Study: Projections to 2036 of the labour force in Canada and its regions

Released at 8:30 a.m. Eastern time in The Daily, Wednesday, March 20, 2019

In recent years, the participation rate—defined as the size of the labour force relative to the total population aged 15 and older—has decreased, despite a relatively robust economy, low unemployment and higher levels of immigration. This is largely the result of population aging, as the large cohort of baby-boomers enter their retirement years.

From 2008 to 2017, the overall participation rate in Canada declined from 68% to 66%. By 2036, it is projected to further decrease to a level between 61% to 63%, depending on various projections scenarios.

Statistics Canada's labour force projections are being released today in *Insights on Canadian Society*, in the study "The labour force in Canada and its regions: Projections to 2036," providing a national and regional overview of the labour force in 2036, according to five different scenarios.

The projected decrease of the overall participation rate resulting mainly from population aging has important consequences for the Canadian economy. With more people leaving and fewer people entering the labour market, some sectors face the prospect of labour shortages. A lower overall participation rate will likely put pressure on fiscal revenues, which fund essential social and economic services and programs.

The projected decrease would be even more pronounced if not for two key factors. First, an immigration rate, which contributes to the size and growth of the working-age population. Second, the increasing labour force participation rates of seniors. Among those aged 60 to 64 who are approaching retirement, the participation rate rose from 43% in 1995 to 61% in 2017 among men, and from 23% to 49% among women over the same period.

These factors, however, vary across regions in Canada, as some regions are aging faster than others. As a result, labour market participation trends are projected to vary considerably across regions in the future.

Large differences in labour market participation rates are expected across regions

The overall participation rate is projected to decline in the vast majority of Canadian regions. This trend, however, will be more pronounced in Quebec outside the large metropolitan area of Montréal and in rural areas of the Atlantic provinces, where the population is aging faster and immigration is lower.

For instance, in 2036, the overall participation rate is projected to be 53% in Atlantic regions outside of a census metropolitan area (CMA), down from 58% in 2017. In smaller Quebec CMAs (such as Québec, Saguenay, Trois-Rivières and Sherbrooke) and in Quebec outside CMAs, the rate is also expected to decrease, from 64% in 2017 to 57% in 2036 in smaller Quebec CMAs, and from 61% to 55% in Quebec outside CMAs.

As a result, by 2036, regions outside CMAs in the Atlantic provinces and Quebec (outside Montréal) are projected to have just two labour force participants for each senior outside of the labour force. In comparison, this ratio is currently around four at the national level.

In contrast, the overall participation rate is not expected to change significantly in the two Alberta CMAs of Edmonton and Calgary, from 72% in 2017 to 71% by 2036. The labour force participation rate is also expected to remain relatively stable in Toronto and Montréal, at around 65%.

In these large urban areas, high immigration as well as the migration of young adults from other regions of Canada would partially offset the effects of population aging. By 2036, the ratio of labour force participants to non-participant seniors could be at least three in Montréal, close to four in Toronto, and close to five in Calgary and Edmonton.

The diversity of the labour force will vary across regions

Because of regional differences in immigration patterns and trends in population aging, regional differences in the diversity of the labour force are also expected to grow.

In 2016, foreign-born individuals accounted for more than one-quarter of the total Canadian labour force, and by 2036, foreign-born individuals could represent more than one-third of the Canadian labour force.

In the CMA of Toronto, a preferred destination for immigrants, foreign-born people could account for more than half of the labour force (57%) by 2036, compared with 4% in Quebec outside of a CMA.

Regional differences in the proportion of those who belong to a visible minority group are projected to be even higher, as they could reach 66% in Toronto and 62% in Vancouver, compared with 3% of the labour force in Quebec, outside CMAs in 2036.

Besides immigration, another reason for this trend is that the children of immigrants already admitted to Canada will continue to contribute to the ethno-cultural diversity of the labour force in large metropolitan areas like Toronto and Vancouver.

Older workers will represent a larger proportion of the labour force

As population ages, older people aged 55 and older will represent a growing proportion of the labour force. There are multiple factors associated with the increase in the labour market participation of seniors, including better health and longer life expectancy, higher levels of education and their financial situation.

At the national level, older workers could make up more than 25% of the labour force in 2036, compared with 21% in 2017. By contrast, in 1976, 11% of the labour force was over the age of 55.

As some regions of Canada age faster than others, the proportion of people aged 55 and older in the labour force is expected to vary across the country. For example, in Atlantic Canada outside of a CMA, 32% of the labour force could be aged 55 or older by 2036.

The proportion of the labour force over the age of 55 is expected to remain under 25% in the CMAs of Montréal and Ottawa–Gatineau, as well as in the CMAs of Manitoba, Saskatchewan and Alberta and in the territories.

Note to readers

This analysis uses results from the Demosim microsimulation model. Demosim projects the future characteristics of the Canadian population, including immigration status, place of birth, visible minority, level of education, and labour force participation, according to five different scenarios. In The Daily, the results discussed are from the reference scenarios. Readers can find national and regional results from the alternative scenarios in the full study. The study includes detailed projections for 18 regions of Canada.

Data from the 1996, 2001, 2006 and 2016 censuses, as well as the 2011 National Household Survey, were also used for the base population of the projections, as well as to compute many parameters used as inputs to the projection model.

Definitions, data sources and methods: survey numbers 3701, 3901, 5126 and 5178.

The article "The labour force in Canada and its regions: Projections to 2036" is now available in *Insights on Canadian Society* (**75-006-X**).

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