

Niagara's Changing ECONOMIC STRUCTURE

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Niagara Community Observatory



**NIAGARA
WORKFORCE
PLANNING BOARD**

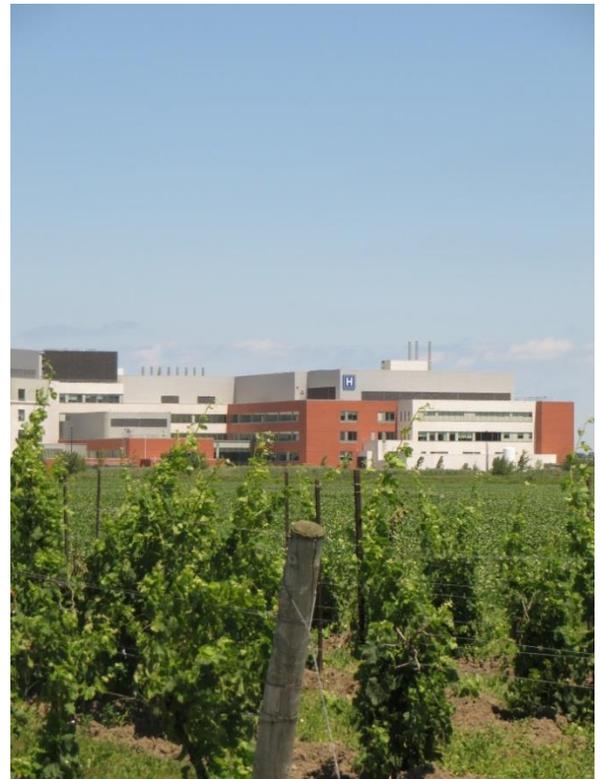
The Niagara Workforce Planning Board and the Niagara Community Observatory partnered in 2010 to create a series of briefs on the region's economy. Our latest brief is an update of that series. It finds the trends of five years ago continue where the number of manufacturing jobs declines while the nature of employment in Niagara is shifting from a small number of large companies to a larger number of small and medium-sized enterprises (SMEs).

The decline of the manufacturing sector in the Niagara region is a trend that has been ongoing for approximately the past 18 years.¹ Niagara is becoming less and less of a manufacturing-focused region.

Policy-makers should understand, however, that the changes in Niagara's local economy are not necessarily unique. Changes are often representative of larger trends that need to be addressed at the provincial, national and international levels. Therefore, the purpose of this brief is not to analyze why this is happening, but to provide the best information to local policy-makers engaging in those conversations.

The manufacturing employment trend in Niagara mirrors what is happening across North America. Niagara has lost 21.2 per cent of its manufacturing jobs in the past 10 years while Canada has lost 25.5 per cent and Ontario 32.3 per cent (Statistics Canada). During this same time frame, Niagara has seen a steady gain in jobs in construction as well as in the service-producing sector. These service-sector gains are found in health care and social assistance, food services and accommodation; and public administration.

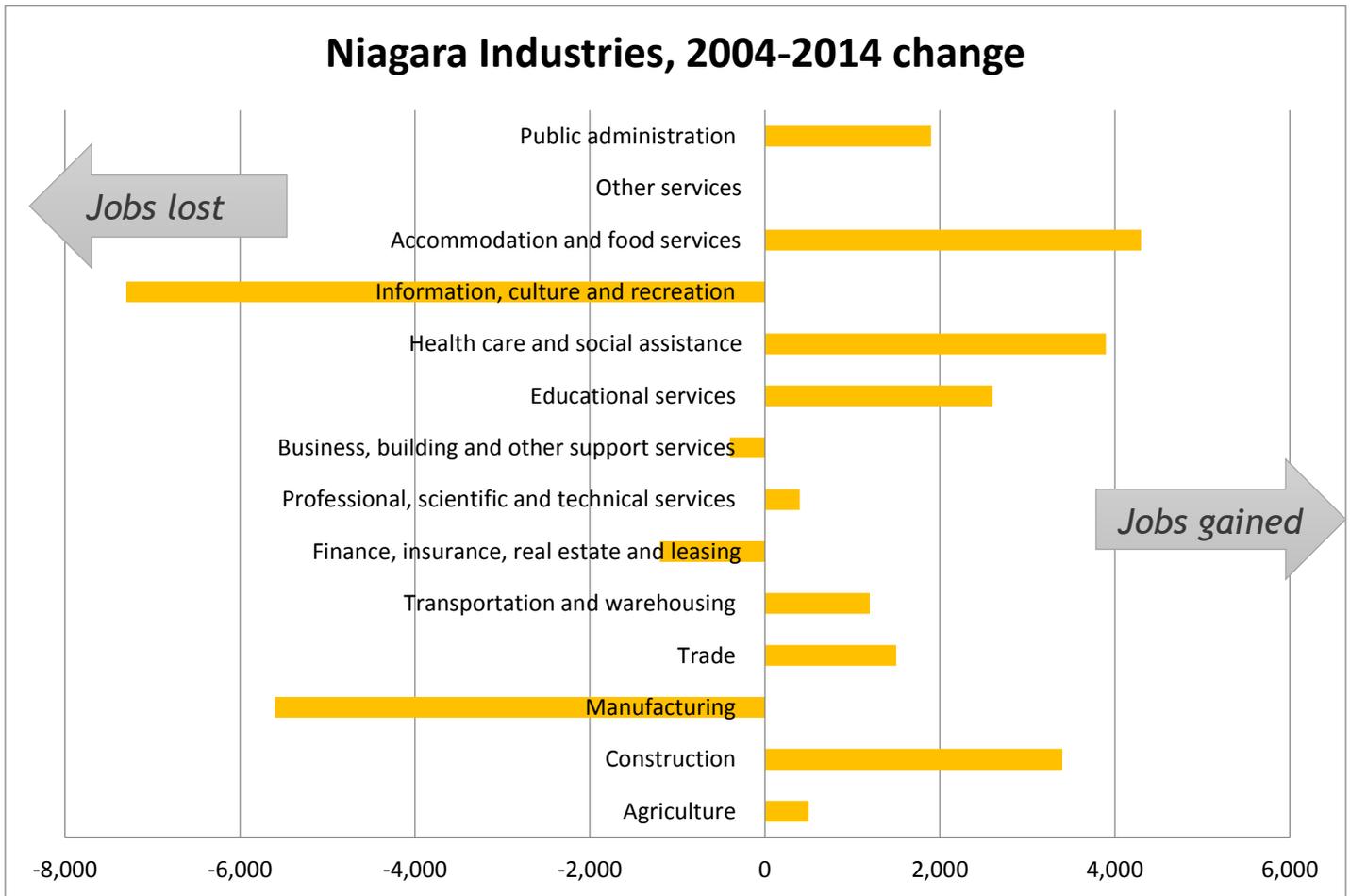
This brief delineates between the pre-recession period of 2004-2009 and the post-recession period of 2009-2014 as several industries declined leading up to the recession of 2008-09 and have since rebounded - though not necessarily to the same level they were 10 years ago. For example, the finance/insurance/real estate/leasing sector peaked in 2004 with 11,300 jobs and was trending downwards heading into the recession with a low of 7,700 in 2007. Since then it has been climbing and currently employs 10,100 - an improvement, but still short of its 2004 numbers.



¹ 33,600 manufacturing jobs in 1996 compared to 20,800 in 2014.

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Figure 1: Illustrates the changes in the numbers of jobs in various sectors in the years 2004 to 2014



Currently, the three largest employment sectors for Niagara are trade (including retail and wholesale), health care/social assistance, and food services/accommodation - in that order.

Niagara's Largest Employment Sectors 2014

1. Trade 16.1 per cent (31,100 jobs)
2. Health Care/Social Assistance 12.1 per cent (23,300 jobs)
3. Accommodation/Food Services 11.9 per cent (23,000 jobs)
4. Manufacturing 10.8 per cent (20,800 jobs)

That's a change from 10 years ago when manufacturing was the second-largest employment sector in Niagara behind trade, representing at that time 26,400 jobs.

By 2010 the manufacturing sector was producing 21,500 jobs, dropping it to the fourth-largest employment sector. In 2014, the manufacturing sector employed 20,800 people, maintaining its spot as Niagara's fourth-largest employment sector.

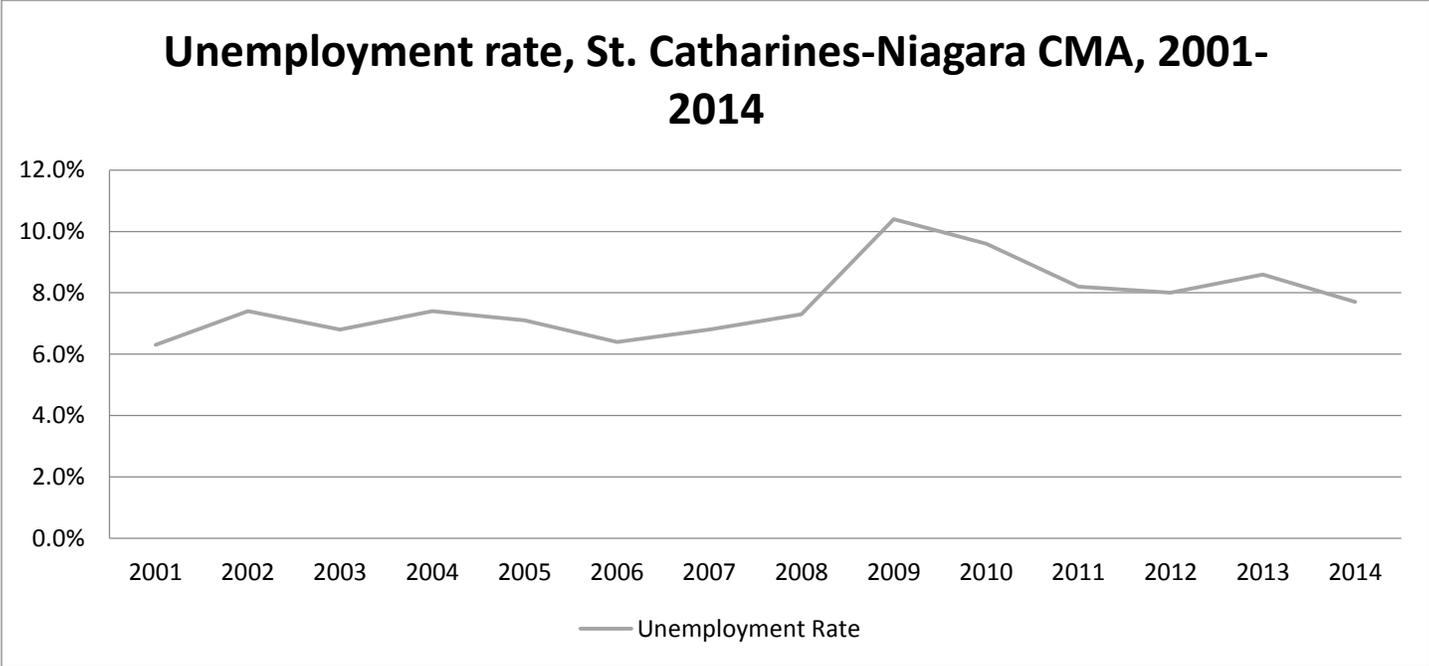


Figure 2: Top 3 sectors for job gains in Niagara versus job losses, 2004-2014

Niagara has seen the most employment gains in the accommodation and food services sector (our numbers do not differentiate between full-time and part-time employment). This sector has fluctuated in the region over the past 10 years, but has been trending upwards over the 10-year window. Health care/social assistance saw most of its gains before 2009, reaching its apex in 2012 with 25,400 jobs (there was a slight decline of 700

jobs in 2010). The following year the sector lost 3,900 jobs, falling to 21,500 but rebounded in 2014 to 23,300. The drop in 2013 was likely the result of hospitals being closed and the consolidation of the Niagara Health System. Explaining the drop in employment numbers in the information/culture/recreation sector is a point for further research.

EMPLOYMENT & UNEMPLOYMENT NUMBERS



CMA Jobs (x1,000)	2004	2009	2014
Kingston	73.4	79.2	81.4
Kitchener-Cambridge-Waterloo	240.5	250.7	283.1
London	247.9	238.8	243
Oshawa	172.7	175.1	201.4
St. Catharines-Niagara	189.9	186.3	195.4
Windsor	163.3	146.4	155.2

CMA Employment Rates (%)	2004	2009	2014
Kingston	59.1	61.1	59.3
Kitchener-Cambridge-Waterloo	66.3	64.2	67.8
London	65.8	60.1	58.1
Oshawa	66.8	60.9	63.7
St. Catharines-Niagara	58.1	55.8	57.1
Windsor	61.3	54.8	55.9

In terms of the unemployment rate and the employment rate², the Niagara area fared fairly well compared to similarly sized municipalities in Ontario. In the five years leading up to the recession period Niagara lost only 1.9 per cent of its jobs (3,600). In comparison, Windsor lost 10.4 per cent of its jobs (16,900) and London lost 3.7 per cent (9,100).

As bad as the recession was for this region, Niagara wasn't hit quite as hard as some of the other regions, possibly due to Niagara's lessening dependence on the manufacturing (and auto) sectors. Niagara's economic diversity (agriculture, tourism, health care and education) may have helped somewhat stabilize the economy during this period.

In the post-recession period, Windsor gained 8,800 jobs and London gained 4,200 jobs, but not enough to offset what was lost. Niagara gained 9,100 jobs, making up for its losses (the 2014 employment rate is lower than the 2004 rate due to a growth in population that outpaced a growth in jobs). This is the good news side of things. Post-recession, Niagara saw its biggest gains in accommodation/food services (3,600 jobs), retail/wholesale trade (2,400 jobs) and construction (2,300 jobs).

However, during this 10-year time period, Niagara did see a trend toward a slight decrease in the ratio of full-time jobs to part-time jobs. In 2004, full-time workers made up 78.2 per cent of the total workforce in Niagara. By 2014, that had fallen slightly to 76.3 per cent of the total workforce.

² The employment rate is the number of employed persons as a percentage of the entire population age 15 years and older whether or not they have opted out of the workforce while the unemployment rate is the number of unemployed as a percentage of the labour force, employed and unemployed.

SIZE OF BUSINESS IN NIAGARA

Niagara has seen a steady decline in employers of more than 200 people since the recession. Generally, the largest employers that continue to thrive (e.g. 500 or more employees) are public-sector institutions like Brock University and the Niagara Health System. However, private-sector employers such as Algoma Central Corporation and Fallsview Casino/Casino Niagara are also included in this category.

Meanwhile, owner-operated businesses and micro-businesses have been growing. In 2013, for the first time, the number of owner-operated businesses in Niagara was greater than the sum of all other-sized businesses in the area.

At present, 21.7 per cent of owner-operated businesses are involved in the goods-producing sector in Niagara, compared to 19.7 per cent at the provincial level. Niagara's three largest owner-operated industries in the goods-producing sector are in specialty trade contractors, construction of buildings, and crop production. This is consistent with what we see in Ontario.



Business Size in Niagara	2009	2013	% change
Owner-Operated³	11,994	13,195	10.0%
1-4	5,895	6,204	5.2%
5-9	2,907	2,787	-4.1%
10-19	1,662	1,713	3.1%
20-49	1,113	1,213	9.0%
50-99	410	376	-8.3%
100-199	168	181	7.7%
200-499	79	72	-8.9%
500 +	22	17	-22.7%

³ In 2014, Statistics Canada changed the methodology it uses to measure the number of businesses in a region. This change had the effect of including more owner-operated and family-run businesses in the location count. The December 2014 count numbered 23,394 owner-operated and family-run firms.

WHERE DOES NIAGARA GO FROM HERE?

This brief highlights some important points to keep in mind moving forward:

1. If past trends hold, Niagara's future economy is much more likely to see continued growth in smaller employers than it is to benefit from one or two larger employers creating an economic boon.
2. With that in mind, the policy focus should initially be on retaining the businesses that are currently in Niagara, no matter the size. Of prime importance in future research is identifying what policies we have that will allow us to retain current employers. As well, we must identify what policies may be posing a challenge. These policies will range from local jurisdiction through to the provincial and federal levels. Barriers to growth need to be identified, and it must be kept in mind that there are likely different barriers for different industries.



3. A healthy economy has a mix of business sizes. It is important to acknowledge that the numbers show small employers (less than 100 employees) are the backbone of the Niagara economy and their concerns need to be recognized as much as the larger employers. Small businesses based locally can still operate globally.

4. The numbers show a dramatic loss of jobs in the information, culture and recreation sector. We don't know why this has happened and this should be a focus of future research. Specifically, certain questions need to be answered: Who was working in these sectors? Where did they go? Where were they located? Was one municipality hit more prominently than others?

5. Future research might also be helpful in identifying the characteristics of those manufacturing firms that have reduced employment or ceased operations. This information may help gain insight as to whether or not local policy decision-making could change those outcomes.

As stated earlier, the purpose of this brief is not to suggest policy changes but simply to illustrate what is happening in the Niagara economy at this point in time and identify any trends. It is hoped that this information can be used going forward as part of a roadmap towards building a diversified and vibrant Niagara economy.



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Brock University's Niagara Community Observatory is a research office focussing on local public policy issues that affect the Niagara area.

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