Immigration, a Cornerstone of New Brunswick’s Future Prosperity

“An aging population is our province’s largest challenge.”

—the honourable Brian Gallant, Premier of New Brunswick

New Brunswick is at a crossroads. This may sound like a tired cliché, but it is true nonetheless. In fact, the next five years could well be the most important in at least a half-century. What we will do, or fail to do, over that period could have a decisive impact for decades to come.

The main challenge, as Premier Brian Gallant noted, is population aging. This is far from a new development: New Brunswick has been getting older for over five decades. It is only in recent years, however, that we are witnessing some of its long-anticipated consequences on our economy and public finances.

A first major consequence is slower growth. Since the turn of the decade, the provincial economy has grown on average by 0.5% annually.¹ That’s four times slower than over the previous three decades. In turn, a slower-growing economy means a slower-growing tax base. To deal with this slowdown, the provincial government must either raise taxes, moderate spending growth or borrow more. All of this occurred in recent years. As a result, the tax burden is up considerably and the government has recorded 10 consecutive deficits, doubling its net debt in the process.

That’s not all. While population aging is already affecting our economy, its impact on public spending is, for the most part, still ahead of us. Spending on health care increases exponentially as senior people grow older. For those aged 65 to 69, provincial spending per person is a little over $6,000 annually. For people between 75 and 79, it is twice as much, about $12,000. Finally, for those aged 85 to 89, it is almost $25,000. Currently, New Brunswick has about 65,000 residents aged 75 and over. In ten years, it will be well above 100,000 and in twenty, about 135,000.²

If the provincial government is to continue to provide quality public services, including well-deserved care for our growing ranks of senior residents, it will need to generate much more revenues than in currently does. In turn, this will require a much stronger economy. And to chart a more prosperous course for New Brunswick’s economy, we need to address the main reason why it is no longer growing as robustly as it once did: a declining labour force.

The labour force is simply the number of people working or looking for work. Historically, a growing labour force was the main engine behind New Brunswick’s economic performance, accounting for more than half of its annual growth.³ Towards the turn of the decade, when the first baby boomers started to retire from paid work, New Brunswick’s labour force first stopped growing and then began to decline sharply. From 2013 to 2017, New Brunswick lost almost 3,000 workers annually. This means that rather than pushing the economy forward as it did in the past, the labour force is now dragging it down.
This document explains why New Brunswick’s labour force is declining and examines the consequences of this decline in greater depth. It also looks at the tools available to reverse the tide and set New Brunswick on a more prosperous and dynamic course. In doing so, it emphasizes the critical importance of significantly increasing New Brunswick’s immigration levels.

**Why is New Brunswick’s labour force declining?**

In 2011, New Brunswick’s oldest baby boomers turned 65. Of course, there is nothing magical about reaching that age; nothing happens on the night of one’s 65th birthday that suddenly turns him or her into an “old” person. Besides, there is more than a kernel of truth to the expression “65 is the new 55” as people now live longer than before.

Yet, if 65 no longer feels old, it remains an important signpost in our society for another reason. By the time they turn 66, most people will have retired from paid work. To be sure, retirees contribute enormously to society. Among the many ways they do so, they pay taxes, give their time and money generously to numerous community organizations, participate actively in the political process, act as mentors and coaches to younger people, and support their children and grandchildren. However, from a labour market standpoint, baby boomers leave a big void behind them as they progressively exit the labour force. Part of this void is the loss of experience and maturity they brought to the workplace. Another is the fact that, as they leave paid work, baby boomers are not replaced by an equivalent number of new workers coming in. That’s the main reason why New Brunswick’s labour force is declining.

Charts 3 and 4 show New Brunswick’s age pyramid for the years 1971 and 2017. The baby boom generation is comprised of individuals born from 1946 to 1965. In 1971, baby boomers were still very young; the youngest were 6 and the oldest, 25. As more and more of them reached working age in the following years, New Brunswick’s labour force swelled.
Fast forward to 2017: in that year, the youngest baby boomers turned 52 and the oldest, 71. As the oldest baby boomers are now retiring, New Brunswick’s labour force is declining. The progressive exit of baby boomers from the labour force will continue unabated over the next decade and a half or so.

Of note, the retirement of baby boomers is affecting New Brunswick much more than most other provinces. Overall, labour force growth in Canada, although slower than before, remains robust. Since 2013, Canada has added around 600,000 workers to its labour force, a gain of about 3.3%. By contrast, New Brunswick lost more than 11,000 workers, a decline of about 2.9%. New Brunswick, along with the rest of Atlantic Canada, are the only provinces that witnessed declines.

There are three main reasons why New Brunswick’s labour force is now declining while it continues to grow everywhere else outside Atlantic Canada:

- **New Brunswick has more baby boomers.** Three out of 10 New Brunswickers (or 30%) are baby boomers. In the Prairie provinces, it is closer to one out of five (22%). Naturally, a province with more baby boomers will see proportionally more workers leaving the workforce than one that has fewer.

- **New Brunswick has fewer young people entering the labour force.** New Brunswick has proportionally fewer young people than most other provinces. Since 2011, New Brunswick has more people over the age of 65 than under 15. In Canada as a whole, this milestone has not yet been reached.

Source: Statistics Canada, CANSIM, table 0510001.
New Brunswick struggles to retain its workers and is less successful at attracting and retaining those from outside its borders. With more older workers leaving than young workers entering the labour force, the only way for New Brunswick to grow its working age population (those aged between 15 and 64) is to improve New Brunswick’s migration performance (increase the number of workers coming to New Brunswick and lower the number who leave).

What does the future hold for New Brunswick’s labour force?

It is impossible to predict with certainty how New Brunswick’s labour force will evolve in the years ahead. We can, however, get a good sense of what is likely to happen if recent trends continue.

The size of New Brunswick’s labour force is determined by two factors: the size of the various age groups that make it up, and the percentage of people in each age group who are working or looking for work—the so-called participation rate. Of note, although the term “working age” typically does not include people aged 65 and above, the labour force does include workers who are in various groups over the age of 65. These workers have grown in importance in recent years, particularly the 65 to 69 age group.

Participation rates vary by age groups. Since many young people attend school or college, their participation rate is lower than for adults aged from 25 to 54, which form the core working age population. Similarly, the participation rates of individuals aged 55 to 64 and 65 and over are lower than for the core working age population.

The reason behind New Brunswick’s declining labour force is that as baby boomers age, fewer and fewer New Brunswickers are in age groups where participation rates are highest. It is estimated that over the next 15 years, population aging in New Brunswick will result in a loss of 3,500 workers on average each year.

Population aging is not the only factor shaping the course of the labour force. As we saw earlier, another factor is worker migration. Based on recent trends, migration could help lower New Brunswick’s annual labour force loss from 3,500 to about 2,500 in the years ahead.

An annual loss of 2,500 workers annually would be roughly in line with what New Brunswick has witnessed since 2013, when its labour force started to decline. At this pace, New Brunswick would see its number of workers decline by close to 40,000 over the next 15 years. This stands in sharp contrast with the fifteen years from 1993 to 2008 when 50,000 additional workers joined the province’s labour force.

What does a declining labour force mean for New Brunswick?

A declining labour force will have wide-ranging effects on the province’s economy. We saw earlier that it results in much slower economic growth in the long term (in the short term, the economy fluctuates with the ups and downs of the business cycle, commodity prices, exchange rates, etc.). But that’s not all: left unchecked, a declining labour force threatens the very survival of many export-based industries on which workers in many communities depend for their livelihoods. Here’s why.

For much of its modern history, job creation ranked at the very top among New Brunswick’s economic challenges. A declining labour force is changing this. Unemployment is at levels rarely seen in over half a
century. Numerous employers across a wide spectrum of industries, from food processing, trucking, light manufacturing, call centers and nursing homes, point to worker shortages as one of their main concerns. In short, labour is now scarce and this has become a chronic rather than a temporary challenge.

One of the consequences of labour scarcity is pressures to raise wages. The underlying logic is simple: to secure workers as fewer and fewer of them are available, many employers have little choice but to raise wages.

To be sure, New Brunswick’s declining labour force does not exert the same pressures on all industries. Some professions have a healthy supply of new workers to replace baby boomers who retire. Examples include lawyers and judges, university professors in most disciplines, as well as teachers. The fact remains, however, that in most industries and professions, including those that form much of New Brunswick’s export base, employers face growing pressures to raise wages to find new workers.

New Brunswick employers will not all react in the same way to these pressures. Some, for instance, may turn to technology to lower their need for workers, for instance, by automating some aspects of their activities. Nowadays, we see technology being used more and more by businesses in the retail industry, most notably to lower the number of cashiers they employ. However, in many other industries, such as health and elderly care, options for reducing labour use remain limited.

There is currently much speculation about how technological advances in fields such as robotics and artificial intelligence will transform the nature of work and how fast this could happen. While we know we need to prepare for a world of accelerating technological change, notably through measures that foster lifelong learning and adaptability, we don’t know yet if technological change will eventually result in fewer or more jobs in the future. What we do know at this point, though, is that New Brunswick’s labour force is declining fast and this is producing growing worker shortages and pressures to raise wages in many industries.

How employers will respond to growing wage pressures will depend on their particular circumstances. Broadly speaking, we can group these employers in three categories:

- **Employers who will likely be in a position to shift their higher labour costs onto consumers.** This will likely be that case for businesses producing goods and services that must be supplied locally, such as local transportation, construction, restaurants, etc. In turn, these higher costs will translate into a loss of purchasing power for consumers.

- **Employers whose services are funded in full or in part by the provincial government.** While this covers many employers, of particular concern are health and other elderly care services. In the years ahead, thousands of extra workers will likely be needed to provide care to aging New Brunswickers. Given current staffing difficulties faced by many establishments such as nursing homes, it is not clear there will be enough New Brunswick workers to fill these new jobs. What is clear, however, is that with slower economic growth and already strained finances, the government will face challenges in managing a fast-growing wage bill.

- **Employers who must compete with businesses outside the province.** We saw earlier that not all provinces are aging at the same pace. The same applies to the U.S. states and countries that
New Brunswick with which competes. Overall, New Brunswick is among the oldest and fastest aging jurisdictions in North America. This means that aging-induced pressures on New Brunswick’s labour market will also prove among the strongest.

Of the many employers who must face external competition, the most vulnerable are those that operate in so-called *footloose* industries. These are industries that can easily move from one location to another if competitive conditions such as labour availability and costs change. Examples include poultry farming in the Madawaska region, modular home building in the Acadian Peninsula, light manufacturing in Kent County and to the many back office and customer contact centers across the province.

It is worth noting that, as employment declined in traditional resource industries such as forestry and mining over the years, New Brunswick has come to rely increasingly on footloose industries where cost-competitiveness is of paramount importance. These industries account for tens of thousands of jobs worth billions of dollars in economic activity and hundreds of millions in taxes. Although not all are equally sensitive to rising wages, all must be able to secure an adequate supply of workers at a competitive cost to compete and prosper in New Brunswick. If they fail to do so, many will have no choice but to shift some or all of their activities elsewhere. Anecdotal evidence suggests some of this is already happening.

**What can be done to reverse the tide?**

There are only two ways to stem or reverse New Brunswick’s labour force decline. The first is to enable more workers to join or stay in the labour force longer (improve the participation rate). The second is to grow the population of workers through migration, both interprovincial and international.

**Improving New Brunswick’s labour force participation**

Many measures can be taken to encourage more New Brunswickers to join or stay in the labour force longer. The tools available extend across a wide spectrum, from education, income support and unemployment programs, daycare policies, old age pensions and various human resources employer practices.

Some progress has been achieved in improving participation rates since the turn of the decade, particularly in the case of workers delaying retirement or returning to the labour force in a different capacity. However, this trend seems to have slowed significantly over the last three years, despite robust wage growth and an improved economy. It is unclear how things will evolve in the years ahead absent further efforts by governments and employers alike.

That said, although more progress can be made in enhancing labour force participation, it will not be sufficient to reverse New Brunswick’s labour force decline. The most promising opportunities for improving labour force participation are for individuals aged 55 to 69. Yet, even if the participation rate of those in this age category grew twice faster than it did since the turn of the decade, this would only slow New Brunswick’s labour force decline by about 20%. The province would continue to loose around 2,500 workers annually due to population aging.

**The importance of migration, and immigration in particular**

Migration and population aging are closely related. New Brunswick is aging faster than its western counterparts mainly because it historically did not manage to attract as many people from outside its
borders as they did. In turn, the province’s migration record has been poorer because its economy produced relatively fewer opportunities for New Brunswickers and potential migrants alike.

New Brunswick cannot undo its economic and demographic past, nor can it realistically avoid its consequences, including the fact that it will continue to age faster than most of the rest of the country, with more severe implications for its domestic labour force. Still, we are not powerless before this demographic reality. New Brunswick has a great window of opportunity to counter a declining labour force by leveraging migration. There are now significantly more jobs available than in the past. As baby boomers leave paid work, thousands of positions become available each year for job seekers from within and outside New Brunswick’s borders. This produces a good context for retaining more of our domestic workers and drawing more from outside our borders.

When looking at migration, it is essential to make a distinction between domestic and international migrants. Domestic migration, also known as interprovincial migration, refers to the flow of Canadian residents leaving and entering New Brunswick. International migration, for its part, is the difference between immigrants coming to the province and New Brunswickers leaving the country.

Historically, New Brunswick’s interprovincial migration balance, although volatile, has been negative on average. Many factors contribute to the volatility of New Brunswick’s interprovincial migration flows. These include labour market conditions not only in New Brunswick, but in other provinces as well. Over the past 15 years, New Brunswick has tended to lose fewer people to other provinces during recessionary times and to lose more when the national economy, particularly the natural resources sector, was doing well.

A declining labour force and its corollary, labour scarcity, should help improve New Brunswick’s interprovincial migration balance. The data seems to confirm this, as the province has lost fewer people over the last couple of years than the long-term average. Still, the scale of improvements so far is clearly insufficient to deal with our challenges as our labour force continues to decline fast and there are not enough workers in New Brunswick to fill the thousands of jobs that become vacant annually.

The good news is that the workers New Brunswick continues to lose to other provinces is now more than offset by those it gains from immigration. Indeed, immigration has been a bright spot for New Brunswick’s labour force in recent years, as more and more people from outside Canada come to the province to seize the many opportunities it offers.

As chart 5 shows, New Brunswick’s immigration rate (immigrants per thousand of population) is up sharply, although it remains below the national average. Over the year from July 1, 2016 to June 30, 2017, New Brunswick has welcome 3,448 immigrants, almost three times as many as the average since 1971-72.

The contribution of immigration to the province’s economy is clearly visible in the province’s labour force data. Since 2013, the number of immigrants in New Brunswick’s labour market has grown by 3,100. Meanwhile, the number of Canadian-born workers in New Brunswick has declined by 15,300.
All indications are that immigration can make a much bigger contribution. To better grasp its potential, we only need to turn to our neighbouring province, Prince Edward Island. For some time now, the province’s government has been pursuing an aggressive strategy to attract more immigrants. Over the last decade, its immigration rate has been almost always well above the national average, not a small feat for a province that historically trailed far behind. In fact, in some years, Prince Edward Island has welcomed more immigrants than New Brunswick, despite the fact its population is almost five times smaller.

Prince Edward Island’s strategy has born fruits. Consider the following:

- Since 2007, the province’s population has grown by about 10%, roughly the same pace as the Canadian average. New Brunswick’s population, by contrast, barely grew at all. In fact, according to Census 2016, it actually declined between 2011 and 2016.
- Since 2007, Prince Edward Island’s economy expanded by nearly 15%, again roughly in line with the Canadian average. By contrast, New Brunswick’s economy saw a much more modest gain of less than 6%. Of course, stronger economic growth also means a faster-growing tax base.
- Since 2007, Prince Edward Island’s labour force grew by more than 7% and employment grew a bit stronger, by nearly 8%. New Brunswick, for its part, saw a decline in both its labour force and in the number of jobs. Of note, the unemployment rate in Prince Edward Island did not increase despite its impressive immigration flows. In fact, it declined slightly.
- Prince Edward Island is younger and aging slower than New Brunswick. Its birth rate is also higher. That is to be expected since immigrants tend to be young adults in their prime childrearing age.

Of course, challenges remain in Prince Edward Island. The province remains older and faster aging than the Canadian average. In recent years, its labour force growth has more or less stalled; in fact, it even declined in three of the last four years. Some communities are seeing declining school enrolments and there are debates about school closures.

Yet, it is undeniable that by welcoming more immigrants, Prince Edward Island has become a more dynamic and resilient place.

What’s your vision for New Brunswick?

The experience of Prince Edward Island shows the promise immigration holds to grow our economy, slow down population aging, and enhance community vibrancy. Immigration will not fix all of our challenges, but it can help us manage them better by making New Brunswick a more prosperous place
with more resources to provide older New Brunswickers with the care they deserve so they can enjoy their golden years in comfort and dignity.

The stakes are high. Without more immigrants, more and more employers will face difficulties in finding the workers they need to maintain or grow their businesses. Many of these employers are exporters whose ability to compete abroad is critical to the future of many local communities and the province more generally. Without the income from their exports, the province’s ability to sustain key public services, including care for our growing ranks of seniors, will be diminished.

Demand for health and other elderly care services will only grow in the years ahead as New Brunswick’s population continues to age. More workers will be needed to deliver those services, including thousands in New Brunswick’s nursing homes. Without more immigrants, it is not clear where those workers will come from.

In the end, it boils down to our vision for New Brunswick. Our province is at a crossroads. We face the choice between the status quo that leads to diminished prosperity and more of our youth leaving the province, or a more dynamic, open New Brunswick that draws talent and investment from over the world and competes successfully in global markets.

What’s your vision for New Brunswick?

2. Statistics Canada, CANSIM, tables 0520005, M1 scenario.


5. Calculations based on mortality trends over the past ten years and three-year averages of participation rates by age groups for the 2015 to 2017 period. To isolate the impact of aging, it is assumed that net migration for each age group is nil. Source: Statistics Canada, CANSIM, tables 1024505 and 2820002.

6. Average net immigration and net interprovincial migration from 2015 to 2017. While this is a short period, it captures the recent increase in net immigration flows, which were the highest in Statistics Canada’s time series, which goes back to the early 1970s. For their part, net interprovincial migration flows from 2015 to 2017 were in line with the long term (30-year) average (an annual loss of around, 1,500), but well below the average since the turn of the decade. Using the 2015 to 2017 period provides a significantly higher estimate for the contribution of migration to labour force growth than going back further in the past, when immigration flows were considerably lower. Source: CANSIM, table 0510004. Author’s calculation assuming two-thirds of migrants are in the labour force.

7. Assuming 2017 participation rates by age groups.


9. We leave aside here the technological variable. As we saw, this could affect different industries in each of these categories to varying degrees.

10. The youth participation rate (15 to 24) has not changed over the past decade. With a greater share of young people attending university or college and doing so for longer, it is not likely to grow significantly in the years ahead. In the core working age population (those aged 25 to 54), participation is already very high, with more than 85% of New Brunswickers already working or actively looking for work, a number that is comparable to the Canadian average and that has been moving sideways since the turn of the decade. As for the participation rate of those aged 70 and over, it has increased recently, but it is likely to decline in the years ahead as the population of those aged 75 and over—a group almost exclusively comprised of retirees—swells (see chart 2).


12. As we will see shortly, a good part of New Brunswick’s interprovincial migration deficit over the last two years may be attributable to higher immigration flows. Not all immigrants who come to New Brunswick settle for good; when they leave, this contributes to worsening the province’s interprovincial migration balance.