for UI in the U.S., an unemployed individual must register with the ES. The ES is generally not considered to be the most effective means of obtaining employment for Americans job-seekers.

The study conducted by the NCEP revealed that older workers were considerably less likely to receive ES job referrals than their younger counterparts. The study found, that

during a six month period, only 15% of older male clients and 22% of older female clients received at least one job referral compared to 31% of males and 34% of females between the ages of 25 and 44.

While no timeframes were specified with respect to these statistics, the report suggests that these differences in referral rates may be due to the limited ability of ES staff to match older workers to positions for which they are qualified. Moreover, the types of jobs offered through the ES tend to be entry-level lower-paying employment opportunities for which older workers either do not possess the experiences or the interest.

The study also found that among older workers, women appear to benefit to a greater extent than do men. Overall, older women who had received a job referral remained unemployed for seven fewer weeks and earned an average of \$570 more per year than older women without referrals. In contrast, older men having received a referral earned only an average of \$77 more than those who did not. Again, the report did not identify the timeframes used to accumulate these data.

## **4.6 The Downriver Conference Economic Readjustment Activity (ERa) Program**

The ERa, funded under Title III of CETA (and Title III of the JTPA in later years), was established in 1980 to offer employment services to workers laid off as a result of the DANA and BASF automotive supply plants in southwestern Wayne County in Michigan. The primary objective of ERa was the reemployment of participants, and all program services were geared to meet this goal. Clients were to take an active role in the ERa's interventions, and financial support was only available through referrals to the appropriate community agency.

A 1983 evaluation of ERa examined the labour market outcomes of a sample of 500 laid off workers from the DANA and BASF plants, and compared their experiences to those of 500 laid off workers from two plants not participating in the ERa program. Although the evaluation estimated that the average age of workers displaced by the ERa plant closings was only 40, the evaluation did identify some outcomes on workers aged 45 and over.

The analysis indicated that, with the exception of older workers, the services offered under the ERa program had had a significant impact on the reemployment of participants which would not have occurred in the absence of the program. In total, the study estimated that workers laid off from plants covered under ERa were about 20% more likely to have obtained a post-layoff job than were members of the comparison group, with 80% of those in the BASF plant and 65% of those in the DANA plant finding work following their participation. The reemployment rates of displaced workers aged 45 and over from ERa plants (approximately 65% for the two plants), however, were not found to vary significantly than those of older members of the comparison group. The report indicates that the absence of any significant differences may be a result of the decision of dislocated workers aged 55 and up to retire rather than to engage in job search activities.

## **4.7 The Washington Reemployment Bonus Demonstration (WREB)**

The WREB was initiated in 1988 to test the effectiveness of offering bonus payments to UI claimants who demonstrated a speedy return to work. UI claimants qualified for the bonus if they found full time-work, or obtained a job which provided them with sufficient earnings to terminate their UI benefits.

The study found that the bonus offer was particularly effective for displaced or unemployed older workers (45 years of age or older) who had experienced voluntary unemployment, who had become discouraged about job prospects, and/or who had accumulated sufficient savings to offset the initial income reductions due to job losses. Overall, older workers in the experimental group drew an average of \$135 less in UI payments during their benefit year as a result of the bonus offer, however, this appears to have been a general trend among most clients as no significant differences in reduced UI payments were found across age groups. Among workers whose income prior to UI receipt was over \$17,366, however, the analysis conducted for the evaluation indicated that those aged 45 and over reduced their UI compensation by \$220 during the measurement period compared to an increase of \$28 among those younger than 45. Moreover, older workers reduced their unemployment, on average, by almost a full week as a result of the bonus offer, while those under 45 increased their unemployment by an average of 0.2 weeks. The report attributed these positive results to the fact that older individuals often possess limited interest in investing considerable time and effort into obtaining employment, particularly if they have become discouraged and/or are capable of supporting themselves through other means. The bonus offer, however, provided them with sufficient financial incentive to motivate them to increase their job search activities.

As a result of this success, the study estimated that for older workers, the cost-benefit ratio of the experiment for the UI system was 1.78, while the ratio for the government as a whole was 2.40. The research cautions, however, that the success of the program on older workers was highly concentrated among male participants.

## **4.8 Lessons Learned**

The lessons learned presented in this section relate to U.S. experiences with programs for older worker adjustment. These lessons were developed based solely on the literature reviewed for this study, and are not intended to be a comprehensive retrospective of the American perspective with respect to programs for older individuals. As was the case with the lessons learned from the Canadian experience, there exist a number of American programs which have either not been studied or for which their studies were not available for this report. Moreover, the reader should be made aware that the studies upon which the lessons learned were based utilized different methodological approaches at various points in time. Their findings may consequently not be readily comparable. Despite these caveats, however, it is felt the lessons learned provided below are reflective of American programming for older worker adjustment.

*1. Despite the greater availability of employment-related programs for older worker adjustment in the U.S., participation in these programs appears to be considerably limited.*

Employment-related programs specifically designed for providing services to older workers have been much more prevalent in the U.S. than in Canada, albeit still somewhat limited compared to measures geared to assist other target groups. For instance, the 3% set aside program of the JTPA, the SCSEP, and the Experimental Projects each seek to improve the employability and earnings of older individuals. In contrast, Canada's POWA merely provides income support to help laid off older workers make the transition into retirement. In addition, as was the case in the Canadian experience, there exist in the U.S. a number of other non-targeted employment programs to which older individuals have access.

The research conducted on these programs, however, has found that the participation rates of older workers in these initiatives have typically been extremely limited. For instance, only about one-third of the eligible participants aged 55 and over were found to be enrolled in JTPA programs in 1984, and fewer than 1% of the eligible population of older workers had participated in the SCSEP in 1983. Low participation rates were also found in non-targeted programs. The literature indicates that of the 11% of the population of individuals aged 45 and over who were eligible to participate in CETA in 1980, less than 1% were found to have registered in the program. Moreover, older worker participation rates in the majority of programs tend to decline as the client ages.

Much of these lower rates of participation among older workers has been attributed to their limited interest in pursuing activities relating to improving their opportunities for employment. Many older workers do not see the value in retraining or skills upgrading, particularly given their few remaining work years. Unemployed older workers often prefer to withdraw from the labour market and retire over investing considerable human and financial resources into training and job search endeavours. There is also evidence to suggest that the expectations of older workers with respect to finding suitable employment through these programs is considerably low.

*2. Training on its own does not appear to be an effective vehicle for older workers.*

Many U.S. programs which offer training to older workers were found to have met with modest to poor success in terms of placing the older participant into a job. The Plett study on the 3% set aside programs for older workers under the JTPA attributed the 75% placement rate of older individuals to the counselling and job finding clubs aspects of the programs, whereas the training options were not found to have had significant impacts on the reemployment of clients. In addition, the Downriver ERA, which increased access to training opportunities for laid off automotive plant workers, was found to have had positive results on the reemployment of all trainees except those aged 45 and over. The reemployment rates for the displaced older workers registered in training provided through the ERA were not found to vary significantly than those of older members of the comparison group (approximately 65% for the two plants studied).

On the other hand, the NCOA study of the JTPA suggests that on the job training which is individualized to suit the older workers' strengths, weaknesses, interests and needs typically results in a permanent job placement.

These findings may indicate that, while basic training activities yield little or no results on the reemployment of older individuals, training which is more individualized and which includes additional counselling and assessment can be more effective for workers in this age group.

*3. Alternative work environments represent a viable option for the reemployment of older individuals.*

Certain U.S. programs for assisting older individuals obtain employment have met with success in placing workers 45 and over into alternative work environments, such as part-time work, flex-time, and job-sharing. The CETA approach, which provided employment opportunities which were typically part-time low-wage positions, was found to yield fairly positive impacts on its older clients. More than one-half of the those aged 45 and over were estimated to have obtained employment through CETA compared to only 45% of similarly-aged members of a comparison group. In addition, the average increase in the earnings of older participants who had acquired a job was found to be over \$400, and, in the year following their participation, these individuals worked an average of 4.5 weeks more than prior to the program.

The study of SCSEP, which also provides placements services to older workers into part-time low-wage employment, revealed that the program successfully placed 75% of its clients into these types of positions. It was also found that, by virtue of having assisted the older individual find any kind of work, the program has helped increase the self-worth of participants. Furthermore, SCSEP appears to be a useful vehicle for allowing older individuals to supplement their income from other sources such as private and public pensions. Similarly, the Experimental Projects, which focus on the use of alternative work arrangements to help place older clients into appropriate positions, was found to have a placement rate of 55%.

Alternative work options can also serve to improve non-labour force outcomes of older individuals. Much of the literature indicates that for many older workers, the need to remain productive members of society is an important aspect of later life. Moreover, especially in the U.S., the stigma attached to receiving government funded income support encourages many older individuals to opt for lower paying employment over financial assistance. In addition, particularly given the employment barriers faced by individuals with shorter work horizons, and the fact that many employers have reported a preference for hiring older workers into alternative work settings (Jacobson, 1980), these may represent practical solutions to easing the transition from full-time employment to retirement.

It is important to recognize, however, that alternative work environments appear to be more successful with the older segment of this age group (i.e., 55 years of age and older).

There is also evidence from the study of the ES that many older workers, including those aged 55 and over, are not interested in accepting the lower wages often associated with alternative work settings. In light of these findings, it may be necessary to ensure that alternative scenarios are presented purely as options to traditional employment.

4. *A high degree of support and direction in the job search activities of older workers, which build self-esteem and confidence, appears to increase their likelihood of obtaining employment .*

There appears to be a relationship between the amount of on-going job search support and guidance provided to the older workers, and the successful placement of these individuals into employment. The study of SCSEP, for instance, reported that projects which displayed the highest placement rates were associated with those which provide job-finding clubs and which incorporate a job developer function. Moreover, the job developer function in the Experimental Projects, which makes personal contact with local employers, was ranked among one of the most important features for assisting in the reemployment of older individuals.

Both Plett and the NCOA reported that the use of more intensive job search guidance contributed significantly to the reemployment of older workers in the initiatives funded under the 3% set aside program of the JTPA. Counselling and job finding clubs which reinforced the self-esteem and motivation among participants were found to play a major role in the 75% placement rates of older clients. It was also suggested that the provision of job search assistance, in combination with a placement component which provides individualized services to older participants, helped improve the confidence levels of older participants and enabled them to become more independent in their job search.

Conversely, the ES, which was not considered to be an effective means of assisting older workers obtain employment, provides a considerably limited amount of support and guidance, particularly with respect to counselling, assessment and job development.

One of the barriers to employment encountered by older workers was found to be their lack of job search skills. Given that older workers have experienced relatively steady employment histories, they have rarely had the need to use, nor to refine the skills required for a successful job search. As a result, their job search techniques are often outdated or limited in scope. Moreover, older job-seekers may experience considerable self-doubt with respect to their strategies for finding employment, particularly if their job search efforts have not been successful. Consequently, the findings from the above studies suggest that job search assistance which provides considerable guidance and which promotes confidence and motivation can be an important factor in the reemployment of individuals in the older segment of the population.



*5. Providing sufficient personal and financial motivation is an important aspect of the reemployment of older workers.*

A number of studies have indicated that programs which contain personal and financial incentives to reemployment among older individuals often lead to the successful reintegration of these workers into the labour market. The research suggests that older job-seekers frequently become discouraged and unmotivated as a result of their lack of success in obtaining suitable employment. Moreover, failure to acquire employment has often resulted in their early withdrawal from the labour market, a considerable decline in their enthusiasm with respect to looking for work, and significant reductions in their confidence levels.

Certain U.S. programs, however, have been found to successfully overcome the discouragement associated with the employment barriers faced by older workers by offering these individuals sufficient motivation for engaging in more intensive job search activities. For example, the evaluation of the WREB reported that this program is particularly effective for older workers who have become discouraged but who have accumulated an adequate amount of savings to offset the income reductions resulting from their job loss. It appears that the financial incentives associated with the bonus offered through the program provide enough incentive to motivate the older UI claimant to increase their job search activities. As the evaluation reveals, the WREB was found to have significant impacts on the reduction in UI payments made to these individuals, as well as on the proportion of time working following their participation.

In addition, the increased participation rate of individuals between the ages of 62 and 65 in SCSEP was attributed to the incentives provided through the program for accepting part-time employment as a means of supplementing their Social Security benefits. A study examining the SCSEP also indicated that, in addition to improving the self-esteem and sense of well-being of participants who obtained work via the program, the SCSEP was considerably effective in placing older workers into part-time employment positions.

Moreover, the NCOA report on the JTPA recommended that job search assistance to older workers contain measures for the on-going motivation of these individuals in order to contribute to their confidence levels, continued personal growth, and ultimate placement into employment.



## 5. *Lessons Learned from Selected OECD Countries*

In addition to Canada and the U.S., many other countries around the world have undergone significant economic and industrial restructuring which required the establishment of measures to assist in the adjustment of workers. In addition, demographic trends in these countries have brought about significant changes in the composition of the labour market. In recent years, falling birth rates and increased life expectancy have contributed to the progressive aging of the population, and thus the gradual maturing of active labour force participants. These circumstances have served to foster a number of employment-related problems for the older segments of the population of these countries.

As early as the 1960s, the OECD had recognized the need for the establishment of programming measures for dealing with the labour market challenges faced by older workers. According to the OECD, during periods of high unemployment, there is a tendency among employers to exercise discriminatory hiring and dismissal practices with respect to older workers. During times of economic growth, it is often difficult to efficiently mobilize and allocate human resources among the older segment of the population in order to maximize productivity.

As a result of these challenges, policies directed towards assisting in the adjustment of older workers in the growth industries and changing labour market structures have been implemented in many countries. This chapter of the report identifies and summarizes the employment policies directed towards older workers introduced by selected OECD countries within the past few decades. The selection of the countries for which policies are discussed in this document was based on the quantity and value of the information available, as well as its relevance to this current study. Thus, while some of the OECD countries excluded from the following discussion have clearly developed programming aimed at improving the labour market adjustment of older workers, many are not incorporated into this report because of the absence of detailed information with respect to these programs, their implementation, and the outcomes associated with implementation.

In addition to various journal articles, evaluation studies, and independent reports produced on programs for older worker adjustment in the countries examined, three primary sources of information were used to develop this chapter. The first is the OECD Social Policy Study: *The Labour Market and Older Workers* which analyzes private and public sector policies and the implications of these policies on the labour market for older workers in 10 separate OECD countries (i.e., Australia, Belgium, France, Germany, Italy, Japan, the Netherlands, Sweden, The United Kingdom, and the U.S.).

A second frequently utilized source of information consists of a 1983 report prepared by Bernard Casey and Gert Bruche entitled *Work or Retirement?* This report examines the

problems encountered by older workers, the government policies initiated to address these problems, and the impacts of these policies on the labour market outcomes of older workers in France, Great Britain, the Netherlands, Sweden, and the U.S.

The third major source of information is the series of discussion papers published between 1985 and 1990 by the International Labour Organization on training for older workers in a variety of industrialized countries. These papers describe private and public sector training activities for older workers and summarize the results of studies conducted to assess their effectiveness. Countries examined include Canada, France, Germany, Japan, the Netherlands, the U.K., and the U.S.

## **5.1 Australia**

The 1995 OECD policy study indicates that the overall population of Australia is aging at a rate which is similar to those found in other industrialized nations. For instance, according to forecasts, the proportion of the Australian population aged 65 and over is expected to increase from 11% in 1995 to 18% by the year 2021. Comparatively, the population of individuals aged 65 and over in the U.S. is expected to grow from 13% in 1995 to 22% by 2030.

Labour market trends, however, suggest that the labour force participation rates of older Australian workers are declining. In 1971, almost 91% of males aged 55 to 59 were in the labour force, compared to 75% in 1991. Among those between the ages of 60 and 64, labour market participation decreased from 76% in 1971 to 51% in 1991. Much of this decline was attributed to the increased withdrawal of WWII veterans from the labour market who became eligible for service pensions at age 55.

On the other hand, the labour market participation for women appears to have remained relatively steady over the past quarter century. The OECD reports that approximately one-third of women aged 55 to 59 have been in the labour force between 1971 and 1991, while the rate for those aged 60 to 64 has fluctuated between 13% and 16% between 1978 and 1991. These trends have had implications for the composition of the labour market for older workers. The OECD indicates that in the late 1970s, about 25% of all workers between the ages of 55 and 59 were females, compared to 35% in 1991. Moreover, the proportion of female participants aged 60 to 64 increased from 20% of all participants in this age group in 1978 to 25% in 1991.

According to a study prepared by Bettina Cass (1988), the unemployment rates for older male workers in Australia has remained relatively steady over the past few decades, particularly when compared to younger individuals (refer to Exhibit 17).

<b>EXHIBIT 17</b>				
<b>Australian Unemployment Rates Among Males by Age</b>				
<b>Year</b>	<b>25 to 34</b>	<b>35 to 44</b>	<b>45 to 54</b>	<b>55 and Over</b>
1975	2.4%	2.3%	2.2%	2.5%
1980	3.9%	2.5%	2.8%	2.9%
1987	7.0%	4.8%	4.2%	5.5%

As seen in Exhibit 18, however, the duration of unemployment among older workers in Australia is considerably higher than that experienced by their younger counterparts. In addition to these data, the OECD indicates that in 1991, 48% of unemployed workers in Australia aged 55 to 64 were jobless for longer than 12 months compared to 23% of all unemployed workers, and 24% were unemployed for longer than three years compared to 6% of the overall population of unemployed individuals.

<b>EXHIBIT 18</b>			
<b>Median Duration of Unemployment Spells (Weeks)</b>			
<b>Among Older Workers in Australia in 1987</b>			
<b>Sex</b>	<b>45 to 54</b>	<b>55 and Over</b>	<b>Overall Labour Force</b>
Males	52	58	27
Females	26	36	16

A 1989 survey of employers conducted for the Australian government examined the potential causes of prolonged unemployment among older workers who lose their jobs in an attempt to identify the barriers to their reemployment. As reported in the OECD study, the survey found that although employers generally demonstrated a high regard for the skills, experience, and reliability of older workers, they were reluctant to take the risk of offering employment opportunities to this segment of the population.

Moreover, Cass identified that between 1977 and 1987, the proportion of older males dependent on income support increased from 9% to 19% among those aged 55 to 59, and from 21% to 43% for those between the ages of 60 and 65. Among women aged 55 to 59, this proportion increased from 26% in 1977 to 35% in 1987. Cass also indicated that the majority of these individuals, however, do not receive unemployment insurance. In fact, in 1987, only 16% of older males in receipt of income support were UI claimants, and fewer than 2% of the females were receiving these benefits. The remaining older workers who are dependent on the state for their income receive sickness or disability insurance or retirement pensions. Cass argues that because the entitlement rates of UI are considerably low relative to the alternative sources of income support, a vast majority of these individuals have opted for the higher income sources. Moreover, although UI receipt necessitates that the claimant remain an active member of the labour force, the sickness and disability insurance schemes require that the recipient be unable to work, and public pension plans imply retirement. Consequently, the growth in the proportion of older

workers in receipt of income support other than UI has also led to an increase in the number of older workers who have withdrawn from the labour market.

In response to the reemployment barriers faced by older workers, as well as their early departure from the labour force, the 1989/90 federal budget announced a number of active measures dedicated to address the needs of the long-term unemployed older worker. The budget specified improvements to the assessment and counselling process of unemployed individuals between the ages of 55 and 64; measures to increase the access for older workers to major established programs; strategies for improving community and employer attitudes towards older workers; enhanced incentives for unemployed workers aged 55 and over to increase their reintegration into the labour market; and increased income support entitlements for those aged 60 and over. Although no specific initiatives for assisting older workers were developed, the strategies outlined in this budget led to programming measures which were introduced into existing employment-related strategies, or into newly implemented programs designed to assist the general population of unemployed workers.

The SkillShare program introduced in 1990, for example, provides retraining, personal support and referral services, and work experience in the community in order to help long-term unemployed and employment disadvantaged individuals improve their opportunities for employment and training. This program is available to workers aged 55 to 64 after only one month of unemployment rather than the standard six months for unemployed individuals in other age groups.

In addition, the JobStart program provides employers with a wage subsidy for up to 20 weeks for hiring individuals who have been unemployed for six of the last nine months. Eligible workers include those who are not enrolled in full-time education, who are registered with the employment service, and who are actively seeking work. As a result of the provisions outlined in the 1989/90 budget, the duration of employment eligibility criterion is waived for older workers aged 55 and over who have demonstrated that they have conducted an extensive job search.

The active measures to address the labour market challenges of unemployed older workers also increased access of individuals between the ages of 55 and 64 to Jobtrain. This program provides clients with opportunities for vocational training geared to meet the demands of local labour markets.

The Newstart program, implemented in 1991, represents a revitalized approach to providing income support for job-seekers. Newstart is designed to actively reintegrate unemployed clients into the labour market via improved job search and training techniques. Its objective is to reward individuals who are active in their efforts to become reemployed or to improve their labour market prospects through two streams of financial support: the Job Search Allowance (JSA) and the Newstart Allowance (NSA).

The JSA applies to individuals who have been unemployed for 12 months or more, and requires the claimants to seek employment through active job search techniques backed

up by labour market program assistance. For the most part, this component of Newstart is aimed at assisting employment disadvantaged individuals and those who possess limited literacy skills.

The NSA also serves workers who have been unemployed for at least one year. The employment-related services provided under the NSA component, however, include considerably more comprehensive and intensive contact with the clients in order to help these individuals obtain suitable employment.

In terms of older workers, under the Newstart program, the job search/labour market activity reporting period for claimants between the ages of 55 and 64 was increased from once every two weeks to once every 12 weeks. Older workers are also granted the liberty of enrolling in short-term training (fewer than 13 consecutive weeks) and to accept voluntary employment without penalty to their entitlements. In addition, the benefit rate of claimants aged 60 and over was increased to reflect the income which could be obtained through the public pension plan.

Despite these strategies for improving older worker access to employment-related programs and for enhancing the labour market prospects of older workers, the OECD report indicates that, as of 1995, little or no impacts on older workers in Australia have been observed. Moreover, the study suggests that given the extent of the difficulties faced by older workers in overcoming employment barriers, it is not likely that simple changes to client service practices for older workers will help to break down these barriers.

## **5.2 France**

The labour market participation rates of older workers in France ranks among the lowest of all OECD countries. In 1990, for example, only 40% of workers aged 55 to 64 were actively working or looking for work. In addition, between 1975 and 1990, the participation rate for men aged 55 to 59 declined from 83% to 68%, while males between the ages of 60 and 64 experienced a decrease from 57% in 1975 to 24% in 1989. Women between the ages of 60 and 64, experienced a decline in labour market participation from 30% in 1975 to 18% in 1989 (OECD).

This considerably low labour market participation rate among older workers is commonly credited to France's extensive mechanisms for easing the transition of older individuals from work to retirement through the provision of primarily compensatory assistance to the more mature segment of the population (Casey and Bruche). France delivers one of the most generous income support programs to older workers of any OECD country. Unemployment Insurance is provided to older workers for an unlimited amount of time up to the normal retirement age (OECD). The public pension plan is designed such that individuals can access retirement benefits prior to reaching the age of 65 without suffering actuarial penalties (Casey and Bruche). These, in combination with the extremely limited amount of active employment-related programming for the reintegration of older workers into the labour market (Plett) have necessarily discouraged reentry into the labour market of displaced older workers, and have, according to all relevant sources reviewed, encouraged their early withdrawal from the labour force.

France's system of Unemployment Insurance compensation recognizes four broad categories of claimants: youth and new entrants with no labour market experience; persons who have become dislocated for "economic reasons"; other involuntary job-losers; and unemployed workers over the age of 60.

Under the Allocation Spéciale (AS), the French UI system provides individuals under the age of 60 who have lost their jobs as a result of economic or structural change with up to 75% of their last earnings for the first month of unemployment. The proportion of previous wages reimbursed under the AS then falls by 5% every three months until it reaches 60% in the final quarter.

The Allocation de Base (AdB) provides insured workers who have involuntarily become unemployed for other reasons with a rate of compensation equal to a flat rate benefit level plus 42% of the claimants previous wage. The duration of benefit receipt is related to age, whereby those under the age of 50 can receive benefits for 52 weeks, while those 50 years old and over are entitled to 130 weeks. Once a claimant reaches the age of 61 years and 8 months, however, benefits are provided until pensionable aged is attained.

The Garantie de Ressources (GdR) provision, established in 1972, compensates unemployed older workers 60 years of age and older with up to 70% of their previous wages until the age of 65. Moreover, under the GdR, claimants have the right to be reclassified as early retirees, and thus, are no longer required to actively seek employment. Although the GdR is intended to provide support to unemployed individuals over the age of 60, eligible workers can pass into the GdR from the AS once they reach the age of 56. With the introduction of the Allocation Conventionnelle (AC) in 1980, workers aged 56 or over, who had lost their jobs as a result of structural and economic change and who worked in region or plants known to be problem areas, were provided with access to yet another source of UI compensation. The AC provides 70% of the claimant's previous wages until the client automatically qualifies for the receipt of GdR benefits at age 60.

Casey and Bruche suggest that the UI system has clearly encouraged the early withdrawal of older workers from the labour force. The possibility of moving from one compensatory system to the next, in combination with the generous benefit levels, has not only targeted workers aged 56 and over for dismissal during layoffs, but has increased their willingness to volunteer for dismissal. Moreover, given that employers have had a tendency to top up UI payments, and in light of the limited reemployment prospects of displaced older workers, the decision to accept redundancy is in reality, a decision to opt for early retirement. In fact, according to Casey and Bruche study, the number of beneficiaries of the GdR grew almost 800% between 1974 and 1979, and the provision was estimated to reduce the active labour market participation rate of workers between the ages of 60 and 64 by almost one-quarter.

The OECD also reports that the UI system in France has had an impact on the participation rates of older workers. Their 1995 report indicates that in 1989, while 32% of all long-term unemployed individuals found employment, the rate of reemployment among those over 50 was only 13%. In addition, nearly 27% of the workers aged 50 and over had withdrawn from the labour force.



The basic pension scheme under France's public pension system entitles the retired worker to 50% of the average wages earned in the past ten years, providing the individual has made 37½ years of contributions to the plan. Since 1982, any worker having reached the age of 60 having contributed to the plan for the 37½ year minimum is eligible for pension. The OECD study reports that as a result of the 1982 reduction in the age at which full pension can be obtained, early retirement has significantly increased. In 1970, for instance, 40% of French workers took out their pensions prior to the age of 65, with 70% of these suffering no actuarial penalties (existing legislation allowed those unfit to work and persons with disabilities to apply to receive pension benefits without penalty). By 1993, however, the percentage of early retirements (prior to 65) without actuarial penalties as a proportion of all pension claims was 66.7%. In addition, in 1989, the average pension for male employees who made full contributions to the plan was 92% of the average income of the working population (73% for women).

Regardless of the predominance of passive income support provisions available to older workers in France, there nevertheless exist some active programming measures to assist in improving their labour market prospects, albeit very few. The 1979 wage subsidy program provided a lump sum payment of 8,000 FF to employers who hired an individual over the age of 45. As Casey and Bruche indicate, however, although the program was funded to help place 15,000 older workers, only 1,296 positions were subsidized in the first year of implementation.

The Employment Pact of 1981, as well as the Employment Plan of 1989 provided firms who hired a worker 45 years of age or older (or 50 and over for the latter program) with a 50% exemption on their required social security contribution. This strategy would save the employer, on average, 14% of the total payment to social security which would have occurred in the absence of the exemption. However, according to Casey and Bruche, because the target number of employees for this program was unambitious, the program was expected to have an impact on fewer than 5% of the eligible workers.

In addition, the OECD reports that a number of public training programs have been implemented since 1985 to help improve the employability of older individuals, and that participation in these programs has increased steadily since their implementation. For instance, in 1985, only 4% of all trainees were aged 45 and over were enrolled in training compared to 9% in 1989. Once the individual reaches the age of 50, however, their participation in training appears to decline. In 1991, the number of workers aged 50 and over who were long-term unemployed represented only 5% of those involved in training activities, although they made up over 25% of this population.

Nevertheless, the OECD study indicates that many firms have taken considerable steps to establish training and retraining activities for older workers. Moreover, certain employers have introduced the *Gestion prévisionnelle de l'emploi* (GPE) under which labour requirements are refined and redefined with more flexibility in order to better tailor employment positions to meet the needs and employment histories of individuals in their late careers. Although the report stated that this method of employment planning is too recent to adequately evaluate, it also indicated that by the end of 1989, the GPE has been implemented in 22 industries in France, with a high representation of larger firms.

## 5.3 Germany

The German labour market for older workers has witness a steady decline since the 1970s. While the proportion of male labour market participants aged 55 to 59 fell from 85% to 79% of their respective population between 1970 and 1989, only 33% of those between the ages of 60 and 65 were working or actively seeking employment in 1989, compared to 74% in 1970. Similarly, although the labour market participation rates of females aged 55 to 59 remained relatively constant between 1970 and 1989 at about 38%, the participation of women aged 60 to 65 fell from 23% in 1970 to 11% in 1989 (OECD, 1995).

The trend towards lower rates of labour market participation among older workers in Germany has been attributed to two distinct phenomena. First, while the increasing levels of unemployment in the country have had a negative impact on all workers, the older worker appears to have suffered greater losses in terms of their participation in the labour force. Second, access to generous early retirement packages, either through government or company agreements, have induced many older workers to prematurely withdraw from the work force (Sutter, 1989).

According to the 1995 OECD report, one of the means by which older workers could obtain early withdrawal from the labour force was through Germany's disability provisions. The occupational disabilities component, or *Berufsunfähigkeit*, serves as a supplement to reduced income from employment for those individuals who can no longer perform their current duties for health or disability related reasons, but does not require that the recipient be unable to work. Until 1969, the general disability benefit, or *Erwerbsunfähigkeit*, was granted to individuals who were completely unable to work as defined in medical terms. However, as a result of a 1976 amendment to the relevant legislation, the criteria for receipt of general disability benefits was expanded to include all those individuals who could not perform the duties in positions which were available. As a result, according to the report, this amendment created a new category of older workers defined as "the unemployed disabled," which contained those older workers who were able to work, but for whom suitable work was not available. In fact, as reported by the OECD, utilization of the occupational disability program by new male entrants to public pension schemes declined by 16.6% in 1968 to 6.2% in 1989, while new male entrants of the general disability plan remained steady at about 30% of all male entrants of public pension programs between. Similarly, because the contribution requirements for general disability pensions until 1984 was only five years, many women with limited work experience were able to qualify for the benefits, despite the fact that 66% were not in the labour force in the year prior to receiving disability insurance payments, and, of these, 66% had made no contributions for at least 10 years, and 39% for at least 20 years.

In addition, the German public pension system appears to be one which significantly encourages early retirement among older workers in order to address the country's redundancy issues. While the normal old age pension plan provides retirement benefits to workers once they reach the age of 65, in which payment is based on their age and the number of years the recipient contributed to the plan, according to Sutter, the existence of

several additional retirement provisions have served to persuade older workers to prematurely withdraw from the labour force before they reach normal retirement age.

For instance, the flexible retirement scheme of 1973 (flexible Altersgrenze) allowed workers with a minimum of 35 years of contributions to the public pension plan to retire by the time they reached the age of 63.

The Altersruhegeld wegen Arbeitslosigkeit, introduced as part of the pension reform of 1957, provided pensions for individuals who had reached a minimum age of 60 experiencing an unemployment spell lasting 12 months or more out of the past 18 months.

In addition, between 1984 and 1988, the “pre-retirement” scheme, or Vorruhestandsregelung, enabled workers to retire from gainful employment by the age of 58. Under this initiative, the employee received from his or her previous employer a minimum of 65% of the latest wages, and the employer was remunerated 35% of the costs, pending the employment of a replacement worker in the vacancy created by the older worker’s early retirement. According to Sutter, 38% of the eligible candidates for the pre-retirement scheme in 1985 had made use of the provision.

The “59er regulations” offered generous early retirement benefits to older workers aged 59 and over if the candidate has been unemployed for at least 12 months immediately preceding receipt of the benefits.

Despite the public efforts to providing financial support to older individuals, according to the OECD, company pension plans only account for an average of 10% of the retirement incomes of older workers who voluntarily or involuntarily leave the work force.

OECD statistics suggest that workers opting for early retirement suffer significant income losses compared to those who remain employed. In 1981, for example, the average net income for those who accepted early retirement packages was estimated to be 60% of the median income for the country. Moreover, the average net income of individuals who had accepted early retirement was two thirds of that of similarly aged individuals who were employed. In fact, according to the OECD, in 1989, total income received via public pensions by individuals who retired early constituted about one-half of their previous wages, although this has increased from 45% in 1970.

Similarly, Leckie indicates that many German studies have questioned the adequacy of the payments made to those who chose early retirement, particularly given that a number of these individuals have either returned to the work force or have become dependent on the state’s welfare system.

The literature identified very few government-sponsored programs designed to promote the occupational advancement and training of older workers in Germany. Among these is the Employment Promotion Act of 1967 which promotes the vocational training of older individuals and provides a subsistence allowance to individuals in this age group who participate in training programs. However, according to Sutter, the training provided under

the act tends to favour the unemployed who are difficult to place, those who suffer from severe disabilities, and young unemployed individuals who lack vocational training.

The Works Council Constitution Act requires Work Councils to commit to providing training to older workers through on-site and external vocational training programs. As Sutter identifies, however, a survey of 1985 trainees and non-trainees indicated that older workers were less likely to enroll into vocational courses (14% between the ages of 60 and 65 compared to 32% of the 19 to 35 year old age group), primarily because older workers did not see the value in additional training.

## 5.4 Japan

Human resource practices in Japanese industry are structured and operate in such a way as to encourage the lifelong employment of workers. This has generally resulted in a high participation rate of older workers in the Japanese economy. Since 1975, the labour force participation rate for men aged 55 to 59 has remained relatively steady at 92%, and although the rates for males aged 60 to 64 have declined in the past 30 years (83% in 1965 and 73% in 1986), their rates are nevertheless considerably higher in relation to other industrialized countries (Osako, 1989).

The labour market participation for women in Japan has historically been lower than that of males. For example, about 50% of females between the ages of 55 and 59 have been active labour force members since 1965. Among those aged 60 to 64, the participation drops to approximately 40%.

Japan's lifelong employment system has had both advantages and disadvantages for older workers. Under this system, younger workers are recruited directly from post-secondary education and are provided with intensive on the job and classroom training sponsored by the firm. Employment among individuals recruited is considerably secure until retirement.

The wage structure in Japanese industry is highly tied to age and seniority, and earnings and internal upward mobility generally increase gradually over the work life of the employee. Upon reaching retirement age, the worker is provided with a lump-sum payment based on the number of years of tenure within the firm (OECD).

Given the level of investment directed towards the initial training of new recruits, employers are typically reluctant to hire experienced workers, preferring to employ individuals immediately out of university who are untarnished by other corporate training schemes. Moreover, rather than dismissing workers, Japanese firms generally move employees laterally within the firm or to subsidiary companies to which the firm is linked (Bednarzik and Shiells, 1989). In addition, in order to avoid layoffs, during work slowdowns, employers encourage a system which reduces the number of overtime hours worked by their employees as a means of adjusting to decreasing production schedules. For instance, during the recession in the mid-1970s, average overtime in manufacturing firms in Japan declined from 17 hours per month in 1973 to 9 hours per month in 1975. Similarly, as a result of the economic downturn in 1986, average overtime declined by approximately 10% (OECD).

While the hiring and dismissal measures practiced by Japanese firms have served to help workers secure long-term employment, and have enabled older workers to remain active labour market participants until they retire, the few Japanese workers who lose their jobs prior to retirement face considerable barriers to becoming reemployed. Moreover, employees who remain employed in the service of one company continuously tend to be more favourably treated than those who leave the firm early, particularly in terms of wages and corporate benefits.

One of the most conspicuous groups of workers who leave the firm early, and thus face increased reemployment barriers, are women. In Japan, women have traditionally voluntarily withdrawn from the labour force at marriage or childbirth, or for child-rearing purposes. According to Osako, 51% of the labour force of women between the ages of 30 and 34 left their jobs for these reasons in 1988. Their return to work after family responsibilities have diminished, however, have typically been into positions with lower wages than their male counterparts (about 50 to 60% of the average male salaries), or into part time employment. In fact, in 1988, among all female labour force participants between the ages of 45 and 54, 43% were employed on a part time basis. Moreover, the OECD reports that, unlike part-time workers in other industrialized countries, part-timers in the Japanese economy have historically not been provided with the same level of benefits as those who work full time, nor have their wages followed the same patterns of growth as their full time counterparts.

Another common criticism of the lifelong employment system practiced in Japan is the potential for increased mismatches between the demand for and supply of labour. Bednarzik and Shiells indicate that the Japanese labour force contains a large number of older workers whose skills may have become obsolete, yet who remain in the labour force, and a subsequent low participation rate of younger workers who have kept up with the emerging skills requirements. As a result, a shortage of workers with appropriate skill levels has developed. In addition, according to the OECD, a large portion of shortage occupations in the late 1980s has been in the area of manual work and unskilled service jobs. These surplus positions would normally be filled through the supply of new entrants into the labour force. However, because the majority of younger recruits were highly educated, the wage levels which they were willing to accept were above the traditional market value for these jobs. As a result, many firms resorted to the hiring of illegal foreign workers to fill these positions.

Although the lifelong employment system has generally secured the long-term employment of older individuals in Japan, both Osako and the OECD have identified a number of government programs for promoting the employment prospects of older workers, despite their limited need.

In 1986, the Occupational Skill/Ability Development Act offered middle-aged and older workers with occupational training through National Occupational Skill/Ability Development Centres. Under the act, a certain proportion of training activities are to be set aside for individuals aged 45 and over, and a higher than average rate of reimbursement to the firm is available for the training of older workers. According to the

OECD, in 1987, 45% of the trainees registered at National Occupational Skill/Ability Development Centres were 45 years of age or older. However, Osako reports that in 1987, among older workers seeking employment or reemployment, fewer than 6% had enrolled in training activities offered through these centres. Osako also revealed, however, that the training available through the centres appears to have had a considerable impact on the reemployment of clients, as in 1988, 50% of the graduates of training had found employment upon its completion. Unfortunately, the post-training employment rates of those aged 45 and over were not available.

The Japanese government is also involved in a number of subsidy programs designed to encourage firms to hire and retain older workers. Under these programs, firms are provided with a partial subsidy to cover the costs of increasing the access to training of older individuals. The Life-long Skill/Ability Development Program established in 1982, for instance, subsidizes employers who have designed a program for the provision of occupational training throughout the worker's worklife. Firms are reimbursed one-third to one-half of the training costs of middle-aged and older workers, as well as a portion of the trainees' salary for up to 150 days.

The Pre-retirement Occupational Training Program of 1987 subsidizes the costs of the Ministry of Labour approved job skill training program taken outside the company by workers aged 50 and above. Workers are reimbursed 50% of the cost of the training for courses which are generally six to 12 months in duration.

Employment Opportunity Development Grants to disadvantaged workers offer subsidies to employers who hire older and disadvantaged individuals seeking employment or reemployment. Under this scheme, however, subsidies for persons with disabilities are up to 50% higher than those for older individuals.

The Employment Opportunity Development Grants to Retirees, on the other hand, provides firms with up to ¥ 600,000 for extending the employment of workers aged 55 to 65 who are due to retire.

Because of the longer term impacts expected from these programs, few have been formally evaluated. Osako has identified, however, a number of strengths related to their delivery. For instance, the size of the budget available for the subsidies and the cost-savings associated with the use of existing infrastructure for the delivery of the training programs allow for a fairly comprehensive coverage of all workers and firms. Moreover, these programs appear to have served as a catalyst for increasing awareness of the labour market challenges of unemployed older workers, as well as for the development of a training culture for older workers in Japanese firms.

Non-subsidy government initiatives include, the Older Persons' Skill/Ability Development Information Centres, implemented in 1978, to assist older workers develop occupational skills to improve their employability by disseminating career and skill requirement information.

In addition, the Silver Manpower Centres, established in 1986, promote work-sharing, the utilization of older workers in businesses, and the gradual transition of older workers from full time work to part time work to retirement. The centres help employers develop organizational and human resource plans for the continued employment of older workers in non-traditional or alternative work environments. While the centres receive some government funding for their operations, they are primarily self-supporting, and as a result, levy an annual membership fee to firms equal to approximately 5 to 10% of the wage value of every placement contract.

## 5.5 Netherlands

Over the past few decades, the labour market participation rate of older workers in the Netherlands has been notoriously low, and, particularly for males, has been declining at a steady pace since the 1970s. For example, the labour market participation rate of males aged 55 to 59 declined by 15.2 percentage points between 1971 and 1991, while those of males aged 60 to 61 fell by more than 43 percentage points between 1975 and 1990. Moreover, while the employment rates for females as a whole in the Netherlands has historically been very limited (52% in 1989), in 1991, only 7.8% of women between the ages of 60 and 64 had participated in the labour force.

Much of this low level of participation among older workers has been attributed to government policy directions and collective bargaining agreements within the Netherlands which encourage passive income support for older individuals rather than active reemployment measures. According to a 1995 policy study conducted by the OECD, these passive approaches to providing economic adjustment to this segment of the population have led to the considerable labour force withdrawal of older workers. This section of the report outlines the measures implemented in the Netherlands for improving the economic well-being of older individuals, and summarizes their implications for the participation rates of these workers in the labour market.

In 1976, in order to protect older workers from discriminatory practices with respect to their dismissal, the government of the Netherlands introduced legislation (Burgerlijk Wetboek (BW)) which regulated the separation procedures of workers aged 45 and over. Under the BW, workers aged 45 and up were to receive one additional week of termination notice for every year of service with an employer since the age of 21, up to a maximum of 13 weeks. In addition, in layoffs affecting 20 or more individuals, the employer was legislated to provide the local employment office with a demographic profile of workers deemed redundant in order to verify that older workers were not overrepresented in this list.

According to the OECD report, however, this legislation did not effectively retain older workers in their positions, as a number of conflicting policies regarding the labour market participation of workers close to retirement age worked against the success of the BW. For example, the Social Plan (SOP), also known as the “57.5 arrangement”, made it possible for firms to collectively dismiss all workers above the age of 57.5 if the reorganizing firms could demonstrate an economic need to restructure. In return, the government would

provide these individuals 85 to 95% of their wages at the time of termination. Because the SOP reduced the financial hardship encountered by affected older workers, according to the OECD report, it served to encourage the development of redundancy agreements between the employer, the Work Councils, and the trade unions, which included selective redundancy and singled out older individuals. Moreover, given the generous post-layoff compensation packages provided to older workers, the local employment offices became more lenient in approving redundancy plans involving older individuals.

The early voluntary retirement incentives (VUT) introduced in 1976 were also found to work against maintaining the labour force participation of older workers. The VUT provided interim benefits to workers who retire before the age of 65, and were designed to bridge the gap between the age of early retirement and the age at which the worker becomes eligible for public pension. By 1979, 80% of employees in the private sector were covered by a collective bargaining agreement which included a VUT option. To be eligible for the VUT, an employee must have acquired a minimum of 10 years of service with the employer. On average, the recipient received 80 to 85% of their last gross pay prior to voluntary retirement. VUTs were funded through employer and employee contributions. Between 1984 and 1988, 19% of the older workers aged 55 to 59 accepted early retirement, while in 1990, 18% of those aged between 60 and 64 did the same.

The VUTs were considered considerably effective in that they served the needs of a variety of economic agents. At the firm level, these incentives allowed business to reduce their workforce at limited costs, and the negotiations of VUTs in collective bargaining agreements typically involved wage demand concessions on the part of the trade unions. From the older worker perspective, the VUT allowed them to prematurely exit the labour force without suffering extensive losses in income or pension. In addition, the labour market experienced lower unemployment rates as the early retirement of older workers opened up positions for other workers, particularly youth. The government saw VUTs as a means of reducing the pressures of providing UI and other income support mechanisms to involuntarily displaced workers.

On the other hand, the OECD paper delineates a number of criticisms relating to the VUTs. Although the VUTs were intended to be voluntary, many older workers were found to feel a moral obligation to accept early retirement in order to enable their younger counterparts to acquire labour market experience, regardless of their interests, intentions, expectations, and prospects. Moreover, the report indicated that, as a result of the growing number of workers eligible for the packages, as well as the legislative changes in the disability benefits programs, the cost of providing VUTs to older workers was increasing over time, from an estimated 0.6% of total wages in 1981, to 2.4% in 1992, with up to two-thirds of the VUT contributions coming from employees. It was also found that access to VUTs was declining, covering only about 67% of the workforce in 1988. In addition, Casey and Bruche (1983) reported that the VUT was primarily a means by which firms could reduce their payroll, and that the program actually led to a 25% reduction in the workforce of firms covered by the VUT, and a 30% reduction in the workforce in public organizations.



The high proportion of older workers voluntarily or involuntarily separated from their employment was also a function of changes in the UI system. In 1976, for instance, changes in the system increased UI eligibility of workers aged 60 to 64 who had become redundant, from 2.5 years to until they reached 65 and could access their public pensions. As part of these changes, separating employers agreed to supplement the government support to these workers until their total income from all sources reached a level which equated 85% of their final wages. According to the OECD report, the firms favoured this change as it allowed them to restructure their employee base at minimal costs (given that the UI system compensated up to 80% of the support to these individuals). Moreover, in 1984, additional changes to the UI legislation eliminated the requirement that recipients actively seek employment and remain available for work among individuals aged 58 and over. In addition, the Income Provisions for Older and Partially Disabled Workers (IOAW) Act of 1987 provided extended benefits for workers aged 50 or over and who did not qualify for regular UI.

As a result of these changes, as indicated in the OECD report, a worker who becomes unemployed at or after age 57½, can be provided with government and private sector income support until they reach the age of 65, at which time they qualify for public pension benefits. According to Casey and Bruche, due to the UI system's inherent incentives for dismissing older workers from both the employer and employee perspectives, these measures served to perpetuate the early withdrawal of this segment of the population from the labour market. For the employer, the UI and IOAW programs represented a more cost-effective means to reduce the payroll than did early retirement. For the employee, the changes allowed them to access financial support mechanisms without incurring penalties to their pensions. In fact, according to the study, nearly 33% of all unemployed workers aged 60 to 64 were in receipt of UI or IOAW benefits in 1980.

The low levels of labour force participation among older workers in the Netherlands has also been attributed to the generous disability schemes available to them. Sickness benefits (ZW), which are payable up to 70% of the workers wage if they become unable to perform their work duties as a result of illness, accident or disorder, cover eligible recipients for up to one year. In 95% of the cases, these benefits are topped up by employers with sufficient support to bring the entire benefit level up to the workers pre-benefit wage rate. After the initial year, should the worker's needs for sickness benefits persist, the worker typically enters one or both of the country's disability schemes.

The two means by which a worker can access disability coverage are through the disablement insurance under the Disability Insurance Act (WAO) of 1967 and the general disablement offered through the General Disability Benefit Act (AAW) of 1976. Both acts required that every employee in the Netherlands be insured against disability, with the AAW extending the benefit coverage period to over one year.

According to the OECD, the fundamental weakness with respect to these programs was the liberal definition regarding what constituted a disability. For instance, if a suitable job could not be found by a worker in receipt of disability insurance at the last wage in the same geographical area, a degree of disability amounting to 80 to 100% could be assumed

even if, from a medical perspective, appropriate work could be undertaken. This suggests that prevailing labour market environments and the ability of the recipient to find employment were implicit in the worker's disability entitlement. As Casey and Bruche report, the availability of disability insurance represented another means of income support, and resulted in a high concentration of older individuals in receipt of these benefits, and thus a further reduction in their labour force participation. According to their study, in 1979, 60% of all recipients were aged 45 and older, with almost one-quarter falling into the 60 to 64 age group. This high concentration was attributed to the fact that it is easier for older workers to demonstrate that they are medically unable to perform the duties required in their previous employment. In addition, the report states that the incidence of disability payments was highest among workers in the fastest declining industries, such as textiles, mining, and leather, providing further indication that the system of disability pensioning actually disguises unemployment.

Despite WAO and AAW reforms in 1985 through 1987 which reduced the benefit amounts from 80% to 70% of the previous wage rates and which required the worker to accept appropriate positions for which they were qualified, because of the availability of IOAW, the incentives for workers aged 50 and up to return to the labour market remained limited.

More active measures for providing training and reemployment services to older workers appear to be considerably limited in the Netherlands. The majority of these initiatives are administered under a set of government guidelines for the allocation of resources towards providing assistance to the long term unemployed in designated groups. While resources favour youth under 23 by a three to two ratio over all other age categories, one-half of the balance of the funding is devoted to workers aged 45 and over. The specific interventions for older workers under these guidelines include wage subsidies and job creation programs.

Under the wage subsidy program, private sector employers who recruit a worker aged 45 and up are provided with an allowance covering 30% of the worker's wages for up to one year. A similar initiative, which offers employers 75% of the wages of individuals recruited into positions who have been unemployed for at least one year, includes considerable numbers of older workers. According to Casey and Bruche, while this program has been effective in promoting employment among individuals aged 45 and over, in 1979, fewer than 4% of eligible older workers had participated.

The Temporary Employment Program offers individuals aged 45 and over, as well as those who have been unemployed for over six months, with temporary employment in public sector positions. However, because of the qualifications required to obtain these positions, the placements levels among older workers were found to be negligible (Tenhaeff).

The Employment Stimulation Measure, which provides employment to older workers largely in the environmental sector, places primarily unskilled labour into positions in this industry. As with the programs outlined above, however, participation of individuals

above the age of 44 has been found to be considerably low, at just over 7% of the eligible population.

In addition to these, older workers have access to a series of START bureaus. Operated by private sector enterprises, START bureaus provide clients of various backgrounds and age groups with temporary positions in an effort to improve their permanent employment prospects. In 1979, this program was found to contribute to the permanent employment of 30% of its participants. However, only 9% of the individuals placed were 45 and over, despite the fact that they made up 25% of the bureaus' participants.

In terms of training, the OECD reports that the majority of the programs are designed to meet the needs of individuals under the age of 35, and as a result, the older segment of the working population tends to participate only when training vacancies are available.

On the other hand, Tenhaeff reports that the Training and Re-entry in Health Care Institutions project (SWZ), which represents a regular training program for the labour market reintegration of older nurses who have not worked in the past five years, has been successful in placing older workers into suitable positions. An evaluation of SWZ indicates that 87% of the nurses retrained under the program had obtained and retained positions in the health care sector, representing mostly part-time employment.

The INZET program, founded in 1975 through a government/private sector partnership, encourages the pursuit of higher education among long-term unemployed individuals over the age of 40. The program offers participants a "job conquering" seminar, as well as some job search and job placement assistance. According to Tenhaeff, over 60% of the participants in the "job conquering" seminars obtain employment within six months of the workshop.

## **5.6 Sweden**

Since the 1960s, Sweden's labour market has been characterized by high participation and employment rates among individuals of all ages. For almost 40 years, the unemployment rate among Swedish workers has remained relatively steady at under 3% until late 1992, when the rate soared to an unprecedented 5%. Moreover, these rates do not significantly vary across age groups (OECD).

The OECD also reports that although they have been declining since the mid-1980s, the labour market participation rates of workers aged 55 and over have been considerably high, particularly when compared to other OECD countries. For instance, in 1980, almost 98% of all males between the ages of 55 and 59 were active members of the labour force, although in 1990, this proportion fell to 87%. Among men aged 60 to 64, their participation rate was estimated to be 74% in 1975, 69% in 1980, and 63% in 1990. For women aged 55 to 59, the labour market participation increased from 74% in 1975 to 79% by 1990.

Among workers who become unemployed, the data suggest that a higher proportion of older workers than their younger counterparts lose their jobs because of a layoff. In 1983,

for instance, the OECD reports that 68% of workers aged 55 and up who lost their jobs became unemployed as a result of a layoff, compared to 51% overall. Similarly, in 1988, 58% of the unemployed older workers were separated from their employers due to a layoff, versus 47% among all Swedish workers. There is also indication that older workers who become unemployed tend to suffer longer spells of joblessness than do younger workers. In 1978, 18% of the long-term unemployed (12 months or longer) were aged 55 and over, compared to 5% of those 45 to 54. By 1988, individuals 55 and over constituted 31% of the long-term unemployed in Sweden, while those between the ages of 45 and 54 only made up 13% of this group.

The OECD study indicates that the high participation rates and low unemployment statistics among all workers in Sweden, particularly older individuals, is likely the result of the Active Swedish Labour Market approach which is characterized by considerable efforts to achieving full employment through active and selective employment policies. Sweden places substantial emphasis on active approaches to attaining full employment, while downplaying the passive income support strategies of providing temporary assistance to the unemployed. In fact, in 1989/90, two-thirds of government expenditures on labour market adjustment strategies was allocated to active employment programs, while less than 25% of the resources were devoted to UI and other financial support mechanisms to workers. This approach represents a considerable difference from the more passive or “mixed” approaches to assisting unemployed workers utilized in the other OECD countries examined in this study.

Despite these active measures, and the fact that there is limited social pressure for older employees to surrender their jobs in order to make room for their younger counterparts, in the 1980s, the Swedish government introduced a series of provisions designed to encourage the early retirement of workers who have reached the age of 60. According to the OECD, the decline in the participation rate of more mature members of the working population can be attributed to these policies.

In terms of employment-related measures, the Swedish Active Labour Market Policy provides a number of services to workers who have become unemployed or who wish to improve their labour market conditions. The more commonly utilized services include sheltered workshops (SAMHALL), subsidized employment, relief work, and training. While these programming measures are intended to serve the entire population of job-seekers in Sweden, it appears that the share of older workers participating in these programs is relatively low. For instance, in 1991, although workers aged 55 and over accounted for 10% of the total number of unemployed individuals registered at local employment offices, they only made up 7% of the participants in relief work programs, 9% of wage subsidy beneficiaries, and 1% of the trainees. On the other hand, one-quarter of all unemployed Swedes in the SAMHALL programs were over the age of 55 (OECD).

Both Rehn (1985) and Plett confirm that training activities in Sweden are limited to about 1% of the population. Plett argues that because of the high employment and participation rates among older workers, training has not been necessary, and has been used primarily to enable unemployed individuals to qualify for UI or as pre-retirement instruction. Rehn,

on the other hand indicates that 70% of those who have participated in training activities have found employment within six months of the training, and of the remaining 30%, one-half have been referred to relief work.

There is also evidence to suggest that the placement into employment and training opportunities of older workers accessing active labour market programs has not been as effective as the placement of their younger counterparts. Labour Market Administration statistics reveal that, in the first quarter of 1990, only 5% of clients of active programming who were 55 years of age or older were successfully placed into employment or training, compared to 28% of those who were 18 or 19, and 22% between the ages of 20 and 24. Similarly, in the first quarter of 1991, 5% of the 55 and over age group, 42% of the 18 and 19 year olds, and 29% of the job-seekers between 20 and 24 were successfully placed (OECD).

Assistance for older workers who have been displaced as a result of a layoff is general administered through the “adjustment groups” process initiated under the *Employment Promotions Act* of 1974. These groups represent partnerships between management, labour and government, established at the firm-level to develop solutions for improving the labour market opportunities of older workers and persons with disabilities. While adjustment groups are not mandated to achieve specific objectives and serve only an advisory function, they typically have sought to improve the labour market prospects of older workers and persons with disabilities, to encourage the modification of job descriptions to better suit the needs and experience of these individuals, to identify potential production and ergonomic changes which could improve the working conditions for older workers and disabled persons, to investigate the use of public sector programming which would promote their employment, and to propagate positive public attitudes towards members of these groups (Casey and Bruche).

According to Casey and Bruche, early evaluations of the adjustment groups indicated that they had met with only partial success. The rapid increase in the number of groups established was more than expected, and appropriate levels of funding for these groups were thus not available. In 1980, 5,100 groups were formed, with another 2,000 expected to be formed. Among these, only 30% had formerly met for a working session.

Moreover, the adjustment groups tended to concentrate their efforts on those older workers and persons with disabilities who were employed. Consequently, the needs of unemployed individuals were largely neglected. In addition, the study found that the groups generally initiated measures which were reactive rather than preventative in nature. Workers faced with employment-related challenges were frequently found to be transferred to other work, resulting in the placement of older or disabled workers into positions which typically included a reduction in wages.

The more passive approaches to providing assistance to unemployed older workers in Sweden are primarily administered through the Unemployment Insurance system and via the Swedish pension schemes.

The pension plan in Sweden consists of a number of components, of which two are most commonly utilized. The Basic State Pension (Folkpension) is available to any resident of Sweden who has lived in the country for at least ten years before reaching the age of 65. This plan is not tied to previous earnings, but its calculation is associated to a base amount determined by the state. Single pensioners are entitled to 96% of this base, while married couples together can access 157%. The pension is available to any individual between the ages of 60 and 70. For those who opt for early pension receipt, they are subjected to a 0.5% reduction in the pension amount for every month of early pension received (or a maximum of a 30% reduction for a five year early retirement). In 1988, 1.5 Million people were in receipt of the Folkpension at an average benefit rate of SKr 22,501 (OECD).

The Supplemental State Pension (ATP) is provided to individuals with considerable work histories, and the amount of the pension benefit is calculated based on the retirees previous earnings. Recipients are entitled to the full pension rate if they have worked for 30 years, although up to three years of non-labour force activities, such as raising children, are treated as pensionable. The full rate is equal to 60% of the established base amount, and pensioners are eligible for additional benefits for each full year of employment. In 1988, 1.1 Million people were in receipt of the ATP at an average benefit rate of SKr 39,722 (OECD).

In addition to these, in 1976, the Swedish government implemented the Partial Retirement Scheme. This scheme enables any worker between the ages of 60 and 64 to gradually leave the labour market by reducing the time spent working by at least 5 hours per week or by accepting part time employment at a minimum of 17 hours per week. In return, these workers are provided with a partial pension equal to 65% of the gross earnings foregone as a result of the work reduction. In 1981, as a result of the high take-up rate and associated costs to governments (which doubled between 1979 and 1981), the proportion of lost wages recovered was lowered to 50%. Because the lower rate dissuaded many workers to accept partial retirement, however, the rate was subsequently increased back to 65% in 1987.

According to the OECD, the high replacement rates of this scheme, relative to the Basic State Pension, induced many workers to opt for this strategy. In 1988, almost 68% of the partial retirement beneficiaries received a partial pension which was higher than the established base amount in the Basic State plan (recall that single individuals qualify for 96% of this base amount). Moreover, close to 12% received more than double the Basic State Pension's base amount.

The OECD study also reports that the partial retirement scheme has had positive impacts for workers and firms in Sweden. Workers are provided with access to increased income under the program while remaining active in the labour force, albeit at a reduced rate. In addition, the scheme allowed firms to reorganize their human resources in order to achieve greater productivity, yet continue to benefit from the experience and resourcefulness of older workers. Moreover, the partial retirement plan was seen as a means for workers to avoid complete dismissal as a result of economic and structural change.

In addition, Ginsberg (1985) indicates that the partial retirement scheme has had positive effects on the overall well-being of recipients. Program participants have reported that they value their increased leisure time and many feel more rested than they did during full time employment. The scheme also appears to have improved their general health, and are less likely than their similarly aged full-time counterparts to become disabled, thus contributed to reduced absenteeism among this group of pension recipients. These factors, according to Ginsberg, have led employers to report that partial pensioners produce more per hour than full time workers within the same age group.

Casey and Bruche found that in one half of the businesses affected by partial retirement, the reductions in working time had not been compensated for by additional employment, and was thus used to reduce their work force. Moreover, it was revealed that about 25% of the worker decisions to chose partial retirement were heavily influenced by the employer. Their study concluded that, although the plan was introduced to help ease the transition of older workers from employment to retirement and to help reduce the work load in jobs held by older workers, in reality, partial retirement is frequently used by firms as a means of work-sharing, or as a way of reducing their work force by circumventing the strict dismissal protection legislation.

Dismissal legislation in Sweden prohibits the discharge of any employee unless the employer has justifiable cause. Justifiable cause typically entails a lack of work, or certain specified offenses committed by the worker. This legislation has been found to favour older workers. Since performance criteria are excluded from among the grounds for legal dismissal of older workers, many older individuals who would otherwise have been selected for redundancy or dismissal because of a reduction in productivity cannot be terminated. Only if the older worker can no longer perform any work at all is dismissal permitted, and dismissal is typically associated with receipt of a disability pension. Moreover, under the legislation, workers aged 45 and over must be provided with six months advance notice of a layoff, compared to five months for workers between 40 and 44, four months for workers between 35 and 39, three months for those aged 30 to 39, two months for the 25 to 29 age group, and one month for any worker 25 years of age or below. Also, as with legislation or collective bargaining agreements in most industrialized countries, should the employer require to dismiss employees due to an absence of work, workers having joined the firm latest, who are typically those who are younger, must be selected for redundancy (Casey and Bruche).

With respect to UI, in Sweden, active employment measures are preferred to the payment of UI benefits, and although the rate of UI utilization has more than doubled in recent years, the OECD reports that in 1990, only 0.59% of those who were unemployed were in receipt of UI benefits. Despite this low utilization, certain workers who have become unemployed and require state-funded financial assistance are necessarily compelled to access UI benefits. Any individual who has worked 75 days over a period of four months in the 12 months preceding the job loss is eligible for compensation.

Both streams of UI compensation available in Sweden provide enhanced benefits to older workers. The first provides an allowance equal to 90% of the daily income earned by

recipients prior to their unemployment up to an established maximum level (SKr 543). The maximum duration of benefits is 300 days for recipients under the age of 55, and 450 days for those 55 years of age and above. The second stream, directed towards uninsured individuals, provides a flat rate allowance (KAS) of SKr 191 per day for up to 150 days for individuals under 55, for 300 days for those between the ages of 55 and 59, and for 450 days for recipients 60 years of age and over (OECD).

## 5.7 United Kingdom

The labour market participation of workers aged 45 and over has historically been considerably pronounced in the UK, particularly compared to other OECD countries. Between 1981 and 1986, for instance, 85 to 90% of males between the ages of 45 and 59 were active members of the civilian labour force, and about 70% of women between 45 and 54 had participated in the labour force during this same time (Manton, 1989). However, since the 1970s, the participation rates of older workers have declined dramatically. In 1975, 93% of workers aged 55 to 59, and 82% of those between 60 and 64 were active labour force participants. Between 1975 and 1989, however, the participation rates of males 55 to 59 years of age fell by more than 15%, while those of men in the 60 to 64 year old age group declined by almost 30% (OECD, 1995).

The unemployment rates for older individuals in the UK mirrored their participation rates. In 1970, for example, only 5% of older men aged 55 to 64 were unemployed. This increased to 18% in 1982, and was estimated to be 9% in 1989. For those in the 60 to 64 year old age group, unemployment rose from 7.5% in 1970 to 24% in 1982, but fell to only 4.3% in 1989, indicating that the 55 to 59 year olds were most susceptible to these increasing unemployment trends. Similar trends have been found in the unemployment of older females for this time period, however, the increases in unemployment were not as profound. In this case, only 1% of the active female labour force between the ages of 55 and 59 were unemployed in 1970, 9.3% in 1982, and 6% in 1989 (OECD, 1995).

Manton attributes the decline in participation and increase in unemployment among older workers in the UK to a number of policy-related changes since the 1970s. Essentially, concerns with respect to the employment prospects of younger workers, particularly given the relative predominance of older individuals in the labour market, provoked the enactment of a series of training and reemployment measures aimed at improving employment opportunities for those between the ages of 18 and 50. The OECD reports that legislative changes in income support mechanisms for older workers, which waived the requirement that they actively seek work, were also implemented. These changes served to discourage the labour market reentry of older individuals who had lost their jobs. Consequently, older individuals in receipt of government provided income support benefits, while counted among the ranks of the unemployed, had in reality withdrawn from the labour market. Moreover, because of the relative labour market stability which older workers had traditionally enjoyed and the subsequent limited need for employment-related programs designed for this age group, the UK was unprepared to address these increasing labour market challenges for older individuals.



Despite the limited attention provided to unemployed older workers in the UK, these individuals nevertheless had access to a handful of government and sectoral initiatives in order to obtain adjustment assistance.

The Redundancy Payments Act of 1966, for example, enacted to encourage the flow of labour from declining industries to higher growth sectors, provided compensation to workers who lost their jobs for “economic reasons.” Benefits were determined based on the age and years of service of the former employee. Displaced workers between the ages of 18 and 21 received one-half of a week’s salary for each year of service; those between 22 and 40 were entitled to a full week’s salary for each year of service; and individuals above the age of 40 could obtain 1.5 weeks of salary for every year of service. Benefit payments was administered through a Redundancy Fund financed through employer contributions. This fund refunded separating employers a portion of the payments made to laid off workers, however, until 1969, only two-thirds of the payment was recovered for displaced workers aged below 41, while seven-eighths of the payment made to those 41 and over was recuperated. A 1969 amendment to the act established a uniform level of rebate for both age groups at 50%, although this level was further reduced to 41% in 1971, and 35% in 1985.

The 1995 OECD report indicates that the act continues to encourage employers to dismiss older workers over their younger counterparts. The results of a 1990 survey of employers in the UK revealed that, because older workers tend to receive the highest redundancy payments, these help to guarantee harmonious labour relations during a layoff situation. Also, older workers themselves are induced to accept redundancy since they can combine their redundancy payment with occupational pensions or unemployment insurance benefits.

Casey and Bruche reported that the original uneven rebate levels served to subsidize the costs to the employer for discharging an older worker, as the repayment scheme offset the additional benefits payable by the firm to laid off older workers. There is also evidence from a 1978 survey that the act contributed to a social acceptance of age as a factor in determining the characteristics of those selected for redundancy. This survey also indicated that, despite the amendment to the act, employer practices of linking age to redundancy did not change. In fact, employers perceived the act as a means of improving “productivity” by reducing the number of older workers employed by the firm, and many employers frequently offered older workers severance packages beyond those required by the act.

Leckie indicates that the act has facilitated the adjustment process in the UK and has allowed for the introduction of new technologies in British industry. These have, however, come at the expense of older workers who are least accepting of, and least likely to adapt to technological advances. They thus become a target for redundancy. In addition, Root (1987) attributes the increase in older worker layoffs partially to the informal social pressures for older workers to volunteer for redundancy in order to make room for younger job entrants, despite the fact that displaced older workers are more likely to extend UI benefits and have little chance of obtaining other employment.

While the Redundancy Payment Act indirectly influences the early withdrawal of older workers from the UK labour market, the Job Release Scheme (JRS), established in 1977 and terminated in 1988, represented a direct intervention by the government for encouraging the early retirement of older individuals. The JRS provided an allowance to older workers who voluntarily left their jobs if the employer agreed to recruit a replacement worker who was registered at an unemployment office. The purpose of the program was to create job vacancies and to mitigate the effects of high unemployment. As of 1982, workers aged 62 and over were eligible to receive allowances under the JRS.

Casey and Bruche indicate that JRS participation was made up primarily of unskilled or semi-skilled labour whose net income declines following participation was considerably less than those employed at higher wages. In addition, because the overall participation rate in the JRS was relatively low (between 10 and 12%), very little of the decline in labour market activity rates of older individuals can be attributed to the program, which was estimated to have contributed to only 0.6% of the decreases in labour force participation.

The OECD reports that more than 75% of the positions vacated by the JRS participants were filled by new workers. Among the new recruits, 41% were aged under 25, and 53% were between the ages of 25 and 54. The wages paid to these new workers were, on average, 15% lower than those paid to the JRS participants prior to their departure. The report also indicates that participation in JRS appears to be correlated to the prevailing unemployment rates in the UK. That is, JRS take-up has declined with improvements in the labour market conditions. In fact, as the UK economy began to improve in the mid-1980s, the government tightened JRS eligibility criteria on the basis that it was becoming less necessary to restrict the supply of labour and that resources could be shifted towards improving the employment prospects of the long-term unemployed.

In addition to these passive approaches to providing older workers with adjustment assistance, the UK has offered this segment of the population a series of training programs to help improve their employment prospects. However, very few of these programs are specifically designed for older job-seekers (OECD), and training targeted towards older individuals tends to emphasize pre-retirement instruction (Manton). Moreover, according to statistics provided by the Manpower Service Commission, the participation of older workers in training programs has been considerably limited, ranging from 2% in the New Job Training Scheme to 10% in the Voluntary Project Program in 1988.

For instance, one of these programs, the Fifty-Plus JobStart scheme, established in 1989, provided long-term unemployed individuals over 50 who accepted a part-time position of at least 10 hours per week with a £20 weekly allowance. The program, however, was abandoned in 1991 because only 104 persons had participated in the scheme (OECD).

Similarly, the Job Creation Program (JCP), initiated in 1974 to help place persons who had experienced a minimum of six months of unemployment into suitable employment, included an older worker component. According to Casey and Bruche, however, the JCP focused heavily on youth, and by 1978, while 75% of its participants were under 25 years of age, only 7% were aged over 50.

## 5.8 Summary of Lessons Learned

This section identifies some of the more common lesson learned to emerge from the experiences with programs for older worker adjustment in the seven OECD countries examined for this study. Although the lessons for each country are already presented under their related sections, the analysis reveals a number of widely used practices targeting older workers, as well as a set of common program-related results within these countries.

Prior to examining these lessons learned, however, it is essential for the reader to recognize that these are based solely on the experiences of the seven countries examined for the report, and are thus not necessarily representative of all OECD countries. Although these countries were selected based on the level of programming measures to which older workers have access and on the availability of literature examining these initiatives, a number of other countries within the OECD have been omitted from the analysis because of limitations on the availability of relevant information regarding programs for older workers. Moreover, as a result of limiting the analysis to a subset of countries in this way, it is not possible to identify those countries which have not implemented measures to assist older workers, nor to examine the reasons for, and implications of, the absence of policies directed towards individuals in this age group.

A second important caveat relates to the extent to which the findings from the selected countries can be compared to identify meaningful lessons learned. Given the diversity in the economies, political and social structures, and industries of the countries examined, it is often difficult to make generalizations about the effectiveness of the types of interventions implemented within different contexts, as well as those which were initiated to achieve different objectives.

Despite these limitations, five predominant themes with respect to the provision of assistance to older workers in the sample of OECD countries studied have been identified.

*1. Active labour market adjustment policies yield considerably different results than passive approaches to providing financial support.*

There does not appear to be any consistency in the labour market participation rates of older workers across the countries examined. In Japan and Sweden, for example, up to 90% of individuals aged 55 and over are active members of the labour force. Conversely, statistics from France and the Netherlands indicate that as few as 40% of the older segment of the population are employed or actively seeking work.

Much of the variance in participation rates of older individuals among these countries has been attributed to the different labour market policy directions adopted. Countries with lower participation rates tend to emphasize longer term financial support over active employment-related measures, particularly with respect to older individuals.

For example, early retirement schemes in Australia, Germany, and the Netherlands allow unemployed older individuals to prematurely access their pensions without suffering

actuarial penalties, and provide rebates to separating employers for early pension payments.

Similarly, the Redundancy Payments Act and the Job Release Scheme in the U.K. provided financial incentives for firms experiencing structural adjustment to dismiss older workers over their younger counterparts in order to encourage the flow of labour into growth industries and to create job vacancies for the growing number of unemployed individuals.

The French system of income support is characterized by extremely generous benefit levels for extended periods of time, in which unemployed individuals can move from one compensatory system to another without penalty once they reach the age of 56. Moreover, eligibility for disability insurance in Germany and the Netherlands is extremely liberal and often only requires that the individual be unable to perform the duties of available jobs.

In contrast, the Swedish and Japanese approaches to older worker adjustment emphasize active employment-related measures. Japan's lifelong employment system encourages firms to institute lateral transfers of employees rather than dismissing them. In addition, in order to avoid layoffs, during work slowdowns, employers encourage an adjustment process which reduces the number of overtime hours worked by their employees as a means of adjusting to decreasing production schedules. The hiring and dismissal measures practiced by Japanese firms have served to help workers secure long-term employment, and have enabled older workers to remain active labour market participants until they retire.

Moreover, Sweden's Active Labour Market program places considerable effort towards achieving full employment among all labour market participants through active and selective employment policies. Sweden places substantial emphasis on active approaches to attaining full employment, while downplaying the passive income support strategies of providing temporary assistance to the unemployed. In fact, in 1989/90, two-thirds of government expenditures on labour market adjustment strategies was allocated to active employment programs. Sweden's partial or gradual retirement scheme has also helped to maintain the labour market participation of older workers.

*2. Labour market policy which encourages early retirement often acts as a disincentive for participating in training and adjustment programs.*

Among the OECD countries examined for this study, it appears that generous early retirement packages have neutralized the incentive for displaced older workers to participate in training or readjustment programs. That is, the stronger the incentive to retire, the less likely the older worker will be to participate in programs designed to retain them in the labour market.

Both France and the Netherlands, for instance, offer generous income support and retirement benefits to older individuals who have either lost their jobs or are at risk of becoming unemployed. These benefit packages appear to have discouraged older workers from participating in training, reskilling, and/or adjustment services.

According to the literature, in France, the percentage of early retirements without actuarial penalties as a proportion of all pension claims was 66.7%. At the same time, however, less than 9% of the 15,000 target placement goal in the older worker wage subsidy program was attained. In addition, in 1991, the number of workers aged 50 and over who were long-term unemployed represented only 5% of those involved in training activities, although they made up over 25% of this population.

Similarly, the VUT in the Netherlands has been found to encourage the early retirement of almost 20% of workers aged 55 and over. On the other hand, only 4% of the eligible workers aged 45 and over participated in the wage subsidy program, and 7% were found to have enrolled in the Employment Stimulation Measures. Moreover, fewer than one in ten individuals placed through START Bureaus were aged 45 and over, although they made up 25% of the bureau's participants.

Australia has witnessed a fairly low entitlement rate of UI (which requires that the individual remain an active member of the labour force) compared to other disability or retirement plans (which requires that the individual withdraw from the labour market), where the UI benefit package is considerably less financially attractive than the retirement and disability provisions.

Conversely, Japan's system, which clearly discourages early retirement, has seen relatively elevated participation of older workers in public and private sector sponsored adjustment programs. In addition, as a result of the more moderate compensation under the German and Swedish early retirement strategies, older workers have taken steps to return to work or to remain active labour market participants.

*3. Measures designed to facilitate the early withdrawal or retirement of older workers can be beneficial for improving the overall labour market adjustment process.*

As the working population continues to age, one of the primary labour market problems encountered by many industrialized countries in the 1990s is the increase in the proportion of older workers relative to the number of available employment opportunities. Moreover, the literature demonstrates that older individuals are typically less willing to enroll in training or skills upgrading programs, and thus, tend to experience a greater degree of skills obsolescence than do their younger cohorts. Consequently, recent graduates are more likely to possess the skills which are relevant to current workplace technology. As a result, the reduction in the labour market participation rates of older workers represents a viable means for making room for younger, more skilled workers, and for promoting sufficient labour market adjustment such that these countries can maintain or acquire an adequate level of competitiveness in the emerging global economy.

It appears that government and private sector policies in the countries examined for this report have successfully led to improvements in labour market adjustment, while averting undue hardship on the older worker. In countries such as France and Australia, for example, the generous income support programs have enabled older workers to withdraw from the labour market at minimal losses to their incomes. Moreover, older workers who

opt for early retirement measures in Germany and the Netherlands are generally ensured an adequate level of income security.

The partial retirement scheme in Sweden provides workers with access to increased income under the program while allowing them to remain active in the labour force, albeit at a reduced rate. In addition, participants have reported that they value their increased leisure time and many feel more rested and healthy than they did during full time employment.

There is also indication that employers have significantly benefited from these initiatives. The VUT in the Netherlands, for instance, was found to be a means for employers to reduce their payroll by restaffing positions previously held by early retirees with fewer and/or lower paid younger employees. The partial retirement initiative in Sweden appears to allow firms to reorganize their human resources in order to achieve greater productivity, yet continue to benefit from the experience and resourcefulness of older workers. Moreover, as a result of the improved well-being and health of worker participants, they have been found to be less likely than their similarly aged full-time counterparts to become disabled, thus contributed to reduced absenteeism among this group of pension recipients. In fact, employers have reported that partial pensioners produce more per hour than full time workers within the same age group.

Moreover, a number of studies have shown that programs which induce the early withdrawal from the labour force of older workers, such as the Netherlands' VUT and the U.K.'s Redundancy Payments Act have served to open up positions for younger individuals.

Despite these results, the Japanese approach with respect to older workers and economic and industrial adjustment deserves some mention. In Japan, rather than dismissing older workers or encouraging them to retire in order to create vacancies for younger individuals, employers generally move employees laterally within the firm or to subsidiary companies associated with the corporation. This has enabled older individuals to remain productive members of the firm, while circumventing the costs associated with the provision of income support to early retirees.

It should also be noted that these programming measures have been highly criticized for inducing the retirement or early labour market withdrawal of individuals who were not ready to leave, but who felt a social obligation to cede their employment positions for younger workers.

*4. Where active programming has been implemented, interventions have met with limited success in terms of attracting older participants, as well as in reintegrating the older worker into the labour market.*

As was found in the Canadian and American experiences with older workers, there exist a considerably limited number of active programs targeted towards older worker adjustment in the sample of OECD countries examined for this study. Moreover, among

those programs for which older workers have had access, participation has been extremely low, while employability and earnings impacts on older participants have been fairly negligible.

For example, although there appears to be a trend towards increased private sector initiated training programs for older workers in France, the participation of older workers in public training measures have generally been limited to approximately 10% of the eligible population. Similarly, Germany's Employment Promotions Act was criticized for favouring the participation of younger individuals, while fewer than one-half as many older individuals than their younger counterparts were found to have enrolled in vocational training offered through the Works Council Constitution Act.

In Japan, only 6% of older job-seekers had enrolled in training offered through the Occupational Skill/Ability Development Centres in 1987, while in the Netherlands, fewer than 10% of the eligible older workers were found to participate in state-operated employment and training programs. Moreover, because of the high unemployment and labour market participation rates which are prevalent in the Swedish economy, training activities are limited to less than 1% of the entire population. In addition, in the U.K., the Fifty-Plus JobStart scheme was terminated due to a severe lack of participation.

In addition to the low participation in active programs among older workers, the few initiatives introduced to serve the older segment of the population in the sample of OECD countries reviewed for this study have not been found to be particularly effective. The Australian experience, for instance, which primarily adjusted existing programs to better serve the needs of older workers, was found to have little or no impacts on the reemployment of older participants.

In Sweden, the evidence suggests that the placement into employment and training opportunities of older workers accessing active labour market programs has not been as effective as the placement of their younger counterparts. In 1990 and 1991, only 5% of clients over 55 years of age being were successfully placed into employment or training, compared to over 22% of those between the ages of 18 and 24.

On the other hand, although the impacts of training and reemployment measures for older workers in Japan are not known, the literature suggests that these programs have helped to improve awareness of the need to develop a training culture for older workers among individual workers as well as employers.

Moreover, the Training and Re-entry in Health Care Institutions project in the Netherlands was found to have successfully placed 87% of the older nurses retrained under the program, albeit it primarily part-time positions. Similarly, the literature revealed that about 60% of workers aged 40 and over who participated in the job conquering seminars of the INZET program obtained employment within six months of the workshops.

These findings suggest that the absence of active programs for older worker adjustment, the limited participation of eligible candidates within these programs, and the limited

impacts of these programs on the reemployment of clients may be a result of the will of older workers to make considerable investments into obtaining further employment. The passive programming approach prevalent in these countries appears to offer sufficient financial and social incentives to encourage older workers to withdraw from the labour market and/or to limit their job search activities. Consequently, older workers may not see a profound need for this type of programming, and may experience a lack of motivation with respect to their participation in these interventions.

*5. Initiatives designed to protect older workers from unequitable or early dismissal have been successful in retaining the older individual in the labour force.*

Three of the seven OECD countries included in this analysis have instituted measures which protect the older worker from discriminatory or unfair dismissal in the event of a work slow down — Sweden, the Netherlands and Japan. These measures, while not necessarily directed towards older workers, appear to have had positive implications for the continued labour market participation of older workers.

As previously mentioned, Japanese industry promotes the life long employment of its workers. As a result, the private sector engages in human resources practices specifically designed to retain employees. For the most part, these corporate policies have helped workers secure long-term employment, and have enabled older workers to remain active labour market participants until they retire. Rather than laying off workers, Japanese firms retain the older worker either in a different position within the firm or in a new position in a subsidiary company.

In Sweden, dismissal legislation has been found to favour older workers. The Swedish system prohibits the discharge of any employees unless the firm has demonstrated justifiable cause such as a lack of work or certain specified offenses committed by the worker. Since performance criteria are excluded from among the grounds for legal dismissal, many older individuals who would otherwise have been selected for redundancy or dismissal because of a reduction in productivity cannot be terminated. Moreover, under the legislation, workers aged 45 and over must be provided with six months advance notice of a layoff, compared to only one month for any worker 25 years of age or below. Also, layoff are based on tenure where workers having joined the firm latest, who are typically those who are younger, must be selected for redundancy.

Although the Netherlands dismissal protection legislation was not found to be effective in retaining older workers in their positions, this was attributed to the country's conflicting policies which encouraged the early retirement or withdrawal from the labour force of older workers. Unfortunately, the literature did isolate the effects of the legislation on the labour market participation of the older segment of the population, so it is impossible to determine the extent to which the legislation would have helped to retain older workers in the labour force in the absence of these other measures.

Nevertheless, based on the experiences of at least two of these three countries, it appears that dismissal protection can be a viable means of maintaining the labour force participation of older workers.



## 6.0 Research Gaps

As alluded to in previous sections of this report, one of the limitations inherent in this study is the exclusion of programs for older worker adjustment as a result of the unavailability of relevant information. While some of this information was excluded because it could not be obtained within the established timeframes for completing the study, there exist a number of other initiatives for older individuals which have not been studied. This section of the report attempts to identify, based on the investigation of the relevant documentation and sources of information on programs designed to assist in the adjustment of older workers, the strengths and weaknesses of the current body of literature relating to older workers, and where research gaps exist.

It appears that the Canadian experience with programs specifically designed to help displaced older workers has been fairly well documented. POWA has undergone two formal evaluations, while several comprehensive studies of NB Job Corps and Job Finding Clubs for older workers have been completed. In addition, Canada has produced a number of reports which are both theoretical and/or anecdotal in nature, but which describe the labour market barriers, prospects, and experiences of older individuals within the context of existing targeted and non-targeted programs.

One of the major weaknesses with respect to the available Canadian literature, however, is the absence of formal evaluations of the impacts of non-targeted programs on the older segment of the client population within these initiatives. Essentially, there exist a number of universal programs in Canada to which older individuals have access, yet there seems to be limited information on the effectiveness of these programs on older individuals. Where formal evaluations have been conducted, these studies have generally not reported on the effectiveness of these programs on improving the employability of older participants. Whether this is a result of the limited number of older clients, or merely a lack of interest in analyzing impacts on older workers, is not known. Nevertheless, given the limited number of programs targeted to older workers, it may be important to examine, in more detail, the effects of non-targeted programs on older individuals in order to more accurately tailor future policy and programming to meet their needs. The *Analysis of Laid Off Older Workers* represents a good start to conducting adequate research into the labour market and retirement experiences of older individuals. Unfortunately, this project was limited in that it tracked the experiences of laid off older workers in isolation of any given intervention. Future similar research projects need to focus on the extent to which various programs, whether or not they are targeted, have had an impact on the older segment of the population.

Furthermore, while U.S. studies appear to place considerable emphasis on the levels of participation of older workers in programs designed to assist in the labour market adjustment process, in Canada, program participation data are not as frequently analyzed. Research on participation rates, and reasons for non-participation in any given program may also have important implications for the design and delivery of future initiatives for

older worker adjustment, as well as for developing programming measures which effectively meet the needs of the older segment of the working population.

The U.S. experience with research conducted on the impacts of programs on the employment and reemployment of older workers is similar to that found in Canada. Much of the literature pertaining to initiatives for older worker adjustment relies on “softer” methodologies (e.g., interviews, literature reviews, focus groups, etc.) for measuring program impacts, but very few studies have integrated more reliable experimental procedures into their research designs. Moreover, many of the studies obtained which include more advanced statistical modelling to assess program effectiveness are older and often outdated (dating as far back as the early 1960s).

The absence of estimates of the impacts of programming measures on the older worker sub-sample in non-targeted programs is also prevalent in U.S. studies. Although American evaluations tend to emphasize the use of experimental designs as part of their research methodologies, the vast majority of the studies of programs which contain an older worker participation base have not isolated program effects on older clients. For example, a considerable number of state-operated programs funded under the JTPA have undergone rigorous evaluations using experimental approaches, comparison group designs, and advanced estimation procedures. Few of these evaluation reports, however, present research results across age groups or provide any evidence with respect to the older segment of clients.

For both Canada and the U.S., these analytical voids are not surprising, particularly given the lower levels of participation of older workers relative to their younger cohorts. The number of individuals in the samples of older workers may not be sufficient to accurately estimate program effects. Moreover, because older individuals have traditionally enjoyed more stable and prosperous employment histories, they may not have been seen as a priority group among researchers.

The research obtained on programs for older worker adjustment in the other OECD countries was predominately based on descriptive analyzes of administrative or survey data. These studies provided very little evidence emerging from experimental methodologies or advanced estimation procedures. Where comparison groups were utilized, the findings were primarily reported through crosstabular or variance of means techniques. In addition, the international studies obtained often relied on qualitative information gathered from interviews with clients and service providers.

For the purposes of this study, the various approaches to conducting research on programs for older worker adjustment has provided both advantages and disadvantages. While the diverse methodological designs have created difficulties for accurately comparing the results of programs and/or services, they have also allowed for a more in-depth examination of some of the reasons for particular successes or failures. Moreover, differing methodological procedures have enabled the analysis to address some of the research issues which could not have been addressed from a singular line of evidence.

In terms of the value of research methodologies which utilize more advanced statistical procedures versus those which use the “softer” approaches, both strategies have been found to play a significant role in the assessment of older worker initiatives. Consequently, the benefits of using one approach over another depends on the objectives of the research, as well as on the context within which the program operates. Yet, because program evaluations and assessments represent an important tool in the decision-making process of any government, it is important that the research generate findings which are accurate and comprehensive. The research conducted on the labour market experiences of older workers, however, appears to have been heavily qualitative in nature, while studies utilizing more advanced statistical approaches have typically not examined non-targeted programs from the perspective of clients in this age group. Although anecdotal evidence can be useful for addressing a number of important issues related to the effectiveness of a program, particularly given the limited number of initiatives specifically designed to assist older individuals, in order to more accurately and comprehensively assess older worker experiences, there may be a need for future research studies which utilize experimental approaches to clearly delineate the results of non-targeted programs on the older segment of the population.



## *7.0 Summary of Lessons Learned*

### **7.1 Specific Lessons Learned**

The research conducted for this study reveals that there exist few labour market adjustment program specifically targeted to older workers. Moreover, with the exception of Sweden and the U.S., programs designed to assist older individuals tend to focus on the provision of income support. Older individuals seeking employment services are generally required to access non-targeted programming, in which the participation of the older segment of the working population has consistently been fairly limited.

The absence of targeted initiatives for older workers is likely a result of their historically strong labour force attachment. Older individuals have traditionally enjoyed more secure employment with lengthier job tenure than have their younger cohorts. Despite the seriousness of the barriers to reemployment faced by older individuals who suffer job losses, this segment of the population has generally not been designated as a target group for the provision of enhanced interventions.

Nevertheless, the literature identified six broad categories of commonly utilized measures for providing adjustment assistance to older workers: (1) passive income support; (2) employment services; (3) training; (4) alternative work arrangements; (5) segregated workshops; and (6) dismissal protection. Summaries of the lessons learned related to each type of intervention for Canada, the U.S., and other OECD countries are presented in Exhibit 19.

<b>EXHIBIT 19</b>			
<b>Summary of Results of Studies Reviewed</b>			
<b>Type of intervention</b>	<b>Canada</b>	<b>United States</b>	<b>Other OECD countries</b>
Passive income support	Provides sufficient financial security to older workers to help them bridge the gap between the job loss and receipt of retirement benefits, but significantly discourages their reemployment.	In the U.S., programs for older worker adjustment tend to emphasize reemployment rather than income support.	Supports the early withdrawal of older workers from the labour force, but promotes effective labour market adjustment.
Employment services	Improves earning and employability of older clients if these utilize client-centred approaches or focus on employment disadvantaged individuals. Some older workers may face barriers to access to appropriate employment measures	Improves the reemployment rates of older workers when programs contain sufficient financial and personal incentives.	The participation of older workers in employment services programs is very limited. These programs were not found to address the employment barriers faced by older individuals, and have thus had limited impacts on the earnings and employability of older workers.

**EXHIBIT 19 (continued)**  
**Summary of Results of Studies Reviewed**

Type of intervention	Canada	United States	Other OECD countries
Training	Provides modest effects on the reemployment opportunities of older workers, despite limited participation and/or interest.	Training interventions tend to be most effective for the reemployment of older individuals when they include additional counselling and assessment services.	Training programs which have focussed on older workers' needs and interests have been found to have resulted in significant placement rates for the older trainees.
Alternative work arrangements	NB Job Corps was found to provide participants with a realistic alternative to passive income support, and many clients feel that they are better off financially, as well as with respect to their overall quality of life, as a result of their participation. It was also found that the program assisted in the development of community and environmental projects which would not have occurred in the absence of the program.	Generally results in high placement rates among older workers, and enables participants to avoid income support and to remain productive members of the labour market.	Alternative work arrangements have enabled the older employee to increase their earnings relative to income support, and has allowed participants to remain active members of the labour force. This option also appears to reduce absenteeism among the workers, and has allowed firms to adjust their workforce while continuing to benefit from the experience and resourcefulness of the older individual.
Segregated/targeted approaches	Typically results in high placement of older workers into employment, and improves the job satisfaction of those who become reemployed	Increases the likelihood of finding employment among older workers when services provided focus on building self-esteem and confidence.	Very little evidence on the effectiveness of segregated workshops for improving the earnings and employability of older workers.
Dismissal protection	N/A	N/A	The Japanese and Swedish experiences with dismissal protection has helped to secure the long-term employment of older workers, and have effectively retained the older worker in the labour market.

## 7.2 Broad Lessons Learned

The following broad lessons learned represent a synthesis of the more specific lessons identified from the experiences with programs for older worker adjustment. They are intended to provide a global picture of the key findings to emerge from the research.

1. *Varying labour market policy approaches to assisting displaced older workers generate significantly different results.*

The research reveals two primary means of assisting older workers adjust to economic and structural change. The first consists of passive income support mechanisms, while the second utilizes more active measures to prolong the labour force attachment of older individuals.

The provision of financial assistance to older workers has enabled these individuals to remain unemployed or withdraw from the labour market without suffering undue financial hardship. From this perspective, this passive strategy has generally been successful in ensuring the financial security of the beneficiary, as well as in improving the labour market adjustment process in domestic economies by freeing up positions for unemployed younger workers or by allowing industries to restructure their workforce.

At the same time, however, income support mechanisms tend to discourage older individuals from engaging in active job search activities, and have been found to have negative impacts on their participation in programs designed to assist in their reemployment. They thus encourage early withdrawal from the labour force among this segment of the population. There is also indication that some older workers feel social pressure to remain inactive in order to reduce the unemployment rates among younger individuals.

Active labour market approaches, on the other hand, are designed to retain the older worker in the labour market until normal retirement age is reached. According to the literature, countries which utilize more active labour market programming for older workers tend to experience a higher participation rate among this segment of the population. Moreover, active programs appear to have helped older individuals secure long term employment. In addition, the preventative nature of dismissal protection measures have been found to be a viable means of retaining the older worker in the labour market. Unfortunately, the participation of older workers in active programs appears to be conspicuously low compared to that of their younger cohorts.

2. *Labour market policy geared towards older workers should be focussed, clearly defined, and non-contradictory.*

Given the varying results which can be expected from the different approaches to providing adjustment assistance to older workers, it is important that labour market policy in any given country reflect its goals with respect to older workers. That is, if the country's objective is to achieve full employment among the older segment of the population, then

active approaches should be implemented. Similarly, if a country seeks to reduce labour market surpluses, then passive approaches which encourage early retirement should be initiated.

Both passive and active policy directions have been found to be successful when they have been appropriately linked to desired labour market outcomes. For instance, France's generous income support programs have served to encourage the early withdrawal of older workers from the labour force. Not only has this approach ensured the financial security of older individuals, but it has helped improve labour market opportunities for younger workers, and has enabled firms to effectively restructure their workforce.

On the other hand, Sweden places considerable emphasis on the achievement of full employment, and the active approaches adopted in this country have been instituted to attain these objectives. As a result of this active policy direction, Sweden has achieved a 90% labour market participation rate among older individuals, while keeping overall unemployment rates as low as 5%.

Canada, however, does not appear to have a clearly defined policy for helping older workers adjust to economic and structural change. While some programs, such as LAB and POWA, have been implemented to help secure the financial welfare of older individuals, other (e.g., job finding clubs, EIP, etc.) were established to improve the employment prospects of their clients. In addition, a third type of intervention, such as MD Job Corps, focusses on maintaining and building the self-esteem and self-worth of older individuals.

Although each of these programs have met with some degree of success in terms of achieving their respective objectives, each are designed to achieve a different objective. The absence of a common goal may inhibit the effectiveness of any of these programs. Moreover, without clearly focussed policy directions, these various approaches may lead to conflicting results.

*3. Targeted approaches which focus on the needs and interests of older workers help improve program participation, reemployment and earnings.*

There is evidence to suggest that older individuals who participate in active approaches to improving reemployment opportunities appear to benefit from programs which are more client-centred. Initiatives which recognize the specific needs of older individuals, or which contain sufficient financial and personal motivation, appear to improve the earnings and employability of this segment of the population. Programs which have not addressed the employment barriers faced by older workers, however, have been found to have little or no impact on the labour market experiences of these individuals.

The literature also indicates that certain types of training can help improve the employability of older workers. Many programs which adapted their curriculum and delivery mechanisms to better reflect the needs and interests of older individuals were found to improve both the participation and placement into employment of trainees.



Moreover, in the U.S., training which was more personalized, and which included on-going counselling and assessment activities, were typically effective means of encouraging the reemployment of older participants.

In addition, in Canada and the U.S., segregated approaches to providing employment-related services to older workers have successfully placed a high proportion of clients into positions. The success of these approaches has been attributed to the high degree of support and guidance provided to participants, as well as their focus on building self-esteem and motivation among older individuals. Moreover, because these programs are limited to older individuals, service providers necessarily tailor activities to reflect the needs and interests of this segment of the population. As a result, participants in segregated workshops appear to develop a greater sense of confidence which allows them to undertake more pro-active job search activities.

It should be noted, however, that segregated approaches in the U.S. have typically placed participants into part-time or low-paying jobs.

*4. Alternative work arrangements are an effective means of easing the transition from work to retirement.*

Alternative work arrangements appear to be considerably effective means for assisting older workers adjust to economic and industrial restructuring. Measures such as part-time or temporary employment, work-sharing or phased retirement have met with some degree of success in each of the countries examined for this report.

For instance, in Canada, NB Job Corps, which offers individuals between the ages of 50 and 65 with a guaranteed annualized income in return for six months of work in community and environmental projects, has been found to improve the overall incomes and quality of life of participants, while allowing them to remain productive members of the community.

The U.S. experience with alternative work arrangements has resulted in significantly high placement rates of older individuals and has allowed them to enjoy prolonged labour market participation, while reducing their reliance on government income support. Internationally, in addition to providing income advantages to older workers and enabling them to remain active labour market participants, this approach has helped firms restructure their workforce in order to remain competitive, while continuing to benefit from the experience and reliability of the older employees.

### **7.3 Overall Conclusions**

Overall, it appears that programs for older worker adjustment have met with some degree of success, but that this success depends on the economic and political objectives being sought. For instance, although income support measures were found to be effective means of ensuring the financial security of older workers or for improving the labour market adjustment process by encouraging early withdrawal, these have also been found to

discourage the reemployment of beneficiaries, and would thus not be appropriate where full employment among older workers is desired.

There is also indication that the success of a program is dependent on the individual needs and desires of the older workers. While certain older individuals wish to remain full-time members of the labour force, others prefer early retirement, and still others favour approaches which provide a gradual withdrawal from the labour market. In addition, programs which focus on the interests of the older participant or which contain motivational strategies have been associated with higher placement rates for these clients.

The review of the literature clearly demonstrates that older individuals face a number of employment barriers which their younger counterparts do not experience, and consequently frequently become discouraged with respect to their reemployment prospects. The evidence suggests that initiatives for older job-seekers which build self-esteem and confidence through intensive support and guidance help older clients overcome their sense of insecurity and pessimism, and encourage these individuals to undertake job search activities with more confidence and perseverance.

One of the primary concerns regarding the provision of assistance for older worker adjustment is the limited number of established programs and the low participation rates of older individuals in the initiatives which exist. Although to date, the limited number of programs for older workers has not been found to have serious negative implications for this segment of the population, as the working population continues to age, governments should be prepared to target efforts towards ensuring that there exist sufficient programming measures to address the needs of this growing segment of the labour market.

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