

NEWS RELEASE

Government policies discourage older Canadians from continuing to work

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VANCOUVER—If governments in Canada want to help seniors who want to continue working, they should remove barriers that discourage them from remaining in the workforce, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“All Canadians, no matter their age, should be free to make their own choices about working without government limiting those choices or essentially penalizing those who want to work,” said Morley Gunderson, professor emeritus of economics at the University of Toronto and author of *Barriers to the Labour Force Participation of Older Workers in Canada*.

According to the study, the ratio of seniors to the working age population in Canada will double from 20.3 per cent in 2010 to 38.4 per cent in 2040—yet another indicator of Canada’s aging population. Currently, if seniors want to continue working after age 65, they experience the following consequences.

- **Reduction in government benefits:** Typically, seniors who continue to work after age 65 will incur “clawbacks” (essentially, benefit reductions) for the Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement.
- **Higher effective tax rates:** Working Canadians age 65 and older who earn approximately \$39,000 or more (2021) will essentially incur a clawback rate of 15 per cent on their income due to a federal tax credit.
- **Mandatory withdrawals of RRSPs:** When a person turns 71, their RRSPs must be converted into a Registered Retirement Income Fund (RRIF) or annuity, and they must begin withdrawing benefits. If the person continues to work—while receiving these benefits—they may move into a higher tax bracket.
- **Reduction of government pension benefits:** Some government pension programs are based on income, with clawback rates that reduce benefits if recipients earn income from working.

“In Canada, the rules around employment and retirement seem antiquated and detached from the changing nature of work and the desire of many Canadians to continue working into their golden years,” Gunderson said.


“These barriers to working not only hurt the economy but can also hinder the ability of seniors to stay active and healthy.”

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