

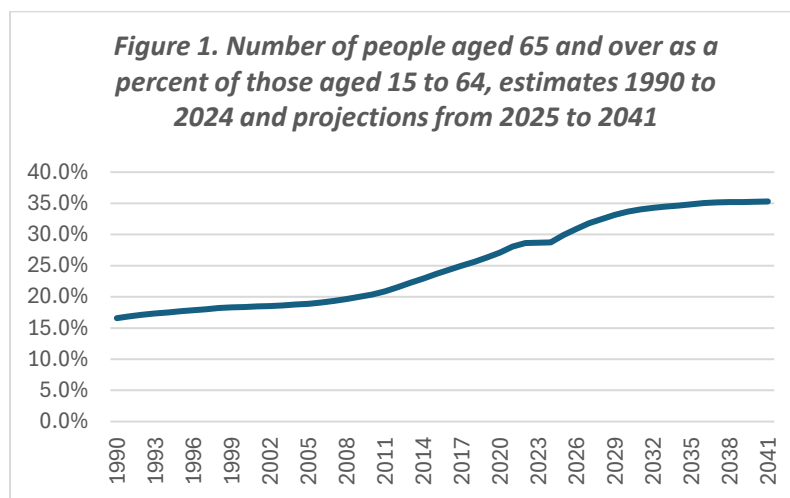
The exaggerated impact of the boomer generation: it is finally time to move on!

Over the past three decades, media outlets and even some academics and policy analysts have often overstated the economic and generational impacts of population aging to promote various policy agendas. It has been commonly reported that, not long ago, there were six to seven working-age individuals for every person aged 65 and older. With the retirement of the large baby boomer generation, this ratio has dropped to three working-age individuals per senior. The implication is that there are far fewer productive workers to produce the goods and services needed by a growing number of "dependent" people, leading to serious economic, social, and fiscal problems.

In the 1990s and early 2000s, the "dependency rate" analysis was used to highlight the strain on the retirement income system that would be created by more retirees drawing pension benefits and fewer workers making contributions. More recently, dependency rates have played a large role in discussions of labor shortages (including the need for higher immigration levels), strains on the health and long-term care systems, and intergenerational fairness.

Analysis based on demographic dependency rates is misleading for two reasons. First, factors other than population aging affect the size of the paid labour force. Second, the purported large effects of population ageing will, in any event, soon be coming to an end.

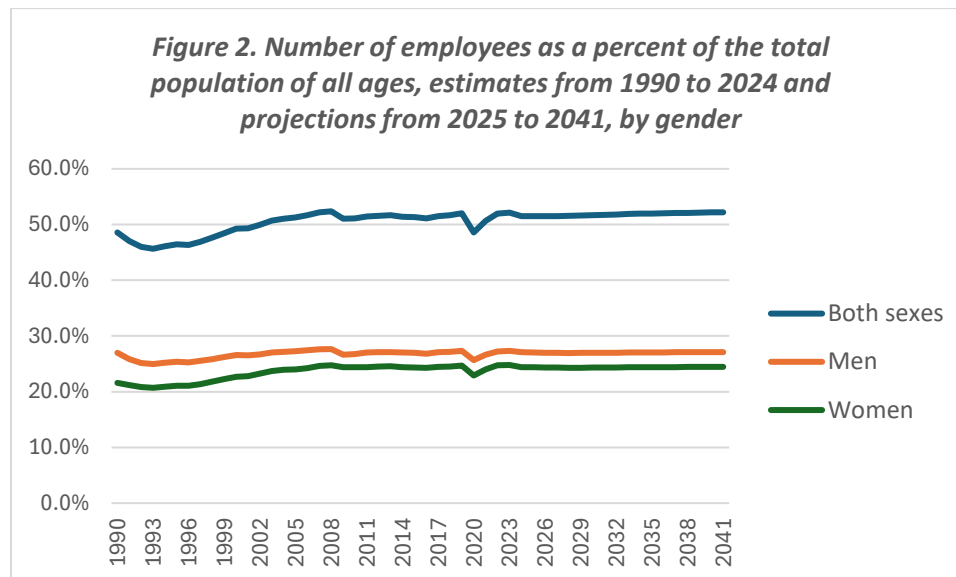
Figure 1 shows that the number of older people did indeed increase rapidly compared to the working-age population during the period from 2000 to 2030, jumping from 18% to 34%.



However, a far less daunting picture of demographic pressures emerges when considering the entire graph. By 2030, when the last of the baby boomers reaches age 65, the relationship between the size of the senior population and the working-age population will stabilize. The "grey tsunami" will be a thing of the past.

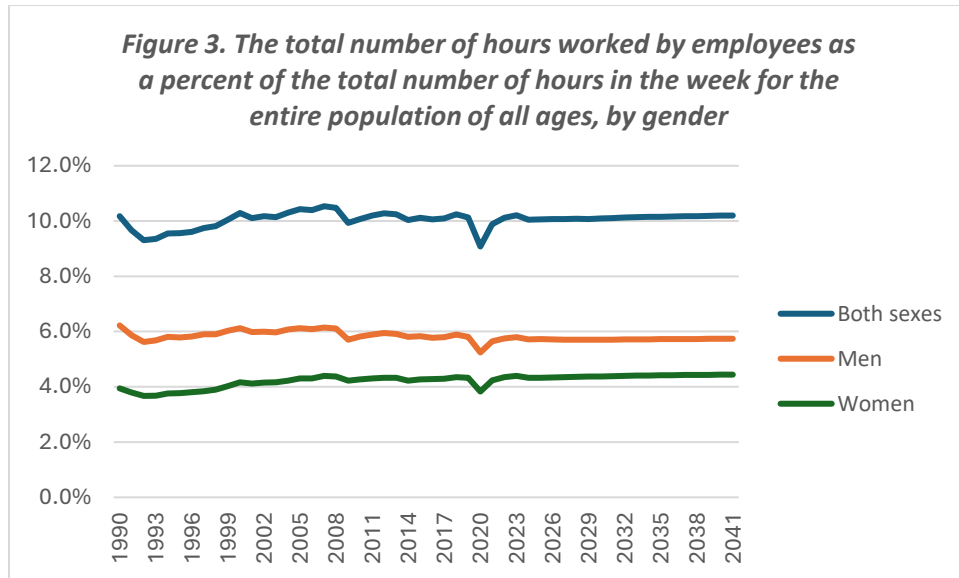
More importantly, old age dependency rates were always misleading since they are only based on demographic trends. From the perspective of the economy's capacity to provide support to those in the population considered "dependent", it is far better to consider the volume of paid employment. Not everyone under 65 is working, and a growing number of people over 65 continue to work.

Figure 2 shows historical trends and projections in the number of employees as a percentage of the total population.

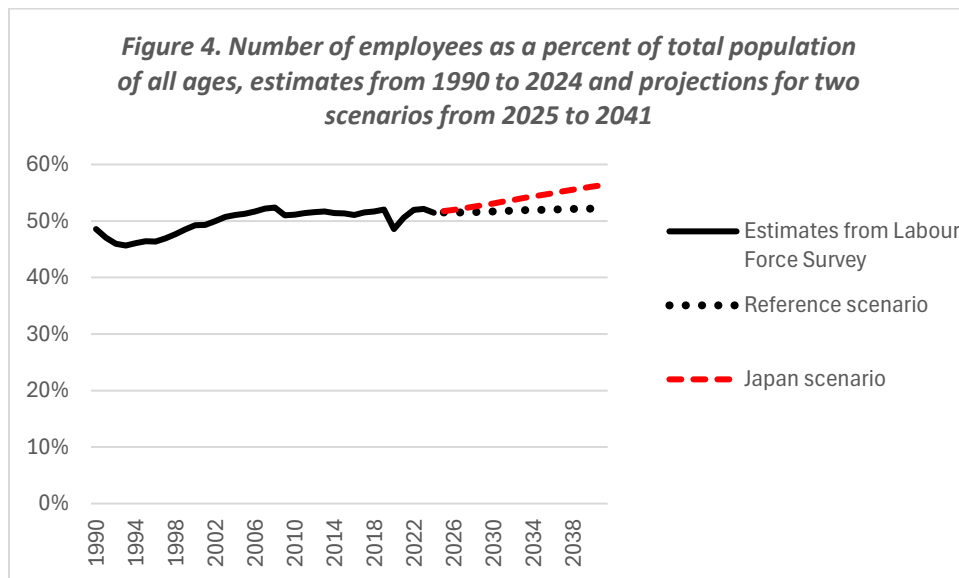


The message of Figure 2 is that there has been considerable stability in these employment ratios over the 50 years that are shown, especially since the early 2000s. The main items of note are the noticeable dip in 2020 due to COVID-19 and the gradual increase in employment by women, mainly in the period before 2010.

A potential concern is that, even if employment rates remain stable or improve, average work hours might decrease, particularly among older age groups where employment growth is likely to be highest. Figure 3 explores this using a projection that assumes that average hours worked in different age/gender groupings will remain at current levels. This chart shows that an hours-based dependency ratio simply mirrors the one shown in Figure 2. The percentage of total hours worked by employees is also likely to remain stable in the future. Neither Figures 2 nor 3 show anything like the "demodoom" implications shown in Figure 1 which is only based on demographic trends.



Recent projections by Statistics Canada¹ provide important new insights into the factors that will influence future labor force growth. A significant factor will be the extent to which older people continue to work longer throughout their lives. A reference scenario, which is also used in Figures 2 and 3, assumes a continuation of current employment trends.



Another scenario, shown in Figure 4, assumes higher employment rates among older workers, with 2041 employment rates in Canada reaching those currently existing in Japan. This Japan

¹ [Canadian labour force: what will happen once baby boomers retire?](#) A note showing how these projections and other Statistics Canada data sources were used to prepare the four graphs in this editorial were constructed is available from the author at peterhicks@sympatico.ca.

scenario shows a significant improvement in workforce size, with more people producing the goods and services consumed by the entire population.

The Statistics Canada projections also provide scenarios based on different assumptions about immigration levels. While immigration levels do affect the future size of the labor force, their impact is smaller compared to the scenario where older people have higher employment rates.

In conclusion, the negative effects arising from the retirement of the baby boomers were never as large as commonly portrayed and, in any event, will come to an end in the early 2030s, only a few years from now. It is time to abandon the familiar cartoon version of population aging and intergenerational fairness and embrace a more realistic understanding of the impacts of demography -- not in isolation, but as one of the many factors that need to be taken into account in developing sensible social and economic policies.