Population Aging and Fiscal Sustainability – Canadian Illustrations in International Context

Michael C Wolfson  
University of Ottawa

Paper Abstract: Canada, like many countries, is facing population aging amid growing public concerns about the fiscal sustainability of publicly funded programs, especially pensions and health care. There are also continuing concerns about inter-generational fairness.

One high profile example, in both the recent Ontario election and the current Federal election campaign, is a deep conflict over the future adequacy of retirement incomes. Much less prominent but equally important is the relationship between retirement incomes and the affordability of various forms of long term care (LTC) – including home care as well as nursing homes. In Canada, LTC is not systematically covered under publicly funded health insurance. It therefore imposes significant burdens on informal care givers as well as out of pocket costs. With population aging, LTC needs and costs are likely to grow more rapidly than GDP. Depending on how these needs are met, there could be major implications for income inequality. Further, the possibility of Baumol’s “asymptotic stagnation” may become a major issue, with higher than average growth in labour costs in the technologically stagnant LTC sector.

This paper will build on a number of my previously published studies on pension policy, disability and demographic projections, and criterial for judging intergenerational fairness. It will also build upon newly funded research on LTC in relation to pension policy. This research is at the call of a major Canadian public sector workers pension plan.

The paper will describe the main features of the major old age-sensitive publicly funded programs, health and social care and pensions, and current and projected fiscal implications of their status quo structures. It will then describe some of the most promising reform options. These include expansion of publicly funded retirement pensions, along the lines of the current Canadian debates, and various options for financing growing needs for LTC. The latter will include leading options in several EU countries, such as the Netherlands Managed Competition approach to LTC, and social health insurance models from other countries.

These options will be assessed in terms of their adequacy in relation to projected needs, their fiscal impacts, and their effects on income inequality and intergenerational equity.

Selected References

(http://www.longwoods.com/content/23886#abtauth)

Not So Modest Options for Expanding the CPP/QPP, IRPP Study, May 2013, IRPP, Montreal,  


“Disability and Informal Support: Prospects for Canada” (MC Wolfson, Geoff Rowe), S.B.Cohen and J.M Lepkowski (Eds), Eighth Conference on Health Survey Research Methods, National Center for Health Statistics, Hyattsville, MD, 2004