

## Recent statistics

### *The Greying of the Population and the Urgency of Succession*

Demographics are often invoked to justify the urgency to act in the context of the succession of management and ownership of a company. It is no secret that the population of Québec and Canada is aging, and the average age of the active population<sup>1</sup> is rising. The conclusion that can be drawn is: a large proportion of business owners will retire within ten years. With they have successors? Will they plan for succession? The answer to these questions must be positive to ensure the continuation of their businesses.

What statistics do we have to support this assertion?

First, we know the population is aging. The decreasing birth rate is one of the causes, and the consequences are numerous and preoccupying. The costs of social programs to support the aging population are rising, and the next generation who will support them is smaller.

In addition, if the capacity to adequately replace the labour force at all levels raises legitimate questions, the situation seems even more critical for replacing business owners. An examination of the following statistics from the Labour Force Survey (LFS) eloquently makes the case.

Table 1 shows that 13.5% of workers are 54 years old or older, which increases to more than 25% when workers aged 50 years or older are included. If the average retirement age were set at 60, more than one quarter of the population would retire within 10 years, and 39% within 15 years (45 and older).

Table 1<sup>2</sup>

| Active Population (Employers and Employees) |          |          |          |          |       |
|---|----------|----------|----------|----------|-------|
| 65 and +                                    | 60 and + | 55 and + | 50 and + | 45 and + | 15-44 |
| ↓   | ↓        | ↓        | ↓        | ↓        | ↓     |
| 1.6%  | 5.4%     | 13.5%    | 25.1%    | 39.1%    | 60.9% |

Table 2 illustrates to what extent the population of employers is older than the population of workers. Clearly, this fact can be explained by the increased responsibilities employers must assume. As such, it is normal that they are older than the average worker. Nevertheless, we can see that 24% of employers are 54 or older, and 40% are 50 or older. Applying the same hypothesis, retirement at the age of 60, to this category of workers, means that more than 40% of the population will retire within 10 years, and 57% within 15 years (45 and older).

<sup>1</sup> The active population is comprised of all active people in the labour market, whether they are employed by a company (employee) or are employers. Normally, statistics for the active population are presented with two important distinctions: employees and employers. Entrepreneurs or business owners are generally treated as employers.

<sup>2</sup> Statistics Canada, data taken from the 2006 Labour Force Survey.

**Table 2<sup>3</sup>**

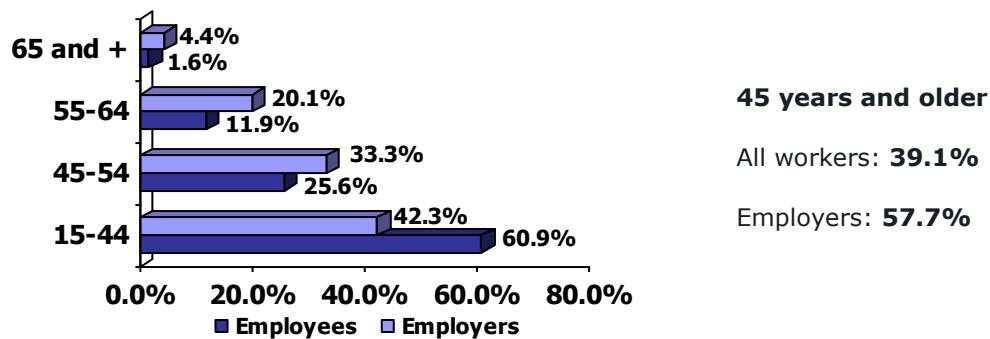
| Employers |          |          |          |          |       |
|-----------|----------|----------|----------|----------|-------|
| 65 and +  | 60 and + | 55 and + | 50 and + | 45 and + | 15-44 |
| ↓         | ↓        | ↓        | ↓        | ↓        | ↓     |
| 4.4%      | 11.9%    | 24.4%    | 40.3%    | 57.7%    | 42.3% |

These statistics are clear: employers continue working longer than workers (12% of employers are 60, compared to 5% for workers). However, a minimum of five years must be allowed to properly prepare for retirement. We can easily conclude that:

1. A large portion of employers must start succession planning for their companies now;
2. Employers will retire in large number in the next 10 to 15 years.

The following graph clearly summarizes the situation<sup>4</sup>.

### Age of Active Population - 2006



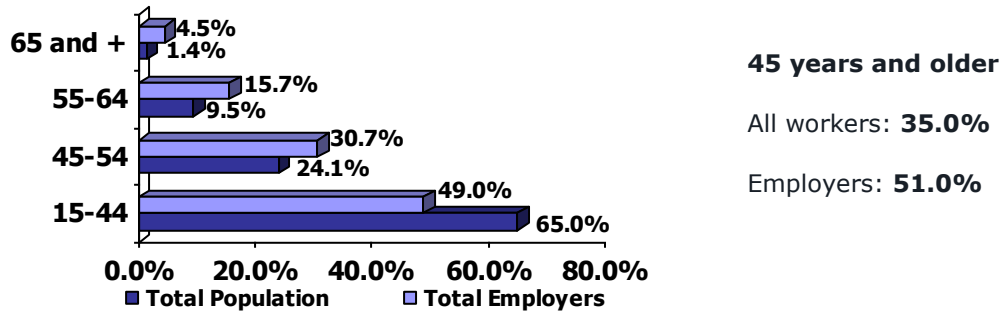
Even though the data of the 2001 census may not be directly comparable to the data gathered in the LFS<sup>5</sup>, the census data leads to the same conclusions.

<sup>3</sup> Idem, note 2.

<sup>4</sup> Idem, note 2.

<sup>5</sup> While the sample was not identical in the two studies, the data comparison still presents strong trends.

### Age of Active Population - 2001



The demographic statistics do not lie. Succession for the leaders of Quebec companies, in terms of both management and ownership, is a subject that can no longer be ignored if the continuation and growth of these companies are to be ensured.