



ECONOMICS

Who Cares: The Economics of Caring For Aging Parents

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The trend is clear. An aging population combined with longer life spans and strained social services has in recent years seen more and more Canadians taking on the role of caregiver for their aging parents. And, in the coming years that tendency is only likely to intensify.

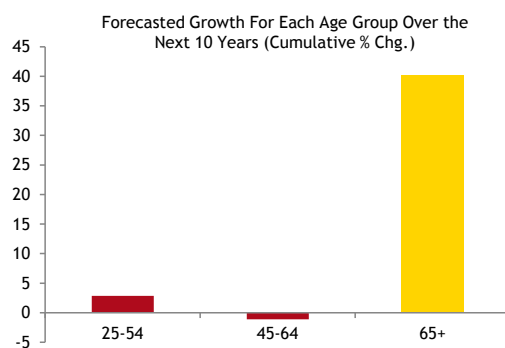
A decade ago the share of Canadians aged 65 and older was hovering around 14% before rising to 17%, at which it currently sits. But, looking ahead, there is going to be explosive growth in the older demographic (Chart 1), suggesting that the share is not only going to increase, the pace of change is actually going to accelerate over the coming decade, reaching roughly 22% by 2027 (Chart 2, left).

Canada's changing demographic will have wide-ranging effects. Everything from interest rates to consumer preferences will

see an impact. Some of the most direct impacts, however, will be felt by those who will be assuming a caregiver role for their parents. And, as it stands right now, it appears that Canadians who would usually be associated with a such a role will represent a much smaller share of the overall economy (Chart 2, right). There will be a number of costs for these Canadians to bear, including both out-of-pocket expenses and loss of labour income due to time spent caring for aging parents. This does not negate the important economic contributions made by seniors, often not captured by official economic statistics. However, the focus here is on the direct cost incurred by family caregivers.

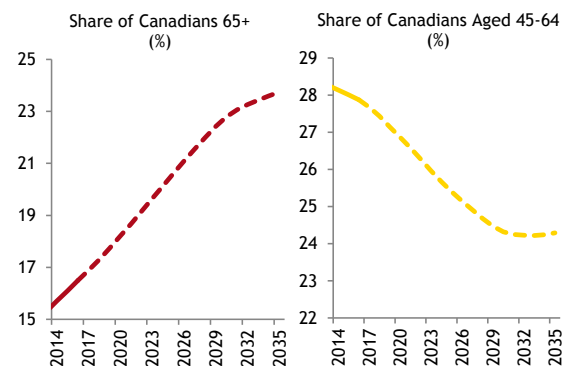
Close to 2 million Canadians, or 14%¹ of those with parents over the age of 65, incur care-related out-of-pocket costs. On average that cost is \$3,300 a year per caregiver,

Chart 1
Older Demographic is Growing Much Faster Than Other Segments



Source: Haver Analytics, CIBC

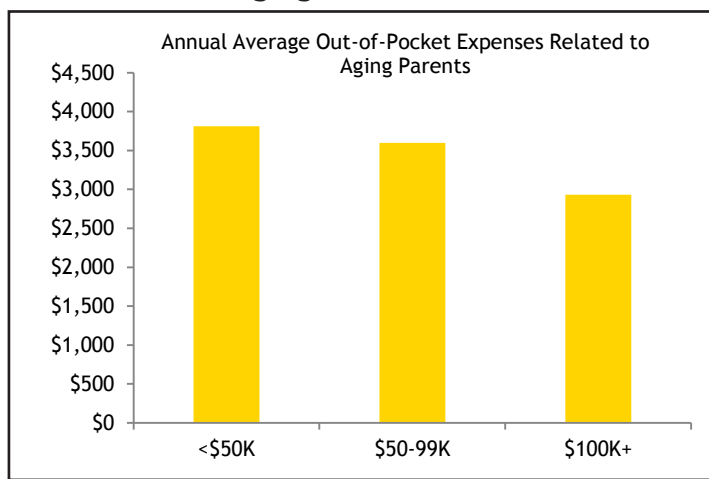
Chart 2
The Share of Canadians Over 65 is Rising and the Pace is Accelerating



Source: Haver Analytics, CIBC

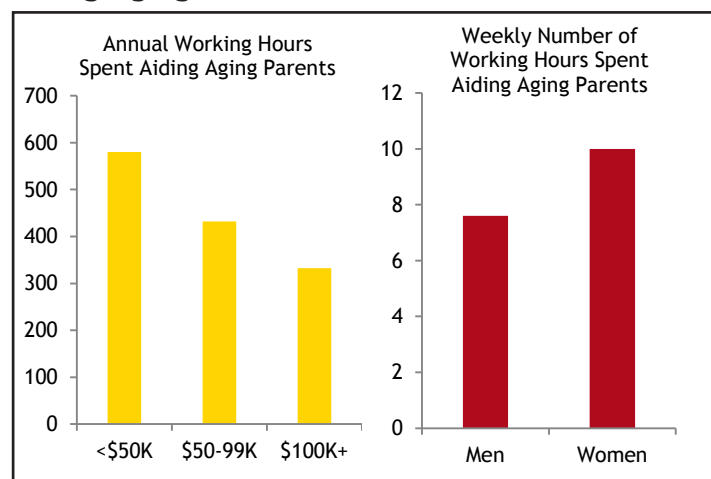
<http://economics.cibccm.com>

Chart 3
Lower Income Canadians Incur Higher Direct Costs Associated with Aging Parents



Source: CIBC Aging Parents Poll

Chart 5
Lower Income Canadians Spend the Most Time Aiding Aging Parents (L), So Do Women (R)



Source: CIBC Aging Parents Poll

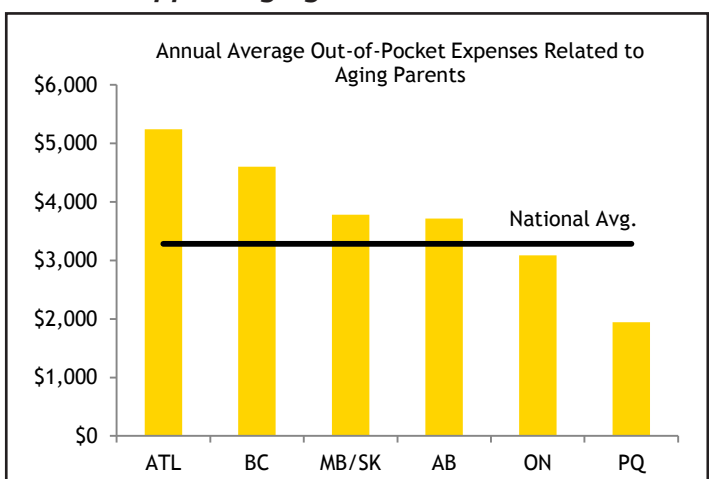
translating into an annual cost of just over \$6 billion to the overall economy. And, in all likelihood, that number understates the actual cost. Research conducted in the US suggests that when it comes to assessing care related to out-of-pocket expenses, survey respondents usually underestimate the amount they actually spend.

But direct costs pale in comparison to labour-related costs, which represent the amount of time Canadians take out of their work week to care for aging parents. Close to 30% of workers with parents over the age of 65 take time off from work. These people sacrifice roughly 450 working hours a year.

Many of these direct costs are being borne by those with lower incomes. Canadians earning less than \$50K per year spend on average 30% more than people earning more than \$100K (Chart 3), implying a much greater cost relative to incomes. Regionally, the eastern and western most provinces face the highest direct costs, with Ontario and Quebec below the national average (Chart 4).

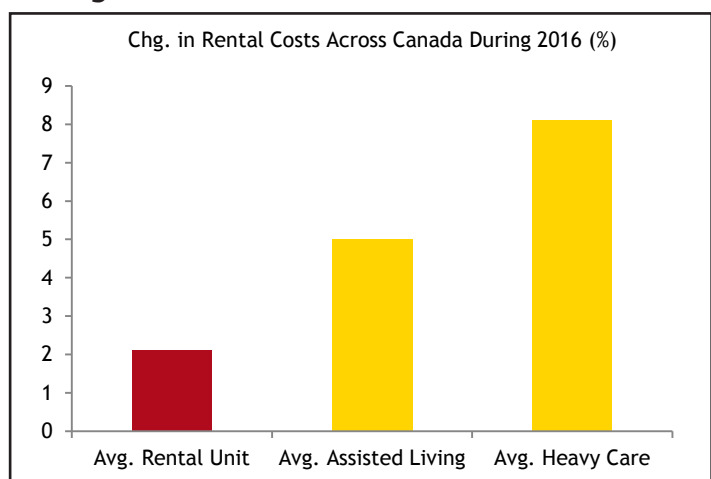
Given the average wage in Canada, that translates into roughly \$27 billion of lost income or foregone vacation time. And, that doesn't even take into account the reduced potential for job mobility or promotion that could be associated with taking that amount of time off from work.

Chart 4
Canadians Living in Coastal Provinces Pay the Most to Support Aging Parents



Source: CIBC Aging Parents Poll

Chart 6
Assisted Living Rental Costs Rising Faster Than Average Rents



Source: CMHC

Again the likelihood of needing to take time off to care for a parent increases as you move down the income scale (Chart 5, left). It's worth noting that there is also a clear gender story here, with women taking 30% more time off than men to care for aging parents (Chart 5, right).

Combining those direct and indirect costs, we are talking about an estimated \$33 billion annually, and that will only

grow over time. In fact, in real dollars, we estimate that costs will mushroom by more than 20% over the next ten years due solely to the changing demographics. Add in the fact that costs associated with the elderly are already rising faster than the pace of inflation because of the high demand for such goods and services (Chart 6), and you can see that this will be a major consideration for a number of Canadians.

Note

(1) Source: CIBC Aging Parents Poll. From March 16th to March 20th 2017 an online survey was conducted among 3,034 randomly selected Canadian adults who are Angus Reid Forum panellists. The margin of error—which measures sampling variability—is +/- 1.7%, 19 times out of 20. The results have been statistically weighted according to education, age, gender and region (and in Quebec, language) Census data to ensure a sample representative of the entire adult population of Canada. Discrepancies in or between totals are due to rounding.

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