

2.5

Ontario

Al Lauzon, Norman Ragetlie, Wayne Caldwell, and David Douglas

Introduction

The concept of rural is complex and has multiple meanings, depending upon the context in which it is used. Rural and remote Ontario is complex and diverse, with differing “rurals” facing their own unique set of opportunities and challenges. Ontario communities can be characterized by five types of rural regions/communities: urban fringe communities, agriculture communities, cottage country communities, the mining and mill towns of northern Ontario, and Aboriginal communities. Each of these regions/communities has their own socio-economic trajectory and are characterized by diverse cultural milieus and varying degrees of dependence on the performance of key economic sectors. Hence to make broad generalizations about the state of rural Ontario is problematic. This raises the challenge that is presented in Chapter 1 of this report where the idea of developing a ‘one size fits all’ rural policy is questioned. Rural, in many ways, is synonymous with diversity. Within non-metro Ontario there are 393 communities, 52 that have less than 100 residents and 288 with between 1,000 and 24,999 residents; the smaller the community the greater the challenges of providing services and maintain infrastructure for those citizens.



Rural Ontario Population: An Overview of Changes and Continuities*

For the purpose of this chapter we will focus on non-metro census divisions (CD) within Ontario. These census divisions and few jurisdictions outside the urban commuting zones in the partially non-metro census divisions account for 2.6 million Ontarians or 20% of the province's population. Of this population 1.4 million live in areas under 10,000 in population and 1.1 million live in smaller cities under 100,000 but over 10,000. Despite Ontario having the lowest percentage of rural residents in Canada, it does have more rural residents than other provinces.

Overall, non-metro Ontario has experienced continuous growth in each five year period since 1986. However, that growth has slowed. For example, between 1986 and 1991 non-metro Ontario grew by 8.8% whereas between 2006 and 2011 growth has only been 0.5%. This is partially a function of a reclassification of some CDs. There were fewer Ontarians residing in non-metro CDs in 2012 than in 1996 because several large towns became urban as a result. The Ontario Ministry of Finance¹ in looking at future population projections for non-metro CDs up to 2015 project a decline of youth (0-19 years of age) in all non-metro CDs, a decline of young adults (20-44 years of age) in over half of the non-metro CDs, increases in most non-metro CDs for middle aged adults (45-64 years of age) and projected growth in all non-metro CDs for those over the age of 64.

One way of compensating for declining populations, particularly working age populations, is by attracting and retaining immigrants. However, non-metro CDs in Ontario have not been very successful and in 2013 only 1,601 of 105,818 Ontario immigrants settled in non-metro CDs. Clearly if non-metro Ontario is to maintain their working-age population then they must find a way of attracting and retaining immigrants to their communities, retaining their youth, or otherwise attracting young adults to their communities. Many non-metro CDs outside the urbanizing fringe are seeing older people graduate out of the usual working age range than younger workers entering it. In these situations low unemployment rates are not necessarily an indicator of a growing

number of jobs available in the local economy, but of less people available/looking for them. In that context succession planning of existing business and finding skilled workers becomes more of an economic development priority.

Aboriginal Population

The Aboriginal population in Canada is growing faster than the rest of the Canadian population because of higher birth rates. Given this growth, and that Ontario has the highest number of Aboriginal people in Canada—301,450 in 2011 (followed by BC with 232,400), they offer a potentially important human resource. Furthermore, 117,680 Aboriginal peoples lived in non-metro CDs and 3 non-metro CDs have more than 20% of their population with an Aboriginal identity while 10 CDs have more than 6% of their population with an Aboriginal identity. Given the growth in this population an increasing number of workforce entrants will be Aboriginal, particularly in the northern part of the province. The development of skills and levels of education that satisfy the aspirations of the Aboriginal identity population is an investment that could have a significant impact in regions with otherwise problematic labour force development situations.

Economic Opportunities and Challenges in Rural Ontario

Much of the mainstay of the contemporary rural Ontario economy has been the manufacturing sector. However there has been a precipitous drop in the number of jobs in that sector over the last number of years. Rubin² has attributed much of this decline to a federal preoccupation with aspirations to become an "energy superpower." As a result of the emphasis on the energy sector, particularly the development of the oil sands in Alberta, Canadian currency increased in value eventually reaching parity with the United States currency. According to Rubin, this had disastrous results for the manufacturing economies of Ontario and Québec (e.g., manufacturing declined 5% between 2004-2010)². Despite the job decline in the manufacturing sector, non-metro CDs have maintained their share of manufacturing jobs relative to metro CDs with a high of 21.7% of manufacturing jobs in Ontario in June 2012 to a low of 19.7% in

* The statistics reported in this section and the following sections come from the Ontario Rural Institute's Focus on Rural Fact Sheets for 2013 and 2014 unless otherwise noted. It should be noted that Dr. Ray Bollman was instrumental in developing these fact sheets.

mid-2001. Others have argued that Ontario has suffered a decline in the manufacturing sector as companies move production facilities off-shore to take advantage of lower wages and weaker environmental regulations. Armstrong³ reports that despite the optimism for the manufacturing sector with the decline of the Canadian dollar, there has not been the anticipated growth; he argues that many of the manufacturing firms simply left Ontario in the wake of the 2008 financial crisis. A recent Mowat Centre⁴ report on manufacturing in Ontario has argued that there has also been a significant decline in the Ontario manufacturing sector as measured by a decline in its proportion of Ontario's GDP, declining in Ontario from 21.7% in 2002 to 12.7% in 2014. It is further argued that the sector is at a crossroads and that a prudent strategy would be to focus on the high end of the global value chain (GVC) (i.e., automotive, chemicals, computer and electronics) and not worry or invest in the lower end of the GVC (i.e., leather, textiles, wood production etc.). It is further argued that Ontario, Canada, and developed economies in general, cannot compete with emerging and developing economies on the lower end of the GVC. But even the higher end of the GVC is not necessarily safe. As the geographical centre of the auto industry moves south it raises question of the potential health of the automotive sector⁵. The Mowat Centre report concludes that while manufacturing is likely to remain an important part of the Ontario economy it is not likely to return to the historic number of jobs or GDP in the near future. This has and will continue to affect rural Ontario, especially southern Ontario.

While we have seen a significant decline in the manufacturing sector in southern Ontario, the development of the mineral sector in northern Ontario in general, is enjoying a recovery from the recession of 2008/2009. For example, in 2014 Ontario mineral production values reached \$11 billion and Ontario accounted for almost 25% of the total share of Canadian mineral production. Despite the downturn in mineral revenues following the recession of 2008/2009, both revenues and employment opportunities continue to grow and employ approximately 256,000 people in the mineral cluster. A related development is the Ring of Fire in northern Ontario where it has been argued to hold great economic potential for the province⁶. As Allan O'Dette, president and CEO of the Ontario Chamber of Commerce recently wrote, "This globally significant mineral deposit in Ontario's Far North is one of the provinces greatest economic development opportunities in a generation"⁷. To date, however, the results have been disappointing

as they encountered numerous obstacles such as an infrastructure deficit given their remote location and negotiations with Ontario's First Nations. At this point, there is little optimism around the Ring of Fire's development. Despite the absence of optimism for what was once a promising development⁸, the Conference Board of Canada⁹ did note that metal and non-metallic output in Canada is expected to grow by 91% between 2011 and 2020. This bodes well for this sector in Ontario.

The forestry sector also makes a significant contribution to the economic wellbeing of Ontario. Revenue from sales in 2012 was \$11.5 billion with \$6.6 from pulp and paper, \$3.1 billion from sawmills, engineered wood and other wood product, and \$1.8 furniture/kitchen cabinet making. Furthermore, the Ontario government reports that in 2012 the industry employed 55,600 people directly and 170,000 people indirectly. While the sector has faced significant challenges in the past, the rebounding housing market in the United States in conjunction with an increasing global demand for pulp is supporting increased demand and higher prices¹⁰. It is also speculated that there are emerging opportunities to create and manufacture value-added products (e.g., rayon fibre made from pulp). However, it is still unknown what the impact of climate change will be on Ontario's forests or the sector. Despite the positive outlook on forestry and the mining sectors, they currently constitute only 2% of the non-metro CD jobs.

Within Ontario's agricultural sector there are different and somewhat contradictory indicators. While the number of farms in Ontario dropped from 59,728 in 2001 to 51,950 in 2011 total farm cash receipts grew by nearly 3 billion dollars over the same period to more than 11.1 billion dollars in 2011. While changing, the Ontario agricultural industry remains the most diverse and productive in Canada. The province includes more than half of all of Canada's class one farmland and the two best agroclimatic zones. Ranking 4th in total area of farmland by province, Ontario does have the most farms in the country (with more than 25% of all farms in Canada). The trend to larger and more productive farms, however, does present certain challenges for rural communities. While the agri-business sector remains strong, the overall consolidation in agriculture has contributed to declining farm numbers, which in turn has contributed to rural depopulation in some areas. Agricultural intensification has also contributed to a number of issues ranging from water contamination to concerns over odours to conflict within the countryside.

Moving into the future the agricultural sector is likely to remain a focus of attention. While some communities benefit from the current approach to agricultural production, there are renewed opportunities connected to a more local approach to agriculture reflecting the local food movement and organic agriculture (e.g., in Ontario the province has adopted the Local Food Act at the same time as there has been growth in farmers markets and Community Supported Agriculture (CSA)). In the future, some communities will be able to harness these opportunities as an economic strength, while other will see a decline in agricultural capacity.

The fourth sector we wish to address is the Ontario public sector, particularly the health and social assistance sector as it is the second largest employer in Ontario rural regions/communities. Given the fiscal deficit in Ontario there is a need to reduce the costs of services, especially in healthcare that accounts for over 40% of the provincial budget. As the provincial government looks for ways to reduce costs in this sector we are likely to see a rationalization of services and this may lead to a decline in the number of jobs in in this sector; this sector accounts for 14% of non-metro employment.

The final dimension is the creative rural economy and how it might enhance the wellbeing and quality of life of rural people in Ontario. The creative economy essentially argues that creativity is an inherent part of economic life and that economic and cultural development are not separate, but part of a larger process of development. In this context it is ideas, creativity, and innovation that drive the economy. Much of the discourse has been urban-centric and arguments have been made that rural communities do not lend themselves to the development of creative economies¹¹. While there may be special challenges, rural communities can “grow” creative economies (i.e., Prince Edward County), however, the “jury” is still out on its effectiveness as a rural economic development strategy.

Overall, jobs declined in non-metro CDs from October 2012 to June 2013. Furthermore, the actual decline is larger than the 2001 recession and is approaching the depth of decline of the 2009-2010 recession whereas metro CDs continue to grow; the only exception to this was the recession of 2009-2010.





Discussion and Conclusions

What does the future look like for rural and remote Ontario? In many ways, given the differing types of rural Ontario and the variance among them in terms of historical development trajectories, at first glance there appears to be little that can be concluded in general other than that local collaboration and leadership does make a difference in how a regional economy responds to shifts in commodity prices and changes in sectoral competitiveness. Differing regions/communities have had differing degrees of success, some thriving (i.e., Haliburton), while others continue to struggle with population loss (i.e., Renfrew). As noted in Chapter 1, there is a shift in policy development with a greater focus on place-based development whereby policy is created that allow communities to respond to economic opportunities and challenges by capitalizing on local and regional assets. This raises the issue of capacity and how the necessary capacity for collaboration and cooperation is developed? This poses a challenge to governments at all levels. In this chapter we have highlighted a number of economic opportunities/challenges: the manufacturing sector, the mineral and forestry sectors, agriculture and the development of the creative rural economy. In

addition, we highlighted the public sector with a focus on the health and social assistance sector. Economic development will vary dependent upon geography, historical socio-economic development trajectory and having the right skills and knowledge sets available in the local and regional population. In addition, each of these opportunities/challenges is characterized by the necessity of labour force development. Rural Ontario, as has all of rural Canada, experienced and continues to experience a human capital deficit as measured by educational levels when compared to urban Ontario and Canada. The issue of human capital is exacerbated by the changing demographic profile of rural Ontario. The economic opportunities/challenges identified in this chapter means having an adequate supply of an appropriately educated labour force if communities and regions are to capitalize on these opportunities. Given the dearth of training opportunities in rural and remote regions relative to urban Ontario, this will be a challenge. A labour force development strategy for rural and remote Ontario must take a multi-pronged approach and look for ways to address the following questions:

- How do we retain youth in rural and remote areas and provide opportunities to develop the appropriate skills and knowledge to participate in the regional economy?

- How do we attract working age adults with the appropriate skills and knowledge to rural and remote Ontario?
- How do we attract and retain immigrants with the necessary skills and knowledge to rural and remote Ontario?
- How do we develop the necessary educational opportunities and supports to ensure that Ontario's Aboriginal people have the opportunities to develop the necessary skills and knowledge to participate and succeed in emergent economic opportunities (this is especially important in the northern parts of the province)?

While we would often consider the development of appropriate skills and knowledge to be, at least partially, the responsibility of the private sector, workforce training in Canada is low relative to other developed economies; for example, Lauzon¹² reports that 30% of Canadians will participate in workforce training, whereas in the United States it is 45%. In Ontario that drops to 25%. Furthermore, it is the more highly educated who benefit from workforce training with 50% of those with a university education participating in workforce training and only 18% of those with a high school education or less participating. We can conclude from this given the deficit of human capital in rural areas of the province, rural people are less likely to participate in workplace training. There is a need for the federal and provincial governments to support the development of human capital in rural and remote Ontario either through the provision of resources to expand educational opportunities, and/or to provide incentives for industry to fulfill their responsibility in developing the labour force they require. Knowledge and skill development is required for rural Ontarians whether we are talking about developing the higher end of the GVC of the manufacturing sector, developing the mining and forestry sectors, or the development of the creative rural economy.

One of the challenges facing rural and remote Ontario is service provision. As the federal and provincial governments address the challenges of fiscal deficits, there are fewer dollars to provide services. Increasingly rationalization of government services to larger centres, driven predominately by shorter term fiscal decisions, is often leaving rural and remote communities at a disadvantage and increasingly there is an expectation that these communities/regions will provide the necessary supports for service provisions. This is proving challenging for many rural and remote communities and regions as they see their tax base decline, their

only major source of revenue. Clearly if there are greater expectations by the federal and provincial governments that regions and communities are responsible for delivering services etc., then the way taxes are shared need to be addressed to ensure that rural regions/communities have the necessary resources to deliver services to their citizens. It is no wonder that the intergovernmental transfers between levels of government are a constant item agenda for Ontario and national municipal associations. Place-based development informs us that it is the services and amenities within rural and remote Ontario that will make it an attractive place to invest in and live.

The future of rural and remote Ontario is uncertain. It is changing and transforming, and as always during periods of change and transformation, there are likely to be winners and losers. Creativity and innovation will be required along with an increasing emphasis on diversifying the rural Ontario economy at regional and local levels. A collaborative approach and strategic investments among and by the federal, provincial, regional and municipal governments will go a long way to ensuring a vibrant rural and remote Ontario, a place where people will want to live, gain livelihoods and invest.

References

1. Ontario Ministry of Finance (2014a). Ontario's long-term report on the economy. <http://www.fin.gov.on.ca/en/economy/ltr/2014/ltr2014.pdf> (accessed July 2, 2015).
2. Rubin, J. (2015). The carbon bubble: What happens to us when it bursts. Random House Canada, Toronto, Ontario.
3. Armstrong, P. (2015). Why southwestern Ontario's manufacturing rebound is missing in action. CBC News, Posted Feb. 16, 2015. (<http://www.cbc.ca/news/business/why-southwestern-ontario-s-manufacturing-rebound-is-missing-in-action-1.2956488> accessed July 3, 2015).
4. Mowat Centre (2014). Ontario made: Rethinking manufacturing in the 21st century (Summary report). School of Public Policy and Governance, University of Toronto. http://mowatcentre.ca/wp-content/uploads/publications/83_ontario_made_summary.pdf (accessed June 2, 2015).
5. Keenan, G (2015). Mexico to grow role in vehicle design. The Globe and Mail. <http://www.theglobeandmail.com/report-on-business/mexico-to-grow-role-in-vehicle-design-and-development/article24783710/> (accessed July 2, 2015).
6. Ontario Ministry of Finance (2015). Ontario Mineral Production Highlights: 2014. http://www.oma.on.ca/en/resourcesGeneral/Ontario_Production_Factsheet_2015.pdf (accessed June 25, 2015).
7. Ontario Chamber of Commerce (2014). Beneath the surface: Uncovering the economic potential of Ontario's Ring of Fire. http://www.occ.ca/Publications/Beneath_the_Surface_web.pdf (accessed June 26, 2015)
8. Curry, B. and Marotte, B. (2014). Ring of fire is 'beyond the point of no return' mining company says. The Globe and Mail, November 20, <http://license.icopyright.net/user/viewFreeuse.act?fuid=Mtk2MTg0Mjl%3D> (accessed June 3, 2015).
9. Conference Board of Canada (2013).The Future of Mining in Canada's North. http://www.canada2030.ca/wp-content/uploads/2013/08/Future-of-mining-in-Canadas-north_cfn.pdf
10. Ontario Ministry of Finance, (2014b). Forestry Facts Ontario. <http://www.ontario.ca/environment-and-energy/forestry-facts> (accessed June 25, 2015).
11. Brock, D. (2009) Rural and remote Canada: Far out. Policy Options, October, 68-72.
12. Lauzon, A (2015). Innovative partnerships for regional economic development: Ontario's Colleges of Applied Arts and Technology in collaboration with rural small and medium enterprises. A report prepared for the OMAFRA Agricultural and Rural Policy Research Program.

