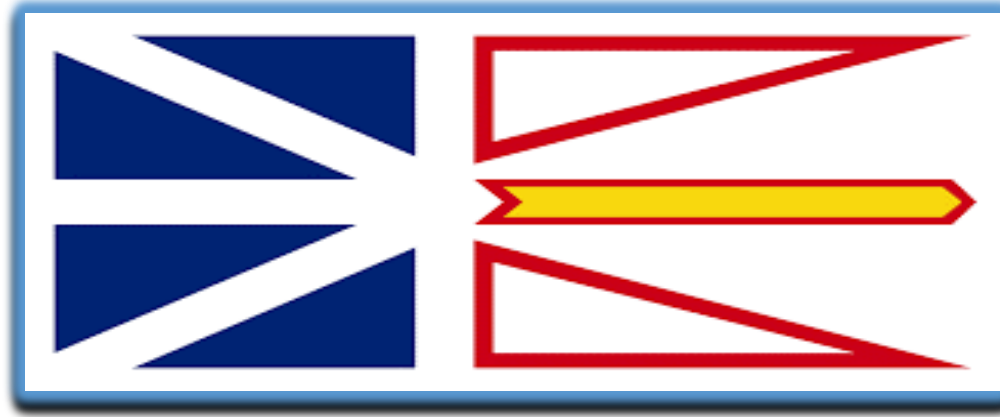


Newfoundland and Labrador in the Age of the Great Demographic Imbalance



Richard Saillant

MUN Department of Economics Visiting Speaker Series

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Table 1.1: Median Age and Percentage of Seniors, Canada and Provinces

Source: Statistics Canada, data provided to author, and CANSIM, table 051-0001.

	1946		1966		1986		1996		2006		2015	
	Median age	%65+	Median age	%65+	Median age	%65+	Median age	%65+	Median age	%65+	Median age	%65+
Newfoundland and Labrador*	n/a	n/a	19.3	5.9	27.9	8.7	34.1	10.7	41.3	13.5	45.0	18.4
Prince Edward Island	26.5	9.8	24.0	10.8	30.6	12.6	34.7	12.9	40.3	14.6	43.7	18.6
Nova Scotia	26.5	8.2	24.7	8.9	31.0	11.8	35.7	12.9	41.2	14.6	44.4	18.9
New Brunswick	24.4	7.2	22.2	8.2	30.4	11.0	35.4	12.5	41.1	14.3	44.8	19.0
Quebec	24.6	5.5	23.9	6.1	31.8	9.8	36.1	12.0	40.5	13.9	41.9	17.6
Ontario	30.4	8.3	27.2	8.2	31.9	10.7	35.0	12.2	38.4	13.0	40.6	16.0
Manitoba	28.6	7.3	26.7	9.2	31.1	12.4	34.5	13.6	37.6	13.6	37.7	14.8
Saskatchewan	26.4	6.5	25.6	9.3	30.0	12.6	34.2	14.5	37.9	14.9	37.0	14.6
Alberta	27.2	6.3	24.5	7.1	29.0	8.0	33.3	9.8	35.5	10.3	36.2	11.6
British Columbia	31.3	8.9	28.2	9.5	32.8	11.9	35.4	12.5	40.1	14.1	42.0	17.5
Canada	27.7	7.2	25.4	7.7	31.4	10.5	35.2	12.1	38.9	13.2	40.5	16.1

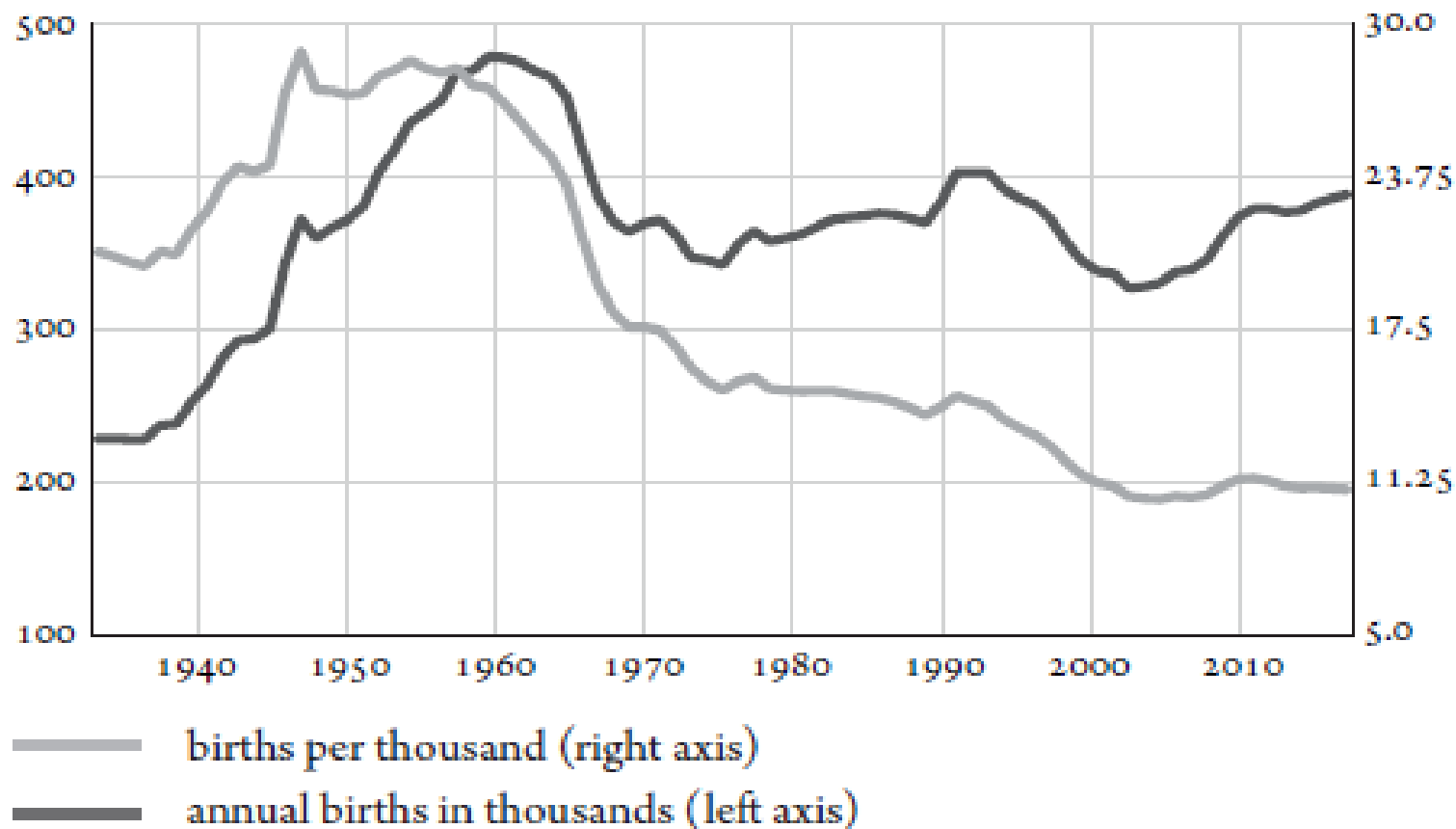
*Newfoundland joined Canada in 1949. The province was renamed Newfoundland and Labrador in 2001.



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Chart 1.1: Births in Canada 1934–2014

Source: Statistics Canada, Vital Statistics, vol. 2, 1972; and CANSIM, tables 051-0001 and 051-0004.



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Table 1.2: Birth Rates (annual births per thousand of population)

Source: Statistics Canada, *Canada Year Book 1959* and *Canada Year Book 1973*.

	1941-45	1946-50	1951-55	1956-60	1961-65
Newfoundland	29.8	36.2	34.1	34.6	32.1
Prince Edward Island	23.7	30.5	27.2	26.6	25.7
Nova Scotia	25.2	28.9	27.5	26.9	24.7
New Brunswick	28.2	34.0	31.0	29.0	25.8
Quebec	28.4	30.4	30.0	28.6	24.0
Ontario	19.9	24.6	26.1	26.4	23.5
Manitoba	21.8	25.9	26.4	25.6	23.4
Saskatchewan	21.7	26.3	27.5	26.9	24.4
Alberta	23.7	28.4	30.6	30.6	28.3
British Columbia	19.8	24.0	25.1	25.7	21.5
Canada	23.5	27.4	28.0	27.6	24.1



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Table 1.3: Components of Population Growth, 1971–2014

Source: Statistics Canada, CANSIM, tables 051-0001 and 051-0004.

	Population 1971	Natural increase	Net immigration	Net interprovincial migration	Population 2014	Population growth 1971–2014* (%)
Newfoundland and Labrador	530,854	144,841	19,271	-121,944	529,069	-0.3
Prince Edward Island	112,591	25,233	17,053	1,057	146,142	29.8
Nova Scotia	797,294	142,884	74,587	-26,063	942,387	18.2
New Brunswick	642,471	141,657	36,743	-32,285	754,578	17.4
Quebec	6,137,305	1,588,999	1,313,244	-582,470	8,214,885	33.9
Ontario	7,849,027	2,604,163	3,736,685	-15,552	13,677,687	74.3
Manitoba	998,876	296,562	269,450	-220,415	1,280,242	28.2
Saskatchewan	932,038	285,821	132,255	-196,386	1,122,283	20.4
Alberta	1,665,717	1,134,695	663,474	648,810	4,120,897	147.4
British Columbia	2,240,470	733,076	1,202,492	567,694	4,638,415	107.0
Canada	21,962,032	7,162,418	7,474,355	0	35,543,658	61.8

*Population gains over the 1971 to 2014 period do not equal the sum of gains from natural increase, net immigration, and net interprovincial migration. Statistics Canada refers to this discrepancy as the “residual deviation.”



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Table 1.4: Baseline Population Projection, 2013–38

Source: Statistics Canada, CANSIM, table 052-0005; and data provided to author.

	2013			2038		
	Pop ('000)	Median age	%65+	Pop ('000)	Median age	%65+
Newfoundland and Labrador	526.7	44.2	17.1	455.6	53.3	34.5
Prince Edward Island	145.2	43.1	17.3	178.3	47.7	27.9
Nova Scotia	940.8	43.8	17.7	933.9	49.6	30.9
New Brunswick	756.1	43.9	17.6	752.5	49.8	31.3
Quebec	8,155.3	41.6	16.6	9,405.3	45.2	25.1
Ontario	13,538	40.3	15.2	16,548.8	44.3	24.7
Manitoba	1,265	37.7	14.4	1,623.1	40.6	20.6
Saskatchewan	1,108.3	37.1	14.4	1,315.2	41.1	21.4
Alberta	4,025.1	36.0	11.2	6,224.8	39.7	18.5
British Columbia	4,582	41.4	16.4	5,918.8	44.9	25.1
Canada	35,158.3	40.2	15.3	43,490.1	43.9	24.0



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Table 2.1: Components of Growth, Canada and Provinces

Source: Statistics Canada, CANSIM, tables 282-0018 and 384-0038.

	Real GDP (%)				Hours worked (%)				GDP/Hours worked (%)			
	1983–93	1993–2003	2003–08	2008–13	1983–93	1993–2003	2003–08	2008–13	1983–93	1993–2003	2003–08	2008–13
Newfoundland and Labrador	1.8	4.4	3.1	-0.3	0.2	1.0	1.6	1.8	1.6	3.3	1.5	-2.0
Prince Edward Island	1.8	3.2	2.1	1.5	0.6	2.0	0.6	1.3	1.2	1.2	1.5	0.2
Nova Scotia	2.1	2.5	1.2	0.5	1.1	1.5	0.9	-0.3	1.0	1.1	0.3	0.8
New Brunswick	2.1	2.8	1.4	0.0	1.8	1.3	0.9	-0.4	0.3	1.5	0.5	0.4
Quebec	1.8	3.0	1.9	1.1	1.1	1.5	1.4	0.6	0.7	1.5	0.5	0.5
Ontario	2.8	3.9	1.7	1.0	1.5	2.1	1.2	0.5	1.3	1.8	0.6	0.5
Manitoba	1.8	2.5	3.0	2.0	0.7	1.0	1.3	0.4	1.1	1.5	1.8	1.6
Saskatchewan	2.0	2.2	2.9	2.3	0.3	0.1	2.2	1.7	1.7	2.1	0.8	0.6
Alberta	3.1	3.8	3.9	2.9	1.4	2.9	3.7	1.6	1.7	0.9	0.2	1.3
British Columbia	3.3	2.7	3.4	1.6	3.2	1.4	2.7	-0.1	0.1	1.3	0.7	1.6
Canada	2.5	3.4	2.4	1.4	1.5	1.8	1.7	0.6	1.0	1.6	0.6	0.8



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On NL's specific growth dynamics

- **Two sources of benefits to NL from oil (and other commodities)**
 - Economic activity
 - Rents (royalties)
- **GDP vs GPP (not measured, but personal income a proxy)**
- **Jobs growth, 2005-2015 (CANSIM, table 383-0029)**
 - Total: 26,840 (+13.1%)
 - Construction: 16,410 (+133.4%)
 - Non-business sector (mostly public): 8,510 (+13.1%)
 - Mining, oil and gas extraction: 3,095 (+82.3%)



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Size of Business Sector as % of GDP

		2000	2014
Newfoundland and Labrador	All industries	73.9%	75.9%
	Excl. const + oil&gas	62.6%	58.9%
Maritimes		67.8%	63.3%
Prairies		82.4%	81.1%
Canada		76.5%	74.9%

Source: Statistics Canada, CANSIM, table 383-0029.



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Table 2.2: Growth Projections, Canada and Provinces, 2013–38

Source: Author's calculations based on Statistics Canada, CANSIM, tables 051-0001, 052-0005, 282-0002, 383-0029, and 384-0038.

	Low Growth (%)				Medium Growth (%)				High Growth (%)			
	Hours worked	Labour productivity	Real GDP	Real GDP per capita	Hours worked	Labour productivity	Real GDP	Real GDP per capita	Hours worked	Labour productivity	Real GDP	Real GDP per capita
Newfoundland and Labrador	-1.3	0.7	-0.6	0.1	-1.2	0.9	-0.3	0.3	-1.0	1.1	0.0	0.4
Prince Edward Island	0.3	0.2	0.5	0.0	0.6	0.3	0.9	0.1	0.9	0.3	1.3	0.1
Nova Scotia	-0.5	0.4	-0.1	0.1	-0.3	0.5	0.2	0.2	-0.3	0.6	0.3	0.3
New Brunswick	-0.5	0.4	0.0	0.2	-0.3	0.6	0.3	0.3	-0.2	0.7	0.6	0.3
Quebec	0.1	0.5	0.6	0.3	0.4	0.7	1.1	0.5	0.7	0.9	1.5	0.6
Ontario	0.3	0.5	0.8	0.4	0.7	0.7	1.4	0.5	1.0	0.8	1.9	0.7
Manitoba	1.0	0.9	1.9	1.4	1.2	1.2	2.4	1.4	1.5	1.5	3.1	1.7
Saskatchewan	0.6	0.6	1.1	0.8	0.8	0.7	1.6	0.9	1.1	0.9	2.1	1.0
Alberta	1.4	0.3	1.7	0.3	1.8	0.4	2.2	0.4	2.1	0.5	2.6	0.4
British Columbia	0.4	0.5	1.0	0.5	0.9	0.7	1.7	0.6	1.4	0.9	2.3	0.8
Canada	0.4	0.7	1.1	0.7	0.8	0.9	1.7	0.8	1.1	1.1	2.3	1.0

Note: Scenarios are formulated using Statistics Canada's low, baseline, and high population growth scenarios outlined in chapter 1, as well as the low, baseline, and high labour productivity growth scenarios and labour market assumptions outlined earlier in this chapter.



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Table 4.1: Provincial Program Expenditures, 2003–04 and 2013–14Sources: Finance Canada, *Fiscal Reference Tables*; Nova Scotia Public Accounts;

Statistics Canada, CANSIM, tables 051-0001 and 384-0038.

	Per capita			Expenditures as % of GDP	
	2003–04 expenditures	2013–14 expenditures	Growth rate 2003–04 to 2013–14 (%)	2003–04	2013–14
Newfoundland and Labrador	8,007	13,305	5.2	22.6	20.1
Prince Edward Island	7,201	11,149	4.5	26.0	28.0
Nova Scotia	5,636	9,909	5.8	17.7	24.2
New Brunswick	6,841	10,057	3.9	22.2	23.9
Quebec*	6,768	10,342	4.3	19.6	23.3
Ontario	5,752	8,545	4.0	13.8	16.7
Manitoba	7,109	10,997	4.5	21.5	22.5
Saskatchewan	6,882	11,978	5.7	18.3	15.9
Alberta	6,749	10,966	5.0	12.3	12.8
British Columbia	6,816	8,929	2.7	18.8	18.1
Canada**	6,776	10,618	4.6	19.3	20.5

*Due to accounting reforms, data from 2003–04 not directly comparable with 2013–14.

**Average of Canadian provinces (not a weighted average).



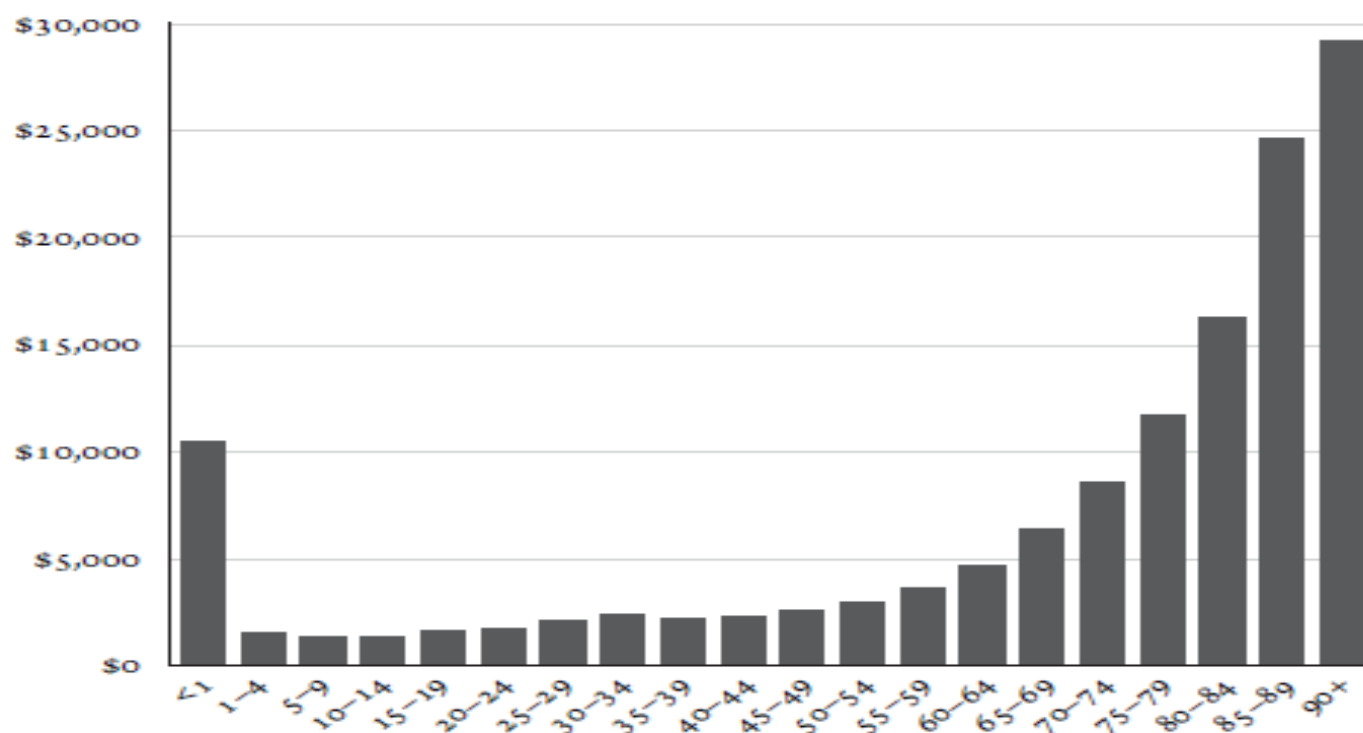
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Chart 5.1: Provincial Health-Care Spending

Per Person by Age Category, Canada*, 2012

Source: CIHI, National Health Expenditure Trends, 1975 to 2014.



*Weighted average for provinces and territories.

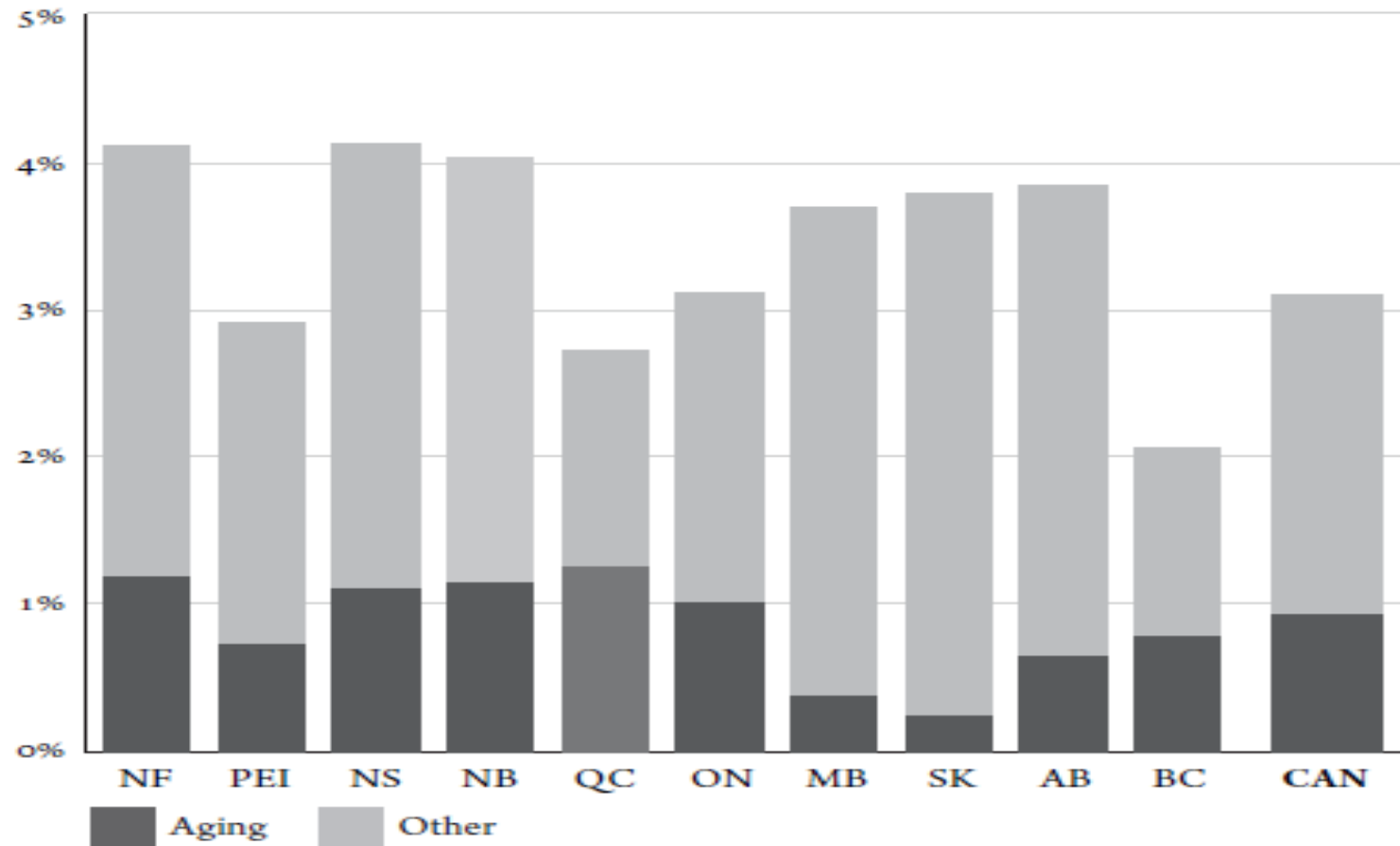


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Chart 5.2: Real Provincial Health-Care Spending

Per Person, Annual Growth, 2002–2012

Source: Statistics Canada, CANSIM, table 051-0001; and CIHI, *National Health Expenditure Trends, 1975 to 2015*. Author's calculations.

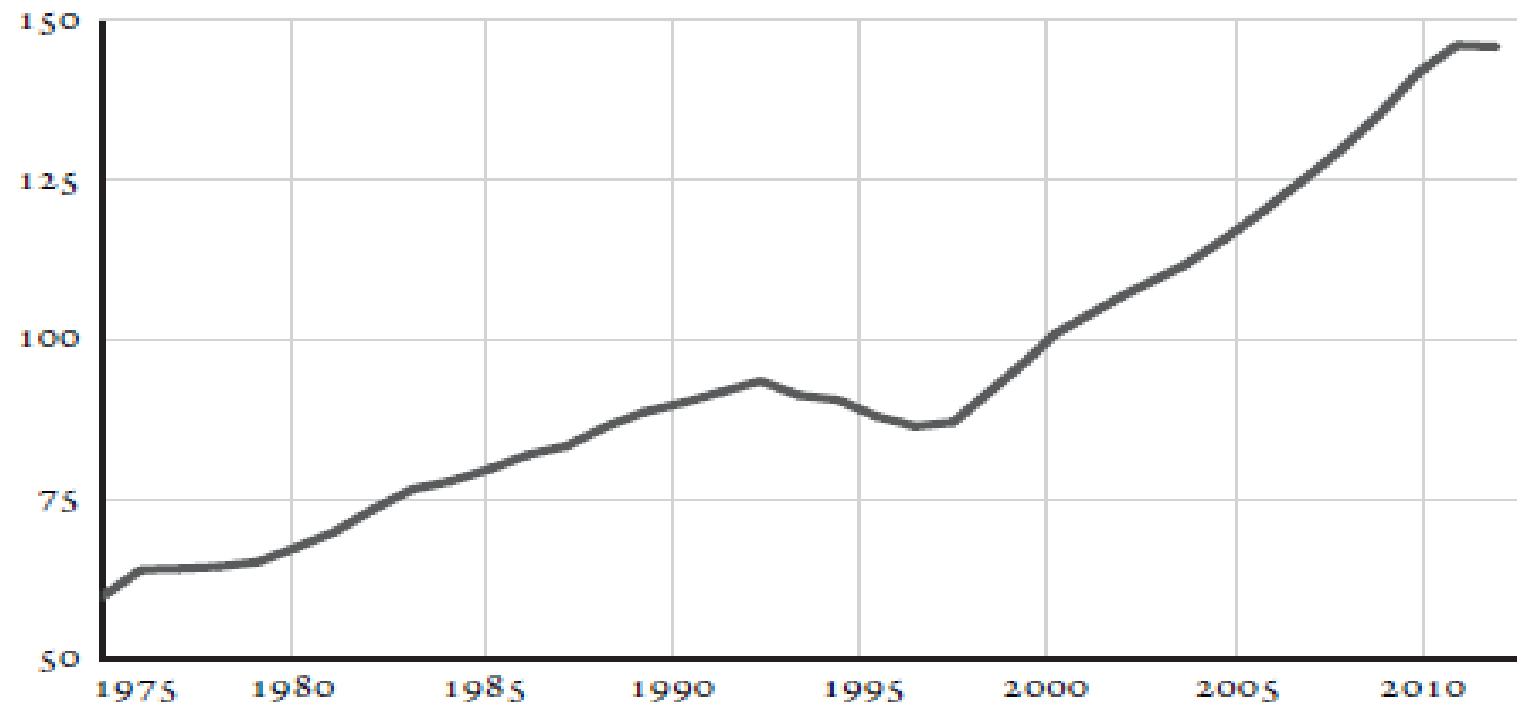


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Chart 5.3: Real Provincial Health-Care Spending

Per Person, Canada*, 1975–2012, 2000=100

Source: CIHI, *National Health Expenditure Trends, 1975 to 2014*; Statistics Canada, CANSIM, table 326-0021. Author's calculations.



*Weighted average for provinces and territories.



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Table 5.1: Provincial Real Health-Care Spending Projections, 2013–38 (constant dollars of 2012)Source: Author's calculations based on CIHI, *National Expenditure Trends, 1975 to 2015*; and Statistics Canada, CANSIM, table 052-0005.

	Low scenario			Medium (baseline) scenario			High scenario		
	2013	2023	2038	2013	2023	2038	2013	2023	2038
Newfoundland and Labrador	5,210	6,763	10,947	5,219	6,893	12,403	5,248	7,028	13,374
Prince Edward Island	4,271	5,230	7,971	4,279	5,344	8,671	4,287	5,456	9,639
Nova Scotia	4,236	5,263	8,430	4,314	5,369	9,056	4,322	5,483	9,865
New Brunswick	4,162	5,209	8,398	4,169	5,317	9,029	4,177	5,429	9,832
Quebec	3,542	4,260	6,327	3,549	4,356	6,918	3,556	4,448	7,626
Ontario	3,811	4,554	6,710	3,818	4,669	7,367	3,826	4,767	8,215
Manitoba	4,479	5,055	7,151	4,488	5,181	7,842	4,496	5,290	8,784
Saskatchewan	4,341	4,875	6,884	4,349	4,988	7,535	4,357	5,093	7,401
Alberta	4,641	5,429	7,939	4,650	5,562	8,715	4,659	5,679	9,704
British Columbia	3,862	4,476	6,311	3,870	4,601	6,962	3,877	4,698	7,792

Note: Low scenario based on high population growth and low non-aging-induced spending scenario and vice versa for the high scenario.



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Table 5.2: Provincial Real Health-Care Spending as a Percentage of GDP Projections, 2013–38

Source: Author's calculations based on CIHI, *National Expenditure Trends, 1975 to 2015*; Statistics Canada, CANSIM, table 052-0005; and baseline scenario for GDP growth outlined in table 2.2 of chapter 2.

	Low scenario (%)			Medium (baseline) scenario (%)			High scenario (%)		
	2013	2023	2038	2013	2023	2038	2013	2023	2038
Newfoundland and Labrador	7.8	9.9	15.3	7.9	10.1	17.4	7.9	10.3	18.7
Prince Edward Island	10.7	12.5	19.5	10.7	12.8	21.2	10.8	13.1	23.6
Nova Scotia	10.3	12.2	19.4	10.5	12.4	20.9	10.5	12.7	22.7
New Brunswick	9.9	11.6	18.6	9.9	11.9	20.0	9.9	12.1	21.7
Quebec	8.0	9.0	12.6	8.0	9.2	13.7	8.0	9.4	15.1
Ontario	7.4	8.2	11.4	7.5	8.4	12.5	7.5	8.6	14.0
Manitoba	9.2	8.8	10.3	9.2	9.0	11.2	9.2	9.2	12.6
Saskatchewan	5.8	5.6	7.3	5.8	5.7	8.0	5.8	5.8	7.8
Alberta	5.4	6.0	8.4	5.4	6.1	9.2	5.4	6.2	10.3
British Columbia	7.8	8.1	10.9	7.8	8.3	12.0	7.8	8.5	13.4

Note: Low scenario based on high population growth and low non-aging-induced spending scenario and vice versa for the high scenario.



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Table 5.3: Selected Public School Indicators

Source: Statistics Canada, catalogue 81-582-X; and CANSIM, table 478-0014.

	K-12 school enrolment			Number of educators*			Student-educator ratio			Spending per pupil** (\$)		
	2001-02	2010-11	Change (%)	2001-02	2010-11	Change (%)	2001-02	2010-11	Change (%)	2001-02	2010-11	Change (%)
Newfoundland and Labrador	84,236	66,288	-21.3	6,355	5,619	-11.3	13.3	11.8	-11.0	7,222	13,034	80.5
Maritimes	299,175	253,714	-15.2	18,212	19,295	6.0	16.4	13.1	-19.9	6,776	12,671	87.0
Quebec	1,088,869	979,563	-10.0	74,925	77,338	3.2	14.5	12.7	-12.9	8,104	12,011	48.2
Ontario	2,046,333	1,953,624	-4.5	126,283	145,082	14.9	16.2	13.5	-16.9	7,557	12,738	68.6
Prairie provinces	879,257	883,385	0.5	53,358	57,839	10.8	16.7	15.3	-8.4	8,404	14,090	67.7
British Columbia	605,049	550,038	-9.1	35,930	32,694	-9.0	16.8	16.8	-0.1	8,430	11,470	36.1
Canada	5,035,949	4,708,548	-6.5	316,571	340,423	7.5	15.9	13.8	-12.9	7,887	12,727	61.4

*Full-time equivalent basis. Includes teachers, school administrators, and pedagogical support.

**Public elementary and secondary spending only for all provinces except Newfoundland and Labrador and the Maritimes, where total (public and private) expenditures are used. Given the small size of private school systems in Atlantic Canada, disaggregated data are not available (except for New Brunswick) due to confidentiality requirements.



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Table 6.1: Net Benefit from Federal Revenues and Spending Per Person (constant 2008 dollars)

Source: Author's calculations based on Statistics Canada, catalogue 13-018-X; CANSIM, tables 051-0001 and 326-0021.

	1998			2008		
	Federal revenues from province	Federal spending in province	Net benefit (contribution)	Federal revenues from province	Federal spending in province	Net benefit (contribution)
Newfoundland and Labrador	4,032	11,812	7,780	10,420	14,540	4,119
Prince Edward Island	5,455	11,476	6,021	5,785	12,601	6,816
Nova Scotia	5,358	10,947	5,589	5,836	11,891	6,055
New Brunswick	4,921	9,566	4,645	5,093	10,359	5,266
Quebec	5,637	6,492	855	5,369	6,958	1,588
Ontario	7,792	5,662	(2,130)	7,205	6,231	(974)
Manitoba	5,497	8,253	2,756	5,584	9,947	4,363
Saskatchewan	5,684	7,746	2,062	7,175	8,508	1,333
Alberta	8,769	5,816	(2,953)	11,032	5,192	(5,840)
British Columbia	6,162	5,396	(766)	6,832	5,877	(955)



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Will the welfare state in Canada tell A Tale of Two Countries?

- Federal revenues as percentage of GDP down 20% since turn of millennium
- CHT, CST now distributed on per capita
- CHT now growing with size of nominal GDP, with a floor of 3%
- Total Equalization payouts now capped to nominal GDP growth
 - Large impact smaller traditional recipients such as NB



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Will welfare state in Canada tell A Tale of Two Countries ? (2)

- Why do the CHT and CST even exist?
 - Transfers to *all* provinces date back to Confederation
 - Conditional funding instrument of choice for Ottawa's involvement in provincial social programs following World War II
 - Nowadays, CHT and CST largely a reflection of vertical fiscal imbalance. Days of Ottawa micro-managing provincial social programs mostly over, particularly for CST
- Aging-induced pressures on Ottawa's program spending – e.g.elderly benefits. Means less money available over time for transfers to provinces
- Equalization is the answer, not CHT



Thank you / Merci



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Richard Saillant is the director of the Donald J. Savoie Institute at the Université de Moncton. An Acadian, Saillant is a former vice president of the Université de Moncton and senior public servant. He has spent nearly fifteen years in Ottawa in various departments, including the Privy Council Office, Industry Canada, and Transport Canada. He is the author of *Over the Cliff? Acting Now to Avoid New Brunswick's Bankruptcy* (2014), a study of the province's public finances, and the first book in the Roméo LeBlanc series.

Author photo: Denis St. Louis

A Tale of Two Countries is a must-read for those seeking an accessible, well-documented analysis of Canada's demographic future, its potential impact on all Canadians, and recommendations for addressing its consequences.

Richard Saillant has an important message for all Canadians that should resonate in every region. This is a very timely book for the country.

—**Donald J. Savoie**,

winner, 2015/16

Donner Prize for What is Government Good At?

This book will be very welcome in most policy circles. It is clearly very timely and very well written and will (unfortunately) have an important policy influence... The demographic analysis is a tour de force.

—**Thomas J. Courchene**,
Professor Emeritus, Queen's University



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SAILLANT

A TALE OF TWO COUNTRIES

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A TALE OF TWO COUNTRIES

How the Great Demographic Imbalance is Pulling Canada Apart

RICHARD SAILLANT

Foreword by Donald J. Savoie

Population aging is hardly a new topic. Canadians have been told for decades their country is aging fast. What they are only beginning to realize, however, is how unevenly Canada's regions are doing so. This phenomenon, which Richard Saillant calls the Great Demographic Imbalance, is similarly nothing new; it has been with us for half a century. Yet, until recently, few people had noticed it.

It can no longer be ignored.

The Great Demographic Imbalance is producing two Canadas: one that can likely sustain the status quo, and another in which governments could be stuck between the financial abyss and the politically suicidal prospect of turning their residents into second-class citizens.

In his foreword, Donald J. Savoie calls the Great Demographic Imbalance "one of the country's most demanding challenges for the next two decades." In *A Tale of Two Countries*, policy expert Richard Saillant explains in accessible, engaging language why this is so, and charts a path forward to ensure the Great Demographic Imbalance does not lead to the balkanization of the welfare state in Canada.



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