

THE BOOMER SHIFT

Four experts on where an aging Canada is headed

This is part of the Globe and Mail's week-long series on baby boomers. For more, visit tgam.ca/boomershift

The Boomer Shift is just getting started. Over the next two decades, baby boomers' spending, investing, health and lifestyle decisions will radically affect the economy. We asked four experts for solutions on how policy makers should manage this massive demographic change.

David K. Foot on Labour

The entry of the massive baby boomer generation into the Canadian work force over the 1960s and 1970s resulted in rapid work force and economic growth, rising unemployment and increasing inflation. Their exit over the next 20 years will have the opposite effects: slow work force and economic growth, falling unemployment and reduced inflation (possibly deflation).

But an aging society no longer needs economic growth to raise living standards and reduce unemployment. Slower work force growth, resulting from increasing boomer retirements and entrenched below-replacement fertility inevitably contributes to slower economic growth. But as long as economic growth is higher than population growth (and both can be negative), per capita incomes rise. Moreover, boomer retirements in Canada will open up opportunities for promotion and, ultimately, jobs for new labour market entrants, be they youth or immigrants. While there are many ways to contribute to society, economic contribution requires that the youth have appropriate skills, and that the immigrants be capable of operating in at least one of the two official languages.

Business leaders who crave faster growth because it makes stock markets “happier” and management easier will have no choice but to adapt to slower domestic growth. Economists and policy makers also need to adapt to this reality, and to understand that the “old” policy levers such as low interest rates are no longer nearly as effective.

David K. Foot is professor emeritus in the Department of Economics at the University of Toronto, and is co-author of the Boom Bust & Echo books.

<http://www.theglobeandmail.com/globe-investor/retirement/four-experts-offer-solutions-for-an-aging-canada/article27259129/>