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Knowledge into action

AGING OF THE POPULATION
BABY-BOOMERS: SOURCE OF THE PROBLEM OR PART OF THE SOLUTION?

CIRANO Note written by Mathieu Laberge, Project Director, February 2010

While much of the western world will experience an aging of the population, Quebec will be affected sooner than other Canadian provinces and many developed nations.

There will be 700 000 jobs to fill in Quebec by the year 2012. At the same time, the population aged 20 to 64 will begin to shrink as baby boomers age. This means that, while there will be many jobs, the workers required to fill them will be in short supply.

This decline in the number of workers has a number of consequences. It will be difficult to sustain the province's growth rate with fewer workers. In fact, we foresee the rate of growth of the economy dropping below its historic mean in the next few years. This implies a standard of living for Quebeckers that is stagnating, even declining. Government finances will also feel the pinch: If nothing is done, forecasts are for burgeoning structural deficits leading up to 2020, not to mention cyclical deficits resulting from the recession of 2008–2009.

No panacea

Several solutions have been proposed to counteract the fallout of the decline in the number of workers in Quebec. Par exemple, une hausse de la productivité de la main d'œuvre pourrait contribuer à contrer l'effet négatif de cette diminution sur la croissance économique. Néanmoins, il est peu probable que la hausse de la productivité soit suffisante pour contrebalancer complètement l'effet du vieillissement de la population[1].

Similarly, increasing immigration could provide a partial response to the problem of Quebec's shrinking workforce. However, barriers to labour mobility and the need to integrate new arrivals into the labour market undermine the potential contribution of this avenue.

Finally, a higher birthrate might offer a solution, but only in the long term. Children born in 2010 will only enter the labour market between 2025 and 2030. In light of the imminence of the labour shortage, this option is of little help.

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[1] Mouvement Desjardins (2009) *L'impact du choc démographique sur l'économie du Québec*, p. 5.

Increasing the participation of the elderly in the labour market

Finally, one more solution that merits consideration is boosting the labour market participation rate of individuals aged 55 and older.

Currently, the average retirement age in Quebec is 59 years for women and 61 for men. This is younger than the corresponding value for Ontario. Similarly, a smaller proportion of Quebeckers aged 55 and over are active on the labour market. The labour force participation rate of Quebeckers falls off rapidly as of age 50.

In order to completely offset the impact of the aging population on economic growth, we estimate that it would be necessary to virtually double the participation rate of individuals aged 60 to 64 while raising the rate of those aged 65 and over. Alternatively, we could strive to accelerate the upward trend in the participation rate of the elderly and of women.

Clearly, this solution must be implemented in conjunction with the previously mentioned measures. To ensure at least a modicum of success, implementation must also rely on voluntary participation: We must smooth the path for those who wish to work longer; not coerce the participation of the unwilling.

Specific initiatives could include more flexible retirement provisions at the level of pension funds, a tax system that rewards staying at work and progressive retirement, measures to combat prejudices against older workers, and a better coordination of reintegration services offered to the elderly.

To achieve this, it will be necessary for employers' organizations, unions, professional associations, and the government of Quebec to join forces to dismantle the barriers in the path of the elderly seeking to stay at work or return to work. Several countries have already embraced the paradigm of "active aging." Where those efforts have been crowned with success, it has been credited to the coordination and mobilization of all affected players.

For more information, please consult the project report link:

http://www.cirano.qc.ca/pdf/publication/2010RP-01.pdf