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Canadian labour force: What will happen once baby boomers retire?

by Samuel Vézina; Jean-Dominique Morency; Laurent Martel and François Pelletier

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Canadian labour force: What will happen once baby boomers retire?

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Overview of the study

This study uses various demographic scenarios to examine the effects of different immigration levels and labour force participation rates on the size and composition of the Canadian labour force to 2041. This series of Canadian labour force projections was generated by Statistics Canada's Demosim microsimulation model, which is based on 2016 Census data calibrated to 2021 Census data. These projections take into account the targets of the [2024–2026 Immigration Levels Plan](#), published in November 2023 by Immigration, Refugees and Citizenship Canada (IRCC), as well as recent demographic developments, such as those related to the COVID-19 pandemic and the increase in the number of permanent and temporary immigrants admitted to Canada in 2022 and 2023

- According to the reference scenario, which assumes that 500,000¹ permanent immigrants will be admitted each year, the number of labour force participants² should continue to rise in Canada, from 21.7 million in 2023 to 26.8 million in 2041. This represents an average annual growth rate of 1.17%.
- The scenario in which 250,000 permanent immigrants would be admitted to Canada each year, along with the same number of non-permanent residents as in the reference scenario, would ensure growth of Canada's labour force over the next two decades.
- The overall labour force participation rate has fallen slightly since the early 2000s. This trend should continue until the 2030s, when the last cohort of baby boomers turns 65. According to the reference scenario, the labour force participation rate will then stabilize at around 65%, at least until 2041.
- Like the total Canadian population, the labour force has aged over the past decades. Projections suggest that, regardless of future immigration levels, the aging of the labour force will stabilize once the baby boom generation has retired.
- An increase in the participation rates by age, including among older workers, could have a significant impact on the size of the labour force in coming years and on the overall participation rate. Therefore, retaining older workers—particularly those older than 55 years of age—in the labour market seems to be an important factor in sustaining the growth and demographic weight of the Canadian labour force in the future..

Introduction

As with hours worked and labour productivity, the number of people in the labour force is a key determinant of Canada's gross domestic product. A "shortage" of workers or unmet labour demand—as currently experienced in some economic sectors—could limit the growth potential of the Canadian economy and the relative standard of living of Canadians if not offset by gains in productivity or hours worked.³

Presently, the current and future evolution of the size, demographic weight and composition of the Canadian labour force is of great interest, since the baby boomers who were born between 1955 and 1965 are turning 65 and retiring from the labour force. The last cohort of baby boomers—born in 1965—will turn 65 in 2030. The subsequent cohorts—born in the early 1970s—will be the next to leave the labour force, in the 2030s. These many departures are already exerting downward pressure on the proportion of the labour force⁴ within the population aged 15 and older, and will continue to do so. For example, in 2021, 2022 and 2023, the labour force participation rate stood at 65%, its lowest level in two decades.⁵

One of the measures implemented to address Canada's changing demographics is permanent and temporary immigration, which reached record levels in 2022 and 2023. From July 1, 2022, to July 1, 2023, Canada welcomed 468,817 immigrants and 697,701 non-permanent residents. The increase in the number of non-permanent residents during this period is the largest since comparable data became available.⁶

Using updated population projections to reflect recent demographic changes, this study examines potential future trends in the Canadian labour force up to 2041. It seeks to answer the following questions:

- What will the Canadian labour force look like once all baby boomers have reached the usual retirement age?
- Is it possible to find a new equilibrium between labour force entries and exits after 2030?
- How could the size, demographic weight and composition of the labour force change over the next 20 years?

To answer these questions, this article presents a sensitivity analysis. Different demographic scenarios were developed to show the sensitivity of future changes in the size, demographic weight and composition of Canada's labour force between now and 2041 to different immigration levels and changes in labour force participation rates by age.

For the purposes of this study, six scenarios were developed. The "reference scenario" assumes a continuation of recent trends in the various components of population growth and labour market activity. In particular, it assumes a set inflow of 500,000 permanent immigrants per year over the projection period. It also assumes the participation rate of workers aged 55 and older will be higher in 2041 than in 2023. This scenario serves as a point of comparison for all the other scenarios selected for this analysis.

The five other selected scenarios differ from the reference scenario by just one assumption. In addition to the reference scenario that assumes an inflow of 500,000

permanent immigrants per year, three additional scenarios were developed to measure the effect of different immigration levels on the projected labour force: (1) 250,000 permanent immigrants per year, (2) 750,000 permanent immigrants per year and (3) no immigration.

Two alternative scenarios were also developed to analyze the effect of a change in participation rates by age group and sex on the projection results. The first scenario assumes that participation rates for men⁷ will remain at 2023 levels. A second scenario sees participation rates evolve more markedly than in the reference scenario. In this second scenario, labour force participation rates of men converge, reaching—in 2041—those observed in Japan in 2022. Participation rates in Japan are significantly higher than those in Canada and in most developed countries.

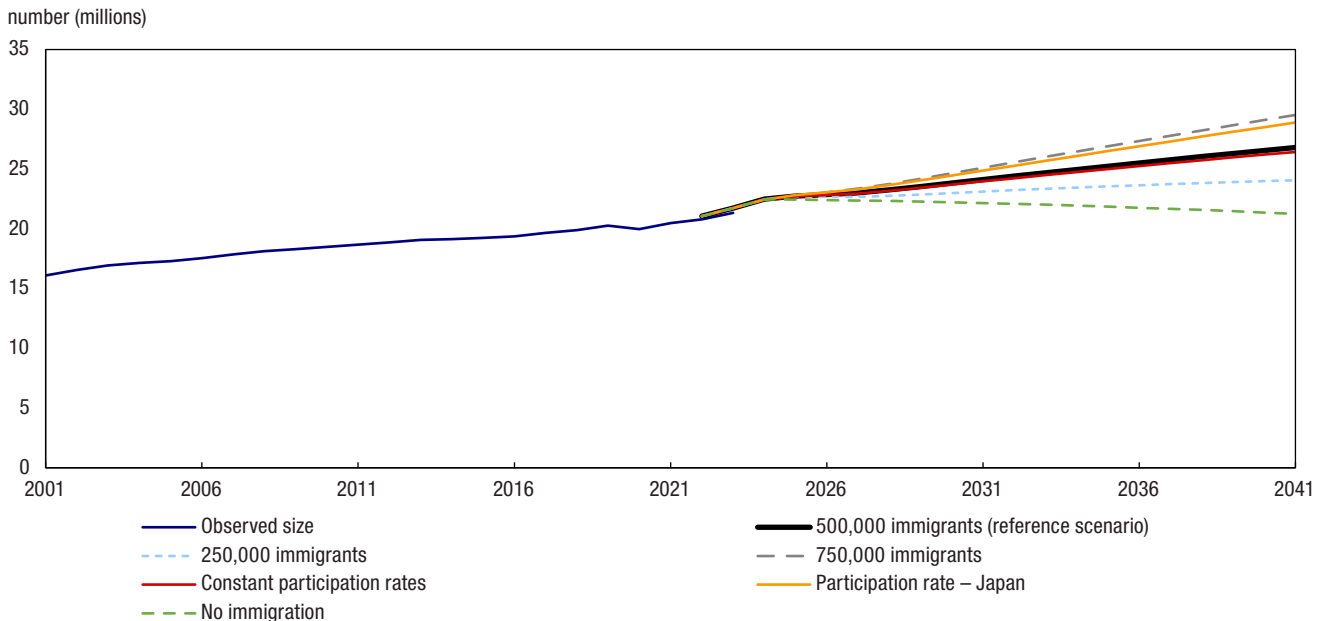
This methodology makes it possible to isolate the effect of a change particularly on the labour force, all other things being equal. Please refer to the "[Data sources, methods and definitions](#)" box for more information on the scenarios and assumptions used in this study, as well as an overview of the Demosim model and the methodology behind these projections.

A growing labour force

The various scenarios indicate that growth in Canada's labour force should accelerate in the short-term because of recent increases in permanent and temporary immigration (Chart 1). According to the reference scenario, which assumes that 500,000 permanent immigrants will be admitted to Canada in 2025 and 2026 as per IRCC's 2024–2026 Immigration

Chart 1

Observed size (2001 to 2023) and projected size (2022 to 2041) of the labour force, based on six scenarios, Canada



Source: Statistics Canada, Labour Force Survey, 2001 to 2023; Demosim, 2024.

Levels Plan, as well as over the rest of the projection period, the labour force would increase from 21.7 million in 2023 to 26.8 million in 2041. In comparison, the labour force increased from 16.1 million in 2001 to 20.5 million in 2021, at an average annual growth rate of 1.21%. According to the reference scenario, the rate for 2023 to 2041 is estimated at 1.17%.

As expected, the scenarios with different levels of immigration show that the size of the labour force—like the size of the country’s total population—is directly influenced by immigration. According to the scenario assuming an annual admission of 250,000 permanent immigrants, the labour force would reach 24.1 million in 2041, while it would reach 29.5 million if 750,000 permanent immigrants were admitted per year. The average

annual growth rates would be 0.57% and 1.72%, respectively for these two scenarios. Meanwhile, in the scenario assuming a complete halt to permanent and temporary immigration as early as 2024, the labour force would start to decline—albeit slightly—as early as 2025. By 2041, it would reach the same level as in 2021.

If labour force participation rates were to converge toward those of the Japanese population—combined with the admission of 500,000 permanent immigrants per year—the labour force would grow much as it would with an increase in immigration to 750,000 permanent immigrants per year alone. By contrast, assuming that participation rates remain at 2023 levels throughout the projection period, it is estimated that the size of the labour force would be slightly

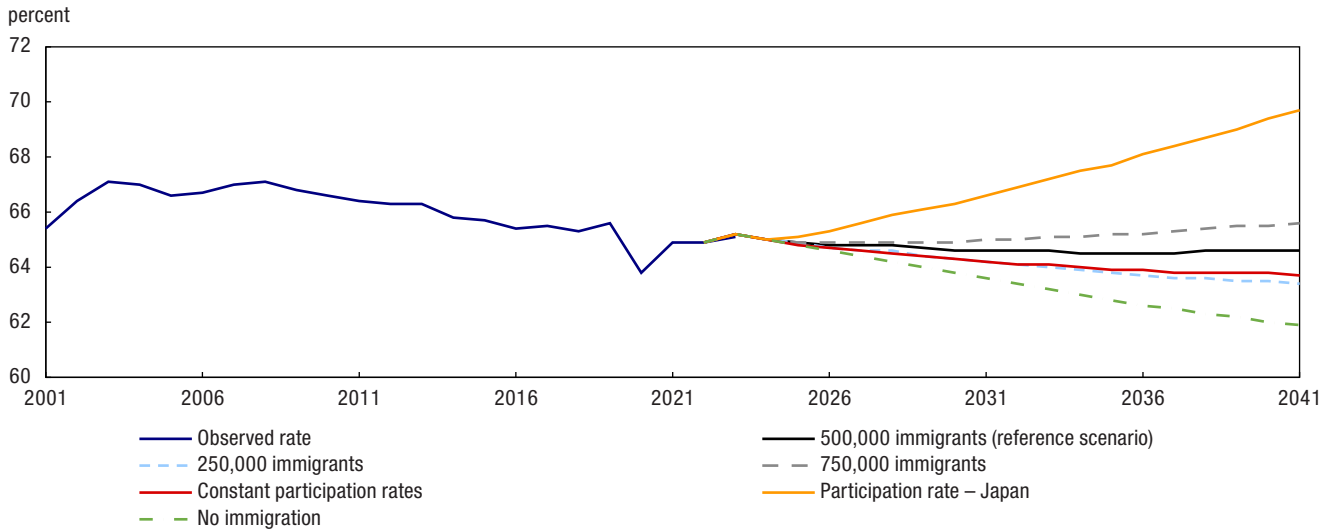
smaller—26.4 million in 2041—than that estimated using the reference scenario (26.8 million). This means that an increase in participation rates by age—particularly among those older than 55 years—could have a significant impact on the size of the labour force in the coming years.

The decline in the overall participation rate could end

Since the start of the 2000s, the growth of Canada’s labour force has been slower than that of the population aged 15 and older. As a result, the weight of the labour force among the population aged 15 and older—also known as the overall participation rate—followed a downward trend over this period. This decline was mainly the result of the large number of people born during the baby boom period who gradually retired from the

Chart 2

Observed overall participation rate (2001 to 2023) and projected rate (2022 to 2041), based on six scenarios, Canada



Note: The observed data were adjusted to reflect the labour force activity of the entire Canadian population, including populations not in the Labour Force Survey universe, such as people living on reserves or other Indigenous settlements in the provinces, full-time members of the Canadian Armed Forces, the institutionalized population, and households in remote areas with very low population density.

Sources: Statistics Canada, Labour Force Survey, 2001 to 2023; Demosim, 2024.

labour force. This trend is not quite over, since the last cohort of baby boomers—born in 1965—will reach age 65 in 2030.

In this respect, and according to the reference scenario, the decline in the overall participation rate is set to continue until 2030. The participation rate would then stabilize and reach 64.6% by 2041, that is a similar level as in 2023 (65.2%) (Chart 2).

The scenarios for the different immigration levels show that the overall participation rate would continue to fall in the short term, regardless of the number of immigrants selected; even the scenario assuming the admission of 750,000 permanent immigrants annually fails to offset the effect of the projected rate decrease in the short-term.

After 2031, admitting 750,000 permanent immigrants per year would have a smaller impact on the overall participation rate than assuming that Canadian participation rates would converge toward those currently observed in Japan. More specifically, the overall participation rate would reach 69.7% in 2041 if participation rates by age converged toward those of Japan, compared with 65.6% if Canada welcomed 750,000 permanent immigrants annually. The overall participation rate seems to be more sensitive to a change in participation rates than to an increase in immigration.⁸ Therefore, keeping older workers employed in Canada could have a non-negligible impact on the future overall participation rate.

The aging of the labour force is coming to an end as baby boomers finish retiring

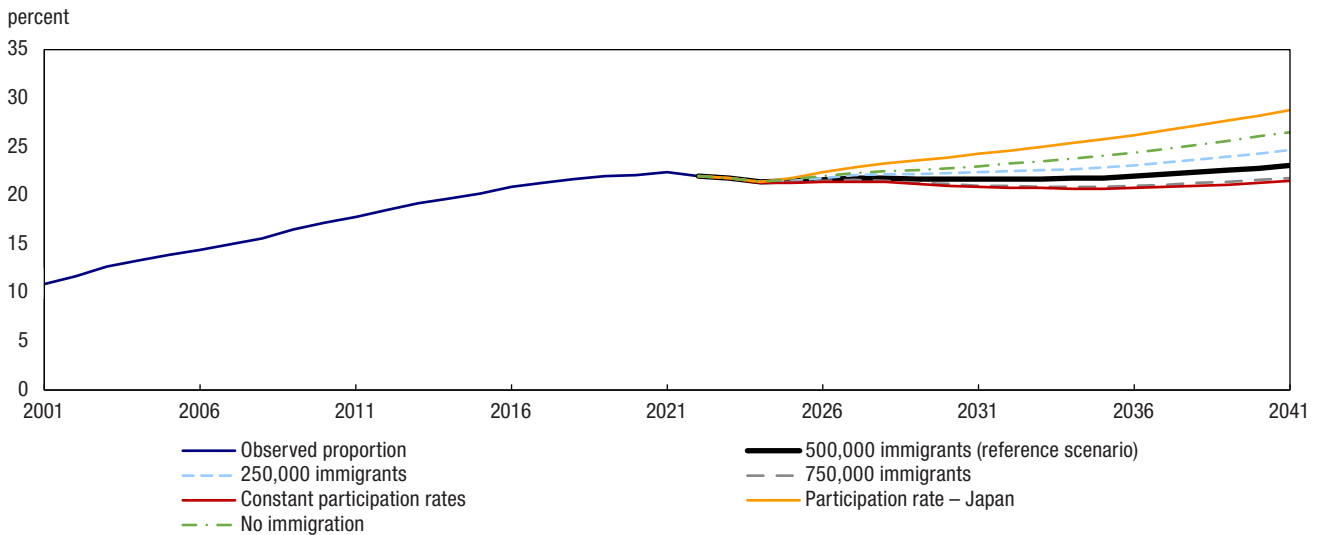
Over the past few decades, Canada's labour force has aged as the large cohorts of baby boomers have aged. The effect of this aging can be seen by analyzing the share of the labour force aged 55 and older (Chart 3).

From 2001 to 2021, this proportion doubled because of the large numbers of baby boomers turning 55, the age at which labour force participation rates begin to fall. In two decades, the proportion rose from 10.9% to 22.4%. The data then show the first decrease in this proportion from 2021 to 2023—from 22.4% to 21.8%.

Projections show that the proportion of people aged 55 and older would stabilize as the last baby boomers are turning 55 at the start of the 2020s. According to the reference scenario,

Chart 3

Observed proportion (2001 to 2023) and projected proportion (2022 to 2041) of people aged 55 and older in the labour force, based on six scenarios, Canada



Note: The observed data were adjusted to reflect the labour force activity of the entire Canadian population, including populations not in the Labour Force Survey universe, such as people living on reserves or other Indigenous settlements in the provinces, full-time members of the Canadian Armed Forces, the institutionalized population, and households in remote areas with very low population density.

Sources: Statistique Canada, Enquête sur la population active, 2001 à 2023; Demosim, 2024.

the proportion of people aged 55 and older in the labour force would remain below 22.0% until 2036 and would reach 23.1% in 2041.

The slight upward trend from the mid-2030s onward is mainly driven by the reference assumption for future participation rates by age, which assumes a significant increase in the labour market participation of older workers (see Chart 6 in the “[Data sources, methods and definitions](#)” box). As a result, the proportion of people aged 55 and older in the projected labour force would be somewhat larger.

Much of the transition to an older labour force is already well underway and, as a result, the proportion of the labour force aged 55 and older should become more stable over the next few years.

There is little difference between the results obtained from the reference scenario and those obtained from scenarios with different number of immigrants admitted annually to the country (250,000 or 750,000). This indicates that future immigration would not bring down the age of the Canadian labour force significantly, since the average age at which immigrants join the Canadian labour force is higher than that of people born in Canada.

Furthermore, the two scenarios that use an alternative assumption for the future progression of participation rates by age provide a wider range of proportions. By keeping rates by age constant, including those for older workers, the proportion of people aged 55 and older in the labour force would reach 21.5% in 2041. Conversely, assuming a significant increase in labour market

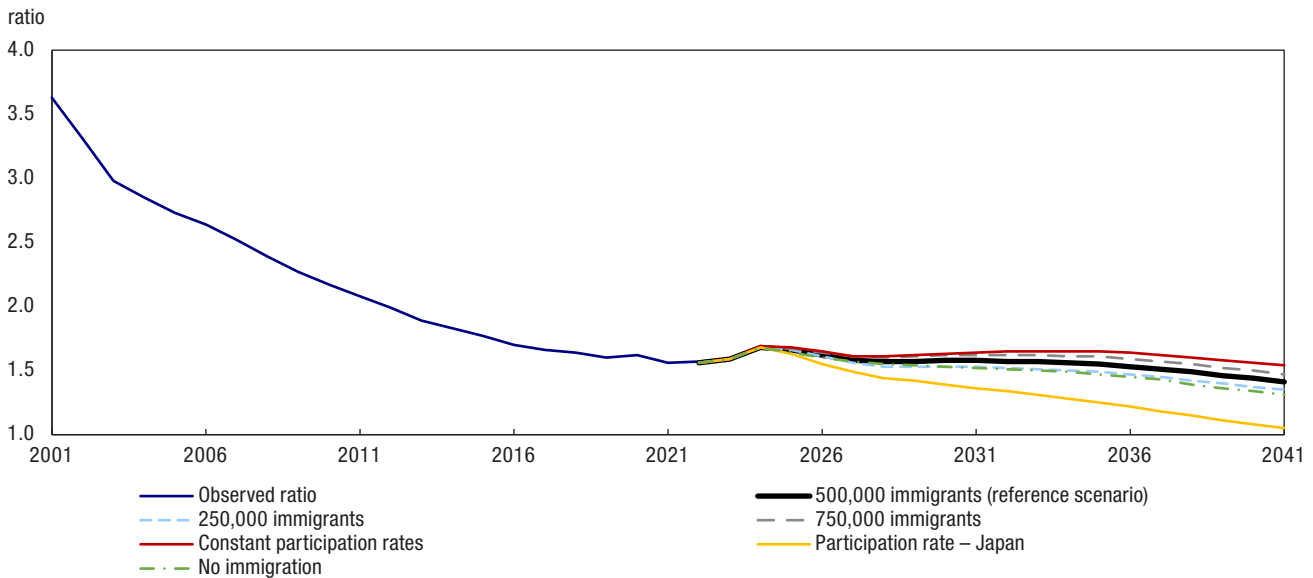
participation, particularly among workers aged 55 and older, as is the case in Japan, the proportion of people aged 55 and older in the labour force would reach 28.8% in 2041.

Future immigration levels influence the size and ethnocultural composition of the labour force but has a smaller influence on its aging structure

Since the 1970s, the ratio of potential labour force entrants to exits has declined steadily. At the end of the 1990s, there were four times as many people aged 15 to 29 in the Canadian population—the pool of potential entrants to the labour force—as there were people in the labour force aged 55 and older (potential exits). This fueled the growth in the labour force. By 2021,

Chart 4

Observed ratio (2001 to 2023) and projected ratio (2022 to 2041) of the number of people aged 15 to 29 for each person aged 55 years and older in the labour force, based on six scenarios, Canada



Sources: Statistics Canada, Labour Force Survey, 2001 to 2023; Demosim, 2024.

this ratio had fallen to fewer than two entrants per outgoing worker (Chart 4). Some of the main factors behind this decline include the large numbers of baby boomers reaching the age of 55, followed by the steady rise in the labour force participation rates of people aged 55 and older (particularly among women). In addition, the low fertility rate observed over the last few decades is also leading to a smaller number of people reaching working age.

According to the projection results, the ratio of entrants to exits would decline slightly over the next few years, and although there would be slightly more young people entering the labour market than people leaving, the cohort replacement would not be a great driver of labour force growth. The results also reveal that the upheavals in the age structure of the labour force over

the past 25 years, a result of all baby boomers turning 55, would come to an end, and a new equilibrium would be reached.

Immigration levels (low, medium, high) seem to have little effect on this ratio. In other words, higher or lower levels of immigration do not increase or decrease the ratio of potential labour force entrants to exits. This means that immigration is not an important lever for influencing labour force growth based on cohort renewal, as was the case in the past, when this entrant–exit ratio was much higher. Only a significant and sustained rise in the fertility rate would make this possible. In fact, immigrants increase the number of people in the Canadian labour force by joining at the prime of their lives. Therefore, they help renew the labour force by transforming

its ethnocultural composition more than its age structure, especially if annual immigration is constant over time.

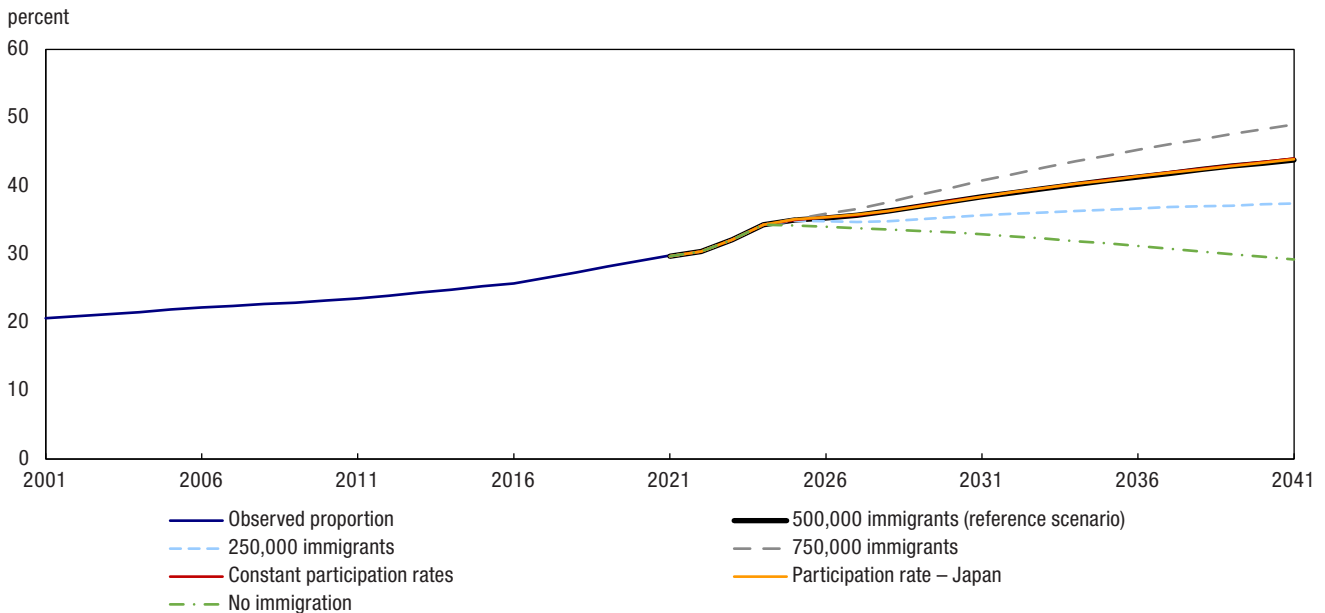
Foreign-born population projected to rise sharply

The proportion of foreign-born individuals in the Canadian labour force has risen steadily since 2001, with international migratory increase being the main driver of Canadian population growth.

In 2023, the proportion of foreign-born people in the Canadian labour force was 32.1%—or about 3 in 10 people in the labour force. Chart 5 shows that changes to this proportion are strongly influenced by the number of immigrants and non-permanent residents admitted to Canada in the coming years.

Chart 5

Observed proportion (2001 to 2021) and projected proportion (2021 to 2041) of the foreign-born population in the labour force, based on six scenarios, Canada



Sources: Statistics Canada, 2001, 2006, 2016 and 2021 censuses; National Household Survey, 2011; Demosim, 2024.

Admitting 500,000 permanent immigrants per year until 2041 would cause the foreign-born share of the labour force to rise steadily to 43.8% in 2041. This same proportion would reach 37.4% if 250,000 permanent immigrants were admitted annually, and 49.0% if 750,000 permanent immigrants were admitted annually. Conversely, a complete halt to temporary and permanent immigration as early as 2024 would result in the proportion of foreign-born individuals declining slowly between now and 2041, reaching 29.2% at the end of the projection—very close to the level observed in the 2021 Census.

Projections vary significantly by province

Canada’s demographic dynamics are the result of relatively different situations from one province to the next. Data from 2023 have shown significant differences in overall participation rates according to place of residence. In general, the eastern provinces, which have older populations and receive proportionately fewer immigrants, had a lower participation rate than the Canadian average. Meanwhile, the western provinces, which have relatively younger populations and receive more immigrants, had a higher overall participation rate than the Canadian average.

National projection results also mask significant differences between Canada’s provinces and territories. For example, while the size of Canada’s labour force grows from 2023 to 2041 in each scenario, the labour force declines in three provinces according to the reference scenario—Newfoundland and Labrador, Nova Scotia, and New Brunswick (Table 1).

Despite the overall increase in the number of people in the labour force, there is a decline in the overall participation rate in all regions except Saskatchewan, where the projected rate in 2041 is the same as in 2023. Declines are less significant at the national level, but more significant in certain regions, particularly in the Atlantic provinces.

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Table 1
Demographic indicators of the labour force, by selected region, reference scenario, 2023 and 2041

Region	Labour force		Overall participation rate		Ratio of the number of people aged 15 to 29 for each person aged 55 and older in the labour force		People aged 55 years and older		Foreign-born	
	2023	2041	2023	2041	2023	2041	2023	2041	2023	2041
	number (thousands)		percent		ratio		percent		percent	
Canada	21,732	26,799	65.2	64.6	1.59	1.41	21.8	23.1	32.1	43.8
Newfoundland and Labrador	258	206	56.2	51.2	1.24	1.00	25.7	30.1	6.2	12.3
Prince Edward Island	92	95	65.7	63.9	1.35	1.12	25.4	27.0	16.8	28.2
Nova Scotia	531	502	60.8	57.9	1.43	1.30	23.6	25.5	13.9	24.1
New Brunswick	407	375	59.0	55.9	1.37	1.22	23.6	25.7	10.9	20.8
Quebec	4,749	5,287	64.3	63.5	1.40	1.31	22.8	24.4	23.2	33.9
Ontario	8,584	10,986	65.4	65.0	1.70	1.48	21.4	22.3	39.2	49.7
Manitoba	762	935	65.3	64.4	1.91	1.77	20.2	20.8	29.1	42.2
Saskatchewan	632	778	65.6	65.6	1.56	1.37	22.6	24.6	19.5	34.8
Alberta	2,605	3,728	69.2	68.8	1.66	1.41	20.4	22.8	31.3	44.1
British Columbia	3,039	3,823	64.9	64.0	1.61	1.37	21.5	23.0	39.4	50.1
Territories	72	85	70.8	68.0	1.77	1.49	21.4	23.0	15.7	24.1

Source: Statistics Canada, Demosim, 2024.

Again, based on the reference scenario, all provinces and territories would see their ratio of potential entrants (youth aged 15 to 29) to potential exits (people in the labour force aged 55 and older) decline from 2023 to 2041. In 2041, this ratio would be higher than the Canadian average in Manitoba, the territories and Ontario. Quebec differs from the other Canadian regions, with the lowest projected decline for this indicator.

As a result of population aging and the projected rise in labour force participation rates among people aged 55 and older, the percentage of people aged 55 and older in the labour force would increase in all provinces and territories. However, this increase would be more modest than the aging that has occurred over the past 25 years.

At the same time, the projections show an increase in the proportion of immigrants in the labour force

in all provinces and territories, reflecting the growing importance of immigration for Canada's population growth.

Conclusion

This study uses several demographic scenarios to illustrate how Canada's labour force could evolve from 2023 to 2041. This projection exercise produced a number of findings.

Despite the baby boomer cohorts retiring, the size of Canada's labour force is likely to increase over the next few years because of migratory increase. The scenarios show that the size of the labour force is sensitive to both immigration levels and above all, the participation rate of the Canadian population. If labour force participation in Canada in 2041 reached the same intensity as in Japan, the size of the Canadian labour force would increase in a similar way to the scenario in which 750,000 permanent immigrants are

admitted annually. The increase in the overall participation rate would be five times higher in the scenario where participation rates in Canada converge toward those currently observed in Japan, compared with the increase observed in the scenario in which Canada admits 750,000 immigrants annually. The scenario in which participation rates converge toward those observed in Japan, while unlikely given the significant differences between the two societies, nevertheless illustrates the potential impact of an increase in Canadians' participation rate on the growth and demographic weight of the labour force.

Canada's strong population growth, driven by large-scale immigration, brings both opportunities and challenges. While it increases the size of the labour force, it has a limited impact on the overall labour force participation rate and on the aging and renewal of the labour force. Beyond its purely

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demographic impact, immigration also exerts pressure on housing supply, infrastructure construction and the provision of services to the population, while also addressing unfilled job demands in certain employment sectors.

The results of this population projection exercise show that immigration is not the only lever for influencing the evolution of the Canadian labour force. According to the projections, various processes will stabilize at the start of the 2030s, when the last baby boomers turn 65.

Furthermore, the projections show that immigration levels would not significantly influence the aging or rejuvenation of the future labour force if they remained relatively constant over time.

Increasing the participation of Canada's working-age population would also help sustain Canada's overall participation rate. Participation rates among adults aged 55 and older have already risen significantly over the past two decades, especially among women. The continuation of these upward

trends in the participation rate of older people could have a significant impact on the size, composition and demographic weight of the labour force, but also on the needs of older workers in terms of employment assistance, labour market flexibility and skills upgrading.

Samuel Vézina and Jean-Dominique Morency are both senior analysts with the Demosim microsimulation projection team at the Centre for Demography, headed by **François Pelletier**. **Laurent Martel** is Director of Statistics Canada's Centre for Demography.

Data source, methods and definitions

The labour force projections presented in this analysis were obtained using Statistics Canada's microsimulation population projection model, called Demosim.

Methodological documents on this model are available on the Statistics Canada website ([Projections of the Indigenous populations and households in Canada, 2016 to 2041: Overview of data sources, methods, assumptions and scenarios](#) and [Population projections on immigration and diversity for Canada and its regions, 2016 to 2041: Overview of projection assumptions and scenarios](#)).

Demosim makes it possible to simultaneously project several characteristics of the Canadian population while taking into account the different behaviours of various population groups. For example, during the simulation, an Indigenous woman living in Saskatchewan will not have the same probability as a foreign-born woman living in the Vancouver area of giving birth to a child or participating in the labour market.

The projection model's starting population is from the 2016 Census microdata file, which has been adjusted for net undercoverage and to account for the population living on incompletely enumerated reserves. The model is also calibrated on 2021 Census data to accurately reproduce certain distributions (e.g., by immigrant status, racialized group) of the population observed that year. As a result, the projections presented here have a starting point of May 11, 2021.

The model can develop several assumptions about the components of population growth, such as future fertility, mortality, permanent and temporary immigration, internal migration, and participation rates by age. These assumptions are combined in various scenarios, making it possible to develop potential futures or to conduct sensitivity analyses on a particular phenomenon.

Assumptions and scenarios

For this exercise, six scenarios were developed. The choice of scenarios is not intended to predict the future, but rather to provide data users with a portrait of the Canadian labour force if certain conditions were met. These scenarios make it possible to estimate the sensitivity of projected labour force trends to changes in immigration—the main driver of Canadian population growth—and changes in labour force participation rates.

Reference scenario

The reference scenario essentially assumes a continuation of recent trends, with fertility at 1.33 children per woman in 2022 and remaining constant thereafter, life expectancy at birth rising to 84.8 years for men and 88.4 years for women by 2041, and a set migration intake of 500,000 permanent immigrants per year over the projection period. The reference scenario also considers the significant increase in temporary immigration in recent years. The reference scenario is based on the average assumption of the most recent [Population Projections for Canada \(2023 to 2073\), Provinces and Territories \(2023 to 2048\)](#), which Statistics Canada published in June 2024. Specifically, under this assumption, the proportion of non-permanent residents would gradually drop to 5% of the total population by December 31, 2027, in line with the Government of Canada targets announced in March 2024.⁹ This proportion is then kept constant until 2041.

Similarly, the reference assumption for future changes in participation rates by age group and sex also anticipates a continuation of trends observed in recent years. Specifically, participation rates of men by five-year age group have been projected on the assumption that recent trends will continue over the coming decades. The reference assumption is of an

increase in the participation rate of men aged 55 and older, stability in the rates of those aged 30 to 54, and a decrease in the rate of those aged 15 to 29.

Several factors indicate that older workers' participation rates are likely to continue to rise in the future, including lower employee coverage by defined-benefit pension plans and more defined-contribution plans, the declining relative share of physically demanding jobs, Canadian household debt and rising housing costs, labour "shortages" in some industries in parts of the country, and the anticipated rise in life expectancy.

Projected rates for women are derived from those for men using a ratio that is assumed to stay constant of men to women for age groups younger than 50 years. For the other age groups, it is assumed that the generation ratio will remain constant, to gradually eliminate a generational effect, since women born more recently have a labour market participation rate closer to that of men. In light of trends seen over the last few decades, the gaps between men's and women's participation rates narrow across baby boomer cohorts and the age spectrum, and they remain relatively narrow for the cohorts that follow.

Scenarios with different immigration levels

In addition to the reference scenario that assumes 500,000 permanent immigrants per year, three additional scenarios were developed to measure the effect of different levels of immigration on the projected labour force: 250,000 permanent immigrants per year, 750,000 permanent immigrants per year and no immigration. The number of non-permanent residents is the same as in the reference scenario, except for the no-immigration scenario, where the annual balance of temporary immigration is set at 0 from 2024 until the projection horizon. These three scenarios incorporate all the other assumptions of the reference scenario, to separate the effect of changes in future immigration levels on the labour force. These scenarios are not intended to be realistic, but rather to measure the impact of different immigration levels on the size of the Canadian labour force, on the overall participation rate and on the various indicators in this exercise.

Scenarios with different participation rates by age group and sex

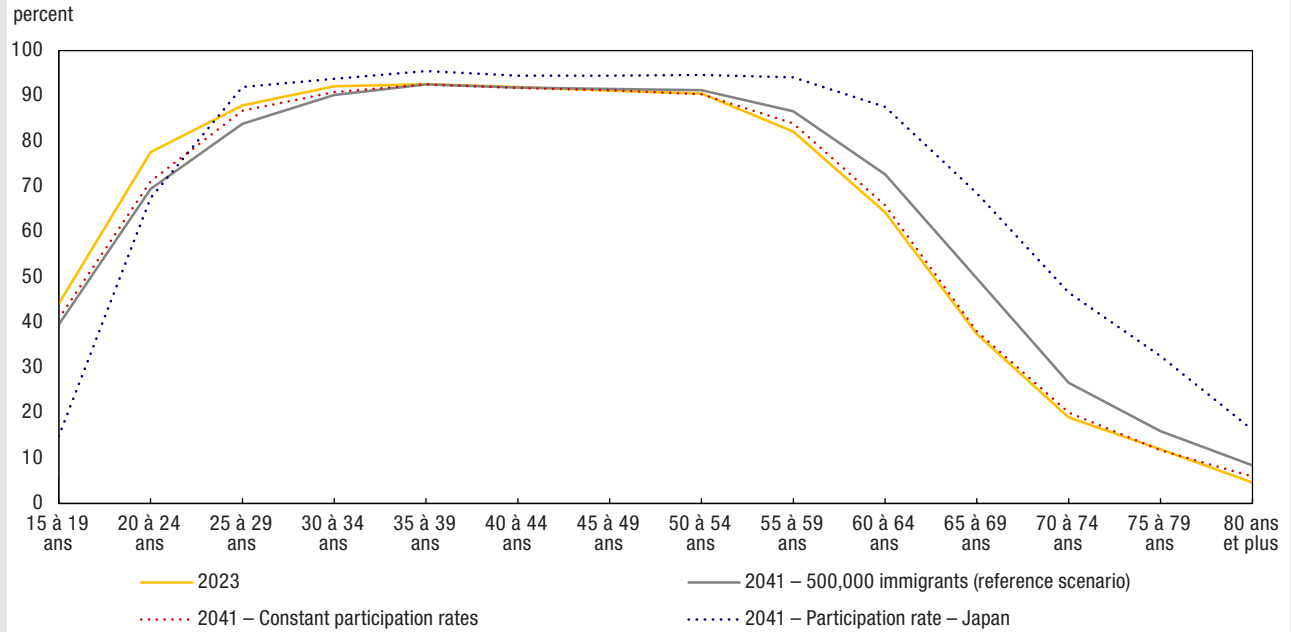
Based on the reference scenario, two alternative scenarios were developed to analyze the sensitivity of projection results to participation rates. The first scenario assumes that participation rates of men would remain constant at the levels observed

in 2023 in Statistics Canada's Labour Force Survey. A second scenario sees participation rates evolve more markedly than in the reference scenario. Specifically, in this second scenario, labour force participation rates of men converge over the course of the projection so that by 2041, they reach those observed in Japan in 2022. Participation rates in Japan are significantly higher than not only those in Canada but also those in most developed countries.¹⁰ For decades, Japan has encouraged older people to participate in the labour market. Moreover, Japan has generally made less use of international immigration than Canada to fill potential labour "shortages" in certain industries and has been more successful in developing automated production processes.¹¹ Although unlikely in the short term, this scenario illustrates the extent to which a significant increase in participation rates could affect the projected size of the labour force. Chart 6 shows the projected labour force participation rates for men in 2041 based on the three selected assumptions and compares them with those observed in 2023.

The reference assumption is that the participation rate of workers aged 55 and older in 2041 will be higher than that observed in 2023. This gap is more pronounced in the scenario using Japanese rates, which also assumes a significantly lower participation rate among workers younger than 20 years. Although the "constant participation rates" scenario applies the same rates as those observed in 2023, the projected labour force participation rate curve for 2041 does not overlap perfectly with that for 2023 in Chart 6. This is because the composition of the population within the same age group is different in 2041 (e.g., level of education, percentage of immigrants), and these characteristics influence the propensity to participate in the labour market.

Lastly, the simulation subjected these projected participation rates by age group and sex in Canada to multiplier factors, which explicitly take into account differences in participation rates between population groups, as well as regional variations. These factors were obtained through logistic regressions applied to pooled data from the 2016 Census and the 2011 National Household Survey. The regression models included the following variables: Indigenous group, registered Indian status, racialized group, immigrant status, time since immigration, immigrant landing category, Canadian citizenship, generation status, marital status, presence of children in the household and age of youngest child, level of education, knowledge of official languages, and place of residence. Multiplier factors are assumed to be constant over the entire projection period; a separate analysis conducted on the different databases showed the stability of these parameters over time.

Chart 6
Labour force participation rates of men, based on three scenarios, Canada, 2023 and 2041



Source: Statistics Canada, Demosim, 2024.

Notes

1. This number varies according to certain scenarios and refers to permanent immigrants. As for non-permanent residents, the reference scenario assumes that they will account for 5% of the population by 2028, and that this proportion will remain stable thereafter. This assumption regarding non-permanent residents is the same in all other scenarios, with the exception of the “No-immigration” scenario.
2. Includes employed and unemployed people.
3. McCormack and Wang (2024).
4. Labour force includes employed and unemployed people.
5. The year 2020 was an exception because of the impact of pandemic-related lockdown measures. The overall participation rate dropped to 64%.
6. Statistics Canada (2023).
7. Projected rates for women are derived from those for men, using a constant men–women ratio for age groups younger than 50 years and a constant generation ratio for age groups older than 50 years, to gradually eliminate the generational effect (women born more recently have a participation rate more similar to that of men than their older counterparts).
8. It is important to note that the addition of immigrants to the population has a limited impact on the change in the overall participation rate, simply because these additions affect both the numerator and the denominator used to calculate the rate. Conversely, when participation rates by age increase or decrease, only the size of the numerator (the number of people in the labour force) is affected, while the denominator remains the same. This means that the overall participation rate is much more sensitive to a change in participation rates than to a greater or lesser addition of immigrants.
9. IRCC (2024).
10. OECD (2024).
11. Clark et al. (2008); Horii and Sakurai (2020); OECD (2008); OECD (2023); Oishi (2012).

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