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Accounting for Demographic Change in Migration Policy

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Canada

Population aging is a significant, pervasive issue...

- Population aging is an unstoppable demographic force affecting nearly every country in the world
  - Has been occurring since the 1950s and will continue until such time as fertility rates increase sufficiently to overtake improvements in life expectancies

- Population aging has major consequences and implications for all aspects of life:
  - Economy → growth, savings, investment, consumption, labour markets, pensions, taxation, provision of public services, intergenerational transfers
  - Society → family composition and living arrangements, housing demand, migration trends, epidemiology, crime, security

- Immigration has <u>limited ability</u> to offset population aging on its own

Source: UN World Population Ageing, 2007

Immigration is a key component of labour force growth...

- ## Canada, like most developed nations, has an aging population
  - Between 1946 and 2011, Canada's population grew from 12.3 million to 34.3 million due to the baby-boom and relatively high levels of immigration

- ## In 2006, immigration accounted for two-thirds of Canada's population growth
  - By 2030, when deaths are projected to outnumber births in Canada, immigration will be the only source of population growth

- ## Domestic school leavers will continue to account for a majority of new labour market entrants (approximately 80%)
  - However, without immigration, Canada would experience negative labour force growth within the next decade
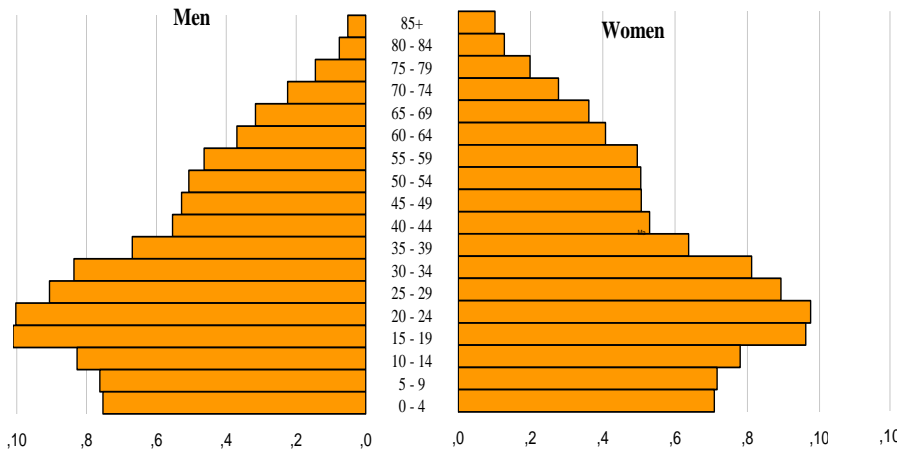
Source: Statistics Canada, Population Projections for Canada, Provinces and Territories: 2005-2031

...but will ultimately have little impact on age structure.

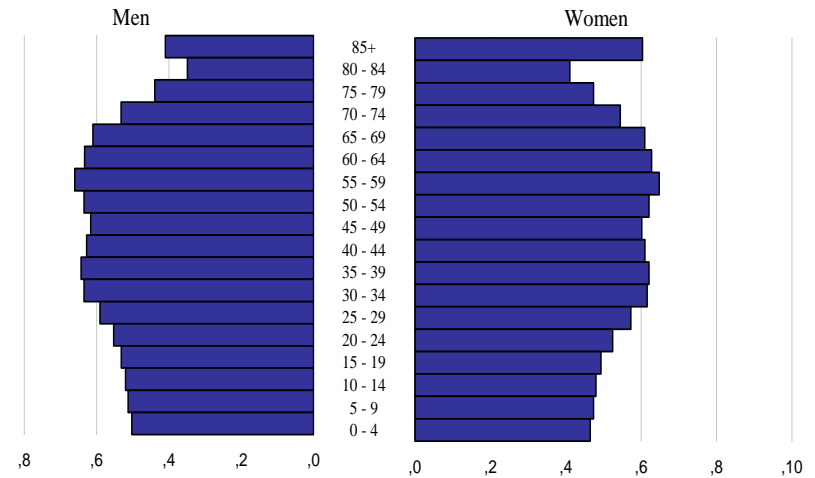Falling fertility rates and longer life expectancies have led to an aging of Canada's population

Distribution of Canada's Population, 1980

Projected Distribution of Canada's Population, 2050

In 1980, Canada's population was about 24.5 million, with an age structure pyramid that reflected a relatively young population. Of the total population, approximately 9.4% of the population was aged 65 or older.
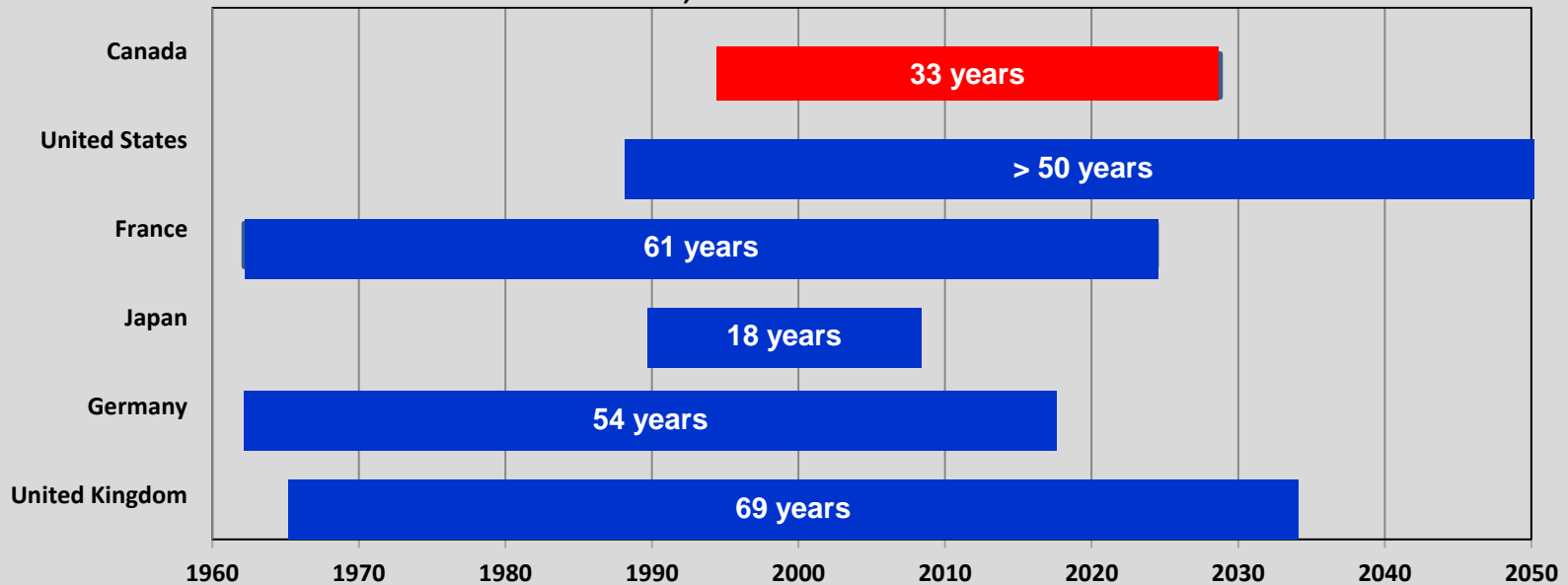
In 2050, Canada's projected population is 41.4 million. The age structure will have a tapered base – reflective of a country with an older population. It is projected that approximately 25% of the population will be aged 65 or older.

Source: OECD

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Canada's population will age more rapidly than most…

The Canadian population will age relatively quickly in the coming years, chiefly due to a significant spike in births during the 1950s and 1960s, followed by a sharp decline in fertility rates. The "Baby-Boom" cohort will reach age 65 between 2011 and 2031.

Number of years required for the proportion of persons aged 65 years and over to go from 12% to 22%, selected countries
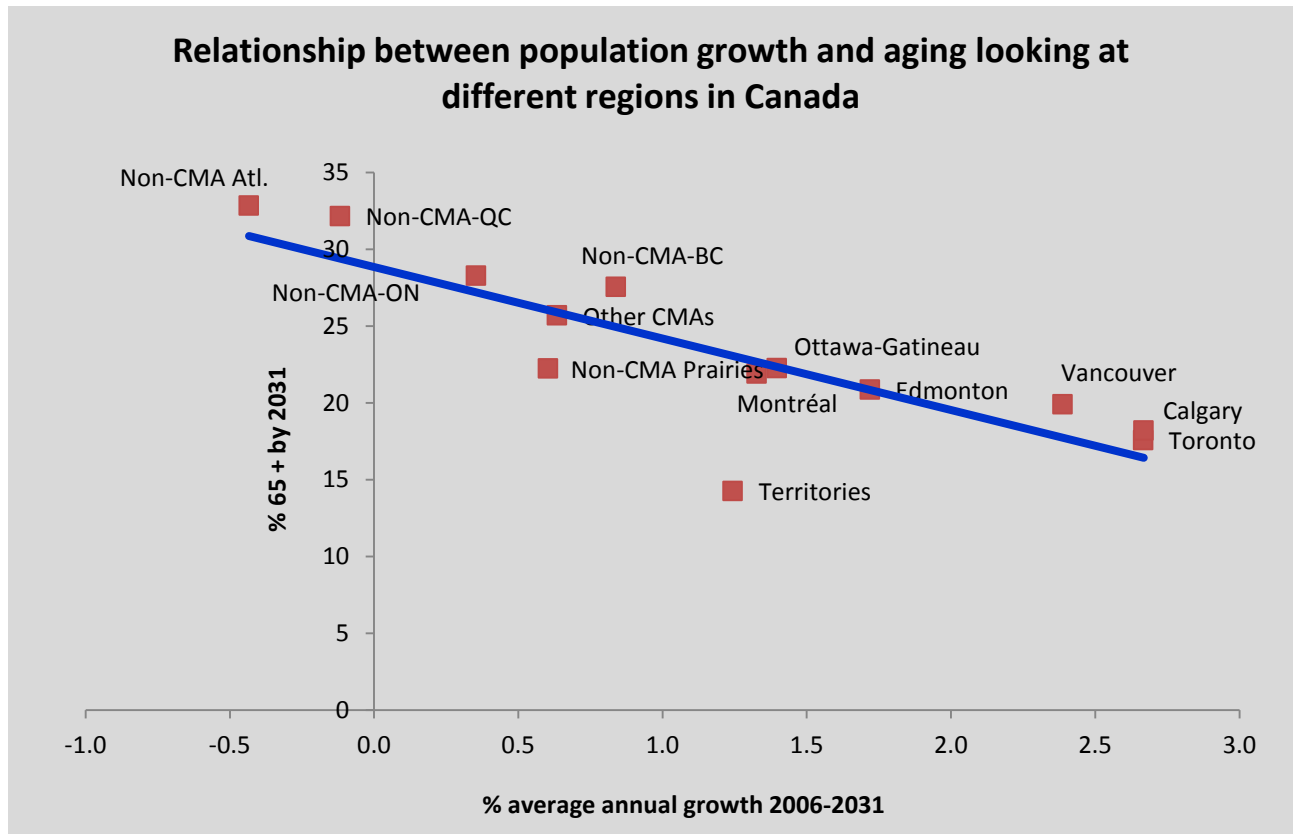
Country	Years
Canada	33 years
United States	> 50 years
France	61 years
Japan	18 years
Germany	54 years
United Kingdom	69 years

…and rural areas will be more severely impacted.

Some regions of Canada will be disproportionately affected:

Rural regions of Canada have slow population growth and an older population than urban regions of Canada.

Non-metropolitan areas could have slow or even negative growth in the next two decades along with higher proportions of elderly.

Often, young adults are leaving those non-metropolitan areas for studies or work.

Relationship between population growth and aging looking at different regions in Canada

- Non-CMA Atl.
- Non-CMA-QC
- Non-CMA-BC
- Non-CMA-ON
- Other CMAs
- Non-CMA Prairies
- Ottawa-Gatineau
- Vancouver
- Montréal
- Edmonton
- Calgary
- Toronto
- Territories

y-axis: **% 65 + by 2031** (0, 5, 10, 15, 20, 25, 30, 35)

x-axis: **% average annual growth 2006-2031** (-1.0, -0.5, 0.0, 0.5, 1.0, 1.5, 2.0, 2.5, 3.0)

The most significant impact will be on public finances...

- An aging population is expected to lower the aggregate labour force participation rate, which will result in:
  - reduced growth in real per capita GDP (for given productivity growth); and,
  - reduced growth in per capita tax base

- At the same time, there will be increased demands for public services such as health care spending and old-age benefits
  - Annual per-capita spending on public health care accelerates exponentially for individuals aged 65 and over
  - Combined need for health care and elderly benefits are projected to cost an additional 3.5 percentage points of GDP between 2020 and 2040

- Government has finite resources; all things being equal, must cut or become more efficient in provision of services, raise taxes, or incur debt
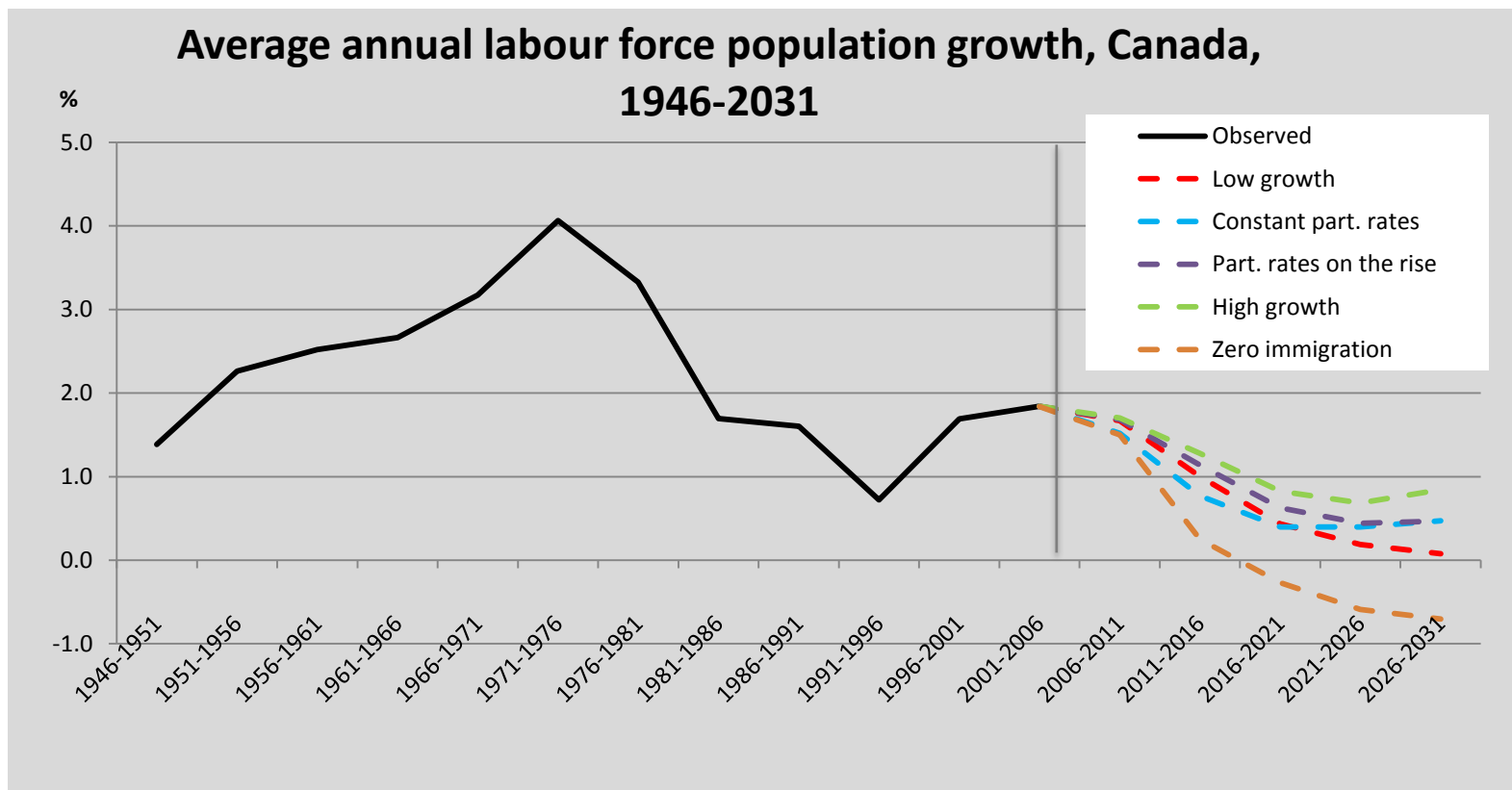
Source: Christopher Ragan, McGill University

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...as labour market growth will decline even under the most optimistic scenarios.

- **Without immigration, labour force growth would become negative within the next decade.**

Average annual labour force population growth, Canada, 1946-2031

Legend:
- Observed (black solid)
- Low growth (red dashed)
- Constant part. rates (blue dashed)
- Part. rates on the rise (purple dashed)
- High growth (green dashed)
- Zero immigration (orange dashed)

X-axis: 1946-1951, 1951-1956, 1956-1961, 1961-1966, 1966-1971, 1971-1976, 1976-1981, 1981-1986, 1986-1991, 1991-1996, 1996-2001, 2001-2006, 2006-2011, 2011-2016, 2016-2021, 2021-2026, 2026-2031

Y-axis (%): -1.0, 0.0, 1.0, 2.0, 3.0, 4.0, 5.0

Migration is not a cure-all…

- Immigration is not a panacea to the issue of population aging
  - At current annual levels (0.75% of the population) the median population age would reach 46 years by 2050
  - With no immigration, the median age would be 47 years by 2050

- In order to offset population aging, math shows that Canada would need to substantially increase current immigration levels to:
  - 2.5% of the population immediately;
  - 4.4% of the population by 2012; and,
  - 4.7% of the population by 2020.

- Moreover, immigration does not, at any level, address persistent underlying issue of below replacement fertility rates

...but can be part of a broader response.

- Immigration cannot solve the aging population, but can play a role as part of a broad suite of options, including:

  - Improvements to labour market participation by leveraging under-represented groups and/or modifications to retirement age

  - Measures to increase fertility rates

  - Increases to productivity

  - Proactively addressing fiscal situation

- In Canada sub-national governments have already taken specific actions:

  - **Québec** – has attempted to increase fertility by putting in place a system of high-quality, very inexpensive child care for parents and fully funds In-Vitro Fertilization treatments for women when needed

  - **Manitoba** – *Age Friendly Manitoba* initiative provides communities with tools to help identify physical and social barriers that inhibit participation

Canada's immigration toolbox

- Targeted immigration strategies for economic, family and humanitarian classes to fill skill shortages in particular industries and contribute to regional economic growth

- Some examples:
  - Ministerial Instructions – addresses specific skilled labour shortages by limiting the intake of economic immigration applications in line with the number and types of jobs available in Canada

  - Provincial Nominee Program (PNP) - facilitate the entry of immigrants with the skills, education and work experience needed to make an immediate economic contribution to the province or territory that nominates them

  - Canadian Experience Class - open to skilled temporary foreign workers and international students who have Canadian work experience and meet minimum language requirements

Summary thoughts…

- Population aging is a powerful demographic force that will necessitate the use of a variety of policy instruments to properly address

- Immigration is a key contributor to labour markets, but cannot, on its own, do much to mitigate against the impact of an aging population

- A broader response is required, including measures to maximize domestic participation in the labour market, address below-replacement fertility rate, increase productivity, ensure fiscal sustainability

- Ultimately, an older population will be the "new normal" – the challenge will be how to best adapt