



# GETTING READY:

For a new generation  
of active seniors

## Report of the Standing Senate Committee on National Finance

The Honourable Percy Mockler, Chair  
The Honourable Anne C. Cools, Deputy Chair

June 2017

SENATE



SÉNAT

CANADA



**GETTING READY: For a new generation of active seniors**

First Interim Report of the Standing Senate Committee on National Finance  
on Canada's Aging Population

**NINETEENTH REPORT**

*Chair*

The Honourable Percy Mockler

*Deputy Chair*

The Honourable Anne C. Cools

June 2017

*For more information please contact us:*

*by email: [NFFN@sen.parl.gc.ca](mailto:NFFN@sen.parl.gc.ca)*

*toll-free: 1-800-267-7362*

*by mail: The Standing Senate Committee on National Finance  
Senate, Ottawa, Ontario, Canada, K1A 0A4*

*This report can be downloaded at:*

*[www.senate-senat.ca/nffn.asp](http://www.senate-senat.ca/nffn.asp)*

The Senate is on Twitter: [@SenateCA](https://twitter.com/SenateCA), follow the committee using the hashtag #NFFN



*Ce rapport est également offert en français*

## TABLE OF CONTENTS

THE COMMITTEE .....	2
ORDER OF REFERENCE .....	4
EXECUTIVE SUMMARY .....	5
RECOMMENDATIONS.....	7
INTRODUCTION.....	8
1 FINANCIAL IMPLICATIONS .....	10
2 REGIONAL CONSIDERATIONS .....	15
3 INTERNATIONAL CONSIDERATIONS .....	18
CONCLUSION .....	20
APPENDIX – WITNESS TESTIMONY .....	21

## THE COMMITTEE



The Honourable  
\*Percy Mockler,  
Chair



The Honourable  
\*Anne C. Cools,  
Deputy Chair

### The Honourable Senators:



Raynell  
Andreychuk



George Baker,  
P.C.



Joseph A. Day



Nicole Eaton



Éric Forest



\*Elizabeth  
Marshall



Lucie Moncion



Richard Neufeld



Victor Oh



André Pratte



Yuen Pau Woo

\*Member of the Subcommittee on Agenda and Procedure

### *Ex-officio members of the committee:*

Peter Harder, P.C. (or Diane Bellemare) and Larry Smith (or Yonah Martin)

***Other senators who have participated from time to time in this study:***

Ataullahjan, Mitchell, Smith, Stewart-Olsen and Marwah

***Parliamentary Information and Research Service, Library of Parliament:***

Sylvain Fleury and Olivier Leblanc-Laurendeau, Analysts

***Senate Committees Directorate:***

Gaëtane Lemay, Committee Clerk

Louise Martel, Administrative Assistant

***Senate Communications Directorate:***

Marcy Galipeau, Chief, Committees and Outreach

Mila Pavlovic, Communications Officer

## ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Tuesday, April 12, 2016:

The Honourable Senator Smith (*Saurel*) moved, seconded by the Honourable Senator Doyle:

That the Standing Senate Committee on National Finance be authorized to examine and report on the financial implications and regional considerations of Canada's aging population, including but not limited to:

- federal transfers to provinces, territories and Aboriginal governments to support the increased health care costs associated with the rise in the number of individuals requiring care at home and in hospitals, nursing homes and assisted living facilities;
- how the federal government can support economic development in areas with an aging population; and
- other related matters.

That the committee submit its final report no later than December 31, 2017, and that the committee retain all powers necessary to publicize its findings until 180 days after the tabling of the final report.

After debate,

The question being put on the motion, it was adopted.

Charles Robert

*Clerk of the Senate*

## EXECUTIVE SUMMARY

Demographic changes are now a challenge in Canada as well as in several other countries of the Organisation for Economic Co-operation and Development (OECD). In Canada, there are now more people aged 65 and over than children aged 14 and under. In the coming decades, this demographic reality will put greater pressure on the country's health care system and public finances, and will affect the labour market through an aging workforce. However, it will not be felt with the same intensity or in the same way in all regions of the country. Federal, provincial, territorial and Indigenous governments will have to work together and put measures in place to address the challenges facing Canadian society.

In April 2016, the Senate authorized the Standing Senate Committee on National Finance to examine and report on the financial implications and regional considerations of Canada's aging population. Up to May 30, 2017, our committee held five meetings and heard from 14 experts from across the country. This first interim report presents our committee's observations and recommendations following its study.

At this point in its study, our committee makes the following observations and recommendations:

Our health care system, which is currently not operating at peak efficiency according to some witnesses, will come under considerable pressure in the coming decades as spending continues to rise, mainly because of population aging.

**Our committee recommends that the Government of Canada develop, in collaboration with its provincial, territorial and Indigenous partners, a national seniors strategy in order to control spending growth while ensuring appropriate and accessible care.**

**Our committee recommends that the Government of Canada continue to work with its provincial, territorial and Indigenous partners to put measures in place to enable seniors to remain at home while having access to support services, including those provided by caregivers.**

While population aging may create employment opportunities in some sectors, the Canadian economy and the labour market risk being negatively affected by this phenomenon, mainly because of a decline in the labour force participation rate and a slowdown in economic growth.

**Our committee recommends that the Government of Canada, in collaboration with its provincial, territorial and Indigenous partners, put measures in place to increase labour force participation of underrepresented groups and to better match labour demand with labour supply in order to mitigate the negative impact of population aging on the economy and on the labour market.**

Population aging is not a uniform phenomenon, and the economies and public finances of some regions will be more affected than others.

**Our committee recommends that the Government of Canada consider the possibility of including demographic considerations when calculating federal**

**transfers to ensure that all regions of the country have the resources to fulfill their responsibilities with respect to their aging populations.**

## RECOMMENDATIONS

The Standing Senate Committee on National Finance makes the following recommendations:

**RECOMMENDATION 1:** That the Government of Canada develop, in collaboration with its provincial, territorial and Indigenous partners, a national seniors strategy in order to control spending growth while ensuring appropriate and accessible care.

**RECOMMENDATION 2:** That the Government of Canada continue to work with its provincial, territorial and Indigenous partners to put measures in place to enable seniors to remain at home while having access to support services, including those provided by caregivers.

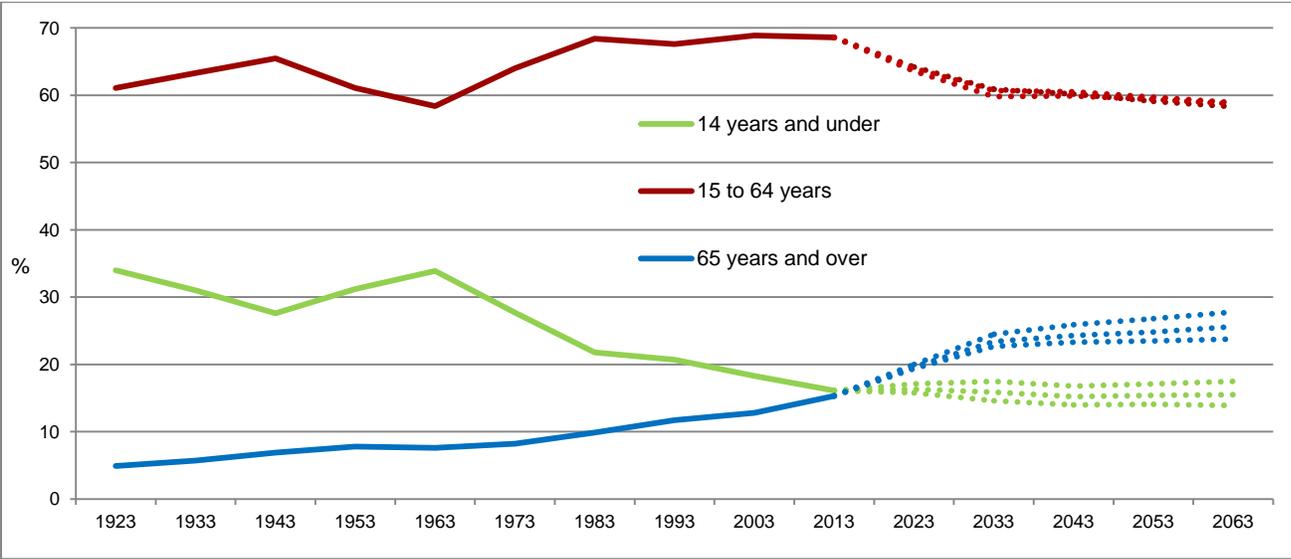
**RECOMMENDATION 3:** That the Government of Canada, in collaboration with its provincial, territorial and Indigenous partners, put measures in place to increase labour force participation of underrepresented groups and to better match labour demand with labour supply in order to mitigate the negative impact of population aging on the economy and on the labour market.

**RECOMMENDATION 4:** That the Government of Canada consider the possibility of including demographic considerations when calculating federal transfers to ensure that all regions of the country have the resources to fulfill their responsibilities with respect to their aging populations.

# INTRODUCTION

Like most industrialized countries, Canada is facing sustained, rapid population aging. There are now more people aged 65 and over than children aged 14 and under, and the demographic weight of Canadians aged 15 to 64 continues to decline (see Figure 1 below). Consequently, the median age in Canada will continue to increase: it went from 24.1 years in 1923 to 40.2 years in 2013, and is expected to be between 41.7 and 46.5 years in 2063.<sup>1</sup>

**Figure 1 – Distribution of Canada’s Population by Age Group (in percentage), Observed and Projected According to Three Growth Scenarios**



Source: Statistics Canada, [Population Projections for Canada \(2013 to 2063\), Provinces and Territories \(2013 to 2038\)](#), Ottawa, 2015, p. 14.

These demographic trends are largely due to a steady increase in life expectancy and fertility rates below the minimum required to replace the Canadian population: in Canada, life expectancy is 82 years and the fertility rate is 1.6 births per woman.<sup>2</sup> With the retirement of the baby boomers, the demographic transition is already underway in Canada. It is likely to have significant public finance implications as well as for Canada’s regions, which will be affected by the phenomenon differently due to the unequal distribution of seniors across the country.

In light of such demographic changes, the Government of Canada will have to accommodate a growing number of seniors in its population while continuing to ensure the sustainability of public finances. The government is aware of the potentially damaging consequences of population aging for the national economy. The Fall 2016 Economic Statement and the 2017 Federal Budget highlight the negative impact of an aging population on labour force growth and economic growth. Our committee encourages the Government of Canada to develop and implement meaningful measures.

<sup>1</sup> Statistics Canada, [Population Projections for Canada \(2013 to 2063\), Provinces and Territories \(2013 to 2038\)](#), Ottawa, 2015, p. 14.

<sup>2</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

It is not the first time that the Senate has studied population aging. However, the Honourable Sharon Carstairs, who chaired the Special Committee on Aging from 2006 to 2009, explained that “little has changed” and that “we are woefully unprepared to deal with our aging society.”<sup>3</sup> The government must take action, because Canada cannot afford to ignore the situation indefinitely. As a society, we have a responsibility towards our elders, and as Bernard Lord, Chief Executive Officer of Medavie and former Premier of New Brunswick, said, we have here “an opportunity to give back to the people who built our society.”<sup>4</sup> Population aging might be the cause of many challenges, but it is also the source of many opportunities.

---

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

# 1 FINANCIAL IMPLICATIONS

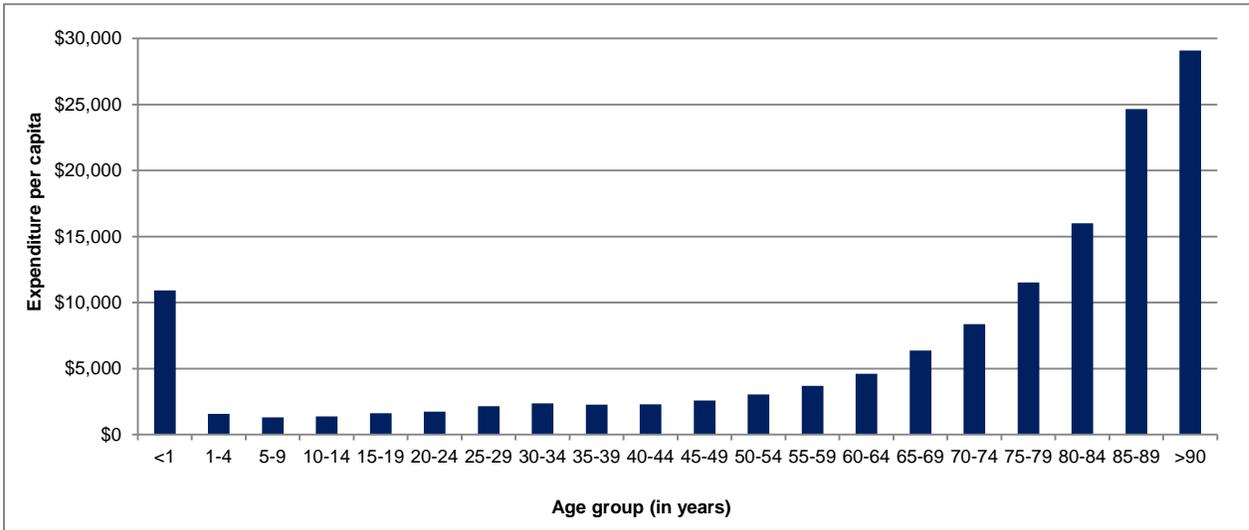
The repercussions of population aging are as much social as they are economic in nature. Among other things, changes in the age structure of the country’s population will have an increased impact on public finances, economic growth and the labour market.

## 1.1 Impact on the Health Care System

Dr. Dennis Furlong, a former Minister of Health for New Brunswick, explained that health care spending increases significantly with age: for seniors aged 65 and over, annual health care spending is on average \$11,635 compared with \$2,663 for persons aged 15 to 64 (see Figure 2). In the short term, the Canadian Institute for Health Information projects that population aging alone could increase health care costs by an average of 1% per year, or about \$2 billion nationally.<sup>5</sup>

Dr. Granger Avery, President of the Canadian Medical Association, warned against complacency about the fact that this increase is relatively limited: “there is a compounding effect that is readily apparent when you examine the impact on the age distribution of spending over time.”<sup>6</sup> Louis Thériault, Vice-President at the Conference Board of Canada, also cautioned that “the next 10 years is where most of the increase takes place in terms of percentage growth.”<sup>7</sup>

**Figure 2 – Annual Provincial/Territorial Government Health Expenditures per Capita, by Age Group, in 2014**



Source: Canadian Institute for Health Information, [National Health Expenditure Trends, 1975 to 2016](#), Ottawa, 2016, p. 22.

Professor Don Drummond of Queen’s University does not believe, however, that it means we should necessarily put additional funding into health care: “We did that in the 2000s through the health care

<sup>5</sup> Canadian Institute for Health Information, [National Health Expenditure Trends, 1975 to 2016](#), Ottawa, 2016, p. 27–28.

<sup>6</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>7</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 28 February 2017.

accord, and frankly I think it was a disaster. There was no accountability.”<sup>8</sup> According to him and other witnesses, the effectiveness of the system needs to be measured through outcomes, not the amount of money invested. Ms. Choo, Chief Executive Officer of S.U.C.C.E.S.S., said “[h]aving more is not better. I always believe in doing things smarter rather than asking for more.”<sup>9</sup>

Several witnesses, including Ms. Choo and the Canadian Medical Association, have recommended that the Government of Canada implement a national strategy for seniors. Our committee believes that such an approach would help to better target expenditures and increase the effectiveness of the health care system.

## RECOMMENDATION 1

**That the Government of Canada develop, in collaboration with its provincial, territorial and Indigenous partners, a national seniors strategy in order to control spending growth while ensuring appropriate and accessible care.**

Our committee also heard that, in the current context, we should be concerned about the status quo. Mr. Thériault said that the system is not adequately meeting the needs of seniors at present. Similarly, the Honourable Sharon Carstairs believes that “we need fundamental structural change in our health care system”<sup>10</sup>, especially in the way we deliver care. For his part, Mr. Lord considers that “our health care system is very good in the sense that the people who work there are excellent and dedicated, but the structure of the system was not designed for today’s population”.<sup>11</sup> Dr. Granger Avery agreed that there is a need for “practice reorganization” in order for it to be more oriented towards a generalist and collaborative approach.<sup>12</sup>

According to Dr. Furlong, of the five tenets of the *Canada Health Act*,<sup>13</sup> only “[u]niversality and portability are still there solidly.”<sup>14</sup> The former minister was particularly critical of the system’s accessibility, which he considers non-existent, and believes that the Act needs to be modernized. Mr. Thériault argued that it is so outdated that we could very well have a national conversation on health care without even mentioning the Act. These witnesses believe that our health care system doesn’t meet the current demand, is uneven across the country and that its long-term viability is not guaranteed. Dr. Furlong said “[w]e can’t keep thinking of it as a health system; we have to start thinking of it as an illness system. [...] we have a Canadian illness care system that is dysfunctional and failing.”<sup>15</sup>

Several reforms could help to improve the system and its effectiveness. The witnesses from whom the committee heard gave the following examples: we could increase the accessibility and distribution of medical information, develop home care, improve the accountability of the system or encourage

---

<sup>8</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>9</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 11 April 2017.

<sup>10</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

<sup>11</sup> Ibid.

<sup>12</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>13</sup> The five principles are universality, comprehensiveness, accessibility, portability and public administration.

<sup>14</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 28 February 2017.

<sup>15</sup> Ibid.

innovation to gain efficiencies. However, economist Richard Saillant believes that a deep reform of the system would be particularly difficult because “it is a sacred cow and a pillar of our national identity.”<sup>16</sup> Mr. Lord agreed: “people don’t want to touch it. They are scared to touch it because they will get fried, but we have to touch it. We have to find ways to improve the system, even if it means bringing in changes that are not always easy to implement at first”.<sup>17</sup> Other witnesses suggested that the solution to the system’s problems will not be reduced to providing more public funds with no strings attached or promising to increase the number of doctors.

Increasing the focus on home care and the role of caregivers could reduce the pressures of population aging on the system. According to Dr. Avery, several billion dollars could be saved by addressing the problem of prolonged stays in hospitals: “Home care is way cheaper and way better as long as we have the backup to it.”<sup>18</sup> While not a panacea, home care and caregivers could be an important part of a strategy to mitigate the effects of an aging population on the health care system. To use Ms. Choo’s words, this would not only allow seniors the possibility of “aging in the right place,” but also increase the efficiency of the health system. Other witnesses, notably the Honourable Sharon Carstairs and Mr. Lord, also noted the benefits of home care and caregivers. Our committee is aware that investments of \$6 billion over 10 years for home care were announced in Budget 2017<sup>19</sup> and recognizes the government’s efforts to improve home care in Canada.

## **RECOMMENDATION 2**

**That the Government of Canada continue to work with its provincial, territorial and Indigenous partners to put measures in place to enable seniors to remain at home while having access to support services, including those provided by caregivers.**

### **1.2 Impact on the Workforce and Economic Growth**

Right now, the labour force participation rate in the working-age population is relatively high in Canada. According to Professor Joseph Marchand of the University of Alberta, this is also true for older adults. In 2015, the labour force participation rate for persons aged 55 to 64 was 64.8% in Canada, while the average for Organisation for Economic Co-operation and Development (OECD) countries was 61.1%.<sup>20</sup> However, the federal government expects aging to lead to a decline in the overall labour force participation rate over the next few years.<sup>21</sup>

According to Mr. Drummond, Canada has two main ways of countering these trends: increasing the size of the workforce, including boosting employment among under-represented groups such as Indigenous peoples and people with disabilities, or increasing productivity by better matching labour demand and supply. It would also be possible to mitigate the effects of an aging population on the labour pool through

---

<sup>16</sup> Ibid.

<sup>17</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

<sup>18</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>19</sup> Department of Finance Canada, [Building a Strong Middle Class](#), Ottawa, March 2017, p. 156.

<sup>20</sup> Organisation for Economic Co-operation and Development, [OECD Employment Outlook 2016](#), Paris, November 2016, p. 218.

<sup>21</sup> Department of Finance Canada, [Building a Strong Middle Class](#), Ottawa, March 2017, p. 15.

the immigration of skilled workers. However, Mr. Saillant cautioned that immigration “will exacerbate the great demographic imbalance, because immigrants tend to locate in areas where there are other immigrants who are thriving more, economically.”<sup>22</sup> Mr. Thériault also noted that, “[i]n terms of macro solutions, it is not so much immigration but how we leverage new Canadians to the maximum potential skill set that they bring.”<sup>23</sup> Our committee believes that it would be in Canada's interest to invest more in human capital while making sure to better match labour demand with labour supply.

### **RECOMMENDATION 3**

**That the Government of Canada, in collaboration with its provincial, territorial and Indigenous partners, put measures in place to increase labour force participation of underrepresented groups and to better match labour demand with labour supply in order to mitigate the negative impact of population aging on the economy and on the labour market.**

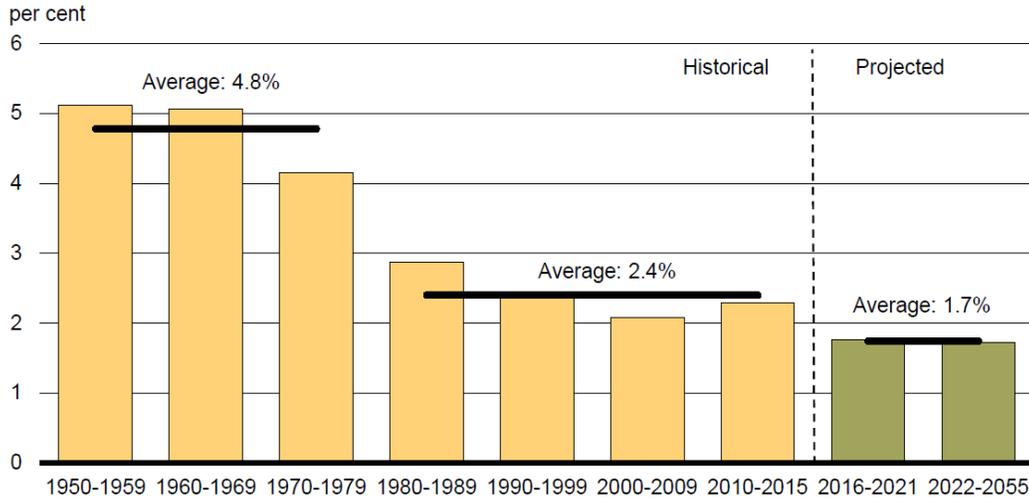
Our committee heard that the aging of the Canadian workforce could have a negative impact on the country's economic growth, which will be restricted to less than 2% according to economist and demographer David K. Foot. It could fall to 1.55% according to Mr. Drummond. The Department of Finance projects that economic growth will average 1.7% between 2016 and 2055, compared with 2.4% between 1980 and 2015, and 4.8% per cent between 1950 and 1979 (see Figure 3). It should be noted that population aging is not the only factor behind the slowdown in economic growth. Moreover, these trends are uneven across the provinces and growth is generally stronger in the West than in the East, which could be amplified by the uneven aging of the population in various provinces.

---

<sup>22</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 28 February 2017.

<sup>23</sup> *Ibid.*

**Figure 3 – Average of Canada’s Gross Domestic Product Growth Observed Between 1950 and 2015 and Projected Between 2016 and 2055**



Source: Department of Finance Canada, [Update of Long-Term Economic and Fiscal Projections](#), Ottawa, 2016, p. 6.

More and more Canadians are continuing to work into their later years according to Professor Pierre-Carl Michaud of HEC Montréal, who said “this will reduce but not eliminate the effects of slowing growth in the working-age population.”<sup>24</sup> According to some witnesses, there is an advantage in putting in place incentives to make an extended working life more attractive. An aging workforce, however, is not only a source of problems but also a source of opportunities. With respect to taxation, Mr. Michaud told that “refundable tax credits and working bonuses that are targeted to seniors’ households have had some success in certain countries. [...] There have also been incentives for companies, tax measures that allowed and potentially encouraged companies to hire older workers.”<sup>25</sup> Our committee believes that such measures could help seniors to stay in the labour market, if they desire, and thus mitigate the effects of the retirement of a significant number of workers.

The aging of the workforce might also create opportunities. Mr. Marchand explains that change can generate opportunities and unique solutions. For example, an increased need for goods and services for seniors can create employment opportunities for the young. Professor Daniel Béland of the University of Saskatchewan goes so far as to say a whole economy is developing around aging: we must “try to develop our economy around aging.”<sup>26</sup>

### 1.3 Impact on Public Finances and Pension Plans

Whereas government revenues will be constrained by weaker economic growth, population aging could lead to higher expenditures in some areas of the public sector (including, but not limited to, health). According to Mr. Michaud, we can control spending, which could have a major impact on quality of life. So that is not an approach that he would recommend. He would focus more on income

<sup>24</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 11 April 2017.

<sup>25</sup> Ibid.

<sup>26</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2017.

instead. Mr. Drummond thinks that “[w]e have enough [revenue] to handle the aging population.”<sup>27</sup> It is also possible that it will be more difficult for the government to pay down the national debt but, in his view, “the federal government, despite [the] slower growth, is in a reasonable position to be sustainable [in terms of public finances] in the sense that their debt-to-GDP ratio should not rise — in fact, it may even fall.”<sup>28</sup> Rather, the sustainability of public finances is a problem that resides with the provinces. For the federal government, if there is pressure, it will mostly be on the Old Age Security and Guaranteed Income Supplement programs, both funded by the general revenues of the federal government.

According to Mr. Michaud, “We know that as retirement incomes from the CPP and the QPP increase, federal spending on seniors will decrease, remaining constant as a percentage of GDP, despite the aging population.”<sup>29</sup> Mr. Béland noted that, “[i]n Canada, because our system is relatively targeted — the Canada Pension Plan, even after the expansion, will have a replacement rate of only 33 per cent. That’s relatively low compared to, again, the pension system in many European countries.”<sup>30</sup> Our committee took note of the recent report of the Chief Actuary of Canada, who considers that the Canada Pension Plan will continue to be sustainable in the long term after last year’s enhancement.<sup>31</sup> Our committee encourages the government to continue to assess the impact of this enhancement.

According to some of the witnesses heard by our committee, it is in Canada’s best interest to build on existing plans and programs, which have proven particularly effective in reducing poverty among seniors. Witnesses stated that, while the financial position of Canada’s seniors has gradually improved over the years, the situation is now stagnant. Moreover, there are groups that are more vulnerable within the larger group we call seniors. When we treat this population as homogenous, we tend to neglect the sometimes more precarious situation of certain groups, such as women living alone or Indigenous people.

## 2 REGIONAL CONSIDERATIONS

While the Canadian population is aging rapidly, this trend is very uneven across the country (see Figure 4). As Laurent Martel from Statistics Canada indicated, when considering demographics, the national trend often hides regional differences that are important to consider when assessing the public policy implications of such demographics. According to him, such regional differences are also currently increasing. According to other witnesses, existing disparities in economic growth may be exacerbated, leading to an overall loss at the national level.

If mitigation measures are to be national in scope, they must also be adapted to Canada’s various realities. According to Mr. Martel, it is possible that “one-size-fits all policies might be more difficult to achieve in the future because you will define policies that will be relevant for one part of the country but in another part of the country the demographics are different”.<sup>32</sup> It will therefore be necessary to adapt public policies to demographic realities. Mr. Lord agrees: “realizing that we need to adapt solutions that

---

<sup>27</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>28</sup> Ibid.

<sup>29</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 11 April 2017.

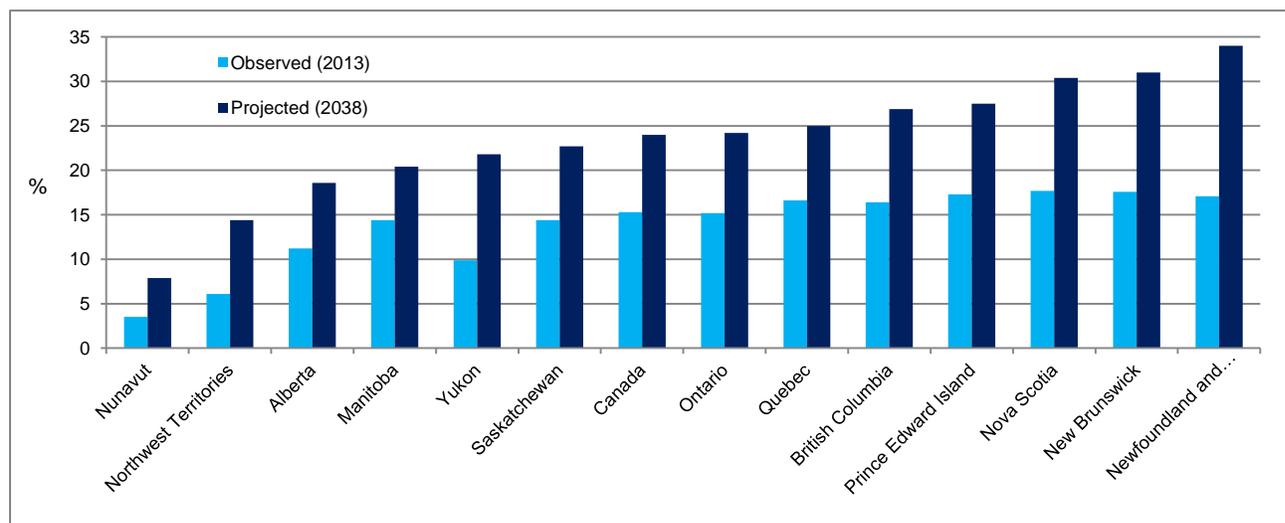
<sup>30</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2017.

<sup>31</sup> Office of the Chief Actuary, [28<sup>th</sup> Actuarial Report on the Canada Pension Plan](#), 28 October 2016.

<sup>32</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

meet the realities of those regions and provinces is a better way forward”.<sup>33</sup> According to Ms. Choo, it will also be necessary to adapt them to cultural realities because “we need to recognize that Canada’s senior population is diverse”.<sup>34</sup>

**Figure 4 – Percentage of Population Aged 65 and Over in the Provinces and Territories, Observed in 2013 and Projected in 2038 According to a Medium-growth Scenario**



Source: Statistics Canada, [Population Projections for Canada \(2013 to 2063\), Provinces and Territories \(2013 to 2038\)](#), Ottawa, 2015, p. 22.

## 2.1 Provinces

Some witnesses said that the provinces most affected by aging populations will be those with a higher proportion of seniors and smaller fiscal room. According to the Honourable Sharon Carstairs, “it creates an unfairness in funding for those in the areas where there is the greatest need. This means that Alberta with an aging population of only 13 per cent gets more per capita funding than the Atlantic provinces with a 20 per cent aging population.”<sup>35</sup> According to some witnesses, an increase in cleavages between the poor and the rich, between the East and the West, is to be expected. For this reason, Mr. Saillant and Mr. Martel evoked the emergence of two Canadas and the fact that population aging could upset Canada’s very identity:

In the years ahead, the great demographic imbalance could deal a mortal blow to Canada’s shared experience of citizenship through social policy. At least this much is clear: Unless major changes are brought to how wealth is redistributed across Canada, poorer, faster-aging provinces will not be able to maintain their much-cherished social programs at comparable levels to other provinces. Without further assistance, poorer,

<sup>33</sup> Ibid.

<sup>34</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 11 April 2017.

<sup>35</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

faster-aging provinces will most likely have to make decisions inconsistent with the idea that there is no second-class citizenship in this country.<sup>36</sup>

Several witnesses pointed out that federal fiscal reform could redress the balance among the provinces. Mr. Saillant noted that section 36(2) of the *Constitution Act, 1982* states that “Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”<sup>37</sup> According to him, equalization is the best tool to deal with the demographic imbalance between the Canadian regions and it “could be amended to take into account the fact that public spending is now age dependent”.<sup>38</sup>

The Honourable Sharon Carstairs reminded our committee that the Final Report of the Special Committee on Aging rejected the idea of changing the equalization formula to include demographic considerations: “opening up the equalization formula is a bit like opening up the constitution. It’s a very complex issue”.<sup>39</sup> As a former provincial politician, Mr. Lord recommended that, “if the federal government wanted to take into account the aging population, which is a more significant situation in some provinces than others, it should be done outside of equalization but as a part of the other federal transfers”.<sup>40</sup>

In sum, our committee believes that the Government of Canada should consider population aging when calculating its transfers to the provinces and territories. After hearing some contradictory testimonies on this issue, our committee nevertheless considers that the Government of Canada should refrain from modifying the equalization formula.

#### **RECOMMENDATION 4**

**That the Government of Canada consider the possibility of including demographic considerations when calculating federal transfers to ensure that all regions of the country have the resources to fulfill their responsibilities with respect to their aging populations.**

## **2.2 Territories and Indigenous Communities**

Due to higher fertility rates and shorter life expectancies, population aging will not have the same impact on Indigenous communities. Although they are also aging, they remain younger than the rest of the Canadian population. In 2011, the median age of the Indigenous population was 28 (compared with 41 for the non-Indigenous population) and the proportion of people aged 65 and over was 5.9% (compared with 14.2% for the non-Indigenous population).<sup>41</sup> In the future, Indigenous people will contribute

---

<sup>36</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 28 February 2017.

<sup>37</sup> Department of Justice Canada, [The Constitution Acts 1867 to 1982](#).

<sup>38</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 28 February 2017.

<sup>39</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

<sup>40</sup> Ibid.

<sup>41</sup> Statistics Canada, [Aboriginal Statistics at a Glance: 2nd Edition](#), 24 December 2015, p. 11.

significantly to the growth of the Canadian workforce. According to Mr. Drummond, “over the next 10 to 20 years, they [will] account for 8 to 12 per cent of the growth in the Canadian labour force”<sup>42</sup> and are projected to represent between 4.6% and 6.1% of the Canadian population in 2036.<sup>43</sup>

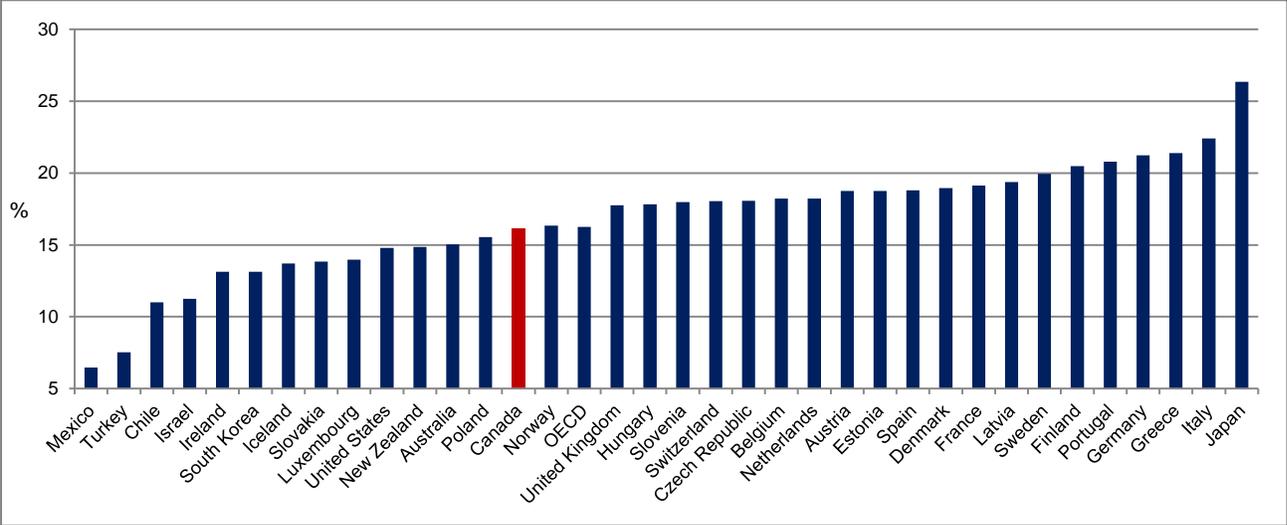
Because of the high proportion of Indigenous people living in the territories, their population is also younger than the Canadian average (see Figure 4). This is particularly true in Nunavut, where the vast majority of the population is Inuit. Despite the relative youth of the population of the territories, population aging is also a reality in the country’s north. As Mr. Béland points out, “[w]e focus on the provinces. Of course, it’s a relatively small percentage of our population, but the territories face challenges that are very different from what you see in the provinces.”<sup>44</sup>

At this point in our study, our committee does not have enough information to make recommendations about population aging in the territories and Indigenous communities. Aware of the work that still needs to be done to eliminate inequalities between Indigenous peoples and the rest of the Canadian population, our committee will pay particular attention to this issue in the coming months.

### 3 INTERNATIONAL CONSIDERATIONS

Population aging is a reality all over the world, especially in developed countries where fertility rates are lower and life expectancy is higher. Compared to other OECD countries, Canada does not have the largest proportion of people aged 65 and over (see Figure 5). According to Mr. Martel, in 2061, the proportion of seniors in Canada will be the same as is currently observed in Japan, about one in four.<sup>45</sup>

**Figure 5 – Percentage of the Population Aged 65 and Over in OECD Countries, 2015**



<sup>42</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 March 2017.

<sup>43</sup> Statistics Canada, [Projections of the Aboriginal Population and Households in Canada, 2011 to 2036](#), p. 6.

<sup>44</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2017.

<sup>45</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 30 May 2017.

Source: World Bank, World Development Indicators, consulted on May 8, 2017.

[Population ages 65 and above \(% of total\)](#)

Witnesses suggested our committee look to northern Europe, where the demographic transition was made easier by reforms that were implemented over the last few decades. In Canada, we are still only debating possible solutions, whereas, according to Mr. Michaud, “[c]ountries that are doing better often have taken steps in past decades, have foreseen this problem and have already implemented policies before the problem arose.”<sup>46</sup> Some countries have taken a proactive approach such as bringing forward tax incentives. Canada could learn a lot from them and from what they have done. Our committee recognizes that lessons must be learned from what is being done around the world, while adapting them to the different realities of Canadian society.

---

<sup>46</sup> Senate, Standing Committee on National Finance, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 11 April 2017.

## **CONCLUSION**

In the coming months, our committee will continue its study on the financial implications and regional considerations of population aging in Canada. In particular, our committee will focus on caregivers, tax incentives and poverty among seniors. Urban and rural considerations are another issue of interest to our committee, and we will look at how the federal government can support economic development in regions with aging populations. In order to have a national study and conclusions that reflect Canadian realities, we will continue to invite witnesses, ensuring Canada's various regions are represented.

It is critical that the government pay particular attention to population aging if it is to maintain Canada's economic competitiveness and also maintain the same level of services to the public without an accompanying cost explosion. While it is impossible to completely reverse trends and avoid the demographic transition that is already underway, sound, concerted and targeted reforms, as well as a collaborative and open approach, could increase government revenues, slow the growth of health spending and boost productivity. Population aging is inevitable, but there is no evidence that its consequences must be catastrophic or strictly negative. Canada must transform this demographic inevitability into a social and economic opportunity.

## APPENDIX – WITNESS TESTIMONY

### **Canadian Medical Association**

Dr. Granger Avery, President  
Owen Adams, Chief Policy Advisor  
(01-03-2017)

**Daniel Béland**, Professor and Canada Research Chair in Public Policy, University of Saskatchewan  
(12-04-2017)

**The Honourable Sharon Carstairs, P.C.**, former senator  
(30-05-2017)

### **Conference Board of Canada**

Louis Thériault, Vice-President, Public Policy  
(28-02-2017)

**Don Drummond** Adjunct Professor and Stauffer-Dunning Fellow,  
School of Policy Studies, Queen's University  
(01-03-2017)

**David K. Foot**, Economist and Demographer  
(01-03-2017)

**Dr. Dennis Furlong**, former Minister of Health, New Brunswick  
(28-02-2017)

**Joseph Marchand**, Associate Professor of Economics, University of Alberta  
(12-04-2017)

### **Medavie**

Bernard Lord, Chief Executive Officer  
(30-05-2017)

**Pierre-Carl Michaud**, Professor, Department of Applied Economics, HEC Montréal  
(11-04-2017)

**Richard Saillant**, Economist and Author  
(28-02-2017)

### **Statistics Canada**

Laurent Martel, Director, Demography Division  
(30-05-2017)

### **S.U.C.C.E.S.S.**

Queenie Choo, Chief Executive Officer  
(11-04-2017)