

Aging and Employment in BC: Trends and Policy Directions

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Premier's Council on Aging and Seniors' Issues

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Presentation Outline

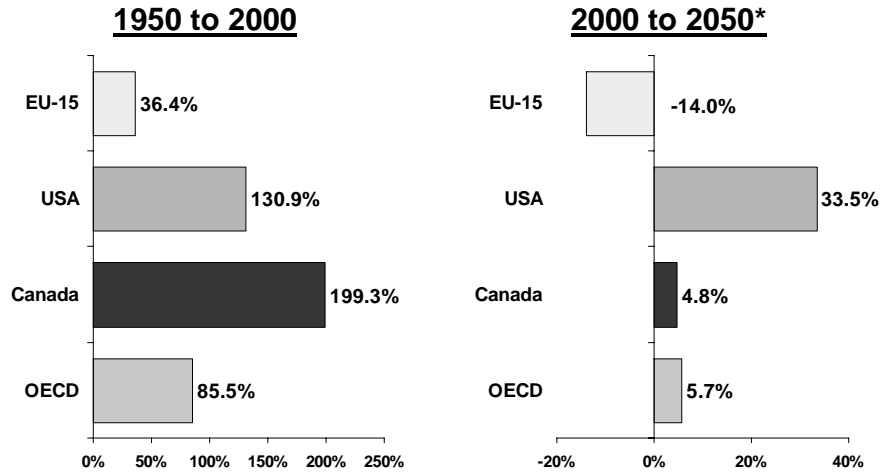
- BC's Aging Population and Labour Force
– Context, Outlook, and Implications
- Adjusting to an Aging Work Force
– Employer Perspectives
- Recommendations

BC's Aging Population and Labour Force – Context, Outlook, and Implications

Seniors in British Columbia – A Few Quick Facts

- BC is home to 590,000 seniors (those over 65). This will rise to 1.3 million by 2031
- Seniors comprise 14% of the current BC population; the proportion will climb to 20% or so by 2020 and to 23-24% by 2030
- Over the past decade, the over 65 population has been growing approximately twice as fast as the total BC population
- Average life expectancy in BC is 79 for men and 83 for women
- The median age of retirement in BC stands at 61.8 (2000-2004 average). This means half of the workforce retires after reaching 61.8 years of age and half before this age

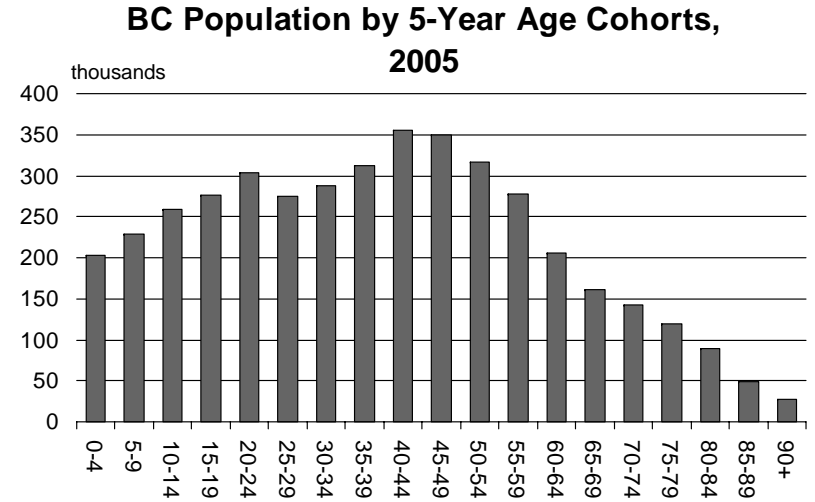
Total Labour Force Growth in Selected OECD Countries (percentages)



Source: OECD.

* Projections assume labour force participation rates among five year age groups and men and women remain constant at 2000 levels to 2050.

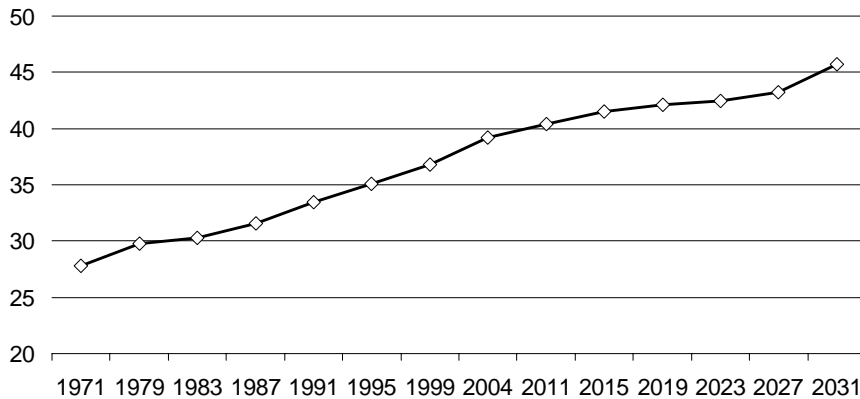
Baby Boom Bulge



Source: Statistics Canada.

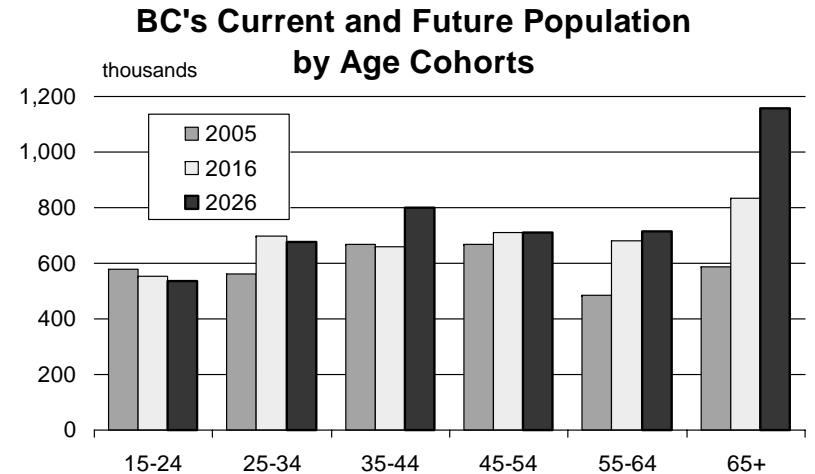
An Aging Population

Median Age in BC



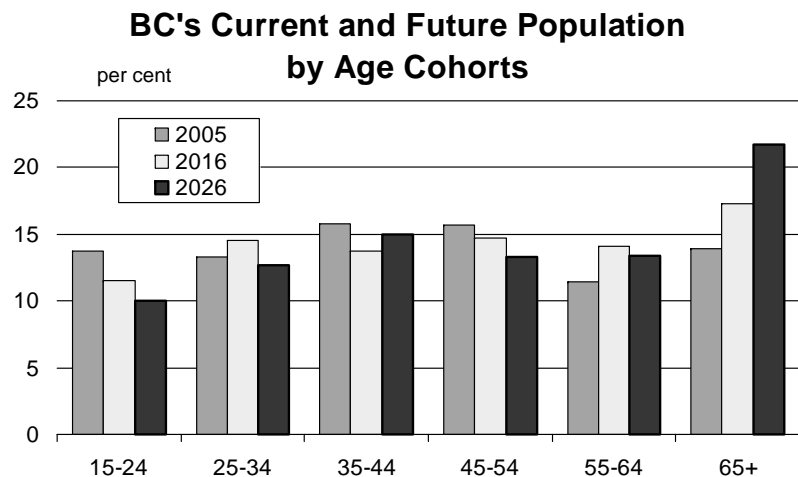
Source: BC Stats.

Largest Increases in Population Aged 55+



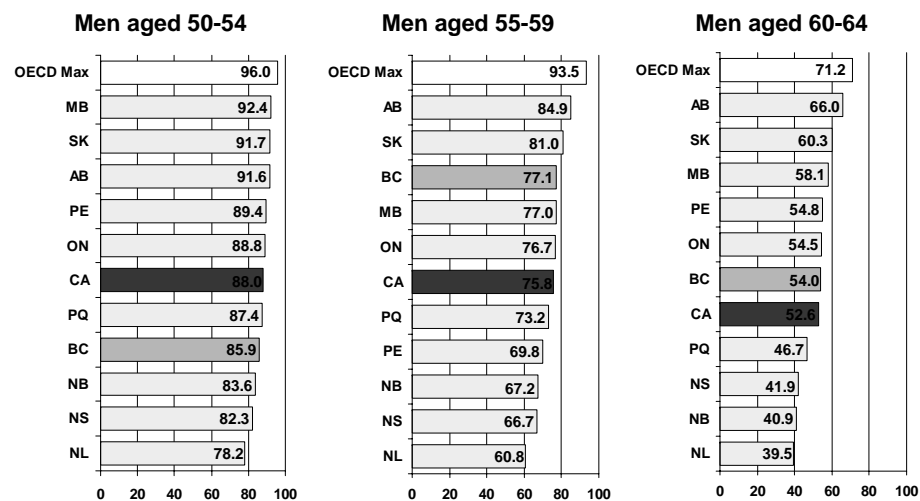
Source: BC Stats.

Those Aged 55+ will Account for 35% of the Total Population (compared to 25% today)



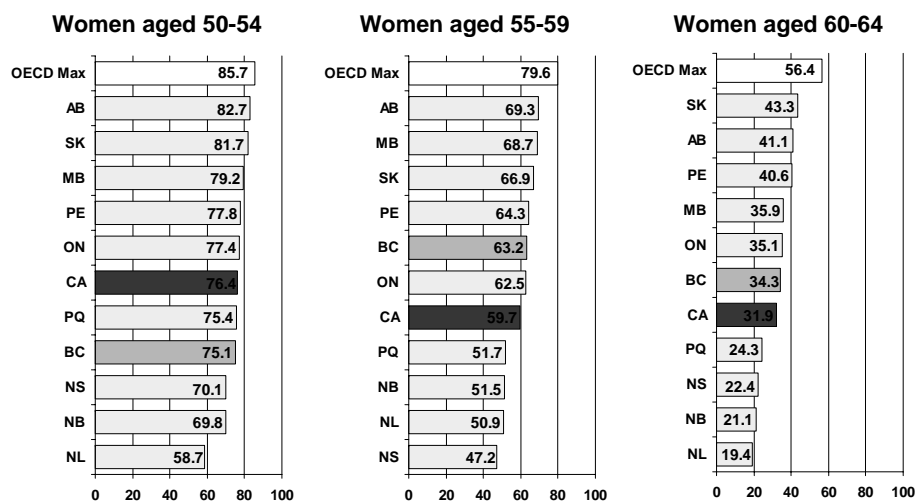
Source: BC Stats.

Labour Force Participation Rates – Male (by age and province, 2003)



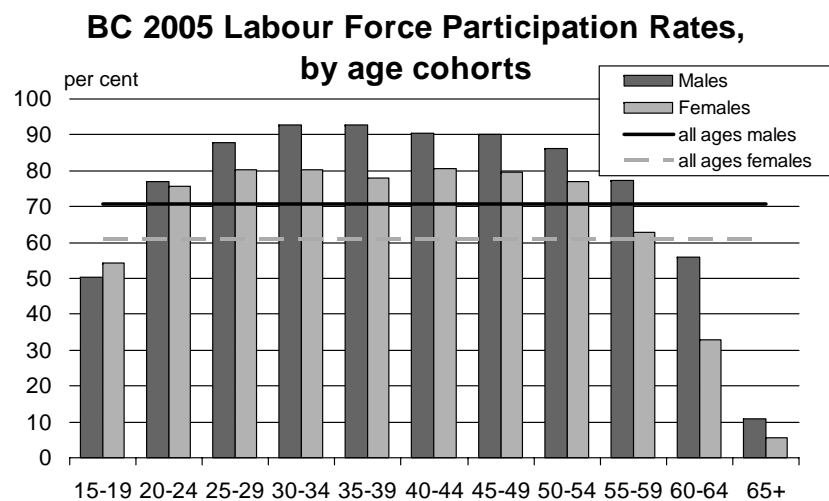
Source: Statistics Canada, Labour Force Survey.

Labour Force Participation Rates – Female (by age and province, 2003)



Source: Statistics Canada, Labour Force Survey.

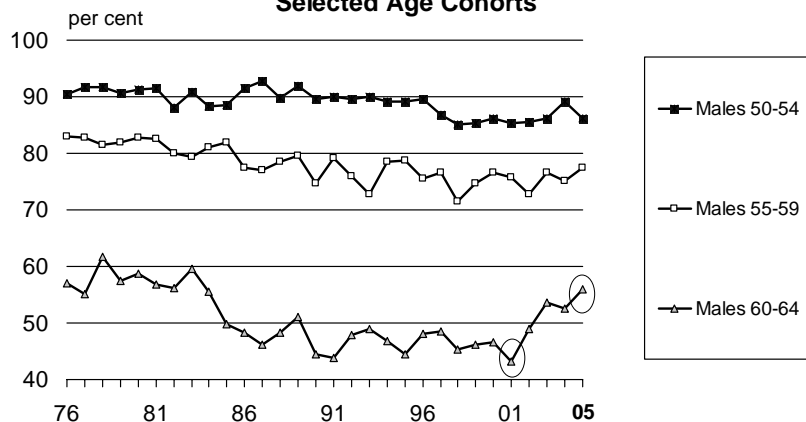
Participation Rates Drop Sharply After 55



Source: BC Stats.

Male Participation Rates For Pre-retirement Years Have Increased Recently

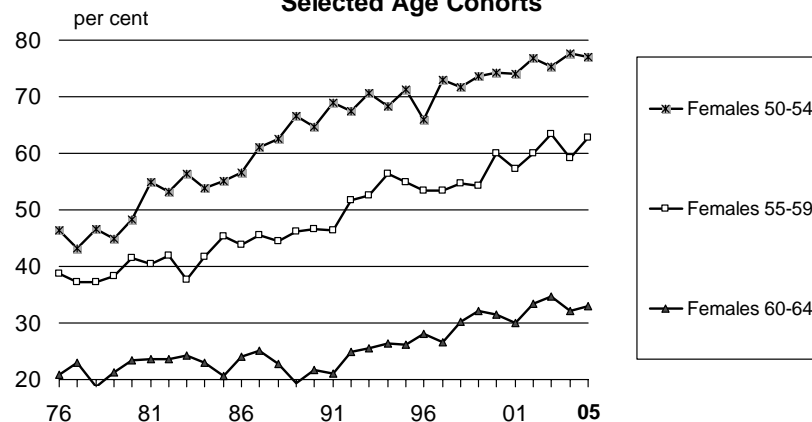
BC Labour Force Participation Rates
Selected Age Cohorts



Source: Statistics Canada.

Female Participation Rates May Continue to Climb

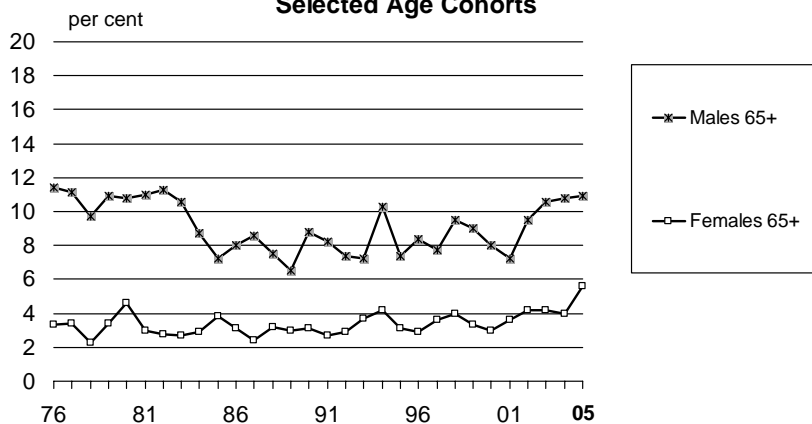
BC Labour Force Participation Rates
Selected Age Cohorts



Source: Statistics Canada.

Participation Rates For 65+ Edging Higher?

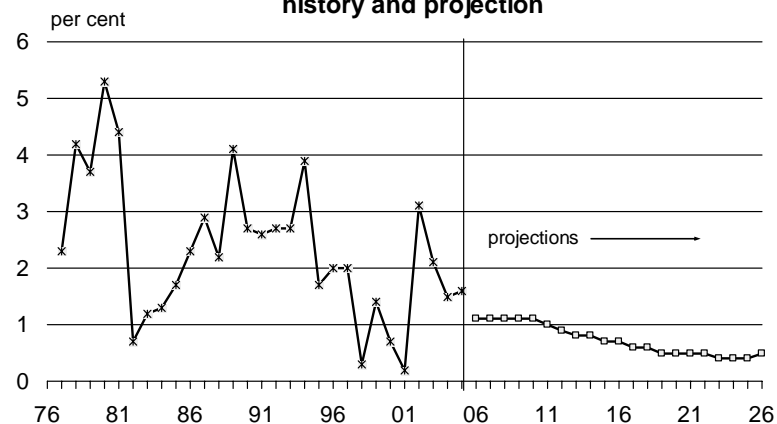
BC Labour Force Participation Rates
Selected Age Cohorts



Source: Statistics Canada.

Status Quo Projections Show Labour Force Growth Slowing

BC Labour Force Growth
history and projection



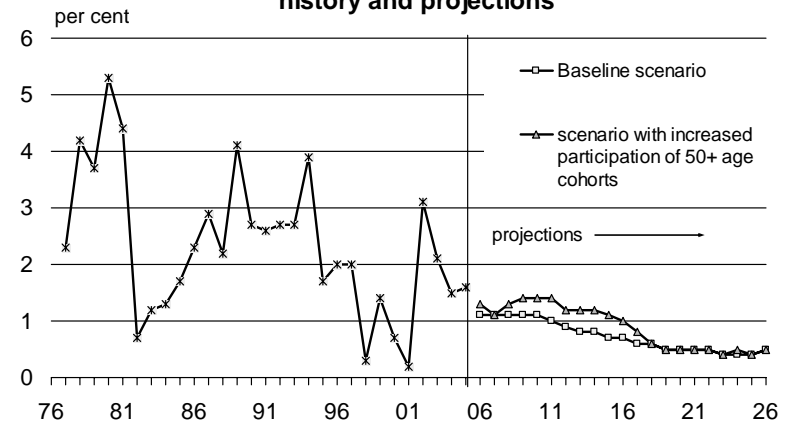
Source: Statistics Canada, BCBC.

Greater Participation of Older Workers

- Increasing participation rates / postponing retirement can help alleviate labour shortages, but even relatively large increases do not significantly change the overall picture
- Assume labour force participation rates for people aged 50+ are stable for two years and then gradually increase by about 5 percentage points between 2008 and 2016
 - » participation rate for males aged 50-54 goes from 86% to 90% (matching the current rate for 45-49 group)
 - » participation rate for males aged 55-59 goes from 76% to 81%
 - » for 60-64 year old males it goes from 55% to 60%
 - » female participation rates follow the same pattern and also rise 5 percentage points for each 50+ age cohort

More Participation / Postponing Retirement Provides Some Offset

BC Labour Force Growth
history and projections

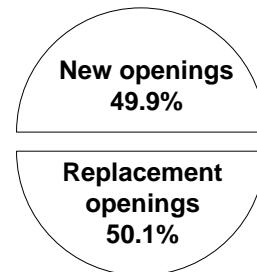


Source: Statistics Canada, BCBC.

Half of all Job Openings Will Come From Retirements

- More than 850,000 job openings (2003-2013)
 - » 424,800 new jobs (growth)
 - » 426,600 attrition (mostly retirements)
- Based on conservative job growth assumptions
- Job opportunities across all sectors
 - » growth / attrition proportions vary across industries

Distribution of Job Openings, 2003-13



Is Increased Labour Force Participation of Older Workers Realistic?

- Historically, an upward trend in female participation rates over time; for males, a recent increase is evident
- Average retirement age has edged up in recent years
 - » fell steadily from 65 in the late 1970s to 60.8 by 1998 and is now close to 62
 - » early retirement most prevalent in the public sector (average = 59)
 - » average retirement age for self-employed in BC is 66-67
- Survey evidence suggests some older workers willing to continue working under different conditions and/or with different incentives
- People live longer (so may need more financial resources)
- But many households also have dual pensions, housing wealth, and potentially significant inheritances

Possible Incentives to Continue Working

- Share of recently retired Canadian survey participants indicating a willingness to continue working given different circumstances

Changes to work schedule, assuming no effect on pensions

- » working fewer days 28.3%
- » working shorter days 25.6%
- » more vacation 19.0%

Other factors / options

- » part time work (different job) 27.8%
- » better health 26.5%
- » salary increase 21.2%
- » no mandatory retirement 11.8%
- » suitable caregiver 6.3%

Statistics Canada, General Social Survey (results reported in Perspectives on Labour and Income, Winter 2004)

Market Adjustments Will Help Offset the Impact of Labour Shortages

- Modern market economies are very flexible and resilient – adjustments occur when relative prices change and new technologies become available
- Demographic changes will lead to a relative scarcity of labour compared to capital, which will pave the way for rising wages (relative to returns on capital)
 - » this will result in more people participating in the workforce
 - » increased incentive to invest in human capital (education)
 - » more labour saving technologies will be developed and deployed (many examples of scarcity spurring new technologies)
- Older workers will be part of the adjustment and a source of new workers irrespective of government policies

Macroeconomic Implications of Slower Labour Force Growth

- May not bring across-the-board labour shortages, but the job market will tighten and relative wages will rise
- Economic growth will slow
 - » GDP growth = productivity + employment growth (hours worked)
 - » over the past decade output per worker in BC has grown 1% (and output per hour by 1.2% - 1.3%)
 - » potential growth could slow from almost 3% to 1%-1.6%
- This slower growth dynamic will unfold as demand for healthcare and related services escalates
- Productivity gains critical (in combination with more immigration and higher participation rates) to sustain a growing economy

Adjusting to an Aging Work Force – Employer Perspectives

Adjusting to an Aging Work Force – Employer Perspectives

- Demographic change and slower labour force growth will significantly affect the population base from which employers draw personnel
- Increasingly, employers in British Columbia will be...
 - » competing aggressively for younger workers
 - » hiring more immigrants (and foreign workers who enter Canada with time-limited work permits)
 - » outsourcing
 - » changing their “production functions” or business processes to replace labour with capital/technology
 - » seeking to retain existing employees, including those approaching or reaching “traditional” retirement age

Adjusting to an Aging Work Force – Employer Perspectives

- An older work force, and the possible elimination of mandatory retirement, will pose challenges for businesses and other employers
- In particular, some employers are likely to worry about...
 - » the impact of an older work force on benefit plans and costs (e.g., life insurance, disability, extended health)
 - » the impact of an older work force on employer pension plans (actuarial tables underlying existing plans commonly assume retirement at 65 or earlier)
 - » how an older work force might affect individual and firm-level productivity
 - » other workplace adjustments that may be needed to accommodate older workers
 - » the need to ensure a regular inflow of “new blood” into the organization

Adjusting to an Aging Work Force – Employer Perspectives

- But many employers will also recognize the benefits that can come from retaining/hiring older workers
- Such benefits include...
 - » retention of valuable institutional knowledge and job-specific expertise
 - » loyalty to the organization
 - » improved ability to serve some customer segments (e.g., Home Depot, book stores)
 - » increased flexibility for the organization, assuming older employees are more willing than younger counterparts to work part time and/or pursue phased retirement
- Postponing retirement can help alleviate skill/labour shortages

What Can Be Done? Employer Level

Individual employers can:

- Encourage older employees to continue working through more flexible work arrangements and benefits
- Re-examine retirement policies
- Improve succession planning (many workers with an abundance of knowledge are going to retire)
- Retool and restructure operations to make work environment more suitable for older employees

Recommendations

Recommendations

- Government policy-makers and employer groups in BC need to develop a common understanding of the challenges posed by slower labour force growth and the options available to address them
 - » this includes finding ways to encourage later retirement and to reduce barriers to the retention/hiring of older workers
- From a public policy perspective, promoting later retirement and greater labour force participation among older age cohorts calls for...
 - » reviewing the incentives and disincentives embodied in publicly funded pension programs (CPP, OAS)
 - » changing the Income Tax Act to allow older workers to draw from and contribute to private pension plans at the same time
 - » reconsidering current laws governing age discrimination/mandatory retirement
 - » a stepped up focus on training and skills development of the adult workforce
 - » efforts to shift prevailing attitudes toward older workers