

The Economic Impact of Canada's Aging Population

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Abstract: Canada is a country with an aging population, especially in cities with small populations, such as Winnipeg and Yukon. The aging population trend is a double-edged sword, as it has both benefits and drawbacks. The downside is that it leads to a number of economic problems, including a reduced workforce and increased health care costs, while the upside is that it can boost demand for specific services, such as nursing homes and hospitals. Specifically, the paper aims to examine the factors that contribute to Canada's aging population trend and its effect on the workforce in these cities, including the retirement of baby boomers and declining birth rates. Also, it investigated the economic implications of an aging population, such as reduced labor supply and increased healthcare and insurance costs. Additionally, assessing the impact of population aging on these urban emerging industries and identifying potential policy solutions to mitigate the negative economic impact of population aging are presented in detail to provide readers with a clear framework. It can be inferred that the aging population trend in Canada is a complex issue that has both benefits and drawbacks. While it may boost demand for specific services, such as nursing homes and hospitals, it can also lead to a decline in the labor supply, increased healthcare costs, and challenges for emerging industries in smaller cities. It is important to study the impact of Canada's aging population trends on the economy to inform policy decisions aimed at promoting economic growth and stability in the face of demographic change.

Keywords: declining workforce, healthcare, insurance, retirement, aging population

1. Introduction

1.1. Background

In Canada, an aging population is a common trend. In some cities with smaller populations, the aging trend is more pronounced. The factors that contribute to an aging population are complex and include Canada's immigration policies, the retirement of baby boomers, declining birth rates, and an aging workforce, among others.

It is important to study the impact of Canada's aging population trends on the economy, as it helps to analyze the causes of Canada's economic downturn. In more details, the aging population accelerates the decline in labor supply, which also potentially affects some emerging industries.

1.2. Related Research

At first, Canada's aging population is a major driver of rising healthcare costs, and several studies have examined this issue. Chappell and Hollander conducted a sample survey to investigate the core drivers of healthcare insurance costs in Canada. Their research found that healthcare interventions, resource allocation, and labor shortages were the primary factors contributing to the increase in healthcare costs. The study highlights the need to address these drivers to ensure that healthcare costs remain sustainable, particularly as Canada's population ages [1]. In a later study, Chappell and Hollander focused on the impact of population aging on healthcare costs in Canada. They found that healthcare interventions, resource allocation, and labor shortages continued to be key drivers of healthcare costs, and that population aging was exacerbating these factors. The study suggests that addressing these drivers will be critical in ensuring that the healthcare system remains sustainable in the face of Canada's aging population [2]. These findings were echoed by Malko and Huckfeldt, who used the PubMed database and peer-reviewed literature to analyze the shortage of physicians in Canada. They found that the aging population and the increasing difficulty in obtaining physician licenses were major contributors to this problem, which could have economic implications [3]. In addition to these studies, Bloom et al. analyzed the impact of population aging on government health expenditures in Canada. Their research found that population aging would lead to an increase in government health expenditures, particularly for long-term care [4]. They suggested that policies promoting healthy aging could help reduce the need for long-term care and alleviate some of the financial burden on the healthcare system. Taken together, these studies highlight the urgent need to address the drivers of rising healthcare costs in Canada's aging population. Healthcare interventions, resource allocation, and labor shortages must be carefully managed to ensure that the healthcare system remains sustainable in the face of an increasingly elderly population. Policymakers should also consider strategies to promote healthy aging and reduce the need for long-term care, which could help mitigate the financial impact of an aging population on the healthcare system.

Also, the aging of Canada's population has significant implications for the country's economic growth and emerging industries. Jackson et al. used a census approach to analyze the causes of accelerated population aging in Canada and concluded that promoting economic growth and new industries could help the of aging on per capita income and labor force distribution [5]. Jackson et al. suggest that the negative effects of population aging on per capita income and labor force distribution can be mitigated by encouraging economic growth and new industries. They argue that as the labor force ages, the potential workforce decreases, leading to a reduction in economic productivity and a decline in per capital income. Additionally, they note that as people age, they are more likely to require health care services, which could lead to higher health care expenses and put a strain on government budgets. Therefore, they recommend that promoting economic growth and new industries could help offset these negative effects by creating more job opportunities and increasing productivity. This, in turn, could lead to higher per capital income and a m sustainable economy in the face of an aging population. However, Denton and Spencer's study on the financing of social services in Quebec found that population aging would have a significant impact on the financing of social services and that policies must be developed to address this issue [6]. Denton and Spencer suggest that population aging would have a significant impact on the financing of social services, particularly as the demand for healthcare and long-term care services increases. They argue that as the population ages, there will be a greater demand for health care and social services, which could lead to increased health care expenditures and strain government budgets. They also note that the funding of social services, including health care and long-term care, is often provided by the government, which could result in a significant increase in government spending. Therefore, they recommend that policies must be developed to address this issue and ensure that social services

remain sustainable in the face of an aging population. This could include measures such as promoting preventive health care, improving health care services, and increasing support for family caregivers. In addition, Laporte et al. examined the fiscal impact of population aging in Canada and recommended that the government adopt policies that promote economic growth and reduce spending to ensure the fiscal sustainability of the Canadian government in the face of an aging population. These findings highlight the need for the government to develop policies that promote economic growth and address the impacts of population aging on social services and fiscal sustainability [7].

In addition, the aging population in Canada has a significant impact on labor shortages, as shown by several studies. Moore and Pace found that an aging workforce in Canada can severely reduce labor force participation in the market and negatively affect economic growth. They recommended that the government adopt policies that encourage older workers to remain in the labor force. Moore and Pacey suggested that as people age, they may start to experience health problems, which can lead to an inability to work [8]. Additionally, older workers may decide to retire earlier, reducing their labor force participation. The authors recommended that the government adopt policies that encourage older workers to remain in the labor force, such as providing incentives or benefits for older workers who continue to work. This would help to mitigate the negative effects of population aging on the labor market and economic growth. In addition, Schirle's study also found that population aging would lead to a decline in labor market participation rates, particularly among older workers. The author suggested that the government adopt policies that promote the older workers and maintain a balance taxation between and the provision of social benefits, such as pensions [9]. Schirle examined the impact of population aging on labor market participation rates in Canada and found that population aging would lead to a decline in labor market participation rates, particularly among older workers. The author suggested This decline in labor force participation could be due to various factors, such as age-related health problems, the preference of older workers to retire earlier, or the lack of opportunities and incentives for older workers to continue working. Schirle recommended that the government adopt policies that promote the older workers' labor force participation, such as training and skills development programs, flexible work arrangements, and pension plan designs that provide incentives to continue working. At the same time, the author suggested paying attention to the balance taxation between ta the provision of social benefits, such as the proportion of pensions, to ensure that older workers are not penalized for continuing to work. This would help to mitigate the negative effects of population aging on the labor market and ensure a sustainable workforce. Moreover, Lee and Edwards updated Dungan's study on the fiscal impact of population aging in Canada and found that the fiscal impact would be even more significant than previously estimated. Therefore, the government would need to take additional steps to address the issue. The authors suggested that this The impact could be due to various factors, such as the rising cost of health care and social services for the elderly, the decline in tax revenues from the shrinking labor force, and the increasing burden on government budgets to fund retirement benefits and pensions. The authors recommended that the government take additional steps to address the issue, such as implementing policies that encourage labor force participation among older workers, promoting immigration to increase the labor force, and increasing productivity through innovation and technology [10]. In summary, the aging population in Canada will continue to impact the labor market, and the government must develop policies to encourage older workers to remain in the labor force and address the resulting labor shortages.

1.3. Objective

The objective of this study is to understand the causes of the accelerated aging of the Canadian population and to analyze its possible economic implications, including an analysis of its benefits and drawbacks.

2. Labor Shortage

Canada's aging workforce shortage is having a significant impact on the economy. As more and more baby boomers reach retirement age, there are fewer workers available to fill the jobs they leave behind. I will analyze some ways in which the shortage of workers is affecting the Canadian economy. The first one is Reduced economic growth. A shortage of workers can lead to reduced economic growth, as businesses are unable to expand or take on new projects due to a lack of available labour. The second is Decreased tax revenue. A smaller workforce means that there are fewer people paying taxes, which can lead to decreased tax revenue for the government.

2.1. Labor Statistics

According to Statistics Canada, the labor force in Canada was approximately 20.4 million people in March 2022 (Statistics Canada, 2022). However, the labor force participation rate in Canada has been declining in recent years due to the aging population. In 2021, the labor force participation rate for those aged 55 and over was 35.5%, compared to 89.2% for those aged 25-54 (Statistics Canada, 2022). This indicates that there may be a shortage of available labor, particularly among older workers.

2.2. Reason for Labor Shortage: Detailed Reason

The shortage of labor in Canada is primarily due to the aging population. As more and more baby boomers reach retirement age, there are fewer workers available to fill the jobs they leave behind. In addition, the birth rate in Canada has been declining, which means that there are fewer young people entering the labor force to replace retiring workers. Canada's population is aging, with more people reaching retirement age and leaving the labor force than there are young people entering it. According to Statistics Canada, the proportion of Canadians aged 65 and over is projected to reach 23% of the total population by 2030, up from 17% in 2018 (Statistics Canada, 2022). This demographic shift is creating a shortage of experienced workers in many industries, as well as putting pressure on social programs such as healthcare and pensions. Moreover, Canada's labor shortage problem is also related to population loss. Some young people choose to leave Canada to live in other countries, or immigrate. This may be due to educational choices or family reasons.

2.3. Impact of Labor Shortage

The shortage of labor in Canada is having a significant impact on the economy. Some of the impacts include Reduced economic growth, shortage of workers can lead to reduced economic growth, as businesses are unable to expand or take on new projects due to a lack of available labor. This can also lead to increased labor costs, which can further impact economic growth. Also, decreased tax revenue is one of the main consequences. A smaller workforce means that there are fewer people paying taxes, which can lead to decreased tax revenue for the government. More importantly, the reduction of the labor force will cause some industries in Canada to be implicated, such as serving some high-tech industries. In more detail, the high-tech industry is characterized by the need for a large number of technical and scientific personnel to ensure the operation of the project. However, over time, employee performance declines beyond retirement age. Moreover, this has resulted in fewer technicians having the same skills.

3. Increased Healthcare Costs

As Canada's population ages, there has been an increase in demand for healthcare services, which has led to higher healthcare costs. The first is Long-term care. As people age, they may require long-term care services. An example of long term care services would be home care. The cost of long-term care

can be significant, and it is often borne by individuals and their families rather than the healthcare system. This can lead to financial hardship for seniors and their families. Long-term care refers to a range of services and supports that people may need as they age and become unable to perform everyday activities on their own. This can include things like help with bathing, dressing, and eating, as well as medical and nursing care for chronic conditions or disabilities. As people age, they are more likely to require long-term care services, and this demand is only expected to increase in the coming years. In some cases, seniors may need to sell their homes or other assets to pay for long-term care, which can lead to financial insecurity and reduced quality of life. There is also a shortage of long-term care facilities and services in many parts of Canada, which can lead to longer wait times, higher costs, and lower quality of care overall. The shortage of long-term care facilities and services is expected to worsen in the coming years as the demand for care continues to grow.

The second is healthcare workforce shortages. The healthcare workforce in Canada is also aging, which can create challenges in meeting the demand for healthcare services. As more healthcare providers reach retirement age, there are fewer workers available to fill their positions. This can lead to increased workload and stress for those who remain in the workforce, as well as higher costs for healthcare employers who may need to offer higher wages or other incentives to attract and retain workers.

In addition, there are two main impacts. Increased costs for healthcare employers, and reduced quality of care. To retain employees, healthcare employers may need to offer more benefits or wages, which can increase their costs and reduce their ability to invest in other areas of healthcare. When there are not enough healthcare workers to meet the demand for services, it can lead to longer wait times, lower quality of care, and increased workload and stress for those who remain in the workforce. This can negatively impact the health outcomes of patients and reduce their satisfaction with the healthcare system.

Also, it can also reduce economic growth. When there are not enough healthcare workers to meet the demand for services, it can lead to reduced economic growth, as businesses are unable to expand or take on new projects due to a lack of available labor. To address workforce shortages in healthcare, there is a need for increased investment in education and training programs to attract and retain healthcare workers, as well as policies and programs to support healthy work environments and prevent burnout. There is also a need for increased collaboration between healthcare providers and other stakeholders, such as governments and community organizations, to develop innovative solutions.

Not only that, the increased competition for workers is also an issue. With fewer workers available, employers may need to compete more aggressively for the limited pool of available talent. This can lead to increased labor costs, as employers offer higher salaries and benefits to attract workers. Overall, the shortage of labor in Canada is a complex issue that requires ongoing attention and innovative solutions to ensure that the economy can continue to grow and thrive.

4. Suggestion: Encouraging More Young Immigrants to Come to Canada

Canada's population is aging rapidly. This demographic shift is putting significant pressure on Canada's social programs, including healthcare and retirement benefits, and is likely to have a negative impact on economic growth. So, encouraging more young immigrants to come to Canada can help alleviate this problem. Young immigrants tend to be highly motivated, with high levels of education and skills. They also tend to be more entrepreneurial and more likely to start their own businesses, creating jobs and boosting economic growth. This influx of young, skilled immigrants could help offset the economic impacts of an aging population. Furthermore, young immigrants can also contribute to the Canadian economy by paying taxes and spending their earnings on goods and

services. This increased economic activity can stimulate economic growth and help support Canada's social programs.

Encouraging more young immigrants to come to Canada can also address another issue that Canada is facing: a declining birth rate. With fewer Canadian-born children, Canada will need to rely more on immigration to sustain its population and workforce. Therefore, encouraging more young immigrants to come to Canada could be an effective suggestion for the problems Canada's aging population poses to economic growth. It could provide Canada with a skilled and motivated workforce, boost entrepreneurship, and help support Canada's social programs while addressing the declining birth rate.

Also, a valid suggestion is to increase funding for education and training. Investing in education and training can help workers acquire new skills and adapt to changing job requirements. This approach can also help reduce the skills gap in the workforce and promote the growth of new industries. Increasing funding for education and training is a crucial step in mitigating the economic impact of Canada's aging population. As the labor force shrinks due to retirements, it becomes essential to ensure that the remaining workers have the necessary skills to keep the economy growing. In more detail, The labor market is continually changing, and employers require workers with updated skills to fill new positions. By increasing funding for education and training, Canada can address the skills gap and let more young employees enter the job market. By providing entrepreneurs with training and resources, Canada can promote the growth of new businesses and industries. Therefore, this approach can help offset the economic impact of an aging population by creating new jobs and boosting economic growth.

5. Conclusion

The consequences of Canada's aging population are complex and have both advantages and disadvantages. These include labour shortages and rising health care costs. This paper investigates the impacts of Canada's aging population, specifically in terms of increased healthcare costs and healthcare workforce shortages. It also suggests encouraging more young immigrants to come to Canada as a potential solution. Overall, the paper aimed to analyze the results of aging population on the economy and provide suggestions for addressing these challenges. It highlights the consequences aging population in Canada, including labor shortages and rising healthcare costs, particularly in the long-term care sector. The aging healthcare workforce is also a concern, leading to increased workload and stress for remaining workers, as well as reduced quality of care for patients. A good suggestion would be encouraging more young immigrants to come to Canada as a potential solution. It suggests that innovative solutions are needed to address these issues, such as encouraging more young immigrants to come to Canada and investing in education and training programs for healthcare workers. The research underscores the importance of ongoing attention and action to ensure that Canada's economy can continue to grow and thrive in the face of demographic changes. More importantly, it can be found from the survey that Canada's population aging is inextricably linked to economic factors. Therefore, in order to revive Canada's economic growth, alleviating the trend of population aging is one of the necessary solutions.

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