

# Study: Canadian labour force: What happens after the baby boomers retire?

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The evolution of the Canadian labour force continues to draw attention, as people born during the baby boom started to reach the age of 65 in 2011 and have progressively been leaving the labour market ever since to retire. These departures have exerted a downward pressure on the labour force participation rate, which reached its lowest level in 20 years in 2023, at 65%.

Despite the large number of baby boomers retiring, the labour force should continue to grow over the next two decades in Canada, partly because of migratory increase. A rise in the labour force participation rate, particularly among older workers, could also have a significant impact on the size of the labour force in the coming years.

These results are based on a new study, "[Canadian labour force: What will happen once baby boomers retire?](#)," which is being released today.

This study uses various population scenarios to examine the effects of different immigration levels and labour force participation rates on the size and composition of the Canadian labour force through 2041.

For this study, six scenarios were developed. The "reference scenario" assumes that recent trends in population growth and labour force participation will continue. This scenario acts as a point of comparison for all the other scenarios selected for this analysis. The five other scenarios differ from the reference scenario by just one assumption, altering either the permanent immigration level or the labour force participation rate by age group.

## A growing labour force

One of the measures implemented to address Canada's changing demographics is immigration, which reached record levels in 2022 and 2023. In fact, from July 1, 2022, to July 1, 2023, Canada welcomed 468,817 immigrants. Moreover, the increase in the number of non-permanent residents (NPRs) during this period is the largest since comparable data became available.

The various scenarios indicate that the growth in Canada's labour force should accelerate in the short term because of recent increases in permanent and temporary immigration.

According to the reference scenario, which assumes that 500,000 permanent immigrants will be admitted each year and assumes a constant proportion of NPRs amounting to 5% of the total population as of 2028, the labour force should continue to grow in Canada, from 21.7 million in 2023 to 26.8 million in 2041. By comparison, the labour force increased from 16.1 million in 2001 to 20.5 million in 2021.

The labour force growth rate from 2023 to 2041 (+1.17%) would therefore be slightly lower than what was observed over the last two decades (+1.21%).

## The decrease in the overall labour force participation rate is coming to a halt

Since the early 2000s, the growth of the Canadian labour force has been slower than the growth of the population aged 15 years and older in part due to the high number of retirements among baby boomers.

The overall labour force participation rate has followed a downward trend since the early 2000s, and this trend will likely continue until 2030, that is, until the last cohort of baby boomers, born in 1965, reach the age of 65. According to the reference scenario, the labour force participation rate would then stabilize and reach 64.6% in 2041, a level comparable with that seen in 2023 (65.2%).

The scenarios for the different immigration levels show that the overall labour force participation rate would continue to decrease in the short term, regardless of the number of permanent immigrants welcomed each year.



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The projections also show that the increase in participation rates by age group, influenced by, among other things, older workers staying on the job, would have a greater impact on the overall labour force participation rate in Canada. For example, if participation rates by age converged toward those observed in Japan in 2022—which are significantly higher than those observed in Canada—the overall labour force participation rate would reach 69.7% in 2041. By comparison, this rate would be 65.6% if Canada instead welcomed 750,000 permanent immigrants annually.

## The aging of the labour force should stabilize once baby boomers finish retiring

The Canadian labour force, like the population in general, has aged in recent decades. Since the early 2000s, the proportion of people aged 55 years and older in the labour force has doubled, from 10.9% in 2001 to 22.4% in 2021. This increase is mainly attributable to the large numbers of baby boomers turning 55 years old, but also to the rise in the participation rate of people aged 55 years and older, particularly among women, over the last two decades.

Much of the transition to an older labour force is already well underway and as a result, the proportion of the labour force aged 55 years and older should stabilize over the next few years.

This is confirmed by the projection results. According to the reference scenario, the proportion of people aged 55 years and older in the labour force would remain below 22.0% until 2036 and then would reach 23.1% in 2041.

Moreover, there was little difference when the number of permanent immigrants admitted annually was modified. This indicates that immigration would not bring down the age of the Canadian labour force significantly, because immigrants join the Canadian labour force at a higher age than people born in Canada.

By contrast, the aging of the labour force is strongly influenced by participation rates. In fact, if rates by age group remained similar to those currently observed in Canada, the proportion of people aged 55 years and older in the labour force would reach 21.5% in 2041, while this same proportion would reach 28.8% if there were a significant increase in labour market activity among older workers, particularly those aged 55 years and older.

## The projections vary considerably from one province or territory to another

National projection results from the reference scenario mask significant differences between Canada's provinces and territories.

Although the projection results show an increase in the size of the national labour force from 2023 to 2041, this is not the case for all provinces and territories. According to the reference scenario, a decrease in the labour force can be expected from 2023 to 2041 in most Atlantic provinces, namely Newfoundland and Labrador (-20.2%), New Brunswick (-7.9%) and Nova Scotia (-5.5%).

Also, according to the reference scenario, the overall labour force participation rate would decline in all provinces and territories in Canada, except in Saskatchewan, where the projected rate in 2041 is identical to 2023. For the Atlantic provinces, the declines would be greatest, especially in Newfoundland and Labrador (-5.0 percentage points), New Brunswick (-3.1 points) and Nova Scotia (-2.9 points).

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## Note to readers

### Data sources

The labour force projections presented in this analysis were obtained using Statistics Canada's microsimulation population projection model, called Demosim. Demosim makes it possible to simultaneously project several characteristics of the Canadian population while taking into account the different behaviours of various population groups.

### Assumptions and scenarios

For this study, six scenarios were developed.

The "reference scenario" assumes a continuation of recent trends in the various components of population growth and labour market activity. In particular, it assumes a set inflow of 500,000 permanent immigrants per year over the projection period and a constant proportion of non-permanent residents amounting to 5% of the total population as of 2028. It also assumes that the participation rate of workers aged 55 years and older will be higher in 2041 than in 2023. This scenario acts as a point of comparison for all the other scenarios selected for this analysis.

The five other selected scenarios differ from the reference scenario by just one assumption. In addition to the reference scenario that assumes an inflow of 500,000 permanent immigrants per year, three additional scenarios were developed to measure the effect of different permanent immigration levels on the projected labour force: (1) 250,000 permanent immigrants per year, (2) 750,000 permanent immigrants per year and (3) no immigration.

Two other scenarios were also developed to analyze the effect of a change in participation rates by age group and sex on the projection results. The first scenario assumes that the participation rates for men will remain at 2023 levels. A second scenario sees participation rates evolve more markedly than in the reference scenario. In this second scenario, labour force participation rates of men converge, reaching in 2041 those observed in Japan in 2022. Although the overall labour force participation rate in Japan (62.5% in 2022) is lower than in Canada (65.4% in 2022) because of the larger proportion of older people in Japan, the participation rates of older people are higher in Japan than in Canada.

## Definitions, data sources and methods: survey number [3701](#).

The article titled "[Canadian labour force: What will happen once baby boomers retire?](#)" is now available in *Insights on Canadian Society* ([75-006-X](#)).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [infostats@statcan.gc.ca](mailto:infostats@statcan.gc.ca)) or Media Relations ([statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca](mailto:statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca)).