

From: William B.P. Robson and Parisa Mahboubi
To: Canada's Ministers of Immigration and Finance
Date: March 27, 2018
Re: **LATER RETIREMENT VERSUS HIGHER IMMIGRATION AS REMEDIES FOR AN AGING POPULATION**

Canada's aging population – notably the rapid increase in Canadians past normal retirement age relative to their working-age compatriots – is slowing growth in the economy and government revenues, and raising costs in areas such as pensions and healthcare.

One response to these stresses would be encouraging longer worklife – but the federal government's reversal of previously scheduled increases in the age of OAS receipt suggests little interest in that. Another commonly discussed way to mitigate these stresses is higher immigration – and aging did feature in the government's justification for the [higher immigration targets](#) announced late last year.

Because immigrants tend to be younger than already-resident Canadians, the idea that more of them might be a kind of national elixir of youth is widespread. But the momentum of aging, including of each cohort of immigrants after they arrive, is enormous. As is the number of immigrants required to counteract it. Increasing the age at which Canadians typically cease work and access benefits such as pensions is a far more practical and powerful tool to mitigate the economic and fiscal stresses of aging.

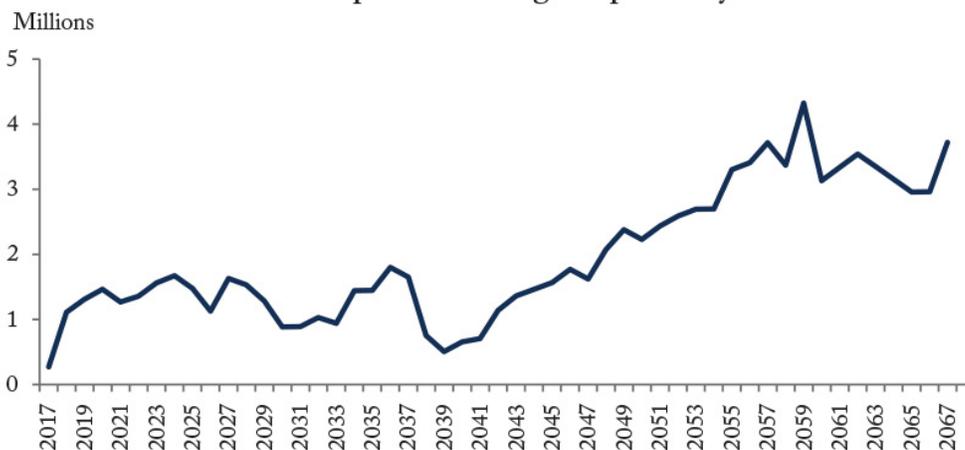
Suppose the average age of retirement increased by five years, from 65 to 70, over the next two decades. In a recent C.D. Howe Institute [study](#), we show that such an increase in worklife would prevent the rise in the old-age dependency ratio that will otherwise occur over the next 15 years, and keep it below today's level over the following 35.

What kind of increase in immigration would we need to put the dependency ratio on that same happier path over the next 50 years? The results are surprising – even absurd (see figure). Immigration would need to quadruple from 2017's level around 270,000 to more than a million almost immediately, and average some two million annually – some seven times last year's intake – for the next decade. After a dip in the late 2030s, when the rise in the old-age dependency is projected to level off temporarily, immigration would need to climb further, surpassing 3 million and even 4 million in the 2050s. By the end of our projection in 2067, Canada's population would approach 161 million – almost 100 million more than in a projection based on the government's targets.

Those results are fantastical: not only would Canada's labour markets, social programs and infrastructure crack under the strain, such numbers would require a politically fraught relaxation in our criteria for economic migrants. But the absurd numbers deliver a sober message: immigration alone cannot keep Canada young.

Safeguarding our living standards and public programs against the stresses of aging requires other tools – in particular, rewards for people who stay economically active into their 60s and beyond. If we foster longer working life and address other challenges facing our pensions and healthcare, we will handle demographic change much better – and, as a bonus, make Canada more prosperous and attractive to the immigrants we would welcome anyway.

**Immigration Required to Match Later Retirement's
Impact on Old-age Dependency**



William B.P. Robson is President and CEO of the C.D. Howe Institute, and Parisa Mahboubi is a Senior Policy Analyst at the C.D. Howe Institute.

To send a comment or leave feedback, email us at blog@cdhowe.org.

Source: Authors' projections.