

# Forty years below replacement

Canada's population is aging. What we can—and can't—do about it

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## EXECUTIVE SUMMARY

Population aging, not overpopulation, is the key demographic issue in Canada today.

- Canada last achieved replacement fertility in 1971
- In 2010, Canada needed 109,000 more babies to hit the replacement rate. That's 1,022,971 babies needed for replacement since 2002

### *Why does this matter?*

- It matters for the public sector because children (eventually) pay taxes to help support our social safety net
- It matters for the private sector because children (eventually) contribute to the economy and add to the employment pool when Baby Boomers retire
- Importantly, Canadians want to have more children than they are having. According to the World Values Survey, the mean ideal number of children for Canadian families was 2.7, compared to having 1.63 in reality

### *Why is this happening? Among other factors:*

- Finances
- The trend toward delayed childbirth
- Changing family mores

### *What's NOT the solution?*

- Immigration is one of Canada's greatest strengths. However, immigration alone will not be enough to overcome the problem
- Heavy-handed government intervention
- The building, expansion or excessive funding of new government funded institutions

### *What IS the solution?*

- Maximise family financial freedom by allowing parents to keep more of their own tax dollars through income splitting measures at all tax levels
- More kids!

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## INTRODUCTION

Population aging is *the* key demographic issue in Canada today.

Many still worry about a population explosion. There's a lingering picture of people hanging on to the edge of the globe for lack of space that remains in people's minds.

The reality is that Canadians need to pay attention to an explosion of senior citizens instead.

It remains true that the Canadian population (immigration included) will continue to grow, even in the most conservative Statistics Canada projections.<sup>1</sup> Population *growth*, however, does not take population aging into account.

## PRIVATE SECTOR IMPLICATIONS

In 25 years, the first wave of Baby Boomers will be into their eighties. The last wave will be ready to retire. Between now and then our labour force will grow more slowly, while the number of retirees will skyrocket.

Canada is already experiencing labour shortages. A CIBC report released in December 2012 notes that 30 percent of Canadian businesses face a skilled labour shortage. Benjamin Tal, author of the report and deputy chief economist at CIBC writes, "[t]he list of occupations with signs of skills shortages includes many positions in traditional health care roles, such as doctors, nurses and dentists. The health care list also includes optometrists, chiropractors, pharmacists, dietitians and nutritionists. Mining, engineering and science occupations are also facing skill shortages."<sup>2</sup>

Alberta's oil patch is also experiencing a labour shortage. The Petroleum Human Resources Council of Canada's Cheryl Knight has expressed

concern that there will be a skills and labour shortage they won't be able to fill as a result of retirements.<sup>3</sup>

The long term housing market depends on future generations to sustain continued growth both in terms of new buildings and home prices. Conversely, a smaller working age population means that the current housing decline will not soon end, according to George Athanassakos, a professor of finance at the Richard Ivey School of Business at Western University.<sup>4</sup>

#### PUBLIC SECTOR IMPLICATIONS

Tax dollars pay for our EI benefits, healthcare and pensions. With an aging population moving out of the workforce and into retirement, the status quo is not sustainable. In British Columbia, for example, a recent study projects that costs of healthcare spending could double as a percentage of provincial GDP between 2013 and 2062.<sup>5</sup>

If a smaller workforce means fewer taxes, governments and citizens will have an even harder time paying the interest on our growing debt, with more than just financial consequences. To see the extreme end of these

consequences in action, we need only look to Greece, where rioting in 2010 over public sector cutbacks resulted in three deaths.

#### SOCIAL IMPLICATIONS

There are social aspects to this demographic shift. For example, senior citizens require (and most often desire) friends, family and grandchildren to combat loneliness. Beyond senior citizens, fewer children means that friends will become even more important for community for all of us as we age. There's also the question of what it means for children to grow up with fewer siblings, cousins and friends.

#### CANADIAN FERTILITY DESIRES

Importantly, in surveys, many Canadians say they want to have more children than they are having.<sup>6</sup> According to the World Values Survey, the mean ideal number of children for Canadian families was 2.7, more than the 1.63 fertility rate we have in reality. Ian Dowbiggin, historian and author of *Where Have All the Babies Gone?* writes, “[o]ne in three Canadians said the ideal family size was three or more children.”<sup>7</sup>

1. Statistics Canada. (2010, June). Population projections for Canada, provinces and territories: 2009 to 2036. Sec. 3. Retrieved from <http://www.statcan.gc.ca/pub/91-520-x/91-520-x2010001-eng.htm>

2. Tal, B. (2012, December 3). The haves and have nots of Canada's labour market. CIBC: In Focus. Retrieved from [http://research.cibcwm.com/economic\\_public/download/if\\_2012-1203.pdf](http://research.cibcwm.com/economic_public/download/if_2012-1203.pdf)

3. Cattaneo, C. (2012, June 26). Job-hungry Alberta scours globe for workers. *Financial Post*. Retrieved from [http://business.financialpost.com/2012/06/22/job-hungry-alberta-scours-globe-for-workers/?\\_lsa=32d1-e2d8](http://business.financialpost.com/2012/06/22/job-hungry-alberta-scours-globe-for-workers/?_lsa=32d1-e2d8)

“Ms. Knight said the oil and gas industry tends to hire new entrants right out of school, but there are not enough of them to replace the skills shortage that is looming because of retirements.”

4. Athanassakos, G. (2013, January 4). Why housing prices aren't coming back. *The Globe and Mail*. Retrieved from <http://www.theglobeandmail.com/globe-investor/why-housing-prices-arent-coming-back/article6929120/>

5. Busby, C. and Robson, W.B.P. (2013, January 23). Managing the cost of healthcare for an aging population: British Columbia confronts its glacier. Toronto: CD Howe Institute, p. 3. Retrieved from [http://www.cdhowe.org/pdf/e-brief\\_144\\_BC.pdf](http://www.cdhowe.org/pdf/e-brief_144_BC.pdf)

6. World Values Survey Association. (2000). Four-wave aggregate of the values studies, Canada. Retrieved at <http://www.wvsevsdb.com/wvs/WVSAanalyzeIndex.jsp>

7. Dowbiggin, I. (2006). Where have all the babies gone? The “birth dearth” and what to do about it. Presented on September 26, 2006 at the IMFC Family Policy Conference. Retrieved from <http://www.imfcandata.org/issues/where-have-all-babies-gone>

**WHAT IS REPLACEMENT FERTILITY?**

A replacement fertility rate is 2.1. This is the number of children that would need to be born to each woman during her fertile years in order to maintain our population by natural birth alone.<sup>8</sup> Canada last achieved replacement fertility roughly 40 years ago in 1971.<sup>9</sup>

In 2010 (the most recent year for which data is available) the Canadian fertility rate was 1.63.<sup>10</sup> Achieving replacement from a fertility rate of 1.63 would mean 109,000 additional babies for that year alone. If we look at Canada’s fertility rate since 2002 we would need approximately 1,022,971 babies to achieve replacement.<sup>11</sup>

**REASONS FOR FEWER CHILDREN**

The reasons for fewer children are complex and often interrelated. Some are known to everyone, like tight

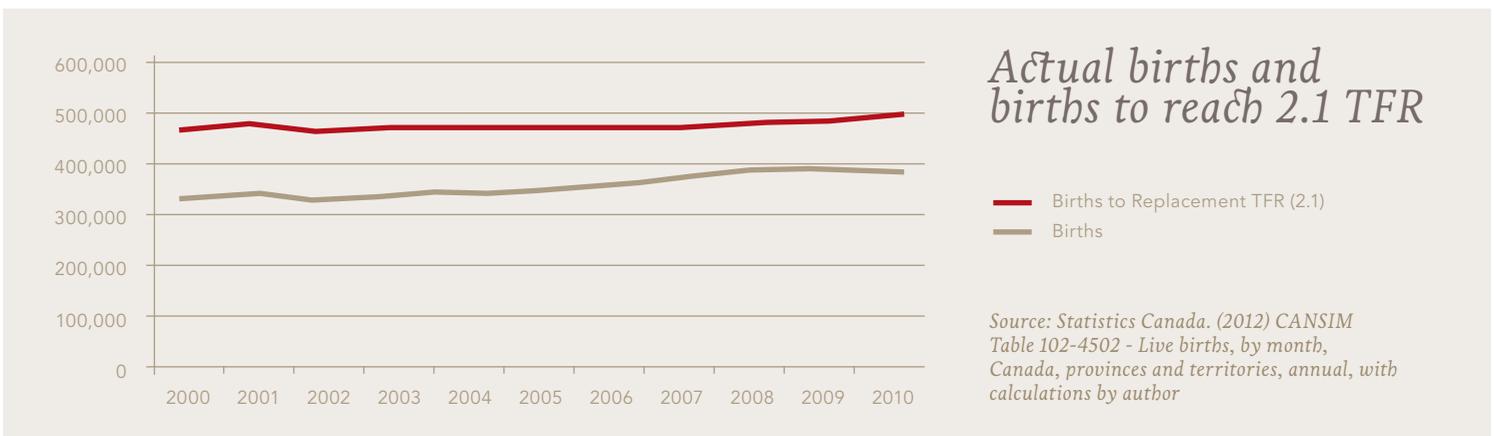
finances. Others, equally important but less discussed include deeper cultural reasons for fewer children in a country as wealthy as Canada today.

**FINANCES—ARE THERE ANY COSTS NOT GOING UP?**

Before starting a family, many would like to buy a home. However, the cost of housing has gone up an average of 227 percent across major Canadian cities since 1976.<sup>12</sup>

The cost of education is increasing too, leaving many young people in debt for longer as they start their adult lives. Taxes—no surprise here—are also going up. In 2012, the average family income for families of two or more individuals was \$94,259. The average tax bill for such families was \$41,627, or 44.2 percent of income.<sup>13</sup>

Certainly costs, be it real estate, education or taxes, are all going up. However, so too are additional purchases



8. OECD Family Database. (2012). SF2.1: Fertility rates. Retrieved from <http://www.oecd.org/els/familiesandchildren/40192107.pdf>. The number 2.1 represents the number of births needed to replace each mother and father, with 0.1 added to “to counteract infant mortality.”

9. Statistics Canada. (2008). Report on the demographic situation in Canada 2005 and 2006. Ottawa: Minister of Industry, p. 29. Retrieved from <http://www.statcan.gc.ca/pub/91-209-x/91-209-x2004000-eng.pdf>

10. Statistics Canada. (2012). Births and total fertility rate, by province and territory. Retrieved from <http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/hlth85b-eng.htm>

11. Statistics Canada. (2012). Cansim Table 102-4502, Live births, by month, Canada, provinces and territories, annual. Retrieved from <http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=1024502> and Cansim Table 102-4505, Crude birth rate, age-specific and total fertility rates (live births), Canada, provinces and territories, retrieved from <http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=1024505> with calculations by author.

12. Canadian Real Estate Association, except data for Montreal, which is from the Québec Federation of Real Estate Boards.

## A case study: Japan

On January 21, 2013, Taro Aso, Japan's current finance minister spoke about Japan's aging problems in stark terms, saying, "Heaven forbid if you are forced to live on when you want to die. I would wake up feeling increasingly bad knowing that [treatment] was all being paid for by the government... The problem won't be solved unless you let them hurry up and die."<sup>14</sup>

Needless to say, Japan is witnessing the effects of aging. Nicholas Eberstadt, a political economist who works at the American Enterprise Institute writes the following about the situation in Japan: "If we go by U.S. Census Bureau projections for Japan, for example, there will be so many people over 100 years of age in 2040, and so few babies, that there could almost be one centenarian on hand to welcome each Japanese newborn."<sup>15</sup>

*The Economist* noted the demographic decline already in 2007, writing, "[s]hortly after the second world war the proportion of Japanese over 65 was around five percent of the population, easily below that in Britain, France or America. Today the elderly account for one-fifth of the population... and by 2015 the proportion of elderly will have risen to one in four of the population, or more than 30m."<sup>16</sup>

In a shrinking, aging population, the cost of aging keeps growing. Where Japanese workers used to be able to carry the cost of the social safety net for one retiree on the shoulders of many, by 2050 the cost for one retiree will be borne by a single worker. This would mean, for example, that if the average cost of retirement contributions per paycheck is \$100, by 2050, that contribution could cost \$900.

It's not all about money, either. Families and individuals also struggle under the weight of the rapidly aging population. Some of the strangest trends associated with loneliness have been chronicled in Japan. These include:

- "rental relatives" (for wedding guests when extended family doesn't exist)
- "Babyloids—small, furry, robotic dolls that can mimic some of the sounds and gestures of real babies"
- and "*bikikomori*—young adults who shut themselves off almost entirely by retreating into a friendless life of video games, the Internet, and *manga* (comics) in their parents' home."<sup>17</sup>

of consumer items for costly habits, sports and hobbies, which may or may not be necessary in raising children. Children today have so many toys to play with that at least one parenting expert and author of the book

*Simplicity Parenting* Kim John Payne is calling for parents to get rid of extraneous toys and books to foster a child's own unique sense of creativity and return households to a less hectic pace of life.

13. Palacios, M., Veldhuis, N. and Lammam, C. (2012, June). Canadians celebrate tax freedom day on June 11, 2012. Table 2. Vancouver: Fraser Institute. Retrieved from <http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/tax-freedom-day-2012.pdf>

14. Taro Aso, as quoted in McCurry, J. (2013, January 22). Let elderly people 'hurry up and die', says Japanese minister. *The Guardian*. Retrieved from <http://www.guardian.co.uk/world/2013/jan/22/elderly-hurry-up-die-japanese>

15. Eberstadt, N. (2012). Japan shrinks. Washington: The Woodrow Wilson International Center for Scholars. *The Wilson Quarterly*, Spring 2012. Retrieved from <http://www.wilsonquarterly.com/article.cfm?aid=2143>

16. *The Economist*. (2007, July 26). Cloud, or silver linings? Japan's population is ageing fast and shrinking. That has implications for every institution, and may even decide the fate of governments. Retrieved from <http://www.economist.com/node/9539825>

17. Eberstadt, N. (2012). Japan shrinks.

Nonetheless, finances are a top concern for families at all stages of life.<sup>18</sup>

**DELAYED CHILDBIRTH**

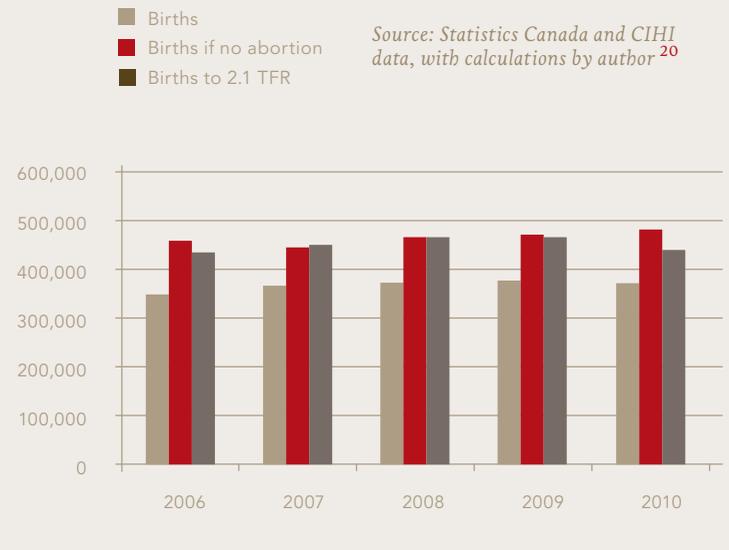
Waiting to have kids is strongly tied to having fewer children and Canadians are having their children later in life. Statistics Canada notes that “[f]rom 2008 to 2009, while the age-specific fertility rate of Canadian women decreased for younger age groups, it increased in the two older age groups: 35 to 39 and 40 to 44 years...The fertility rate of women aged 40 to 44 increased about 2.5 times in the last 20 years, from 3.7 per 1,000 women in 1989 to 9.2 in 2009.”<sup>19</sup>

**THE BIRTH CONTROL PILL**

The sexual revolution is perhaps one of the most influential and simultaneously underappreciated revolutions in recent history. Certainly, birth control has been around since time immemorial. However, oral contraceptives, aka the Pill, changed the culture drastically, as the first almost 100 percent effective birth control option. Now sex without pregnancy would be completely possible and

indeed, expected. This has had powerful ramifications for the perceived nature and purpose of sex, and plays into delayed marriage alongside delayed childbirth. That the Pill is the darling of sexual revolutionaries—the great gender equalizer—makes discussion of negative ramifications difficult. Those who dare are quickly targeted in ad hominem attacks as being against “women’s rights.”

*Births and abortions in Canada, 2005 to 2010*



18. The Institute of Marriage and Family Canada. (2007). What’s at the heart of the Canadian Family? p. 9. Retrieved from <http://www.imfcanada.org/issues/whats-heart-canadian-family>

19. Statistics Canada. (2012). Births. See section B1. Retrieved from [www.statcan.gc.ca/pub/84f0210x/2009000/part-partie1-eng.htm](http://www.statcan.gc.ca/pub/84f0210x/2009000/part-partie1-eng.htm)

20. For fertility rates, see Statistics Canada. (2012). Births and total fertility rate, by province and territory. Retrieved from <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/hlth85b-eng.htm>  
 For total number of births per year, see Statistics Canada. (2012). Number of live births, Cansim Table 102-4502. Retrieved from <http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=1024502> for total number of births.  
 For abortions in Canada, 2002 to 2006 see Statistics Canada. (2006). CANSIM Table 106-9005: Induced abortions in hospitals and clinics, by area of report and type of facility performing the abortion, Canada, provinces and territories. Retrieved from <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=1069005>  
 For abortions in Canada, 2007 to 2010, see Canadian Institute for Health Information. Induced abortions performed in Canada in 2007, 2008, 2009, 2010. Retrieved from [http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA\\_07\\_ALLDATATABLES20101124\\_EN](http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA_07_ALLDATATABLES20101124_EN)  
[http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA\\_08\\_ALLDATATABLES20101124\\_EN](http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA_08_ALLDATATABLES20101124_EN)  
[http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA\\_09\\_ALLDATATABLES20111028\\_EN](http://www.cihi.ca/CIHI-ext-portal/pdf/internet/TA_09_ALLDATATABLES20111028_EN)  
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**ABORTION**

Statistics show that if every aborted baby had been born in 2006, 2009 and 2010, a replacement fertility rate would have been reached or surpassed. In 2007 and 2008, the same would bring the birthrate within a hair's breadth of replacement rate. See the chart on page 6 for a graphic representation of the data. It is worth noting that abortion statistics are incomplete in Canada today, since clinics are

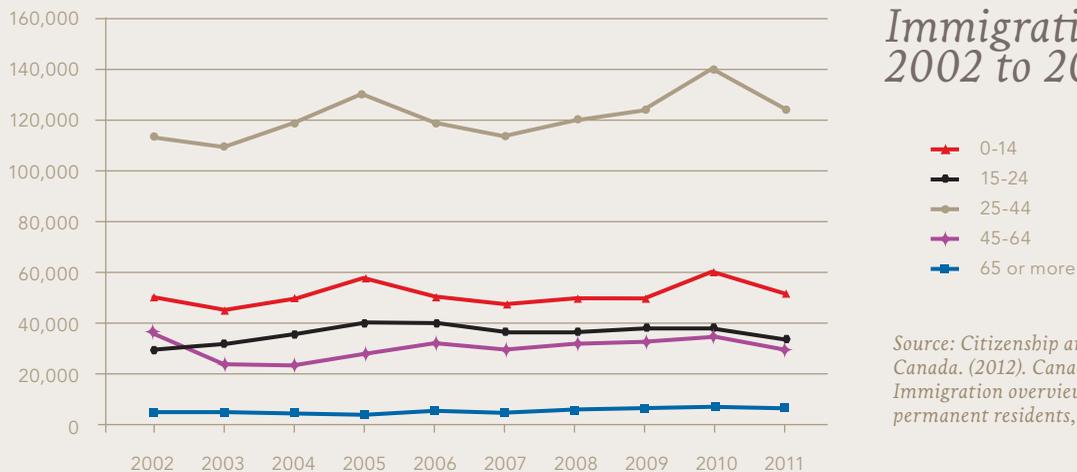
not required to file data. As a result, the abortion rate is underestimated.

**THE CHANGING PURPOSE OF MARRIAGE**

Another associated factor in lower birthrates is a sea change in the way young people order their lives. In earlier decades in the twentieth century, couples got

# Immigration

Can immigration take the place of more babies? In short, no. Simply put, the Baby Boomer generation is so large that no realistic number of young immigrants could balance them out. The following graph shows the age breakdown of immigrants to Canada from 2002 to 2011.



*Immigration by age, 2002 to 2011*

Source: Citizenship and Immigration Canada. (2012). *Canada facts and figures: Immigration overview, temporary and permanent residents, 2011*, p. 24.

From the graph, we can see that the vast majority of immigrants to Canada between 2002 and 2011 were between the ages of 25 and 44. The number of children aged 0 to 14 ranged between 46,000 and 60,000 per year over that time frame. Given that births in Canada in 2010 were 108,000 short of replacement value, bringing in only 60,000 children per year will not change the age structure of Canada's population.

The only way that immigration would make a serious change in the age structure of the Canadian population would be to double the number of 0 to 14 year olds with a comparable decrease in the number of immigrants in other age groups. Since our government wants to keep immigration levels stable such a solution is neither politically feasible nor realistic.

married as a foundation for life, with education and children following. Today, marriage is more of a capstone, having experienced a career, travel and adventure beforehand.<sup>21</sup> The latter script rules the day in Canada, as it does in much of the western world.

If we ask men and women in their early twenties when they would like to get married and have children, most will likely say “not yet.” Mark Regnerus, associate professor of sociology at the University of Texas at Austin found that while young people think all marriage is risky with a 50/50 divorce, they also think the chance of divorce is worse *if you marry early.*<sup>22</sup>

## CONCLUSION

Fears of overpopulation should be secondary, at best, to concerns about population aging, in light of the realities explored here. The reality is that we have a population aging problem. Yet, there will be no quick fix for 40 years of below replacement fertility.

Indeed, some countries come up with “solutions” as strange as they are laughable. A “made in Russia” solution ran along the lines of “have a baby, win a fridge.”<sup>23</sup> There, as in other countries that are aging out, having babies is tied into nationalistic sentiment.

Government intervention will not be a solution to what is arguably a problem created by government intervention.

In many parts of the world, it has been part of government influence to force families to have *fewer children*. In the book *Unnatural Selection*, author Mara Hvistendahl highlights how western cash and influence played a large role in the introduction of population control policies in Asia in the 50s and 60s.<sup>24</sup>

Governments need to step back and allow for family freedom. They can do this by leveling the playing field between families and individuals. For example, the government has long discussed but also long delayed the idea of family taxation, which would lower a family’s taxes by allowing income sharing. Currently, two families earning the same amount are not taxed the same, depending on whether the family has one or two earners. The two-earner family pays fewer taxes.<sup>25</sup>

If having more children is a thing of the past, then wise preparation for the future involves grappling with the idea that we may just have too few children to keep the status quo, particularly with regards to public benefits. The decision to have children is and must remain a profoundly personal one. Neither should we shy away from facing the problems that a shortage of kids will, at least in the short term, create. 🍁

21. For more information on this concept as marriage as capstone, see Cherlin, A. (2009). *The marriage go-round: The state of marriage and the family in America today*. New York: Alfred A. Knopf. pp. 136-143.

22. Regnerus, M., and Uecker, J. (2011). *Premarital sex in America*. New York: Oxford University Press. p. 180.

23. Rodriguez McRobbie, L. Five creative ways countries tried to up their birth rates. Retrieved from <http://mentalfloss.com/article/33485/5-creative-ways-countries-tried-their-birth-rates>

24. Hvistendahl, M. (2011). *Unnatural selection: choosing boys over girls and the consequences of a world full of men*. New York: Public Affairs, p. 30.

25. Mintz, J. (2008). Taxing families: does the system need an overhaul? Ottawa: Institute of Marriage and Family Canada. Retrieved from <http://www.imfcanada.org/issues/taxing-families-does-system-need-overhaul>