



Institute for
Research on
Public Policy

Institut de
recherche
en politiques
publiques

For immediate distribution – February 24, 2011

NEWS RELEASE

Older displaced workers driven to early retirement

Wage insurance program would keep workers in labour force

Montreal – Older workers who face sudden layoff rarely match their previous earnings upon re-employment, and their earnings tend to stagnate in subsequent years – a situation that drives many to retire early, according to a new study published by the Institute for Research on Public Policy (IRPP).

In the study, *Labour Force Participation of Older Displaced Workers in Canada: Should I Stay or Should I Go?*, authors Ross Finnie and David Gray investigate the income and labour market choices of long-tenured workers in the five years following layoff. The authors warn that the trend of early retirement due to poor job prospects could both curtail future economic growth and add to fiscal pressures on public and private pension plans.

An analysis of income sources shows that about one-quarter of those laid-off between the ages of 45 and 59 years (who are not yet eligible for CPP retirement benefits) leave the work force within five years. Among those aged 60 to 64, the proportion rises to nearly 70 percent. Those who do find employment typically see earnings losses of around 40 percent. By contrast, younger workers (under 45) are more likely to find re-employment at or above their previous earnings or eventually see them grow.

“Canada has a poor track record of labour-market adjustment policies,” say Gray and Finnie. “We believe that a wage insurance program could be an option to entice older workers to remain in the labour force.”

A wage insurance program would subsidize a percentage of any wage loss experienced by an older unemployed worker for a fixed period of time once re-employed. If implemented properly, the program would allow older workers, who might otherwise be tempted to retire early, to earn acceptable wages and gain new work experience.

Labour Force Participation of Older Displaced Workers in Canada: Should I Stay or Should I Go?, by Ross Finnie and David Gray, can be downloaded free of charge from the Institute's Web site (www.irpp.org).

-30-

To receive our monthly bulletin *Thinking Ahead* via e-mail, please subscribe to the IRPP e-distribution service by visiting our Web site.

Media contact: Nicola Johnston

Tel: 514-787-0737 Cell: 514-235-8308

