
Business Indicators ♦ June 2007

British Columbia's Labour Force and Participation Rate Projections to 2031

In the coming years, one of the most important issues facing the labour market will be the ageing and retirement of baby boomers. This ageing of baby boomers, coupled with low fertility rates in B.C., implies an overall ageing of the population. For the labour force, this older population will put downward pressure on the overall labour force participation rate, and continue to change the characteristics of the workforce towards that of an older average worker. These changes have implications not only for labour markets, but also for tax revenues and some government health and social welfare programs.

Fertility rates in Canada and B.C. are below replacement level. These low rates have resulted in low growth in population for younger age groups and will continue into the future, implying that the number of youth joining the labour force in the years to come will remain roughly at current levels in B.C.. Interprovincial and international migration to B.C. will supplement the population of younger and middle aged working age groups. However, given current levels of net migration, in-migration is not expected to counter-act the general ageing of the population in B.C..

Changes in the underlying age and sex specific labour force participation rates, however, can influence the impact this ageing will have on the labour force. In general, the participation rates of older workers have increased in B.C. over the past few years. The rates of females have continued to increase across all age groups. The rates of younger males have increased due to the recent healthy labour market, while the rates of middle aged men have remained steady or continued their slight decline. In this *Business Indicators* issue, projections of B.C.'s labour force participation rates to 2031, and the impact these rates and the ageing of the population will have on the overall labour force is discussed.

Definition:

The **labour force** is defined as the number of people 15 years or older who are employed or actively looking for work. The **labour force participation rate** is the per cent of the total non-institutionalized 15 years and older population who are in the labour force.

Labour Force and Participation Rate Projections

Projections of the size and age composition of the labour force involve both projections of the underlying population, and overall labour force participation rates. The B.C. population is projected using a cohort component method. Assumptions on fertility and migration reflect current trends for the province. Five year age group¹ and sex specific labour force participation rates were projected here using data from Statistics Canada's Labour Force Survey², and an entry and exit rate method developed by researchers at the O.E.C.D.³. This method calculates, for each five-year age group, the entry rate or the proportion of the age group who entered the labour force who had not already entered, over the five year (2001 - 2006) period. Exit rates are calculated as the proportion of each five-year age group that left the labour force over the five-year period. These entry / exit rates were held constant at their most recent 2001 - 2006 values and applied to the age and sex specific 2006 labour force participation rates to obtain projected rates for 2011, and subsequently for the years 2016, 2021, 2026 and 2031⁴.

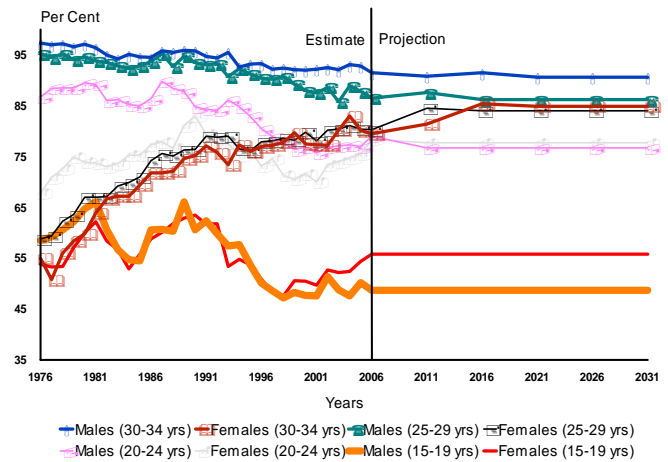
¹ The projected five year age group rates are those for 15 to 19 year olds, to 65 to 69 year olds. The rate for those 70 years and older is held to its most recent value.

² *Labour Force Survey*, Statistics Canada. 2006 Annual CD (Catalogue # 71F-0004-XCB)

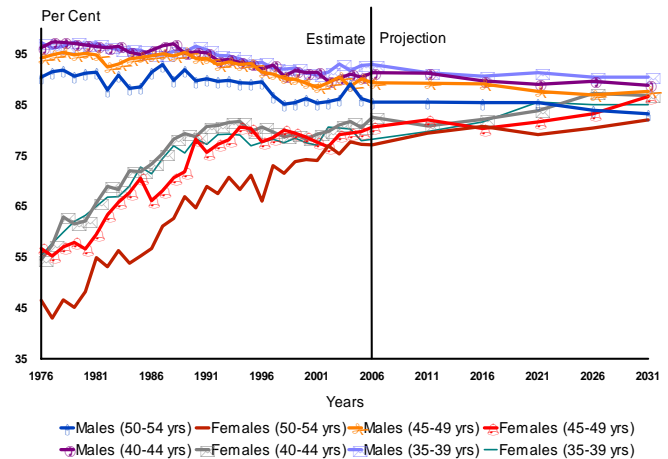
³ Burniaux et al. "Coping with Ageing: A Dynamic Approach to Quantify the Impact of Alternative Policy Options on Future Labour Supply in OECD Countries." *OECD Economics Department. ECO/WKP(2003)25*. June 2004

⁴ For more information on these projections and the methodology and assumptions used to produce B.C. level population projections, please see the BC Stats website.

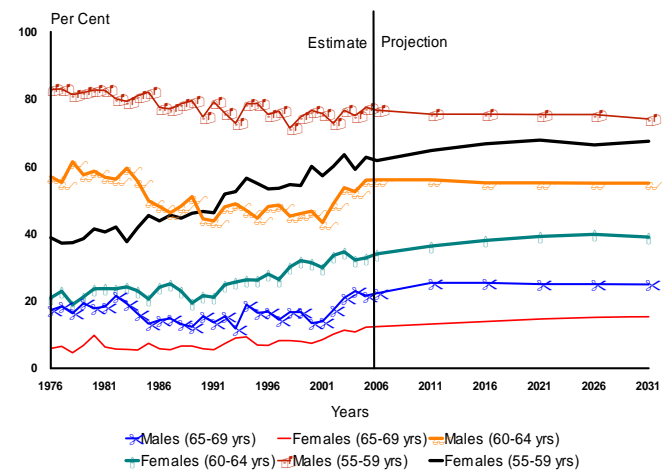
Male and Female LFP Rates - 15 to 34 Year Olds



Male and Female LFP Rates - 35 to 54 Year Olds



Male and Female LFP Rates - 55 to 69 Year Olds



Data Source : Statistics Canada Labour Force Survey (2006 Annual CD Cat # 71F0004XCB)
Author's Projections

Recent Trends

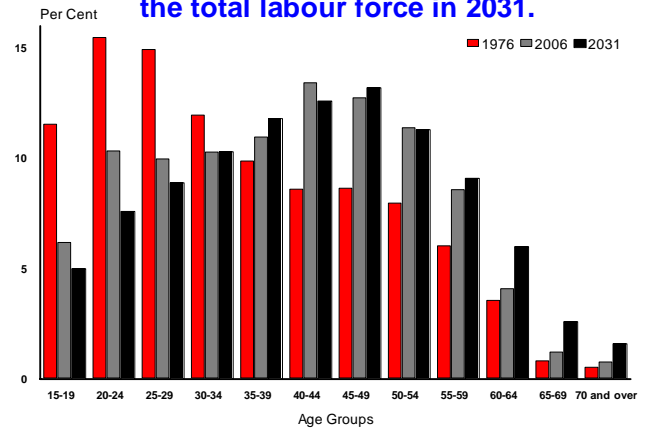
Recent trends in the age and sex specific labour force participation rates persist in the projection. Namely, the age specific rates of females continue to increase, as do the rates of older workers in general. The age specific rates of middle aged males continue to decline slightly as they have recently, while the rates of the youngest age group are held to their most recent values.

The Overall 15 Years and Older Labour Force and Participation Rate

Applying these age and sex specific rates to the projected populations for B.C. results in a projected total labour force. The absolute size of the total B.C. labour force is expected to continue to grow in the coming decades. The labour force is projected to grow from its 2006 estimated level of 2,305,100 persons to approximately 2,753,000 persons in 2031.

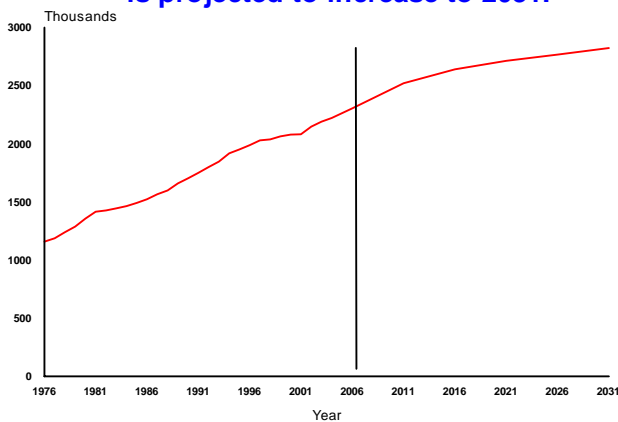
Older workers are projected to hold a higher proportion of this expanding total labour force by 2031. The share of individuals aged 55 years and older in the total labour force is projected to increase from 14 per cent in 2006 to 19 per cent by 2031. This higher projected proportion reflects the aging of the baby boomers and also current B.C. fertility rates which will hold the number of youth (25 years and younger) joining the labour force approximately to current levels in the coming years.

Older individuals will hold a larger share of the total labour force in 2031.



Data Source : Statistics Canada Labour Force Survey (2006 Annual CD Cat # 71F0004XCB)
BC Stats Population Projection 06/12
Author's Participation Rate Projections

The size of British Columbia's labour force is projected to increase to 2031.



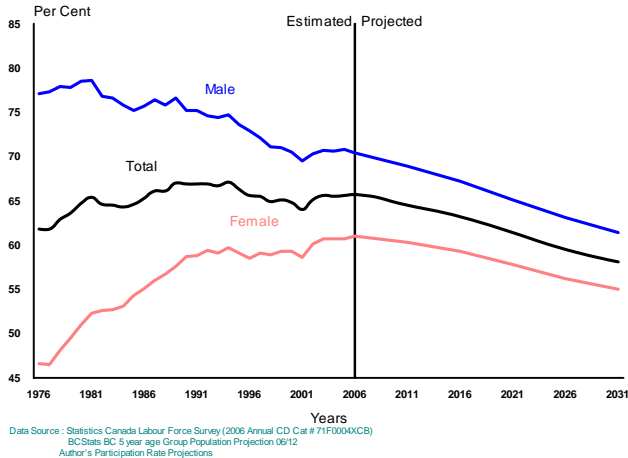
Data Source : Statistics Canada Labour Force Survey (2006 Annual CD Cat # 71F0004XCB)
BC Stats Population Projection 06/12
Author's Participation Rate Projections

Finally, the overall labour force participation rate in B.C. is projected to fall from its 2006 value of 65.7 to 58.7 per cent by 2031. This is broadly in line with labour force projections recently produced by Statistics Canada⁵. The overall rate for males continues its recent decline and is projected to fall 9 percentage points from its

⁵ Martel et al. "Labour Force Projections for Canada 2006-2031". *Canadian Economic Observer*. Statistics Canada. June 2007. This article presented a projected range for the 2031 overall labour force participation rate for B.C. of 56.3 to 58.6 per cent based on slightly different population and labour force participation rates assumptions and projection methods.

2006 rate of 70.4 per cent to 61.6 per cent in 2031. The overall rate of females is projected to decline by about 5 percentage points from the 2006 rate of 61 per cent despite higher projected age specific rates.

The overall labour force participation rate of those 15 years and older falls to 2031.



Conclusion

The labour force and participation rate projections presented here highlight several currently occurring and forthcoming trends. First, British Columbia’s labour force is projected to continue to experience healthy growth in absolute terms while second, it continues to evolve towards that of an older average worker. Finally, unless there is a dramatic shift in the labour market attitude of older workers, the

overall labour force participation rate is projected to drop in the years to come as the population ages into those age groups with lower age specific rates.

In the face of forecasts of labour shortages in the years ahead, policies geared towards retaining older workers need to be considered. Recent changes to mandatory retirement laws, pension access rules that allow for continued work attachment, and the adoption of more flexible work arrangements reflect changing attitudes towards older workers. Further, recent increases in the labour force participation rate of older workers may suggest changing attitudes among workers towards retirement, increasing the potential to retain workers from what will continue to be a key demographic group for B.C..

For a more detailed look at British Columbia’s labour force participation rate and population projections, please refer to *British Columbia’s Labour Force Participation Rate Projections to 2031* and *British Columbia Population Projection (Projection 06/12)* available on the BC Stats Population Section webpage:
www.bcstats.gov.bc.ca/data/pop/method.asp