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Workforce aging in Canada: Insights from firm-level data



by Hassan Faryaar

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Workforce aging in Canada: Insights from firm-level data

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Abstract

Background

Canada's workforce is aging. A critical first step in assessing how workforce aging affects business performance is constructing firm-level measures of workforce age. This paper addresses an important gap in the literature by, for the first time, documenting workforce aging at the firm level using detailed measures of the age distribution of workers across the universe of Canadian firms.

Data and methods

The study uses the Canadian Employer–Employee Dynamics Database. The data for worker age are obtained from the T1 personal master file, which is then linked to T4 Statement of Remuneration Paid files to determine the age of workers at the firm (enterprise) level. These results are subsequently linked to the National Accounts Longitudinal Microdata File to capture additional firm characteristics. The paper then employs two indexes to measure and track the evolution of workforce age within firms over time: the average worker age and the share of workers aged 55 and older. Both are summary measures of aging derived from information on the ages of employees in Canadian firms.

Results

Analysis of the average age reveals a rightward shift (an aging trend) in the distribution of firm workforces. For example, the proportion of firms with an average worker age over 40 rose by more than 16 percentage points over the last 20 years, up from 26.2% in 2001 to 42.3% in 2022. Similarly, the analysis of the share of workers aged 55 and older in each firm shows that this group more than doubled over the study period, increasing from 9.3% in 2001 to 18.8% in 2022. The results show that workforce aging is heterogeneous across industries, with the manufacturing industry exhibiting the largest shifts.

Interpretation

This paper documents shifts in workforce aging at the firm and industry levels. These findings open opportunities for further research into how workforce aging affects the performance of firms and industries through channels such as productivity, innovation and technology adoption

Author

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What is already known on this subject?

- The Canadian population is aging. Over the past two decades, the average age has increased by more than four years—from 37.5 in 2001 to 41.7 in 2021.
- In 2021, Canada's working-age population (those aged 15 to 64) was older than ever, with 21.8% of individuals in this group aged 55 to 64.

What does this study add?

- This study is the first to provide firm-level measures of the workforce age distribution using data covering the universe of Canadian firms. Such measures are essential for studying the impacts of workforce aging on business performance.
- The paper introduces two indexes to track workforce aging within firms over time: the average worker age and the share of workers aged 55 and older.
- It also presents the distribution of the workforce across firms by industry, firm size, and province or region.

Introduction

The Canadian population is aging. In the last two decades, the average age of Canadians has risen by over four years, from 37.5 in 2001 to 41.7 in 2021 (Statistics Canada, 2021), while the demographic composition of the population has shifted significantly. The proportion of those aged 55 and older rose from 20% of the population in 2001 to 32.4% in 2021 (Statistics Canada, 2021). Notably, in 2023, the population of individuals aged 65 and older surpassed the population of those younger than 18 for the first time in history (Statistics Canada, 2024, February 21).

Like the Canadian population, the Canadian workforce has also been aging over the past two decades. At the aggregate level, Canada's working-age population (those aged 15 to 64) was older than ever in 2021, with 21.8% of individuals in this group aged 55 to 64 (Statistics Canada, 2022, April 27). However, little is known about how workforce aging is distributed at the firm level. Understanding this distribution is important, because it has significant implications for examining how workforce aging affects firm performance and broader economic outcomes.

In general, workforce aging is associated with reduced productivity (Dostie, 2011; Tang & MacLeod, 2006). While older workers bring valuable experience that can enhance their labour productivity (Disney, 1996), they often have less familiarity with new technologies, which is essential for improving productivity. Also, they are less likely to receive training compared with younger workers (Fang et al., 2021). Across the countries of the Organisation for Economic Co-operation and Development, the share of young workers is positively associated with the innovation process (Aksoy et al., 2019), implying that population aging leads to a decline in innovation activity. Demographic structures with more older workers (in particular, the 50-to-59 age group) also have a strong negative association with the total number of patent applications (Aksoy et al., 2019). German firms with a higher share of older workers were found to be less likely to adopt new technologies in the information and communications technology sector if the workplace organization is not managed well (Meyer, 2009). Finally, older workers are more likely to face health challenges that could hinder their performance (Polanco et al., 2024).

This paper is the first in a series aimed at better understanding the impact of an aging workforce on firm performance using administrative microdata that link firm performance with worker demographic characteristics. The paper explores firm-level workforce aging in Canada, focusing on measures of the age distribution within firms. Specifically, it employs two indexes to measure and track changes in workforce age over time: the average age of workers and the share of workers aged 55 and older. It then examines heterogeneity in workforce aging patterns across firms by size, industry and province.

Data

This paper uses the Canadian Employer–Employee Dynamics Database, an integrated set of administrative data sources maintained by the Economic and Social Analysis and Modelling Division at Statistics Canada. Worker age is derived from the T1 personal master file, which is linked to T4 Statement of Remuneration Paid files to identify the age of workers employed at each firm. These worker-level age measures are then linked to the National Accounts Longitudinal Microdata File, allowing worker age to be associated with firm identifiers and enabling the incorporation of additional firm characteristics, such as industry, province of operation and firm size, as well as financial information.

Methodology

This paper uses two indicators to measure the distribution of workforce age across firms over time: the average age of workers and the share of workers aged 55 and older. To examine changes in the distribution, the paper classifies firms into eight age groups based on their average worker age: 25 and younger, 26 to 30, 31 to 35, 36 to 40, 41 to 45, 46 to 50, 51 to 55, and 56 and older. For example, if the average age of workers in a firm is 33 years in 2001, this firm falls into the third group (i.e., those aged 31 to 35). If that average rises to 37 years by 2022, this firm moves into the fourth group (i.e., those aged 36 to 40). Such a shift would decrease the proportion of firms in the third group and increase the proportion in the fourth group in 2022.

The paper then calculates the percentage of firms in each age group over the study period to examine how the distribution of average worker age across firms has evolved over time. In addition, it analyzes changes in this distribution by firm size, industry and province of operation, providing a more detailed understanding of workforce aging across different dimensions of the Canadian economy.

As noted earlier, workforce age is measured by the average age of workers within each firm. Very small firms can act as outliers if their average age deviates significantly from the rest of the sample. To address this issue, the analysis excludes firms with three or fewer employees when studying the distribution of average worker age at the firm level. As an additional robustness check, the study also applies alternative cut-offs of 5 and 10 employees and compares the results to assess the sensitivity of the findings.

If the workforce age distribution is skewed, the average age may not serve as a precise indicator. To address this issue, the paper also measures workforce age across firms using the share of workers aged 55 and older. Specifically, it calculates the proportion of workers aged 55 and older in each firm, then computes the employment-weighted average of this share for each year in the study period, as well as across various dimensions. Weighting by firm employment size ensures that the measure more accurately reflects the aggregate economy while capturing firm-level heterogeneity.

Results

Overall results

Chart 1 illustrates the distribution of workforce age at the firm level and how it has evolved over time. The vertical axis shows the percentage of firms, excluding those with three or fewer workers. The horizontal axis represents the average worker age categories in firms. The chart compares the proportion of firms by the average age of their workers in 2001 (solid line) and 2022 (dashed line). The results indicate a clear aging trend over the two decades.

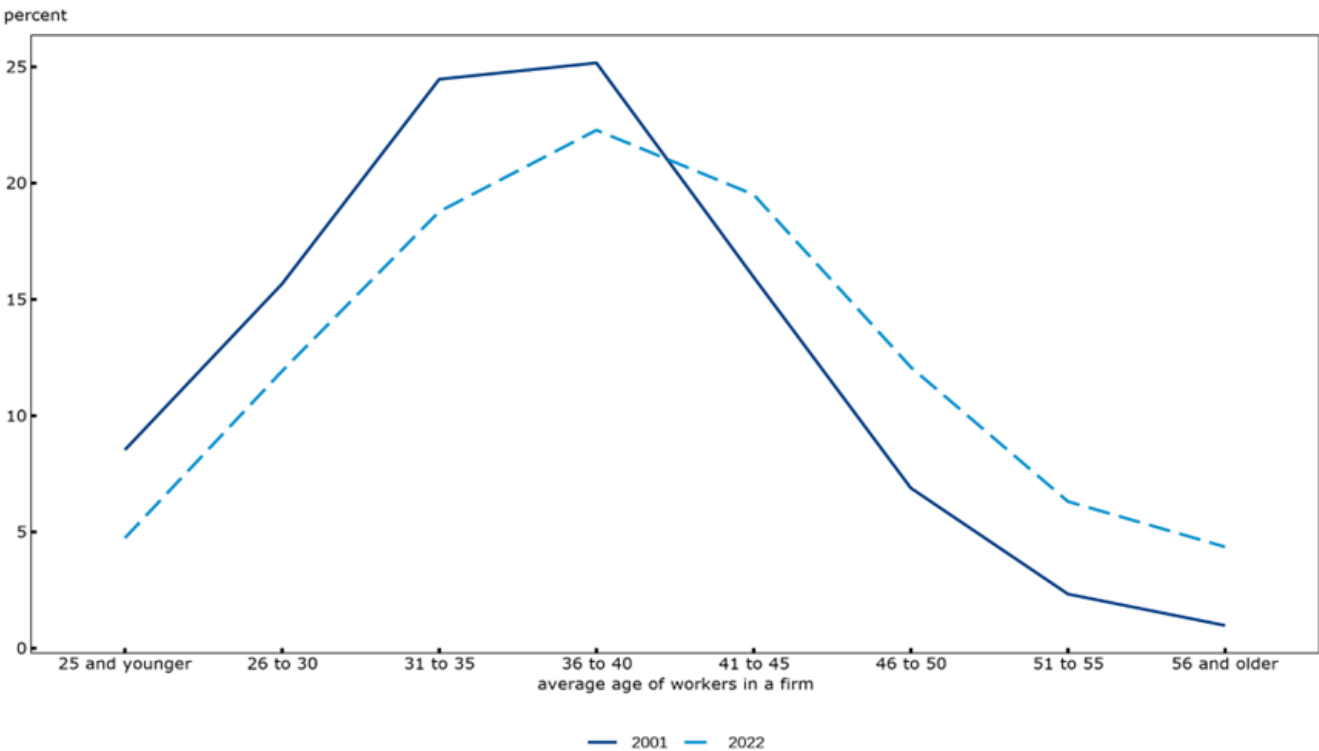
To analyze the overall shift in the distribution, the study compares the percentage of firms with an average worker age over 40 in the study period. Although such comparisons could be made using any age threshold, this paper selects 40 as the reference point because it closely reflects the average age of the Canadian population and corresponds to the average worker age group (36 to 40) with the largest share among all groups; i.e., it is the mode of the average worker age distribution.

The percentage of firms with an average worker age over 40 increased by more than 16 percentage points, from 26.2% in 2001 to 42.3% in 2022. In other words, in 2022, more than 4 in 10 firms had an average worker age over 40.

The finding also shows that firms with an average worker age from 36 to 40 years formed the largest category, representing 25.2% of all firms in 2001 and 22.3% in 2022. Beyond the 40-year mark, the 2022 distribution exceeds that of 2001, indicating that workers have become older on average.¹

1. The study also applies alternative cut-offs of 5 and 10 employees to assess the sensitivity of the findings. Using a five-employee cut-off has no effect on the overall distribution or the shift in it. When the cut-off is set at 10 employees, however, the difference in the oldest category—defined as the share of firms with an average age of workers over 55—narrows. For example, when the cut-off is defined as firms with more than five workers, the share of firms with an average age of worker over 40 still increases by more than 16 percentage points in 2022. When the cut-off is raised to more than 10 workers, this increase declines to just over 14 percentage points. Aside from this, the overall distribution remains essentially unchanged. The paper therefore uses the three-employee cut-off to include the broadest set of firms and provide a comprehensive analysis.

Chart 1
Workforce age distribution at the firm level



Notes: Very small firms, with three or fewer workers, are excluded from the sample because of potential outlier effects. The vertical axis shows the percentage of total firms, while the horizontal axis displays the average age of workers in a firm, grouped into eight categories.
Source: Author's calculations using microdata.

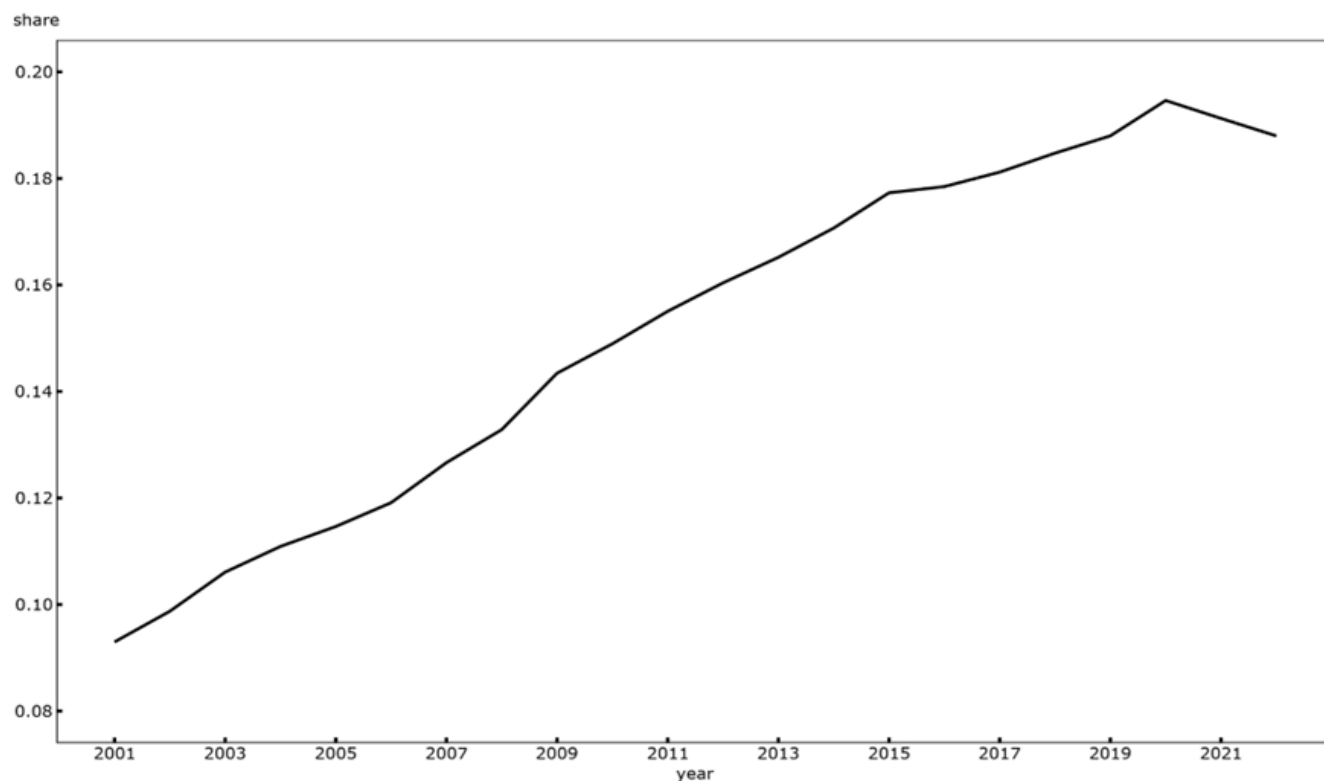
The paper also uses the proportion of workers aged 55 and older within firms as a secondary indicator of workforce aging. Chart 2 presents the results for how the share of older workers increased over time: the vertical axis shows the share of workers aged 55 and older based on firm-level calculations for each year, while the horizontal axis displays the study years.

The results show that, on average, the share of workers aged 55 and older has doubled over the study period, rising from 9.3% in 2001 to 18.8% in 2022. In other words, in a typical average firm, the share of workers aged 55 and older increased from 1 in 10 workers in 2001 to nearly 2 in 10 in 2022. This share slightly declined during the COVID-19 pandemic (from 2021 to 2022), possibly because of early retirements among older workers, which reduced the numerator of the ratio, or an increase in younger immigrants entering the workforce, which expanded the denominator, or a combination of both. For example, Statistics Canada (2022, September 9) reported that 307,000 Canadians retired from their jobs in the 12 months leading up to August 2022, an increase of 32% from the previous year and 12% from the same period ending in August 2019.

Although workforce aging is primarily driven by population aging, the shift toward an older workforce can also be partly attributed to policy changes, such as the elimination of mandatory retirement in some provinces during the mid to late 2000s (Morris & Dostie, 2024) and the introduction of income tax

incentives aimed at encouraging older individuals to remain in the labour market (Lacroix & Michaud, 2024; Milligan & Schirle, 2024).²

Chart 2
Average share of workers aged 55 and older across firms



Note: To obtain the annual average across all firms, the share of workers aged 55 and older in a firm is weighted by its employment size in each year.
Source: Author's calculations using microdata.

Workforce age, by industry

Job characteristics vary across industries, leading to differences in workforce composition. For example, industries such as construction, which involve physically demanding tasks, tend to have more younger workers. By contrast, service sectors, such as finance, often have older workforces because of the nature of the work and career progression patterns.

To study the workforce age across industries, they are grouped into six categories—three in the goods-producing sector and three in the service-providing sector:

2. As a robustness check, the study also applies the unweighted method (excluding firms with three or fewer employees). Although the unweighted trend lies above the weighted trend in recent years, the two series move almost in parallel overall. For this reason, the analysis focuses on the weighted share of all firms to ensure that all observations are included. Including or excluding firms with three or fewer workers does not change the overall pattern of the weighted trends.

- agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; and utilities
- construction
- manufacturing
- retail trade, wholesale trade, and transportation and warehousing
- finance and related sectors, including finance and insurance; real estate and rental and leasing; management of companies and enterprises; professional, scientific and technical services; and information and cultural industries
- all other service-providing sectors, including administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services (except public administration).

As shown in Chart 3, the distribution of average worker age shifted to the right across all industries. Notably, the proportion of firms with an average worker age over 40 increased significantly. The manufacturing sector experienced the most pronounced change, with the share of firms with an average worker age over 40 rising by 30.7 percentage points, increasing from 28.5% in 2001 to 59.1% in 2022. In other words, this share has more than doubled over the study period. By 2022, 6 in 10 firms in the manufacturing sector had an average worker age over 40.

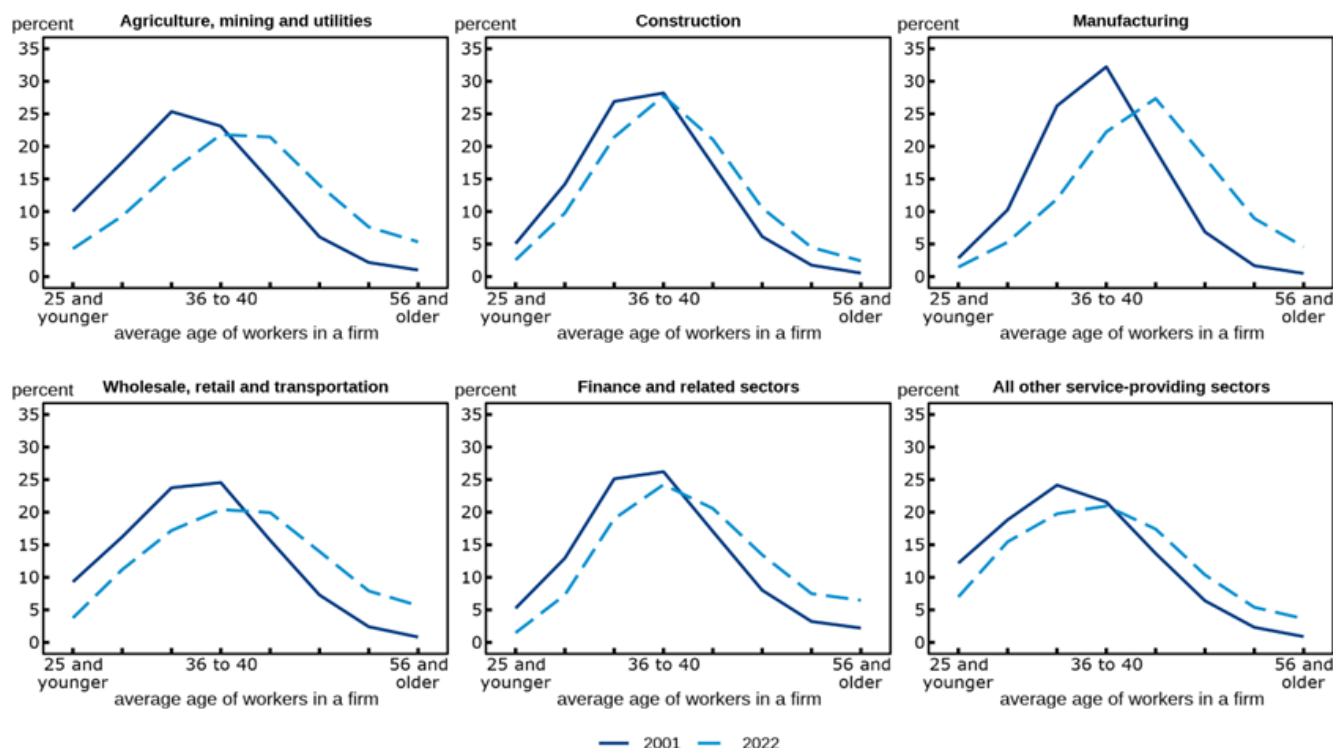
The second-largest change occurred for agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; and utilities. In this category, the proportion of firms with an average worker age over 40 increased by 24.5 percentage points, from 24.0% in 2001 to 48.4% in 2022.

The construction sector experienced the smallest shift in the distribution, with the proportion of firms with an average worker age over 40 increasing by 12.9 percentage points, from 25.6% in 2001 to 38.5% in 2022.³ This modest change may be attributed to the fact that construction work is physically demanding, so workers may retire earlier compared with other sectors. Chart 4 also shows that the share of workers aged 55 and older in the construction sector has risen less than in the other sectors. This finding aligns with He et al. (2017), who report that the construction sector, on average, has one of the youngest workforces in Canada. For more details about the construction sector, see the appendix.

The second-smallest shift in the average worker age distribution was seen for administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services (except public administration). Specifically, the proportion of firms with an average age of workers over 40 increased by 13.6 percentage points, from 23.3% in 2001 to 36.8% in 2022.

3. These results are based on firms with more than three employees. As a result, incorporated firms with three or fewer workers and unincorporated firms that do not report a T4 payroll are excluded from the analysis. When all employer firms are considered, including those with three or fewer workers, a noticeable bump appears at the right tail of the distribution, which is significantly higher in 2022. Please refer to the appendix for details.

Chart 3
Distribution of workforce age across firms, by industry



Notes: Workforce age in a firm is measured by the average age of workers in that firm. Agriculture, mining and utilities include agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; and utilities. Wholesale, retail and transportation include wholesale trade, retail trade, and transportation and warehousing. Finance and related sectors include finance and insurance; real estate and rental and leasing; management of companies and enterprises; professional, scientific and technical services; and information and cultural industries. All other service-providing sectors include administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services (except public administration). The x-axis shows the average age of workers in a firm, classified into eight age groups: 25 and younger, 26 to 30, 31 to 35, 36 to 40, 41 to 45, 46 to 50, 51 to 55, and 56 and older. Due to limited space, only selected age group labels are displayed in the chart.

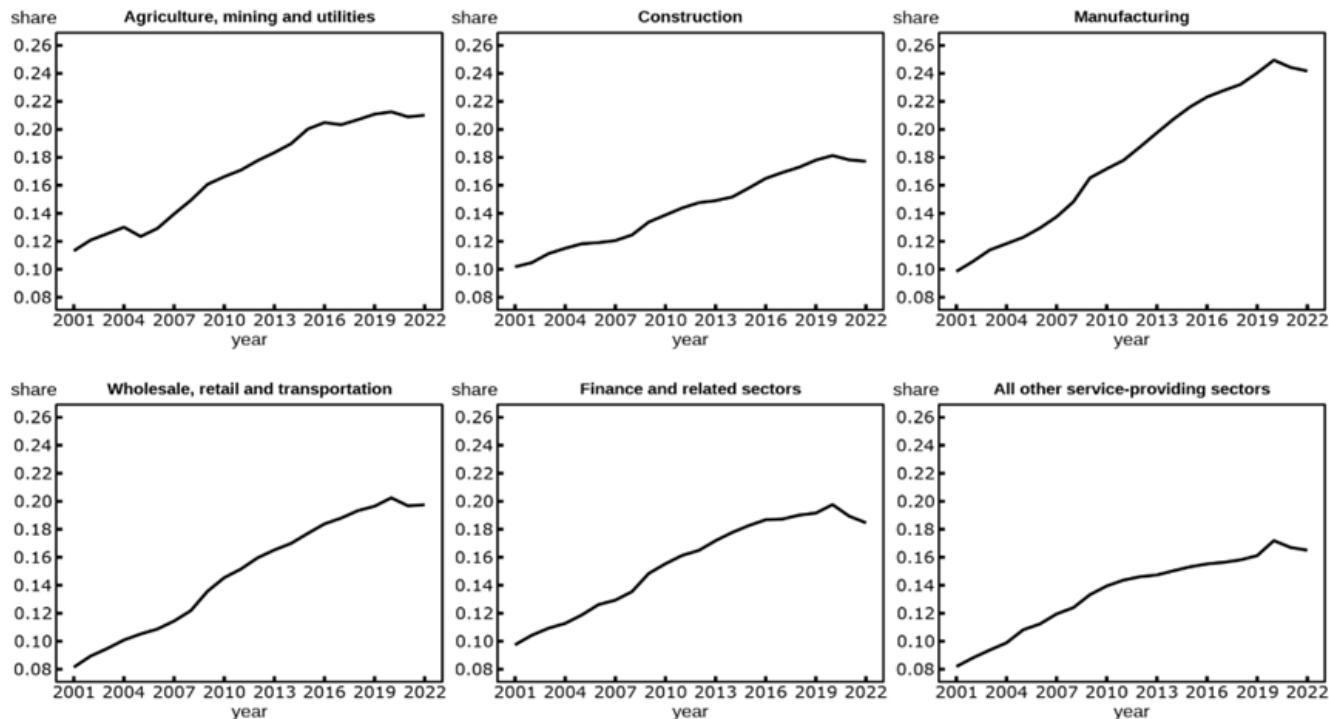
Source: Author's calculations using microdata.

Chart 4 illustrates the share of workers aged 55 and older across various industries. Similar to the trend in average worker age, the proportion of workers aged 55 and older has increased over the study period. The results also show that the variation in the share of older workers across industries has increased over time. In the early 2000s, the proportion of workers aged 55 and older was relatively consistent across sectors. However, a clear divergence has since emerged, particularly in goods-producing industries (see the top three panels of Chart 4). While population aging affects all sectors, the growing differences in the distribution of older workers may partly reflect structural changes, such as automation, that have affected industries to varying degrees.

During the study period, the manufacturing sector experienced the largest increase in the share of workers aged 55 and older. In 2001, 9.8% of workers in this sector were in that age group. By 2022, the share had risen to 24.2%, marking an increase of 14.3 percentage points. This means that by 2022, on average, nearly one in four manufacturing workers was aged 55 or older. Ouellet-Léveillé and Milan (2019) also noted that from 1996 to 2018, the number of younger workers in the manufacturing and utilities sectors declined, while the number of older workers more than doubled. They further highlighted that the decline in younger workers in sectors such as manufacturing may be linked to structural changes like automation.

By contrast, the construction sector saw the smallest increase, with the share of workers aged 55 and older rising by 7.5 percentage points, from 10.2% in 2001 to 17.7% in 2022.

Chart 4
Average share of workers aged 55 and older across firms, by industry



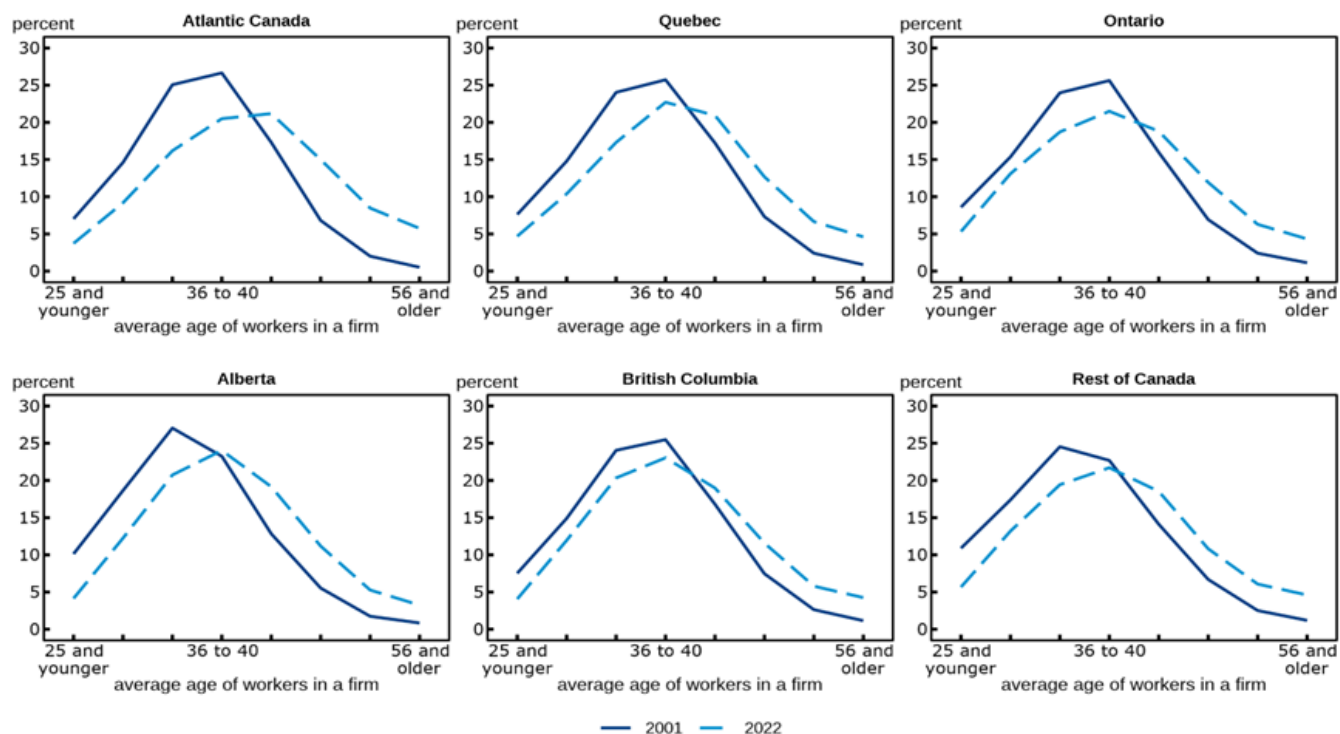
Notes: To obtain the annual average across all firms, the share of workers aged 55 and older in a firm is weighted by its employment size in each year. Agriculture, mining and utilities include agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; and utilities. Wholesale, retail and transportation include wholesale trade, retail trade, and transportation and warehousing. Finance and related sectors include finance and insurance; real estate and rental and leasing; management of companies and enterprises; professional, scientific and technical services; and information and cultural industries. All other service-providing sectors include administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services (except public administration). The top three panels show the results for the goods-producing sectors and the bottom three panels illustrate the results for the service-providing sectors.

Source: Author's calculations using microdata.

Workforce age, by province or region

Studying the distribution of average worker age across provinces and regions reveals shifts of varying magnitude in their age distribution. As shown in Chart 5, firms in Atlantic Canada experienced the most significant increase in average worker age during the study period. The proportion of firms with an average worker age over 40 rose by 23.8 percentage points from 26.7% in 2001 to 50.4% in 2022.

Chart 5
Distribution of workforce age across firms, by province or region



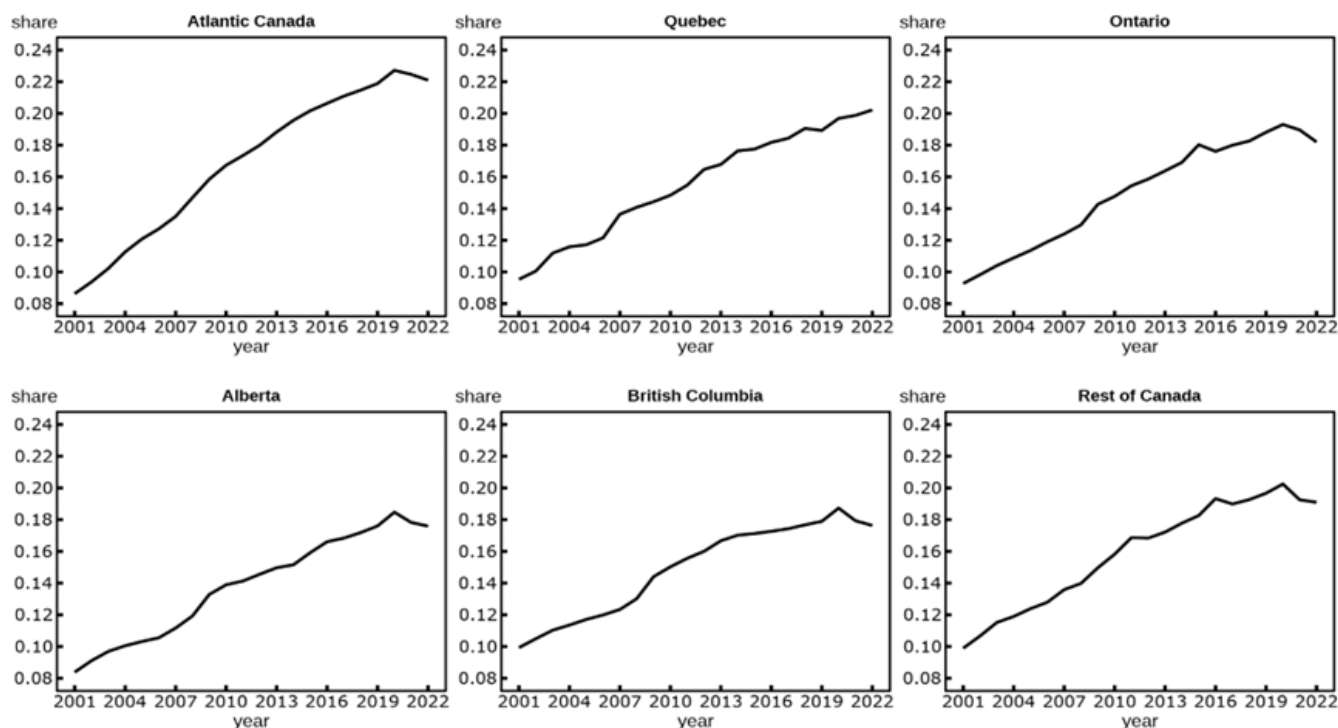
Notes: Workforce age in a firm is measured by the average age of workers in that firm. Firms with three or fewer workers are dropped from the sample. "Rest of Canada" represents Manitoba, Saskatchewan and the territories.

Source: Author's calculations using microdata.

By contrast, firms in British Columbia saw the smallest increase, with the proportion rising by 12.6 percentage points, from 28.0% in 2001 to 40.6% in 2022. Comparatively, the proportions increased by 14.9 percentage points in Ontario; 17.1 percentage points in Quebec; 17.9 percentage points in Alberta; and 15.5 percentage points in Manitoba, Saskatchewan and the territories (grouped as the rest of Canada).

The study also finds that the share of workers aged 55 and older is growing at different rates across provinces and regions (see Chart 6). To calculate the share for each province or region, the proportion of workers aged 55 and older at the firm level is weighted by the firm's employment size. The employment-weighted average is then computed at the provincial or regional level.

Chart 6
Average share of workers aged 55 and older across firms, by province or region



Note: "Rest of Canada" represents Manitoba, Saskatchewan and the territories.

Source: Author's calculations using microdata.

As shown in Chart 6, Atlantic Canada experienced the largest increase in the share of older workers. Specifically, the share rose by 13.5 percentage points, from 8.6% in 2001 to 22.1% in 2022. This means that more than one in five workers in firms located in Atlantic Canada were aged 55 and older in 2022. By contrast, British Columbia saw the smallest increase, with the share rising by 7.7 percentage points, from 9.9% in 2001 to 17.6% in 2022.

Moreover, during the pandemic period (from 2021 to 2022), the share of older workers declined across firms in all provinces and regions, except in Quebec, where it increased slightly.

In the case of Atlantic Canada, in addition to population aging, the outmigration of younger workers has played a significant role in the rising average age of the workforce. In fact, Atlantic Canada experienced net interprovincial migration losses in nearly every year of the 2010s (Atlantic Provinces Economic Council, 2019, January 16).

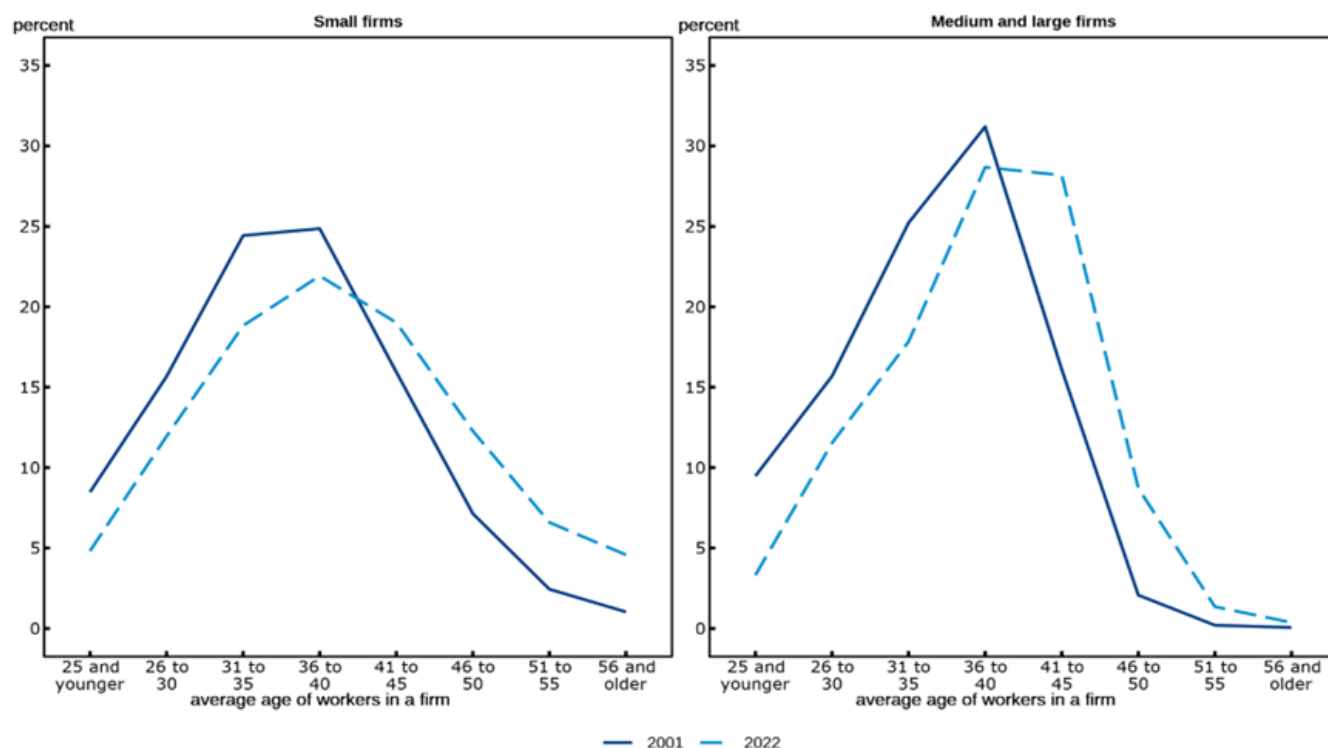
Workforce age, by firm size

It is possible that the age distribution in large firms differs from that in smaller firms, or that it evolves differently over time. For instance, employee turnover rates or hiring practices may vary between small and large firms. To investigate this, the paper compares the age distribution of small firms (with 4 to 99 employees) with that of medium and large firms (with 100 or more employees).

Small firms play an important role in shaping the Canadian economy. For example, in 2022, small firms with 1 to 99 workers employed 10.7 million individuals—almost two-thirds (63.0%) of all employees (Delgado et al., 2023).

Chart 7 indicates that both the distribution of the average age and its evolution over time differ between small firms and medium and large firms. The shift in average worker age among medium and large firms was greater than that observed among small firms over the study period. For instance, the proportion of medium and large firms with an average worker age over 40 years increased by 20.2 percentage points, from 18.4% in 2001 to 38.6% in 2022. By comparison, it increased by 15.9 percentage points for small firms, from 26.6% in 2011 to 42.5% in 2022.

Chart 7
Distribution of workforce age across firms, by firm size

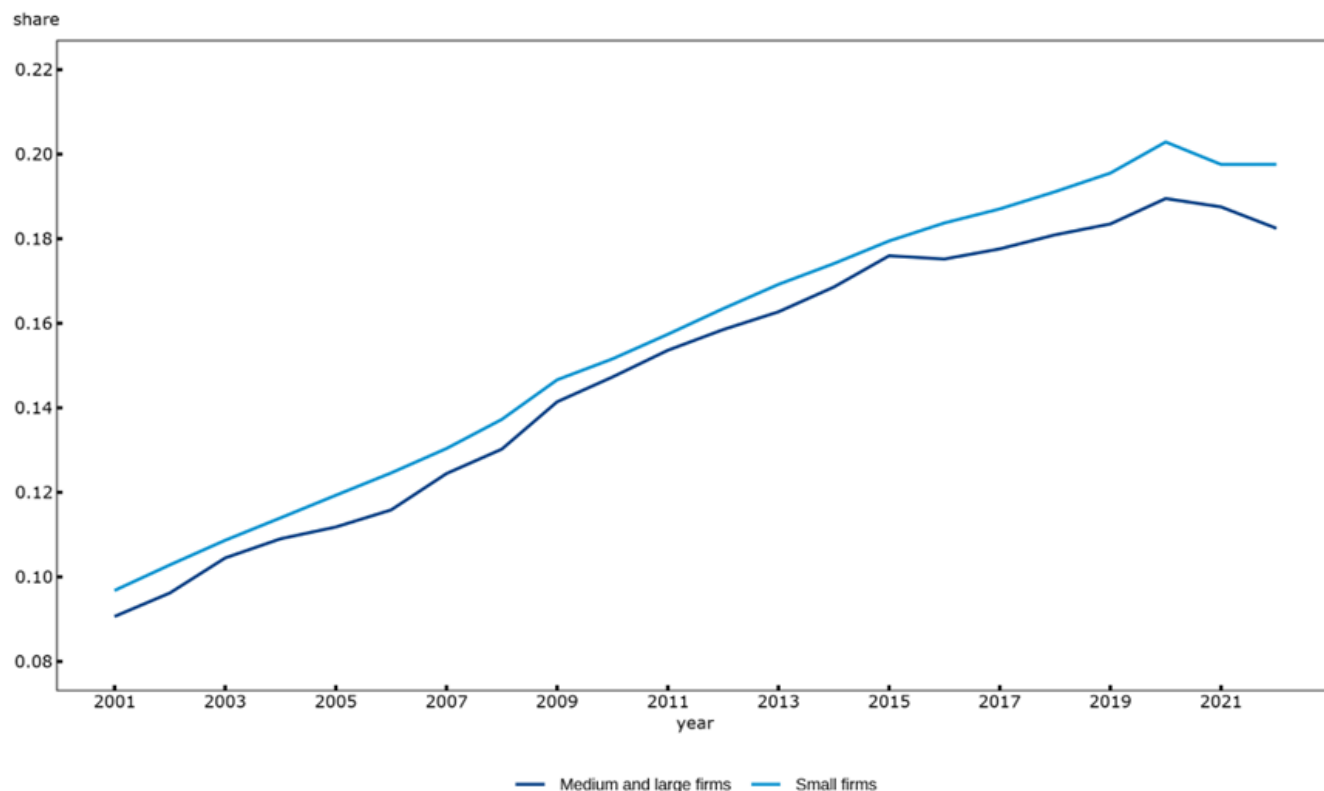


Source: Author's calculations using microdata.

In addition, the study finds that the distribution of average worker age is more centralized in medium and large firms than in small ones. For example, in 2022, firms with an average worker age of 36 to 45 years represented 56.9% of total medium and large firms, compared with 40.9% of small firms. Conversely, the distribution of average worker age for small firms is flatter and has a heavier right tail. For instance, in 2022, firms with an average worker age over 50 represented 15.9% of small firms, compared with 1.7% of medium and large firms.

Chart 8 illustrates the evolution of the share of workers aged 55 and older by firm size over the study period. On average, small firms saw an increase of 10.1 percentage points, from 9.7% in 2001 to 19.8% in 2022. By comparison, medium and large firms experienced a slightly smaller increase of 9.2 percentage points, rising from 9.1% to 18.2% over the same period. The share of older workers followed a similar trend across both firm size groups until 2015, after which a slight divergence emerged, with the share among small firms rising more rapidly.

Chart 8
Average share of workers aged 55 and older across firms, by firm size



Source: Author's calculations using microdata.

As previously explained, the average share of workers aged 55 and older is calculated by weighting each firm's share by its employment size and then computing the annual average for each firm size group.

Conclusion

The findings of this paper show that the age structure of the firm-level workforce shifted significantly toward older ages from 2001 to 2022. For example, the proportion of firms with an average worker age over 40 increased by more than 16 percentage points, and the share of workers aged 55 and older doubled on average.

While older workers bring valuable capabilities, such as experience and soft skills, they may lag behind younger workers in areas like technological skills or be more vulnerable to chronic health conditions that could negatively affect firm performance.

The first step in assessing how workforce aging affects firm performance is to measure how the age distribution of workers varies across firms. This provides the foundation for understanding how shifts in age composition translate into firm-level performance. This paper is the first to examine the distribution of the workforce at the firm level using the universe of Canadian firms. In this sense, the results of this paper open the door to further analytical work aimed at exploring the mechanisms—such as productivity, innovation and technology adoption—through which an aging workforce influences economic outcomes in the country.

Appendix

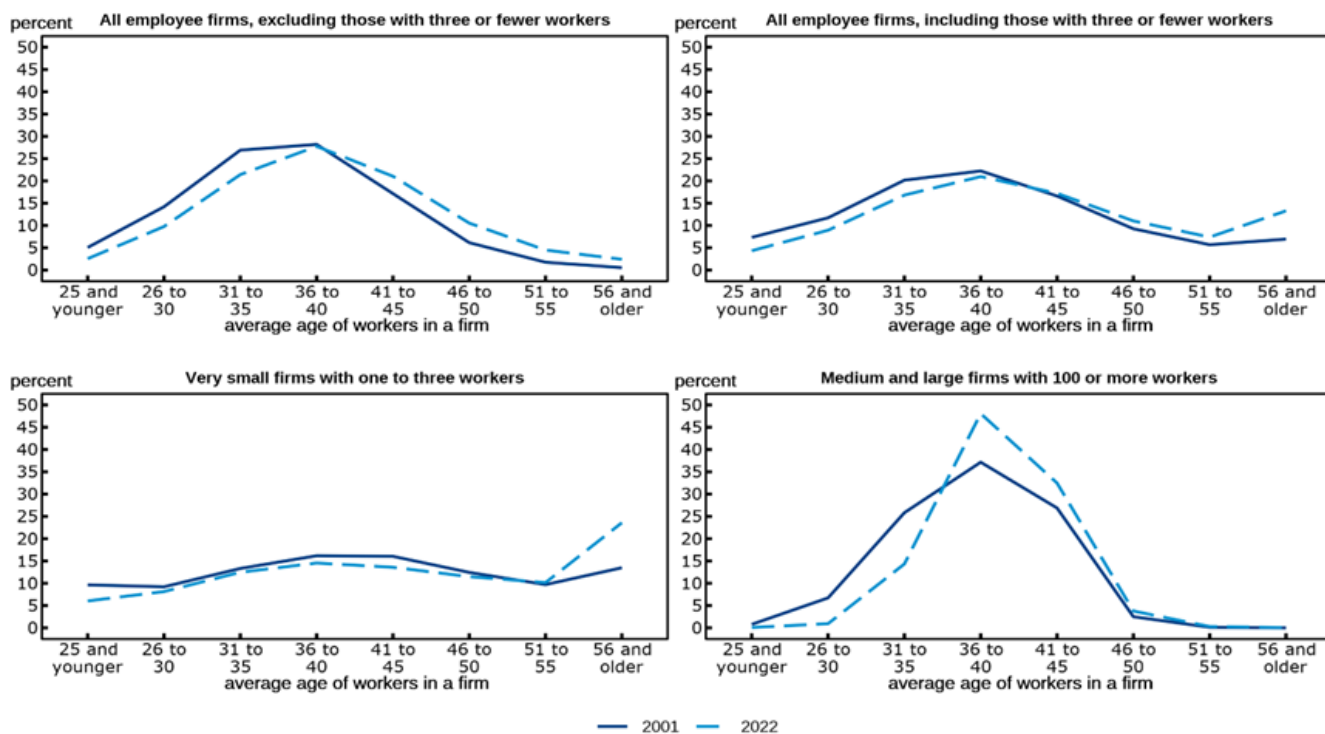
A closer look at the construction sector

In 2022, the construction sector comprised approximately 165,900 employer firms, more than half of which (85,200) had three or fewer workers. Chart A provides a snapshot of the distribution of average worker age by employment size. The top-left panel shows the distribution for all firms, excluding those with three or fewer workers, which has been discussed in detail earlier. The top-right panel represents all employer firms, including those with three or fewer employees. When all employee firms are considered, the proportion of firms with an average worker age over 55 rises significantly. One possible explanation is that older workers in the sector tend to move to very small firms, perhaps by establishing their own businesses. The bottom-left panel focuses on very small firms with three or fewer workers. It shows that the share of firms with an average worker age over 55 increased from 13.5% in 2001 to 23.6% in 2022 among firms with three or fewer workers. In other words, by 2022, nearly one-fourth of these firms had an average worker age over 55 years.

By contrast, although the overall workforce is aging, the proportion of firms with an average worker age over 55 remains close to zero among medium and large firms with 100 or more employees. This may be because construction work is physically demanding, prompting older workers to transition to smaller firms where tasks rely more on experience than physical strength and offer greater flexibility in working hours. For example, studies show that older workers are more likely to be self-employed and work part time compared with younger workers (Marshall & Ferrao, 2007). It should be noted that such transitions are not specific to the construction sector and warrant further investigation in future research.

Chart A.1

Distribution of workforce age among firms in the construction sector, by firm size



Source: Author's calculations using microdata.

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