



# NEWS RELEASE

## Canada's aging population will reduce labour force participation, slow economic growth, and exacerbate government budget deficits

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For immediate release

**VANCOUVER**—The continued aging of Canada's population will reduce participation in the labour force, which in turn will hinder economic recovery and contribute to rising budget deficits for governments across the country, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

"The percentage of Canadians working or looking for work has continued to drop, even before COVID-19, and policymakers should understand the potential consequences," said Philip Cross, senior fellow at the Fraser Institute and author of *The Implications of Slowing Growth in Canada's Labour Force*.

According to the study, Canada's labour force growth rate will continue to slow in the coming years, which means there will be a smaller share of people working with an increasing share of seniors, which results in higher government spending on health and income support programs.

This will adversely affect government finances, and will exacerbate budget deficits, as costs grow and fewer working-age Canadians are available to pay taxes.

Having reached a peak growth rate of 3.8 per cent in the early 1970s (when Baby Boomers entered the labour market) the labour force growth rate slipped below 1 per cent in the 1980s. Since then, the growth rate rebounded to 1.7 per cent between 1996 and 2006, when a booming economy and labour shortages drew people into the labour force, including an historic reversal of the long-term decline in the participation of people over 55.

But, Canada's labour force participation rate has fallen from 68 per cent in 2008 to 64.1 per cent in 2020 as the Baby Boomers began to retire in large numbers.

Crucially, projections from Statistics Canada show labour force growth dwindling to zero by 2026.

"Unless significant changes occur in the coming years, Canada's aging population means labour force participation rates will continue to decline, making government deficits harder to avoid," said Cross.

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