

Intelligence MEMOS



From: Daniel Hiebert
To: Concerned Canadians
Date: October 24, 2024
Re: IMMIGRATION AND A POPULATION STRATEGY FOR CANADA (PART 1)

Canada established one of the world's first managed migration systems more than half a century ago when it invented points-based economic selection. Since then, legislation has mandated that immigration policy be designed to facilitate a number of objectives, including economic development. This has been executed in the form of immigration plans, which have set annual (more recently, three-year) targets for the number and type of permanent immigrants Canada will admit. However, these targets are established without the guidance of a long-term vision of Canada's population.

With Canada's fertility rate at historically low levels, natural population increases will soon fall to zero, making net international migration the sole determinant of population change. Moreover, temporary migration and permanent immigration, together, will also shape our age composition and the old-age dependency ratio (ODR). A range of immigration scenarios illustrate varied potential long-run population results for Canada.

Consider two extreme scenarios. In the first, Canada's fertility rate remains at 1.26 children per woman for the rest of this century, and net international migration drops to zero. This would shrink the population by more than half, to just over 16.5 million by 2100. Conversely, regardless of the fertility ratio, if Canada maintained the 2023 population growth rate of 3.2 percent annually for the remainder of the century, the population would balloon to a staggering 452 million by 2100.

Now, let's consider two more realistic immigration scenarios that demonstrate how varying immigration rates could shape Canada's future population, as explored in a custom population projection for 2071 by Statistics Canada.

One scenario assumes the permanent immigration rate of 0.6 percent annually, which was sustained for nearly three decades from the late 1980s to the mid-2010s (assuming that recent efforts to reduce temporary migration are successful and the net impact of this type of migration falls to zero per year). The other assumes the current permanent immigration rate of 1.2 percent annually. Under the 0.6 percent scenario, Canada's population would reach 45.7 million by 2071, whereas the 1.2 percent rate would result in a population of 67.2 million, or roughly 50 percent more residents than there are now. This significant contrast illustrates the profound impact that immigration policy will have on the country's future size and infrastructure needs, whether in terms of housing, healthcare services, or other goods and services.

Significantly, these rates of immigration would also be associated with different ODRs. Under the 0.6 scenario, Canada would see its ratio rise from 29.5 seniors per 100 people aged 18-64 in 2021, to 55.8 in 2071. To contextualize this figure, the oldest society on earth today is Japan, with an ODR of approximately 48, and with a national debt approaching 220 percent of GDP (the corresponding figure in [the World Bank database](#) for Canada is 56 percent). Canada's ODR would rise less rapidly under the 1.2 percent immigration scenario, reaching 46.5 in 2071, lower but still concerning. To those who believe that the main demographic problem for Canada is aging boomers, note that virtually all will be gone by 2071, and yet the challenge of aging will persist as long as fertility remains very low.

The extreme scenarios are unlikely to materialize and the more realistic scenarios reveal a key truth: Canadian public policy must strike a balance between population growth and population aging. If the level of immigration were to be reduced to that of the recent past, aging challenges would mount, but the challenges of population growth would be moderated. Conversely, maintaining the current rate, or increasing it further, would lessen the impact of aging but add, greatly, to the costs associated with population growth.

Put succinctly, *Canadians must adapt to a larger and older population*. A combination of both is, essentially, inevitable, but the particular balance will be determined by immigration policy. Therefore, Canadians must prepare for the infrastructure needs of a larger population (including more children needing early education as well as more elderly people needing care), while coping with a lower fraction of the population of prime working age.

Canada can ignore these difficult questions and continue to set three-year running targets for immigration based on the perceived needs of the moment. However, this will have long-term impacts whether they are acknowledged or not (e.g., immigrants age too, just like everyone, and today's immigrants are future retirees).

Establishing a population strategy therefore must involve a combination of technical analysis and a socio-political dimension. What do Canadians want the future population to be? Are Canadians more worried about the costs of growth or the fiscal burdens of an aging population? This conversation should be informed by projections and be plainly and persuasively communicated. It ought to start with an acknowledgement that immigration is an essential, but insufficient, tool to resolve Canada's aging challenge.

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