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Edited by: Kerri Neil

Population Symposium:

Impact of Demographic Shift on Labour Market,
Service Delivery and Economy in Newfoundland
and Labrador

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Finally, we wish to thank our keynote speakers, Richard Saillant and Dr. Herb Emery, and panelists, John Abbott, Dr. Stephen Bornstein, Dr. Lynn Gambin, Kerry Murray, Deidre Ayre, Dr. Howard Lin, Justin Campbell, Dr. Derrick Messacar, Elizabeth Lawrence, Manuel Hackett and Dr. Keith Storey for sharing their knowledge and creating a vibrant discussion around the impacts of population aging and related social and economic issues facing this province. We would also like to thank everyone who attended the event for volunteering their time and expertise to generate meaningful conversation about the future of Newfoundland and Labrador.



Steering Committee

Dr. Tony Fang,
Dr. Rob Greenwood
and Ms. Kerri Neil

Background to the Report

This event was held on December 6, 2017 at Memorial University in St. John's, Newfoundland and Labrador through the collaborative efforts of the Stephen Jarislowsky Chair of Cultural and Economic Transformation, the Leslie Harris Centre of Regional Policy and Development, and the Atlantic Research Group on Economics of Immigration, Aging and Diversity (ARGEIAD). The event brought together 57 participants from across Canada and including all three levels of government, academia, labour organizations, community organizations, and industry to exchange thoughts and experiences on how aging population is expected to affect markets and delivery of government service; share information on any specific measures they have adopted to accommodate aging of population; and to share and discuss their visions about the future of Newfoundland and Labrador in relation to its demographic shift.

The symposium was structured around two keynote speakers: one in the morning and one in the afternoon. A panel of local experts were invited to speak after each keynote speech. Part of the Symposium's success was the incredible amount of knowledge concentrated in the room. To utilize this knowledge, the afternoon included a "Breakout Session" which was based on generating ideas on how to address the issues presented by breaking into smaller groups and guiding the conversation around the following questions:

1. What are the knowledge gaps?
2. "Low Hanging Fruit" – What barriers need to be removed? What are the easier opportunities to start with?
3. What longer term policy changes are needed?

The event was recorded and can be viewed at <https://youtu.be/wJXOBtrO0Gs>. More information about the event, including keynote presentations can be found at <http://www.mun.ca/jchair/outreach/>

Background to the Symposium

In 1992 Newfoundland and Labrador's population peaked at 580,000. With the closure of the cod fishery and a significant decline in employment opportunities in the province, the population has steadily declined and forecasts expect this decline to continue into 2040. The cod moratorium had the greatest effect on those aged 15 to 44 and this section of the population has declined by 37% over the past 25 years. In contrast, the population aged 65 and over has increased by 85% and now represent 20% of the province's total population, making it one of the oldest provinces in Canada. This is expected to have significant effects on the province's economy, as it implies a smaller tax base and higher demand for services such as health care.

To mitigate the effect of an aging population and spur economic growth, Newfoundland and Labrador has expanded its immigration program to attract and retain newcomers. While Canada boasts a multicultural population, only 3.3% of those living in Newfoundland and Labrador are immigrants. The province's high unemployment rate can be a deterrent to immigration and qualitative studies suggest the lack of diversity can be isolating to newcomers and reduce their incentive to stay.

Faced with demographic change, there are many questions to be asked: How will a senior population affect service delivery and economy in Newfoundland and Labrador? Given outmigration and the province's high unemployment rate, is it realistic to try and attract immigrants? How will an increase in diversity affect demand for services?

To help answer these questions, we invited two economists who have studied labour markets and service delivery, Richard Saillant and Dr. Herb Emery, to give keynote presentations and a host of experts from government, NGOs, and academia to give their insights into these pressing problems. The event builds on recent research from the Harris Centre's Population Project, in conjunction with Memorial's Stephen Jarislawsky Chair in Cultural and Economic Transformation and the Atlantic Research Group on Economics of Immigration, Aging and Diversity. Our aim was to examine how a declining and aging population, and increased diversity of an immigrant population will impact service delivery, labour market and the economy in Newfoundland and Labrador.

Impact of Population Aging on the Economy in Newfoundland and Labrador

The effect of population aging on the economy of the province was a prominent theme in the morning session. From 1971 to 2017, the demography in Newfoundland and Labrador changed from being one of the youngest provinces in the country to one of the oldest, and the share of population aged 65 and over is expected to increase into 2038 (Figure 1). At the same time, the population is declining as driven by out-migration and mortality.

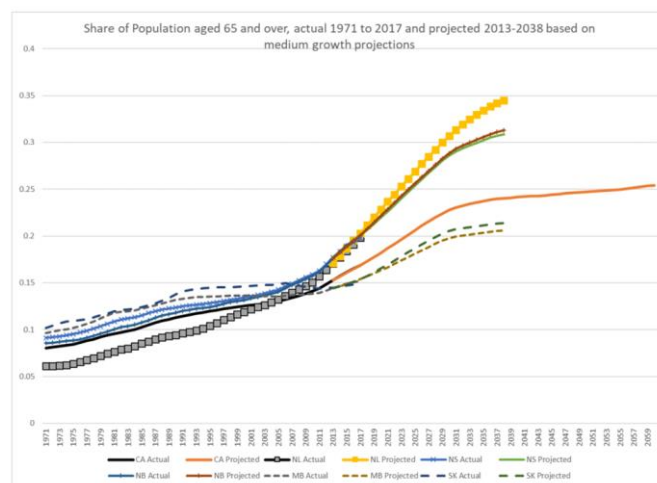


Figure 1. Source: Emery, H. Presentation

Concerns were raised that healthcare spending in Newfoundland and Labrador is already very high and the government cannot afford the current level of service delivery, as indicated by annual billion-dollar deficits. An older population is a major driver for the province's high healthcare costs, as seniors tend to require greater healthcare services. As health spending grows, it is speculated that the Net Present Value of taxes paid for healthcare will not cover the costs of healthcare services



Figure 2.: Herb Emery

and if not addressed, this problem will significantly accelerate in the future.

Dr. Emery referred to this as “getting run over by a glacier,” as the problem has been identified for a long time but there has been little action taken to address the problem. He clarified that population aging in and of itself is not the issue, but what we spend and how is the problem. The same solutions are available in the future as in the past, but the longer we wait to take action, the more it will hurt.

Solutions to Mitigate the Impact

While the overview of the fiscal situation of the province had some referring to economics as the “dismal science,” there were many solutions proposed about how to mitigate the negative economic effects of population aging. There were four main themes that were identified as potentially stabilizing the economy: restructuring the healthcare sector to lower costs and improve quality; growing the population by encouraging immigration, family-friendly policies, and curbing out-migration; expanding local industry to diversify and strengthen the economy; and creating more collaboration between and within institutions.

Restructuring Healthcare

Concerns about healthcare spending were raised by several panelists. It was identified that Newfoundland and Labrador spends almost 30% more per capita on healthcare than any other province, has more doctors and nurses per capita, but health outcomes are below the national average. Long wait times to see physical and mental health care providers were also identified as reducing the quality of service delivery in the province. It was recognized that the Department of Health and Community Services have stabilized their budget over the past three years but now steps must be taken to decrease it further.

There were many solutions proposed to address the high cost and low quality of healthcare in Newfoundland and Labrador. Incorporating more technology into the system, such as computerized health services and artificial intelligence for remote service delivery, was suggested as

a way to improve productivity and reduce costs. Hospitals were identified as a significant driving force for costs in the sector, and that more should be done at the community level so that people with chronic conditions are not living in hospitals but rather receiving sophisticated community care supports. It was suggested that dying, rather than aging, was another significant source of costs and that the system could produce more intelligent, effective and humane ways of serving people as they die that costs less. Preventative health care, such as taxing unhealthy foods, was also suggested as a longer-term approach to addressing demand for healthcare services.

The funding structure of the healthcare system was also identified as an areas of concern, as it was explained that it is an European style system with an American-style funding scheme. This results in paying doctors high-wages like in the American system and overusing them, while ignoring a whole range of other health practitioners like nurses and pharmacists. It was also recognized that reducing spending in the healthcare sector was not the only way to cut costs. For example, Canada was identified as being the only country with a public healthcare system that does not cover pharmaceuticals. It was suggested that national coverage could save money from the national economy.

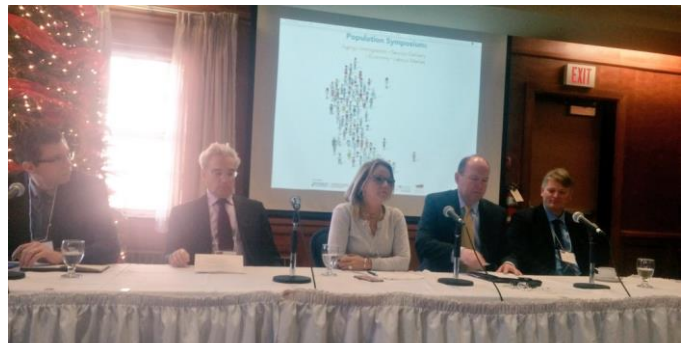


Figure 3: Dr. Derek Messacar, Dr. Stephen Bornstein, Deirdre Ayre & John Abbott (Left to Right)

A barrier identified in changing the healthcare system was competing interests and a lack of cooperation. The Centre for Applied Health Research is working with the Department of Health and Community Services on cost evaluation and determining how to save money but deliver better quality services. The department has identified areas where they can cut costs but the issue now is finding acceptance of that change and the need to change. Whether it is in the hospital or provider community, workers

have an interest in protecting their jobs and are campaigning for more jobs or higher wages. It was suggested that the healthcare sector needs to pursue a lot of reform but it also needs acceptance of that reform.

Continuing to raise taxes to cover high costs of service delivery was cautioned against as potentially worsening the program if it motivated people to move, or more seriously, lose the right to self-govern. Rather than raising taxes, it was suggested that one way to decrease the tax burden would be to help older workers stay in the labour market longer. While there has been no change in the national retirement age of 65, there has been research that suggests that workers could stay in the labour force until the age of 70. Age-related tax and transfer programs could reduce the tax burden and allow workers to stay in the workforce longer. Keith Storey suggested that during the oil-boom there was a “don’t worry, be happy” attitude in government, who overspent profits. If the government continues to pay above its means, then it runs the risk of losing its democracy and forcing the federal government to intervene. This would push young people away, which will further dampen the province’s ability to pay for its services.

Looking into the future, it was also recognized that today’s retirees are doing pretty well on average because many are able to access defined benefit pension programs. However, employers are now moving away from these programs and the onus to save is being increasingly left to workers. The comfortable living standards of today’s retirees will likely not be enjoyed when today’s youth retire.

Growing the Population

To mitigate the effects of a declining, aging population solutions focused on encouraging attraction and retention of immigration, and fostering more family-friendly policies.

Tony Fang, the Stephen Jarislowky Chair of Cultural and Economic Transformation at Memorial University, discussed some research he has done using national data to calculate the optimum intake of immigrants in Canada. From his models, he found that intake of 1% of the population every year, about 300,000, would be ideal. If applied to Newfoundland and Labrador, a 1% immigrant intake of about 5,000 would be much higher than 1700 that

is currently being targeted, so he suggested there is still room to grow. International students and graduates were identified as “low-hanging fruits” as they are young, energetic, familiar with the community, and have access to entrepreneurial training. He cited another recent study on the retention of Syrian refugees in the province, which found that employment was the primary determinant in their decision to stay, followed by social network and family ties. This highlighted the importance of access to employment for newcomers and the potential benefits of targeting specific populations to create ethnic enclaves so that rural areas are more welcoming to newcomers.



Figure 4: Kerry Murray, Dr. Lynn Gambin, Justin Campbell, and Dr. Howard Lin (Left to Right)

Justin Campbell, Diversity Outreach Coordinator with the Association for New Canadians, highlighted the cultural and economic value of immigrants and suggested that while the economics focus of the symposium was beneficial, there is a need to step back to come up with more creative solutions to these kinds of issues. He argued that we need to take a bigger view of immigration, and regardless of any economic value, there is a broader value of immigration such as cultural diversity, different ideas and perspectives. There is also a political value of immigration as it may be a safeguard for our democratic system and protect us from nationalist backlash growing in other countries. The economic value of immigration also includes savings in other areas such as a lower crime rate and lower per capita spending on healthcare and education because immigrants tend to come at the beginning of their career as young adults. Others agreed that it would be a disservice to craft immigration policy only based on the needs of employers and that immigration is important to communities through growing the population and increasing diversity.

Campbell and Fang suggested that immigrants could help repopulate the province, especially in shrinking rural areas. Labour mobility may not be necessarily motivated by higher wages elsewhere but a lack of cultural and community supports and family connections. If we can create a welcoming environment for newcomers, that could help motivate them to stay. Creating a welcoming community was highlighted by other panelists and in the breakout groups as important to retaining the domestic and newcomer population. Newfoundland and Labrador was identified as having a relatively high degree of social cohesion, which was considered a significant asset and made it a nice place to live. To ensure that newcomers feel welcomed in their community, it was suggested that there be more emphasis on including promoting cultural connections through great publicity for cultural events to expand social networks of both locals and newcomers and reducing the cost and wait-times for the immigration process. By sharing their culture and celebrating the different facets of a community, it is hoped that there will be a greater appreciation of diversity and that immigrants will feel valued in their new community. This could be added to the public school curriculum to teach children at a young age to embrace immigration. There is also the potential to use St. John's as a testing ground for immigration initiatives throughout the province. Other suggestions included more representation of immigrants at the policy-level, extending voting rights to permanent residents, and improving foreign credential recognition processes.

Expanding Local Industry

While some proposed increasing the population through immigration to expand the tax base and reduce the average age, others felt that the province's current economic structure was not attractive to potential immigrants and that industry must be expanded for the population to grow.

In his presentation, Dr. Emery used Saskatchewan as an example of a small, rural economy where the population has increased because of recent growth in economic activity. He explained that in a closed economy, population aging is not necessarily a problem as capital stock is reinvested from domestic savings. However, in an open economy, population aging can become a "death spiral" as the capital-labour ratio is fixed. Rather than adding more

labour, he suggested the province must focus on attracting more investment. This can be done by manufacturing and exporting goods and services, but currently most of the demand for the region's economic engine (oil) has been halted. While we wait for demand to increase, we have two options: borrow and wait, or change policies and address issue.



Figure 5: Richard Saillant

This point was taken up by Richard Saillant, who focused on the province's labour market. As employment has declined in recent years with the fall in oil prices and is expected to continue decline into the future, there is a greater likelihood of out-migration than in-migration due to the decline in labour demand.

While Saillant and Emery focused on the oil industry as the province's industrial base, Kerry Murray, Director of Economic and Social Policy with the Newfoundland and Labrador Federation of Labour, cautioned against relying on such a volatile industry and suggested that "The Golden Age of Oil" is over. Even if high oil prices returned, it was identified that per dollar for investment, the oil industry is one of the lowest job creator. Instead of depending solely on this industry, it was recognized that the economy must diversify to stabilize and grow.

The technology industry, in particular, was identified as a growth area. It was suggested that while technology sectors are not huge employment drivers right now, they can be more stable than other sectors of the economy and important for long-term economic innovations.

Deirdre Ayre, Head of Operations at Other Ocean Group, told the story of how Other Oceans Inc started. Originally founded in California, the company wanted to return to its roots in Atlantic Canada. The company set up in PEI and had to import talent from abroad. They were able to grow with the help of the provincial government but did not find the same support when

they expanded to Newfoundland and Labrador. They found that during the oil boom there was little attention paid to technological industries but now that there is an oil bust, the provincial government is more interested in working with them. She suggested that the province needs to develop more computer-centred curriculum in the public school system so that the emerging labour force can partake in these new industries.

Immigrants were typically framed as young people who would help reduce the average age of the province, but there was also concern raised about the return migration of seniors who had paid into other province's tax systems during their career and were returning to the province to retire. This could increase the cost of services such as healthcare, but it was suggested that it could also be an opportunity if the province can create an environment that encourages seniors to reinvest in the province, create SME, jobs, and contribute socially in the province. Howard Lin highlighted that 50% of entrepreneurs are greater than 50 years old, suggesting that population aging could be an opportunity if seniors invest their savings.

Educating the labour force to adapt to the future of work was discussed by other panelists as well. Lynn Gambin, Professor of Economics at Memorial University explained that quality education is important as a highly-skilled labour force will be more resilient to economic volatility.

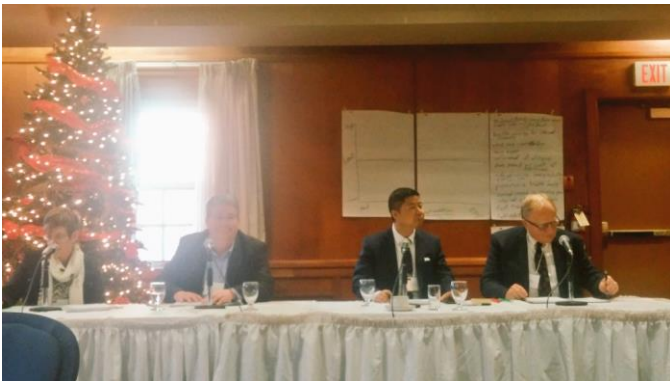


Figure 6: Elizabeth Lawrence, Manuel Hackett, Dr. Tony Fang and Dr. Keith Storey (Left to Right)

Creating connections between graduates and employment opportunities was proposed as a way to address barriers within the labour market. This could include providing better career advice for Newfoundland-born youth, linking labour market education to the K-12 education system, broadening existing employment supports to include recent graduates, and expanding internship opportunities for international students.

This could be facilitated with greater sharing and understanding of local datasets.

To foster economic growth, there was considerable focus in the discussion groups on how to attract investment and encourage entrepreneurship. One solution was to develop mechanisms where different levels of governments, academics and civil society can work together to attract investment. There were also suggestions to create “collision spaces” to locate commercial opportunities. Using technology to be closer to markets, constructing commuter infrastructure, building capacity for regional and community development, increasing public information to encourage awareness of the province, and focusing on efficiency in addition to scale were also discussed as potential solutions. Solutions to encourage entrepreneurship included introducing an entrepreneurship immigration stream and encouraging entrepreneurial education both within the K-12 and post-secondary institutions.

Adapting to Change

Horizontal integration of public policy was identified as critical to implementing effective change as there is an interconnectivity between all aspects of the economy and the potential barriers and solutions identified above cannot be considered separately. It was suggested there is a need for more social dialogue on labour market issues to craft public policy by having discussions in a structured, regular manner between government and other stakeholders to ensure that policies are meeting demands. Talking to stakeholders individually yields different outcomes than talking to everyone all together and there is a need for good information to make good decisions.

Within discussion groups, several participants complained that institutions worked in silos and there needed to be a more holistic approach to service delivery that had a long-term vision. There were concerns that some public policies were competing and there needed to be better integration of policy so that programmes have the same long-term objectives. Solutions to break down these barriers included requiring collaboration within funding applications and developing mechanisms to establish relationships and rapport between institutions. Some suggested that outcomes in education and health needed to be redefined and post-secondary education prioritized.

It was also identified that rather than trying to change the situation, there is a need to adapt. Keith Storey, Director of the

Population Project with the Harris Centre, suggested that demography and aging is like climate change – we can't stop it. We may have reached a tipping point and we can't go back, but we can adapt to it. The current population strategy focused primarily on trying to change the demographic picture – by encouraging bigger families, return-migration and immigration – but these are difficult policies to achieve. It may be easier to make adaptations by doing more with less.



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