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## *Demographic Headwinds Threaten Atlantic Canada Economies: C.D. Howe Institute*

Toronto, Nov. 26 – The twin demographic challenges of an aging population and slow workforce growth will affect Canada’s Atlantic provinces more acutely than other regions of the country, according to a study released today by the C.D. Howe Institute. In “*Stress Test: Demographic Pressures and Policy Options in Atlantic Canada*,” authors Colin Busby, William B.P. Robson and Pierre-Marcel Desjardins warn that many years of low birthrates and youth outmigration mean that the Atlantic region faces diminished workforce growth and a fiscal squeeze as fewer taxpayers support a growing bill for public programs.

The authors outline the likely evolution of the size and age-structure of each Atlantic province’s population and highlight the potential impacts of international and interprovincial migration trends on living standards and fiscal sustainability in the years ahead. Finally, they canvass some policy tools to deal with the challenges.

The authors’ key conclusions are:

- Mitigating or even reversing the recent outmigration of young workers from the Atlantic provinces will not prevent a demographically driven rise in government spending relative to income in the decades ahead. Potential savings on education, as the youth share of the population declines, are far smaller than increases in healthcare costs as the elderly share increases.
- Economic growth will face a headwind from population aging, making policies to improve workforce productivity imperative. However, the correlation between higher education and mobility, evident in a tendency for young people with higher levels of education to leave Atlantic Canada, complicates the policy response. Improving adult literacy skills offers high returns with less of a threat of subsequent outmigration.
- The Atlantic provinces’ relatively more rural population, particularly the scarcity of migrant-attracting urban centres, heightens the challenge of achieving a better balance of in- versus outmigration.

Combating these stresses requires a suite of policies from all levels of government. Improved labour market outcomes, workforce mobility, adult skill acquisition, competitive and generationally fair tax policies and the postponement of retirement are potentially important measures in attempts to offset demographic pressures on living standards in the region.

The study is available at [www.cdhowe.org](http://www.cdhowe.org).

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*Stress Test: Demographic Pressures and Policy Options in Atlantic Canada*, C.D. Howe Institute Backgrounder No. 120, by Colin Busby, William B.P. Robson, and Pierre-Marcel Desjardins, (November 2009). 25 pp; \$12.00 (prepaid, plus postage & handling and GST – please contact the Institute for details). ISBN: 978-0-88806-792-0

Copies are available from: Renouf Publishing Company Limited, 5369 Canotek Road, Ottawa, Ontario K1J 9J3; or directly from the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available from the Institute's website at [www.cdhowe.org](http://www.cdhowe.org).