

Intelligence MEMOS



From: Parisa Mahboubi and Daniel Schwanen
To: Canada's Ministers of Employment
Date: October 22, 2018
Re: **TRANSLATING POPULATION GROWTH INTO THE LABOUR FORCE**

After years of sluggish growth, Canada is experiencing its fastest year-over-year population growth. Faster population increase, however, is not translating into strong labour force growth in all provinces – indeed the rate of labour force participation of Canadians aged 15 and over has actually declined overall. Removing barriers to labour market entry would be one way to increase the participation rate.

Canada's population passed [37 million](#) earlier this year after recording a 27-year high year-over-year growth of 1.4 percent in the second quarter of 2018, driven largely by an increase in international migration (see figure). As a recent Bank of Montreal report shows, however, each province felt [the increase differently](#), with Newfoundland and Labrador even experiencing a decline.

Across the country, the biggest contribution to population growth has been international immigration, which contributed 1.1 percentage points of the 1.4 percent increase. The other 0.3 percent nationally is from natural population growth (births minus deaths). For individual provinces, interprovincial flows of people can also matter greatly. Thus, for example, natural population growth is above the national average in Alberta, Saskatchewan and Manitoba, but anemic in much of Atlantic Canada, while net population outflows are particularly important in Saskatchewan, Manitoba and Newfoundland and Labrador.

The key for economic growth, however, is how these overall provincial population changes translate more precisely into the labour force – the number of people able and willing to work. The outcome there is much more subdued, though still positive: despite the population aged 15 and over increasing almost as rapidly as the overall population, the labour force has grown at only half that rate. In other words, there has been an actual decline in the share of the adult population participating in the labour force.

There are many factors behind this – a major one is that the increasing share of seniors in the adult population naturally leads to a decline in overall adult labour force participation. But even excluding that factor, labour force participation has declined, even though employment growth looks healthy.

This combination could well indicate barriers to market entry, particularly among newcomers, such as lack of credential recognition and inadequate language proficiency. Indeed, the labour market participation rate of prime-age new immigrants (25-54) was 77.2 percent – 11.2 percentage points below that of non-immigrants in 2017.

Regional Profile, 2018: Q2, Year over Year Percent Change

| | Total Population | Of which International Immigration | Population aged (15 and over) | Labour Force | Employed Population |
|--------|------------------|------------------------------------|-------------------------------|--------------|---------------------|
| BC | 1.4 | 1.1 | 1.3 | -0.3 | 0.1 |
| AB | 1.4 | 0.6 | 1.1 | 0.2 | 1.6 |
| SK | 1.1 | 1.3 | 0.9 | -0.2 | -0.2 |
| MB | 1.3 | 1.6 | 1.2 | 1.8 | 0.8 |
| ON | 1.7 | 1.3 | 1.8 | 1.4 | 2.0 |
| QC | 1.0 | 0.9 | 0.7 | 0.5 | 1.3 |
| NB | 0.5 | 0.6 | 0.4 | 0.4 | 1.0 |
| NS | 0.8 | 0.6 | 0.7 | 0.0 | 1.3 |
| PEI | 2.1 | 2.2 | 1.4 | 1.6 | 1.8 |
| NL | -0.4 | 0.4 | -0.4 | -0.5 | -0.7 |
| Canada | 1.4 | 1.1 | 1.3 | 0.7 | 1.3 |

Barriers to labour force participation, whether those faced by new Canadians who account for the lion's share of overall population growth, by seniors who account for a growing share of the working-age population, or others, mean that Canada will not be able to sustain its good employment growth performance of late, unless these barriers are also addressed. Good news notwithstanding, addressing them is the key challenge you face as employment ministers.

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Sources: Statistics Canada and authors' calculations.