

# Responding to the COVID-19 Emergency, Returning to Growth: Older Workers and the Pandemic Recovery



POLICY CHALLENGE RECIPIENT:

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## Executive Summary

The COVID-19 pandemic has disrupted the Canadian economy in a severe and unprecedented manner. For older workers and their families, the pandemic represents an ongoing challenge to their livelihoods, employment status, and financial well-being. Moreover, the current public health risks associated with COVID-19 also threatens the policy goal of increasing the labour force participation of older workers over the course of the next decade. The purpose of this report is to address the following policy question: what actions can be taken to ensure the financial well-being of older Canadians and support the future labour force contributions of older workers beyond the COVID-19 pandemic?

Key findings show that older workers are becoming more reliant on employment income to support their financial well-being. However, the pandemic has displaced the jobs of thousands of older workers and has increased the number of older adults that are long-term unemployed. Ageism in Canada remains a persistent barrier to the employability of older workers. As a greater proportion of the labour force becomes older, there is a growing imperative to create jobs that accommodate the needs and preferences of aging workers. This report recommends that provincial and territorial governments establish wage insurance pilot programs to help displaced older workers secure new employment, that the federal, provincial, and territorial governments increase employer awareness of age-friendly workplace practices, and for the federal government to conduct a summative evaluation of the Canadian Emergency Wage Subsidy (CEWS) program.

## Key Terms

**Ageism** – Negative beliefs, prejudices, and stereotypes of a person or group based on their known or perceived age. Includes acts of age discrimination.<sup>1</sup>

**Automation** – The process of job tasks being completed by artificial intelligence systems and robots rather than human beings.

**Canadian Emergency Response Benefit (CERB)** – A program implemented by the federal government from March 2020 to September 2020 to provide income to workers that experienced a job displacement during the COVID-19 pandemic. CERB also provided coverage to self-employed workers that would not have been covered by Employment Insurance (EI) at the onset of the pandemic.

**Canadian Emergency Wage Subsidy (CEWS)** – A wage subsidy introduced by the federal government to help employers retain workers during the COVID-19 pandemic.

**Discouraged Worker Effect** – The experience of job seekers who are unable to secure employment relative to their skill set abandon their job search and no longer participate in the labour market.

**Financial Well-Being** – A multi-dimensional concept of a person's overall financial status that includes objective indicators and subjective perceptions. Objective indicators of financial well-being include measures like a person's net worth and their debt to income ratios, while subjective measures are associated with how satisfied a person is with their level of income and savings.<sup>2</sup>

**Job Displacement** – A job loss that a worker experiences through no fault of their own. Workers that have their jobs displaced are eligible for EI and CERB.

**Labour Force Participation Rate (Older Workers)** – A ratio that measures the total number of employed and unemployed workers aged 55 and older to the entire population aged 55 and older.

**Long-term Unemployment** – An unemployment spell for a job seeker that lasts 27 weeks or longer.

**Older Workers** – Defined by Statistics Canada as workers who are aged 55 and older.<sup>3</sup>

# Policy Question

The purpose of the report is to address the following question:

- What actions can be taken to ensure the financial well-being of older Canadians and support the future labour force contributions of older workers beyond the COVID-19 pandemic?

# Background

The COVID-19 pandemic has disrupted the Canadian economy in a severe manner and has inflicted a recession far greater than the 2007-2008 financial crisis. For older workers and their families, the pandemic represents an ongoing challenge to their livelihoods, employment status, and financial well-being. There is evidence that suggests the financial well-being of older adults may be becoming more vulnerable. Recent findings from the 2019 Survey of Financial Security indicate that 72.6% of senior-led families, households in which the main income earners are aged 65 and older, were debt-free in 1999, compared to 56.7% in 2019.<sup>4</sup> In later-life, older adults face unique challenges to maintain their financial well-being when they are no longer able to earn employment income.

Financial Well-Being - Indicator Examples <sup>2</sup>	
Objective	Subjective
• Net worth	• Satisfaction with level of savings
• Household debt	• Comfort with managing personal finances
• Debt to income ratios	• Adequate savings for retirement

The pandemic also presents a risk to the policy goal of increasing the labour force participation (LFP) of older workers. Governments around the world are focused on increasing the proportion of older workers in the labour force as a sustainability measure for public programs and services in the context of population aging.<sup>5</sup> Over the last 25 years, older adults in Canada have been increasing their participation in the labour force. The LFP rate of older workers reached a historical high in 2016 when 38% of all individuals aged 55 and older were participating in the labour force, up from 24% in 1996.<sup>3</sup> There has been notable growth in the LFP rate of those aged 55-64, which grew from a low point of 47.1% in 1996 to a high of 65.8% in 2016.<sup>6</sup> There has also been similar growth in the LFP of workers aged 65 and older as well. In 1995, only 10.1% of adults aged 65 and older were in the labour force; that percentage has since grown to 19.8% in 2015, an amount that represents almost 1.1 million workers.<sup>7</sup> While the LFP rate of older workers in Canada trails behind other high-income countries, Canada was poised to increase the LFP rate of older workers prior to the start of the pandemic.

The COVID-19 pandemic represents not only a threat to the financial well-being of older workers, but the virus also limits the ability of older workers to participate in the labour market. In December 2020, the employment rate for workers aged 55 and older was 3.4% less than the levels in February 2020 before the start of the pandemic.<sup>8</sup> Moreover, this period in time represents an important juncture with respect to the policy goal of increasing the labour force participation of older workers. By the early 2030's, all persons of the baby boom generation will be aged 65 and older.<sup>9</sup> Businesses and organizations are at risk of losing the valuable knowledge and skills that older workers possess. Therefore, we must consider policy measures that can be implemented to protect the financial well-being and support the continued labour force participation of older Canadians. This report will review the emergency response policies that have been established to protect the financial well-being of older Canadians. Key findings of this report will provide details on how the LFP of older workers has been affected and describe barriers that older workers experience when seeking and maintaining employment. This report concludes with recommendations on the policy actions provincial, territorial, and federal orders of government can take to support the labour force participation of older workers as a recovery measure beyond the COVID-19 pandemic.

## Research Approach

To gain a better understanding of the financial supports available for older adults before and after the start of the pandemic across Canada, an online workshop session with public policymakers was convened. This workshop provided insights into current and upcoming programs that federal, provincial, and territorial (FPT) orders of government would deliver to support the financial well-being of Canadians. Labour Force Survey (LFS) reports published by Statistics Canada were reviewed to gain perspective on the employment realities of older workers. Academic literature on employment barriers that older workers experience was also reviewed.

## Current Status

As a member of the United Nations, Canada has pledged to pursue the goals of the 2030 Agenda for Sustainable Development. The agenda is composed of 17 interrelated goals which aim to end poverty around the world. Goal 8, in particular, is associated with decent work and economic growth that is both inclusive and sustainable for all persons.<sup>10</sup> With respect to active labour market policies (ALMPs) to increase the LFP of older workers in Canada, few are in operation. Prior to the pandemic, there were no ALMPs targeted towards older workers at the federal level. At the provincial and territorial levels, only Nova Scotia and Quebec had ALMPs for older workers in place. These two provinces provide employer-based wage subsidies through the START program in Nova Scotia<sup>11</sup> and the wage subsidy for older workers in Quebec<sup>12</sup> that can be accessed to hire older workers.

In response to the public health emergency caused by the pandemic, many temporary policies developed at the federal, provincial, and territorial levels were implemented to protect the financial well-being of older Canadians through income support programs to address cost of living expenses.<sup>13</sup> At the provincial and territorial levels, initiatives were designed to help cover expenses in the forms of heating costs, prescription drug costs, as well as one-time cash benefits for workers that lost their jobs. At the federal level, Old Age Security (OAS) was used as a mechanism to directly help seniors who had experienced a rise in personal expenses related to transportation costs and other personal needs (e.g. purchasing masks).

One of the more notable income support programs was the Canadian Emergency Response Benefit (CERB), which was implemented at the height of economic shutdown from March 2020 to September 2020. The Employment Insurance (EI) program was overwhelmed as millions of workers experienced job disruptions. Moreover, the EI program was not designed to support self-employed and contract gig workers who were among the millions of displaced workers. CERB was a temporary program which provided applicants \$2000 for each 4-week period they were unemployed.<sup>14</sup> It is estimated that 8,899,170 unique applicants applied for the CERB, of which 21.3% or 1,898,010 were aged 55 and older.<sup>15</sup> With the closure of the CERB program in September 2020, the EI program has since been modified for intake of previous CERB applicants that remain unemployed.

Another program implemented by the federal government to address falling LFP rates due to the pandemic is the Canadian Emergency Wage Subsidy (CEWS). The purpose of this program is to help employers retain their staff and reduce layoffs through use of the subsidy to cover the wages of their workers. Employers in Canada that reported revenue losses as a result of the economic disruption caused by the pandemic are eligible to apply for the CEWS.<sup>16</sup> As of March 2021, the federal government had approved over 2,800,000 employer applications totaling almost \$70 billion in approved wage subsidies.<sup>17</sup> At the time of writing, the CEWS program is set to end June 30, 2021. Other income support programs implemented by the federal government for individuals and families that are unable to work due to COVID-19 include the Canada Recovery Sickness Benefit (CRSB) and the Canada Recovery Caregiving Benefit (CRCB). In summary, as COVID-19 became widespread, many policy response measures at the federal, provincial, and territorial levels were implemented to support the financial well-being of older Canadians. Prior to the start of the pandemic, only Nova Scotia and Quebec had active policy measures in place to increase the LFP of older workers in Canada.

## Key Findings

Canadians experience some of the longest lifespans in the world. Average life expectancy in Canada is around 80 years for men and 84 years for women.<sup>18</sup> Increased lifespans mean that individuals must ensure their financial well-being for a longer period of time than previous generations. A 2018 report by Statistics Canada indicated that almost half of all workers over age 60 need to continue working out of financial necessity.<sup>19</sup> Moreover, employment income is becoming the main source of income for a growing number of seniors aged 65 and older that work full-time.<sup>7</sup> Being able to obtain and maintain employment is an important aspect of later-life financial well-being.

**500,000+**

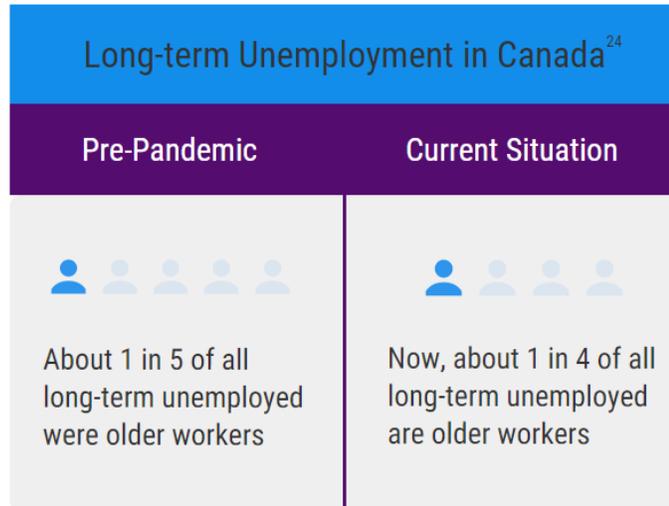
Workers in Canada have been long-term unemployed, surpassing the total number of long-term unemployment during the recession caused by the 2007-08 financial crisis<sup>20</sup>

The impact of job displacement in later-life, however, can have lasting consequences for the financial well-being of older adults. When older workers experience a job displacement, they are also more likely to experience long-term unemployment than young and middle-aged workers.<sup>6,21</sup> Long-term unemployment can have detrimental effects on a person's financial and overall well-being. For older adults, long-term unemployment can also contribute to what is known as the discouraged worker effect, whereby workers who are not able to secure employment relative to their skill set abandon their job search and no longer participate in the labour market.<sup>22</sup> Furthermore, when older job seekers do obtain new employment, the wage rate of the new job is often 25% less than their previous job.<sup>23</sup> The COVID-19 pandemic has exacerbated the long-term unemployment situation for older job seekers. In the November 2020 Labour Force Survey report, it was estimated that 25.6% or 443,000 of all unemployed individuals were long-term unemployed.<sup>24</sup> Older job seekers are also comprising a larger percentage of long-term unemployment in Canada than in the past as 26.2% of the long-term unemployed were aged 55 and older in November 2020, up 5.3% from November 2019.<sup>24</sup>

Guidelines on age-friendly workplaces that promote the recruitment and retention of older workers have been developed in Canada.

Characteristics of age-friendly workplaces include providing older workers flexible schedules, the ability to work remotely, opportunities to receive training, and provide mentorship for junior co-workers.<sup>25</sup> Jobs with these types

of characteristics suit the preferences of many older workers that desire a more gradual retirement process.<sup>26</sup> However, there is little evidence to suggest that employers across Canada have implemented these age-friendly guidelines into their operational practices.<sup>27</sup> When the public health threat of COVID-19 begins to abate, it is important that measures are taken to ensure that the economic recovery sustains the LFP of older workers.



A contributor as to why it takes older job seekers longer to secure new employment is that they face barriers in the form of ageism and age discrimination.<sup>6,21</sup> Ageist beliefs perpetuate myths about the capabilities of older workers. Older workers are often thought to be less productive<sup>28</sup> and less able to learn new skills than young and middle-aged workers.<sup>29</sup> There is no evidence that demonstrates that as a worker ages they become less productive, yet scenario-based hiring research has demonstrated that in the process of hiring new workers with similar skill sets, older job seekers are often not provided interview opportunities with those over the age of 54 experiencing the lowest evaluation scores among job candidates.<sup>30</sup> Ageist beliefs, therefore, have negative implications for the labour force participation rate in Canada as a greater proportion of workers become older.

The economic recovery from the COVID-19 pandemic is expected to take years as the pandemic continues to hamper the ability of many businesses and organizations to operate at full capacity. For some industries though, this may be a period of increased workplace automation.<sup>31</sup>

While automation can increase productivity at the organizational level, this may have implications for further job displacements as companies reconfigure their operations.<sup>31</sup> It will be a challenging task to ensure that current and future generations of older workers in Canada will have the opportunities to access good quality jobs that allow for continued participation in the labour force. The majority of jobs in Canada that will be created in the future will be knowledge-based and will not require significant physical inputs to complete work tasks.<sup>32</sup> This means that the natural physical decline associated with the aging process will not prevent older adults from participating in knowledge-based jobs. However, older workers with lower levels of educational attainment may not be qualified for future knowledge-based jobs. Older workers with chronic health conditions may also experience difficulties remaining in the labour force.<sup>33</sup> It is important that workplace environments have designs that accommodate the needs of an aging labour force.

## Policy Recommendations

**Recommendation #1:** Provincial and territorial governments should establish wage insurance pilot programs to incentivize ongoing labour force participation of older workers.

Wage insurance is a mechanism that addresses the wage disparity that older workers often experience when they obtain new employment after a job displacement. A wage insurance provides a direct top-up to the wage an older worker receives in their new job to match or cover a portion in the difference of the wage rate that was lost from their previous job. The wage insurance would be in effect for a defined period of time (e.g. 1 year). While wage insurance programs have not been widely implemented, their potential to address older worker unemployment as it would apply to current EI recipients has been previously recognized by the Expert Panel on Older Workers.<sup>34</sup> This policy has the potential to both help incentivize unemployed older workers to make career transitions into new jobs emerging in other industries and reduce the likelihood of older job seekers becoming long-term unemployed. Wage insurance programs are likely to be more effective in addressing older worker unemployment if implemented in conjunction with other job search resources that provide opportunities for skills training and networking.<sup>35</sup>

**Recommendation #2:** Federal, provincial, and territorial governments should implement recognition programs for employers who champion age-friendly workplace practices as an awareness-raising mechanism.

As a greater proportion of the labour force becomes older and workplaces become more age diverse, there is a growing importance to ensure the influence of ageism is not growing within Canadian businesses and organizations. Policymakers alone cannot address the problems ageist beliefs represent and employers will also need to establish and maintain human resource practices that will help sustain the labour force contributions of older workers. Employers that can dissolve ageist attitudes and behaviours that contribute to toxic workplace cultures will have an advantage in the recruitment and retention of older workers. Provincial, territorial, and federal orders of government can create recognition programs that spotlight the efforts of employers who are promoting the inclusion of older workers.<sup>6</sup> Governments of many high-income countries have not implemented awards that recognize the efforts of age-friendly employers. This represents an opportunity for all orders of Canadian government to establish public recognition awards that reflect the employment standards we value as an inclusive liberal democratic society.

**Recommendation #3:** The federal government should conduct a summative evaluation of the Canadian Emergency Wage Subsidy (CEWS) to determine its effectiveness in maintaining labour force participation rates.

In the previous recession caused by the 2007-2008 financial crisis, older workers were often disproportionately affected in company layoffs and staff reductions. The economic disruption inflicted by COVID-19 is much more widespread and continues to affect employers and workers in all industries. It is important to determine how effective the CEWS has been in sustaining businesses throughout Canada. One outcome measure of the CEWS program would be to calculate the percentage of businesses that received CEWS funding and are still in operation after the pandemic has ended. This information could be collected by conducting a follow-up survey with CEWS recipients. There is also an opportunity to link CEWS recipient data with regional labour market data to determine if the CEWS program affected regional employment rates.

Provincial and territorial governments are stakeholders in the overall performance of the CEWS as the program may have affected LFP rates of older workers to varying degrees across the country.

## **Additional Resources**

For more information on pilot program parameters associated with implementing a wage insurance, please consult the following article:

Institute for Research on Public Policy. (2011). *Labour-force participation of older displaced workers in Canada: Should I stay or should I go?* Retrieved August 25, 2020, from <https://irpp.org/research-studies/labour-force-participation-of-older-displaced-workers-in-canada/>

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