

Demographic Change

Issues & Implications



Newfoundland
Labrador

October 2006

ECONOMICS AND STATISTICS BRANCH

DEPARTMENT OF FINANCE

The Branch is responsible for meeting the broad macroeconomic and statistical requirements of Government and its agencies. As part of this mandate, the Branch is responsible for monitoring and briefing Government on demographic developments in the province, and preparing long-term population projections for planning purposes. Population projections in this report were produced using Department of Finance models and are available on Government's web site.

Beverley A. Carter
Assistant Deputy Minister
Economics and Statistics Branch
Government of Newfoundland & Labrador
Department of Finance, P.O. Box 8700
St. John's, Newfoundland A1B 4J6

Telephone: (709) 729-0864
Facsimile: (709) 729-0393

FERTILITY AND BIRTHS

Currently the province’s fertility rate is approximately 1.3 children per child-bearing age woman, the lowest in the Country and well below the 2.1 rate required to just maintain current population levels in the absence of out-migration.

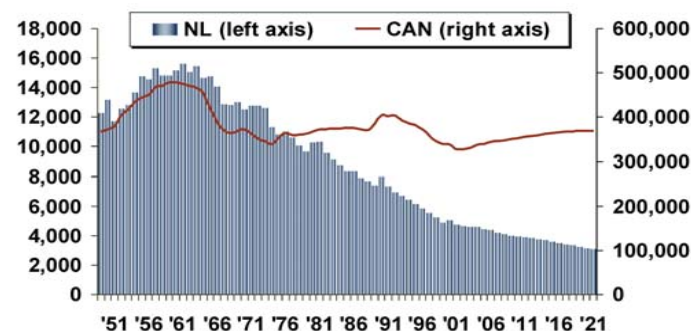
The roots of the province’s current demographic situation began with the high fertility rates and births that characterized most of the industrialized world during the 20-year period that followed World War II. The *baby boom* period ended midway through the 1960s as female baby boomers began pursuing higher education and entering the workforce at historically high rates. This, combined with the introduction and proliferation of more birth control methods and a rising number of abortions, pushed fertility rates and births down in most of the industrialized world.

Fertility rates and births leveled off in Canada, similar to other industrialized countries, around the late-1970s to early-1980s, but Newfoundland and Labrador did not experience a similar trend. Fertility rates in this province continued to decline well into the 1990s, a period of rapid and widespread economic decline in many parts of the province.

The number of births have declined continuously since the *baby boom* ended in the mid-1960s. Births dropped from over 12,700 in 1971 to about 4,400 in 2006, and are projected to drop to less than 3,100 by 2021. This trend is the result of a complex set of economic, social and cultural factors that are not easily changed by policy interventions.

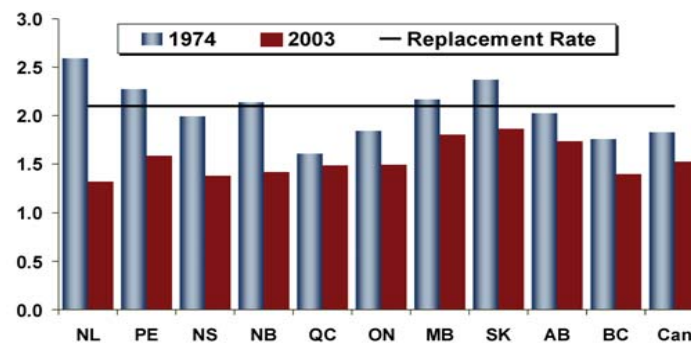
Newfoundland and Labrador’s fertility rate is the lowest in the country

Number of Births
Canada and Province, 1949 to 2021p

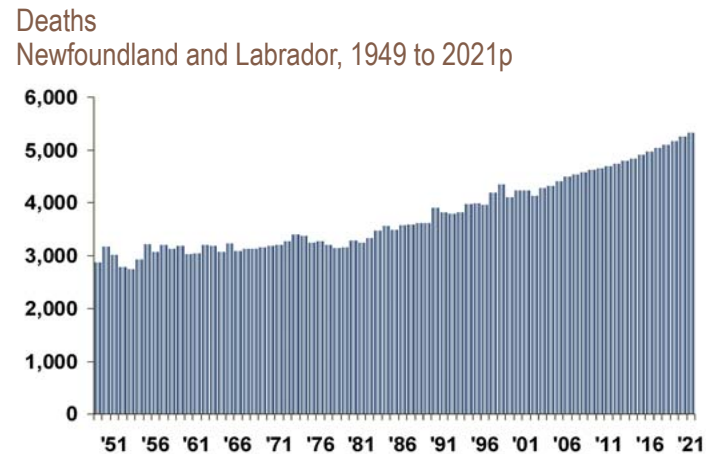


Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Fertility Rates
Canada and Provinces, 1974 and 2003



Source: Statistics Canada



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

MORTALITY

In tandem with increasing life expectancy, age specific mortality rates have generally declined over the past 30 years. That is, people are living longer on average: similar to the rest of Canada and other industrialized areas of the world. However, aging of the population has caused deaths to increase from about 3,200 in 1971 to roughly 4,500 in 2006.

Life expectancy has increased from roughly 72 in the early 1970s to roughly 78 today. A number of factors have contributed to gains in the province's life expectancy including improved health care services, better nutritional awareness and practices, and higher average incomes.

Life expectancy is expected to continue rising in line with historical trends in the coming years, but as more and more people move into the older age groups the number of deaths are projected to grow to about 5,300 by 2021.

The number of deaths are gradually increasing as population ages

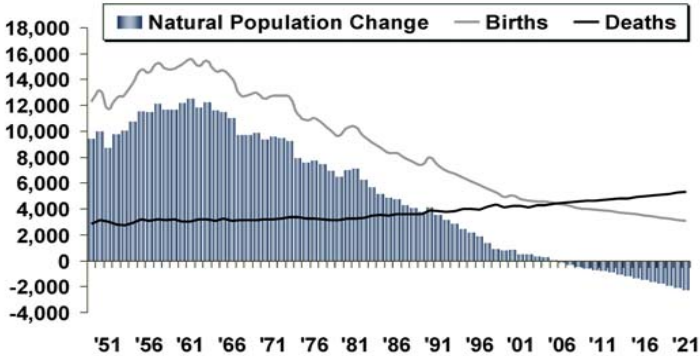
NATURAL POPULATION CHANGE

Natural population change (births less deaths) is one of the key components of population change.

The high rate of positive natural population change in this province in the past provided a cushion against net out-migration. This situation has changed quite significantly in the last decade, however, with the province recording large declines in the rate of natural population growth—the result of increasingly fewer births and aging-related increases in deaths. In 2006, Newfoundland and Labrador recorded more deaths than births becoming the only Canadian province to record negative natural population change. Deaths are expected to continue to exceed births in the future and this negative natural population change is expected to become progressively larger over the projection period (present to 2021).

In 2006, Newfoundland and Labrador recorded more deaths than births

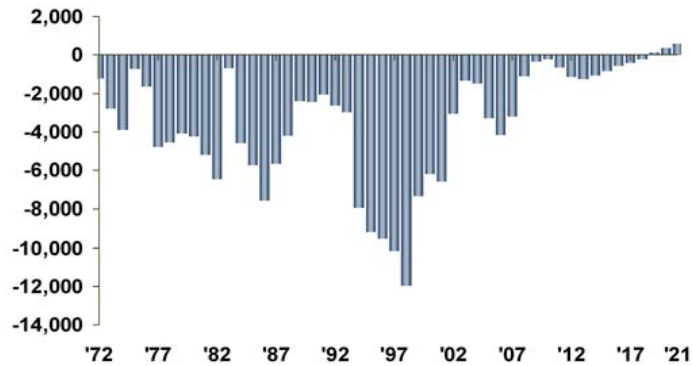
Natural Population Change
Newfoundland and Labrador, 1949 to 2021p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

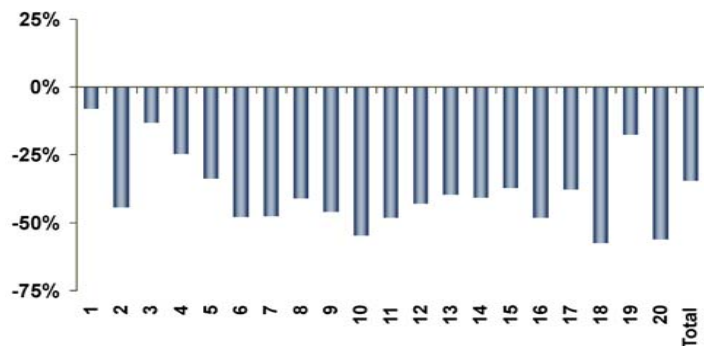
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Total Net Migration
Newfoundland and Labrador, 1972 to 2021p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Net Migration (youth 15 to 24 years)
by Economic Zone, 1991 to 2001



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

MIGRATION

Net-migration (in-migrants less out-migrants) is another key component of population change. Net-migration has traditionally been negative as the number of people leaving has generally out-numbered the number moving to this province. Newfoundland and Labrador typically has high rates of net out-migration, with young people leaving their home communities (particularly in rural areas) to further their education and/or to seek employment.

Between 1972 and 1993, annual net out-migration averaged about 3,600. Net out-migration increased rapidly after 1994 (following the cod collapse, government restraint measures, and EI reform), reaching a peak of roughly 12,000 in 1998. Net out-migration trended downward for the next several years as adjustments related to the unique economic shocks mentioned above were absorbed and a period of strong economic growth emerged. Between 2002 and 2004 net out-migration averaged 2,000 persons per year and appeared to be fairly steady. However, net out-migration increased to 3,293 persons in 2005 as a booming Alberta economy attracted more workers and a large number of construction jobs on the Voisey's Bay and White Rose projects ended. Net out-migration increased again in 2006, to 4,159, as difficult times in the local fishery and forestry sectors, and increased demand for labour in other provinces, particularly Alberta, provided additional incentives to potential migrants.

Newfoundland and Labrador typically has high rates of net out-migration

POPULATION

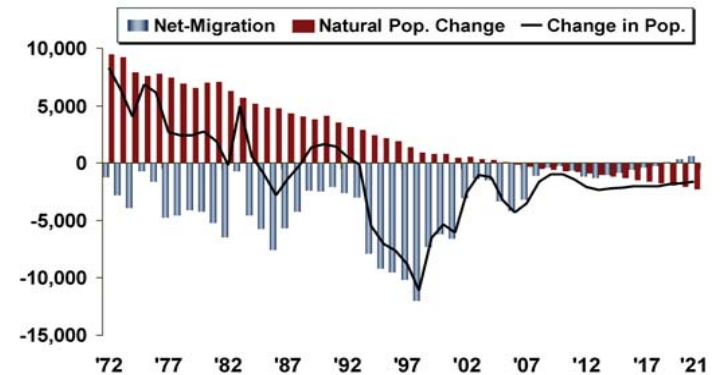
Historically, the impacts of out-migration on population growth have been offset by a high level of natural population growth. In the 1990s, however, the continual decline in births, together with severe economic shocks took their toll. A sharp increase in out-migration combined with low natural population growth resulted in significant population declines. Between 1991 and 2006, the province's population declined by 12.1% or 69,841 persons.

Between 1998 and 2004 population losses slowed in tandem with less net out-migration and improvements in the economy. Population losses have increased again over the last two years as net out-migration increased, though losses are not as large as the levels experienced during the late 1990's.

Negative natural population change and net out-migration in the short to medium term will probably result in continual modest population declines over the next 15 years. Total population is projected to drop from 509,677 in 2006 to roughly 481,000 in 2021. While estimates of decline vary (i.e., others project larger declines), most demographic forecasters in Canada are consistent in the view that population will likely decline in this province over the medium term.

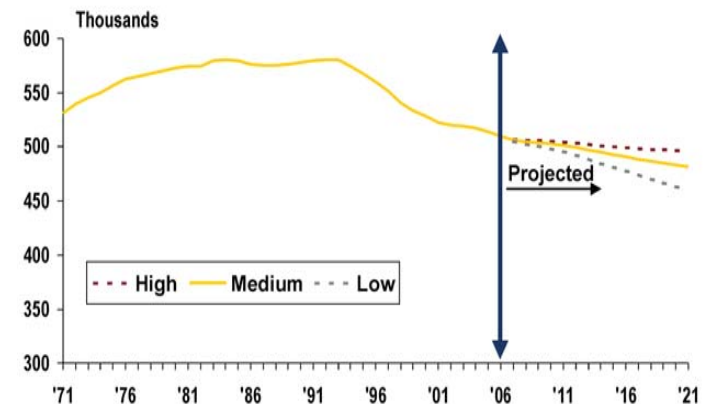
Modest population declines are expected to continue

Change in Population
Newfoundland and Labrador, 1972 to 2021p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Population
Newfoundland and Labrador, 1971 to 2021p

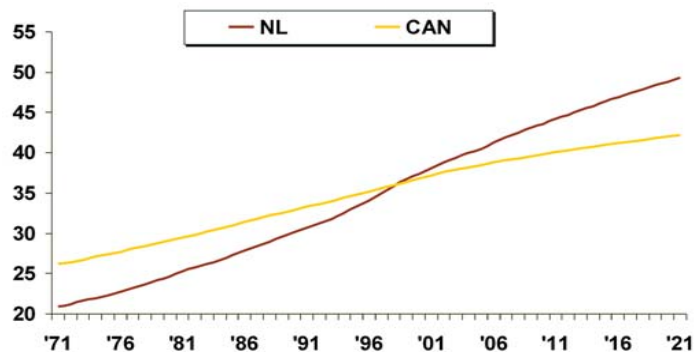


Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Note: High, medium and low population projections vary depending on assumptions for fertility rates, net migration levels and life expectancy.

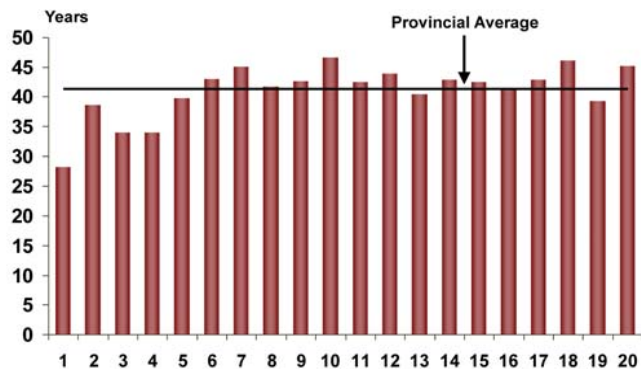
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Median Age of Population
Canada and Province, 1971 to 2021p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Median Age by Economic Zone
Newfoundland and Labrador, 2006



Source: Economics and Statistics Branch, Department of Finance

AGING

All Canadian provinces are faced with an aging population and are very concerned with the challenges this presents for the delivery and financing of social services. In Newfoundland and Labrador, however, the aging phenomenon and government concern has been exacerbated by high rates of out-migration among young people in the most fertile child-bearing age range and extremely low fertility rates. As a result the province's population has aged much more rapidly than any other province in the country over the last 30 years. The province's median age has gone from five years lower than Canada's in 1971 to 2.5 years higher than Canada's in 2006.

The median age in the province is expected to increase from 41.3 years of age in 2006 to roughly 49 years in 2021. Rapid aging of the population is perhaps one of the most important demographic challenges confronting the province because of its significant implications for Government.

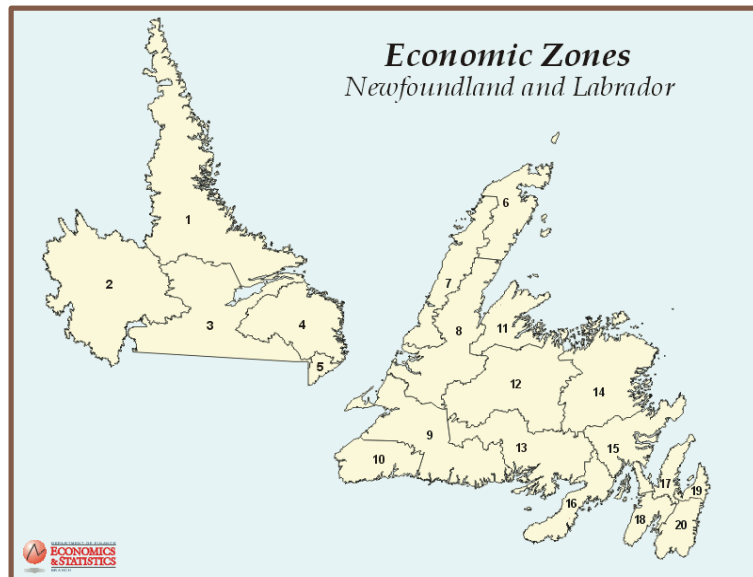
The aging trend is expected to be more pronounced in rural areas of the province as youth out-migration from these areas continues. For example in Economic Zone 10 on the province's Southwest Coast, the median age is roughly 46 years, 5 years higher than for the province as a whole, and is expected to increase to the high 50's by 2021. Thus, the impacts of aging will vary across regions.

Newfoundland and Labrador's population is aging rapidly

REGIONAL DEMOGRAPHIC CHANGE

Population has declined in most regions of the province since 1993, but the pattern of decline has differed, with fishery/EI-dependent rural regions disproportionately impacted. With the exception of Zone 1 in Labrador and Zone 19 on the Avalon Peninsula, all areas experienced population losses over the 1991 to 2006 period. Areas more heavily dependent on the groundfish fishery such as the Northern Peninsula, the Northeast Coast, the South Coast and areas of the Avalon Peninsula outside the St. John's Census Metropolitan Area experienced the largest population losses.

Larger population losses in rural areas of the province have resulted in an increased concentration of the population in urban areas. Further shifts in the regional distribution of the province's population are expected as youth out-migration from rural areas continues. This combined with negative natural population change means that the share of total population in rural areas will continue to trend downward. Thus, while total population decline is expected to moderate, some regions of the province will continue to record significant population decline while others will experience population growth.



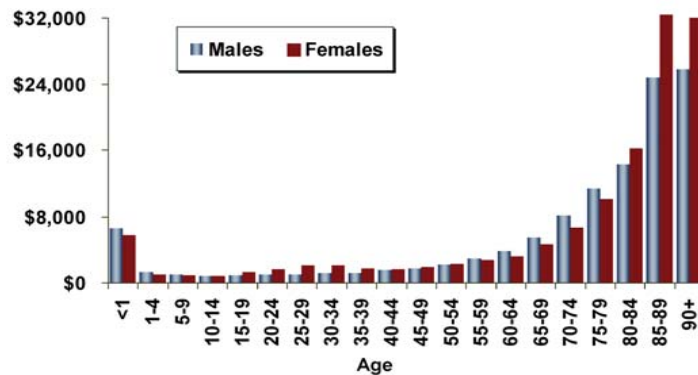
Population Change by Economic Zone
1991-2021 Medium Scenario

Economic Zone	1991 to 2006 Change		2006 to 2021 Change	
	Actual	Percent	Actual	Percent
1 - Inukshuk	328	10.6	171	5.0
2 - Hyron	-2,696	-21.8	-454	-4.7
3 - Central Labrador	-1,046	-10.2	-131	-1.4
4 - Southeastern Aurora	-447	-14.8	-311	-12.1
5 - Labrador Straits	-297	-13.3	-102	-5.3
6 - Nordic	-3,927	-29.8	-1,368	-14.8
7 - Red Ochre	-2,988	-24.7	-769	-8.4
8 - Humber	-5,701	-12.3	-1,798	-4.4
9 - Long Range	-5,778	-20.7	-3,394	-15.4
10 - Marine & Mountain	-3,868	-30.3	-1,957	-22.0
11 - Emerald	-5,419	-26.9	-2,086	-14.1
12 - Exploits Valley	-4,165	-13.3	-1,532	-5.7
13 - Coast of Bays	-2,328	-22.7	-914	-11.6
14 - Kittiwake	-10,925	-18.8	-5,012	-10.6
15 - Discovery	-7,064	-20.0	-3,021	-10.7
16 - Schooner	-7,235	-25.0	-4,485	-20.7
17 - Mariner	-5,613	-12.2	-7,185	-17.9
18 - Avalon Gateway	-2,866	-26.2	-1,652	-20.5
19 - Capital Coast	4,984	2.7	8,060	4.3
20 - Irish Loop	-2,796	-25.1	-504	-6.0
Total Province	-69,841	-12.1	-28,453	-5.6

Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

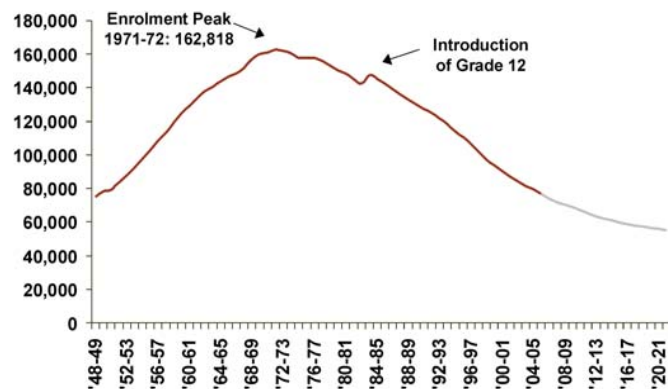
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Health Care Expenditures Per Capita by Age
Newfoundland and Labrador, 2003



Source: Canadian Institute for Health Information

K-12 Enrolment, Newfoundland and Labrador, 1948-49 to 2020-21p



Source: Department of Education; Economics and Statistics Branch, Department of Finance

IMPLICATIONS

The impacts of demographic change, while not all negative, will be felt across a broad spectrum of Newfoundland and Labrador society. It will create challenges in some areas and opportunities for others.

Some areas likely to be impacted include:

- Business sector (e.g., shifting spending patterns and needs)
- Health Care (e.g., home support services, pharmaceuticals)
- Education (e.g., declining enrolment, life-long learning)
- Municipalities (e.g., declining revenue base in some communities)
- Justice (e.g., changing nature of criminal activity)
- Social Assistance (e.g., shifting needs)
- Regional Economic Development (e.g., declining rural population)
- Workplace Injury (e.g., higher rehabilitation costs for older workers)
- General Public Sector (e.g., revenue generation, expenditure pressures)
- Labour Markets (e.g., demand, supply imbalances)

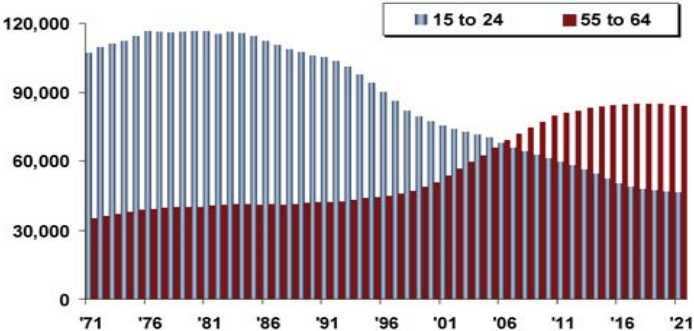
Demographic change has far reaching implications for society

Labour market imbalances will change in the future as demand for workers overtakes supply. Fewer young people available to enter the labour force (due to falling births) combined with the likely attrition of large numbers of baby boomers from the labour force could result in labour shortages over the next 15 years.

Many areas, including Canada and the United States, will have to contend with the phenomenon of labour force aging over the next 15 years. Aging will put additional pressures on labour markets and probably bid up wage rates. If the province is to keep and attract the workers (both skilled and unskilled) that will be needed in the future, then wages and tax regimes will have to be competitive with the rest of North America.

The size of the replacement group available to cover retirements and new employment is shrinking

Potential Labour Force Entrants vs. Retirees Newfoundland and Labrador, 1971 to 2021p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

The two most significant demographic challenges confronting the province in the coming years have to do with aging and regional population shifts

SUMMARY

Population losses peaked in 1998 and were trending downward until 2004. However, population losses have increased again in the last two years due to strong net out-migration to Alberta, though losses have not reached levels experienced in the late 1990s.

While population decline has slowed considerably from the 1990s, there appears to be no relief in the foreseeable future for demographic issues stemming from declining births and rising deaths. Consequently, natural population change, which was negative in 2005-06, is expected to continue to act as a constraint on population growth.

Demographic trends are likely to significantly alter the expectations, demand and needs of the province's population. The impacts will affect a broad spectrum of this province's society and present particular challenges for the public sector.







**Economics and Statistics Branch
Economic Research and Analysis Division
Department of Finance
P.O. Box 8700, St. John's, NL A1B 4J6**

**www.economics.gov.nl.ca
Email: infoera.gov.nl.ca
Phone: 729-3255
Fax: 729-6944**