

Niagara Community Observatory

FILLING THE VOID: Economic Development in Post-Industrial Niagara

The Niagara region, once home to a strong and diverse manufacturing-driven economy, is in the midst of economic restructuring as many of its flagship firms have closed or relocated. Where a strong goods-producing economy once flourished, characterized by large firms with high wages for low-skilled work, a precarious service-driven economy has taken its place. The same story has played out across many leading economies, as low-skilled production of goods has shifted to developing countries for reasons of lower production costs resulting from cheap labour, lower corporate taxes, and lax environmental laws. This narrative is far from unique to Niagara, as many economies that were once driven by manufacturing are forced to re-evaluate and re-imagine their structure. However, Niagara need not be like other post-industrial economies. The region is host to a wealth of historical, cultural, geographical, and human capital assets that may situate its economic restructuring better than similar regions. Niagara's history, combined with its diverse arts and winemaking culture, as well as geographical landmarks like Niagara Falls, make it an attractive location for tourism. Its location as a border community situated between the GTA and New York state, positions the region to attract business investment due to its proximity to some of the major markets in Ontario and New York and access via highway systems, rail, and shipping (Welland Canal and the Great Lakes St. Lawrence Seaway System). The existence of these assets alone is not enough to strengthen the economy which is changing for reasons beyond the control of local policy-makers. To transform Niagara's post-industrial economy, a shared strategic vision and collaboration between not only the municipalities and the regional government, but stakeholders from the private sector, not-for-profit organizations, and academic institutions is vital.

Purpose

The general trend of economic downturn and major social challenges for many once prosperous cities and regions over the past few decades is now common knowledge. It is also generally acknowledged that smaller and mid-sized regions like Niagara, with a historical reliance on mass manufacturing industries, have borne the brunt of this crisis. What we intend to illustrate in this policy brief, however, is a more nuanced picture of the exact nature of this transition in Niagara. The purpose of this brief is to provide a quantitative portrait of trends in the major private-sector drivers of Niagara's economy to understand how a decline in the strength of the manufacturing

sector has affected the quality of employment in Niagara. Additionally, we must consider how the region can position itself to meet the economic demands and challenges of the 21st century. Our research question is thus: How can policymakers best reinvent the regional economy in light of current and ongoing challenges to the manufacturing sector to provide a comparable quality of life for workers in industries that have replaced it?

Historical Industrial Trends

As recently as 2001, manufacturing was the largest private-sector industry in Niagara. Shrinking employ-

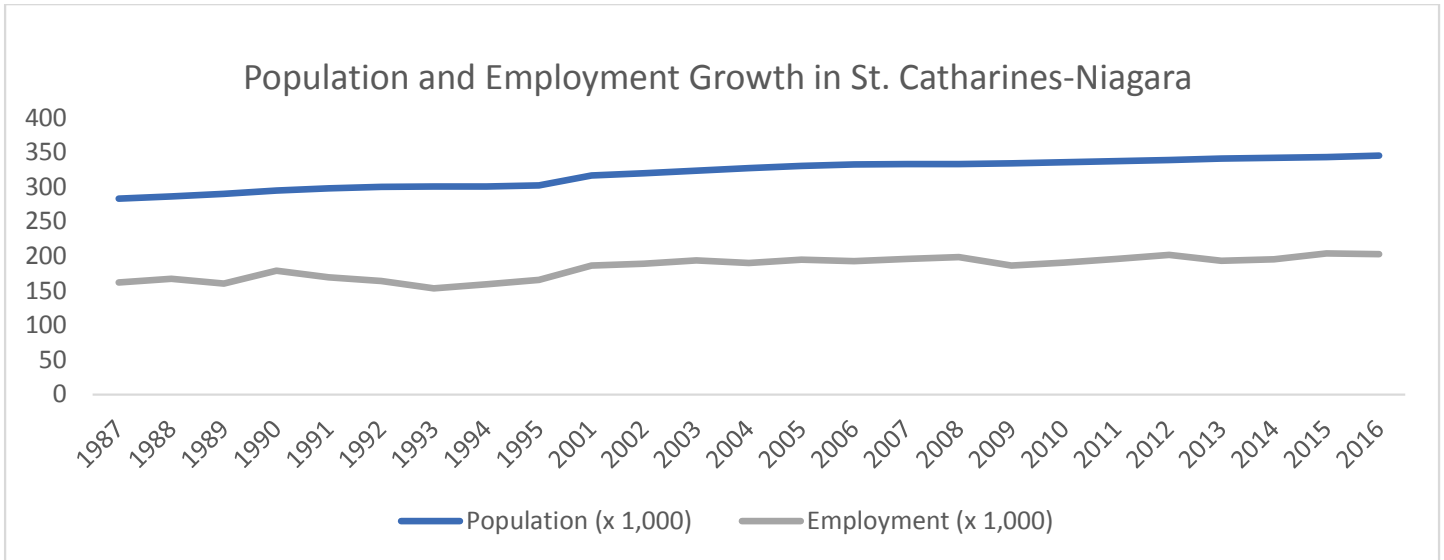
It is worth noting that the aim of this brief is to provide a historical portrait of trends in the major private-sector drivers of Niagara's economy. The data does not capture current trends covering the past two years (2016 - 2018). Our intention is to conduct a second iteration of this research in the near future looking specifically at current economic trends in the region. For instance, there are indications of upswings in Niagara's manufacturing sector, and our plan is to closely explore these current trends and analyze their implications for the quality of employment in the region.

Sean Calcott is a recent master's graduate in the Dept. of Political Science at Brock University. Charles Conteh is an associate professor, political science, at Brock, and director of the NCO.

ment numbers in this sector are not merely a consequence of temporary shocks such as the global financial crisis or the recession in the early 1990s. Rather, this decline is a decades-long process of industrial relocation whose effects have become most pro-

nounced in Niagara over the last 15 years. Despite these economic shocks, total employment in Niagara has been stable, and has largely kept pace with population growth, as depicted in Figure 1.

Figure 1

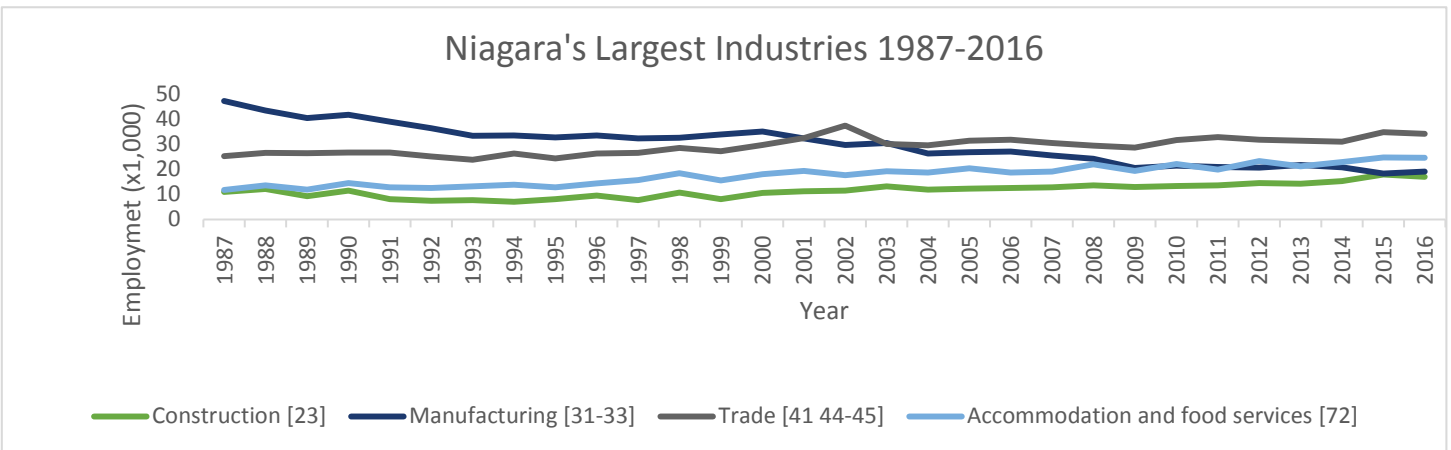


Statistics Canada: Tables 282-0053, 282-0129

While Niagara is not necessarily at a loss for jobs, the quality of these jobs has diminished when we consider the nature of work that has filled the void left by the manufacturing sector.¹ What has occurred is a shift from a goods-producing economy to one that relies heavily on retail (seen in trade numbers) and service provision. In 1987, manufacturers in Niagara employed more than 47,000 people – some 20,000 more people

than the next closest sector, trade. By 2002, wholesale and retail trade had overtaken manufacturing as the largest private-sector industry in the region in terms of employment, where it remains to this day.² Manufacturing is now the third-largest sector in Niagara’s economy (accommodation and food services is second).³

Figure 2



¹Manufacturing includes heavy industrial manufacturing, as well as firms that produce other goods such as textiles, clothing, electronics, and food.

²Wholesale trade includes merchants of durable and non-durable goods. Retail trade refers to firms whose primary purpose is to sell goods to the public.

³Accommodation and food services refers to any business that operates primarily as a hotel, resort, bar, restaurant, or similar.

Based on current trends, construction⁴ also appears poised to overtake manufacturing in the near future.

Table 1 depicts the change in size of these four major sectors over the period 1987-2016. Each of these industries, save for manufacturing, has increased in size over the past 20 years. The significant decline in manufacturing employment since the late 1980s is

not itself a problem. As has been shown, other major industries have grown to fill the void. Rather, what is at issue is that employment in these other sectors does not provide the same high wages, job permanence, and overall quality of employment that was common in the era of strong manufacturing.

Employment in Niagara's Largest Industries (x1,000)

Table 1

Industry	1987	2002	2016	% change 1987-2016
Construction [23]	11	11.5	17.1	55.5
Manufacturing [31-33]	47.3	29.7	19.1	-59.6
Trade [41 44-45]	25.3	37.5	34.2	35.2
Accommodation and food services [72]	11.8	17.7	24.6	108.5

Statistics Canada: Table 282-0057

Table 2 shows the average hourly wages for employees in Niagara's four largest industries, based on national averages. The two largest industries today pay significantly less than the manufacturing sector. Construction, which has grown steadily in Niagara over the last 15 years, pays more on average than manufacturing.

When looking at differences in the rates of pay, the dispersion of wages indicates that in Niagara's strongest sectors most workers are not taking home enough money to replicate the quality of employment once afforded to manufacturing employees. Table 3 shows the number of employees (x1,000) at four different wage levels from 1997 and 2016, once again based on national averages.

Average Hourly Wages (Canada)

Table 2

Industry	1997	2016
Construction [23]	16.54	28.49
Manufacturing [31-33]	16.34	25.29
Wholesale and retail trade [41 44-45]	11.98	19.65
Accommodation and food services [72]	8.88	14.38

⁴Construction includes firms that work on heavy and civil engineering projects, as well as building construction and specialty trade contractors.

Number of Employees across Canada by Wage Level and Industry (x 1,000)

Table 3

Hourly wages	Industry	1997	2016
Less than \$12.00	Construction [23]	125.6	18
Less than \$12.00	Manufacturing [31-33]	586.7	80.9
Less than \$12.00	Wholesale and retail trade [41 44-45]	1098.3	614.5
Less than \$12.00	Accommodation and food services [72]	657.7	453.5
\$12.00 to \$19.99	Construction [23]	206.5	218.3
\$12.00 to \$19.99	Manufacturing [31-33]	780.6	532.2
\$12.00 to \$19.99	Wholesale and retail trade [41 44-45]	492.7	1019.6
\$12.00 to \$19.99	Accommodation and food services [72]	97.5	517.2
\$20.00 to \$29.99	Construction [23]	132	331.8
\$20.00 to \$29.99	Manufacturing [31-33]	456.5	555.5
\$20.00 to \$29.99	Wholesale and retail trade [41 44-45]	157.3	489.4
\$20.00 to \$29.99	Accommodation and food services [72]	16.1	113.6
\$30.00 or more	Construction [23]	15.7	415.2
\$30.00 or more	Manufacturing [31-33]	90.5	444.7
\$30.00 or more	Wholesale and retail trade [41 44-45]	35.4	354
\$30.00 or more	Accommodation and food services [72]	4	29.5

Statistics Canada: Table 282-0205

Niagara's two largest sectors, wholesale and retail trade, and accommodation and food services, average less than \$20.00 per hour in wages. Manufacturing, despite decreasing in absolute employment, has maintained relatively high average wages. This is in part due to the decline in lower-paying jobs in the manufacturing sector. Workers in the manufacturing sector making above \$20.00 per hour have increased despite shrinkage to the industry, while those making below \$20.00 per hour have declined, particularly among workers making less than \$12.00 per hour, where the drop-off is most apparent. Implicitly, those

that remain employed in the manufacturing sector have a sufficient combination of skills, experience, and education to warrant their high wages, while the sector has lost most of the lower-paying, low-skill jobs, possibly due to automation and the shifting of these low-skill jobs to developing economies. Employees in the construction sector make comparable or better wages to those in manufacturing. Not only is that industry growing, but the majority of those employed in the sector make \$20.00 per hour or more.

Number of Employees in Ontario by Industry and Employment Status (x 1,000)

Table 4

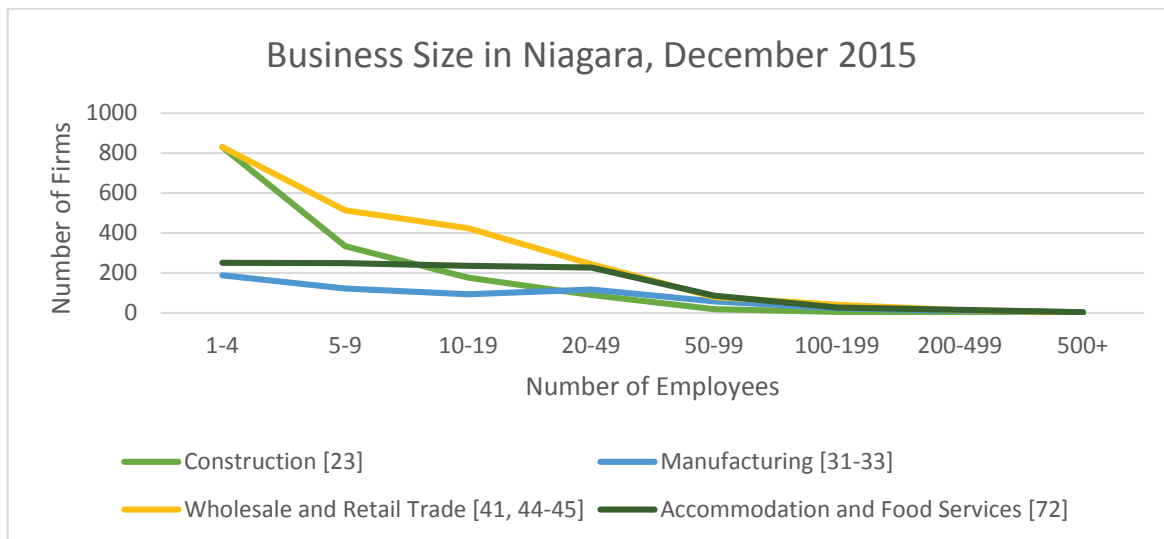
Job permanency	Industry	1997	2016
Total employees	Construction [23]	177.2	346
Total employees	Manufacturing [31-33]	895.9	715.5
Total employees	Wholesale and retail trade [41 44-45]	673.5	915.8
Total employees	Accommodation and food services [72]	278.3	412.1
Permanent	Construction [23]	144.4	297.2
Permanent	Manufacturing [31-33]	854.7	669.9
Permanent	Wholesale and retail trade [41 44-45]	625	822.8
Permanent	Accommodation and food services [72]	243.1	340.9
Temporary	Construction [23]	32.8	48.8
Temporary	Manufacturing [31-33]	41.3	45.6
Temporary	Wholesale and retail trade [41 44-45]	48.5	93
Temporary	Accommodation and food services [72]	35.1	71.1
Seasonal job	Construction [23]	17.3	24.3
Seasonal job	Manufacturing [31-33]	8.7	6.1
Seasonal job	Wholesale and retail trade [41 44-45]	8.8	13.3
Seasonal job	Accommodation and food services [72]	10.1	13.5
Term or contract	Construction [23]	12.3	20.4
Term or contract	Manufacturing [31-33]	23.3	34.1
Term or contract	Wholesale and retail trade [41 44-45]	19.6	37.7
Term or contract	Accommodation and food services [72]	9.4	23.8

Statistics Canada: Table 282-0080

Table 4 shows the job permanency of Niagara's four largest sectors based on provincial-level data, showing the number of employees (x1,000) in 1997 and 2016. Despite declining in absolute numbers, the greatest losses for employment in manufacturing are in the number of permanent employees, while there has been some modest growth in temporary or contract employment. In Niagara's other major

industries, total employment is increasing at all levels, but firms are becoming more reliant on temporary or contract employment to operate. This is most apparent in wholesale and retail trade, and accommodation and food services, where employment in temporary or contract positions is increasing at a faster rate than permanent positions.

Figure 3



Moreover, firms in these industries tend to fall under the range of small-to-mid-size enterprises (SMEs), meaning they have fewer than 500 employees. As Figure 3 shows, SMEs are prominent in Niagara’s major industries apart from manufacturing. SMEs are becoming more common in modern economies because they may be more competitive, adaptive, and innovative compared to large firms with hundreds of employees. For instance, a small startup venture may be more willing to take risks with their products or services than a larger, more established competitor, because the larger firm may be more invested in a particular way of doing business. The startup must also carve out its own share of the market, whereas the established firm seeks to maintain its current market while growing. Large firms may have economies of scale to meet demand, whereas SMEs must be more creative and efficient to establish a presence. What makes SMEs more of a risk than larger firms is also why they are attractive to entrepreneurs and investors. They may be more adaptive to changing market preferences and more willing to modify their operations or perhaps relocate them in times of crisis. What they may sacrifice in the resiliency of large firms with more capital overhead, they make up in their ability to adapt outright.

Despite the advantages to SMEs in modern economies, they are not without their drawbacks. Many of these affect the quality of employment for workers within them. For instance, without the same level of capital overhead as larger firms, SMEs may not provide benefits or pensions similar to their larger counterparts. Coupled with the already-lower wages than were common during the time of manufacturing’s strength, the picture of Niagara’s economic present becomes clearer.

More people are working for smaller firms in service-providing industries, where their employment status tends to be less secure, and they are likely to have fewer benefits provided by their employer apart from their wages. Despite what advantages there may be for employees in large firms, particularly in manufacturing, they represent a more traditional system of mass production that is on the wane. As such, it is appropriate to consider modern business models and operations if the goal is an invigorated and modern economy. Whether SMEs emerged as a matter of necessity or convenience, they represent the challenges and opportunities of Niagara’s economic reality, and would appear to be the preferred model for the future.

STAKEHOLDER PERSPECTIVE: Strengths and Challenges of Niagara's Future Economy

In confidential interviews with stakeholders from around the region, including those within government and the non-profit sector, there are some common reasons to be optimistic that the region's metamorphosis from a goods-producing economy will be successful. There are also some concerns.

On the positive side, proximity to both the US border and the GTA means that there is a large amount of goods that must necessarily travel through Niagara, as well as a huge population of potential workers within a few hours of the region. Affordability is also considered a key asset as workers who are priced out of an expensive GTA housing market may look to live in Niagara. The greater the population, the greater potential there will be for new firms to find skilled workers.

Post-secondary educational institutions such as Brock University and Niagara College expand the region's base of knowledge and technical skills and may be attractive to investors who require an educated or highly-trained workforce. One common criticism among those interviewed, however, was that there is a disconnect between the education that students receive at these institutions and the sort of skills necessary for work in Niagara's industries. One interviewee likened Niagara to a training ground, where students obtain an education, but then find work in their field outside of the region. Another stakeholder said this disconnect is exacerbated by attitude differences in the younger generation of workers. This interviewee noted Niagara's industries could be better served by a greater technical skills education at both the secondary and post-secondary school levels.

Other concerns expressed in interviews involved the aging population and the threat of automation in the

service economy. These trends may hit Niagara particularly hard. Maintaining agricultural and Greenbelt land is another priority for many within the region, noting that development must be a balanced and delicately-managed process that does not sacrifice longstanding natural assets.

The tensions between ecological preservation and urban development have become the lightning rod for many smaller and mid-sized regions seeking to accommodate net in-migration from larger cities. One interviewee noted that in addition to agriculture's contribution to the region's economy, maintaining fertile land for food production may be very important as the global climate changes. Collaboration and coordination, not competition, may be the best way for Niagara to leverage its wealth of cultural, geographical, and institutional assets in such a way that all within the region can benefit.

In the wake of the decline of manufacturing, there is still a tremendous opportunity for Niagara to reassert itself as a desirable location in which to live, work, and invest. Without privileging any sector, governments should aim to improve infrastructure and transportation within the region. This becomes more important considering Niagara's reliance on trade and its location. Improving infrastructure will also benefit Niagara's construction industry. While one interviewee suggested SMEs are not a panacea to economic development, the fact remains that most firms in most industries are trending toward this model. Rather than bucking the trend, Niagara should look to establish itself as a region that is friendly to the needs of small- and medium-sized businesses, while accepting larger firms when they knock on Niagara's door.

conclusion on next page ►

CONCLUSION: The Need for a Knowledge Broker in Niagara


The greatest challenge, noted by all interviewees, was the need for greater collaboration and communication between the regional and municipal governments in Niagara, as well as different organizations throughout. Considering this perennial challenge of governance in the region, some institutional alignment to create a region-wide policy platform is in order. It would require identifying civic leaders and civic entrepreneurs in a broad cross-section of stakeholders from different levels of jurisdiction, to engage in a sustained collaborative governance structure.

An earlier policy brief by the NCO (Conteh and Dueck, 2015) calls for the creation of an intermediary organization or 'broker' early in the process, which expends 100 per cent of its efforts towards achieving the strategic economic development goals set by the region. Evidence from the above-mentioned interviews would reinforce the need for an "economic reinvention broker" that could serve as a catalyst in building the networks of key stakeholder groups and helping to communicate and execute the collaborative strategic vision. Examples of similar "broker" organizations can be found in many highly innovative regions where key regional stakeholders take "ownership" of, and participate equally in, an intermediary platform consisting of representatives from local governments, private-sector businesses, post-secondary institutions, civic organizations, cultural organizations, and citizens. Such "broker" organizations in other regions are often funded in a collective manner, with contributions from government (both city, regional, and upper-level), industry partners, and local post-secondary institutions.

Strong leadership and a clear vision in any region often requires some institutionalized platform to sustain policy momentum, otherwise even the best visions tend to decay or lose their lustre once a charismatic leader or advocate fades off the public scene. Regional economic transition is an often slow, difficult, and trans-generational process. The right institutionalized platforms ensure the sustenance of a region's strategic vision and the steady momentum of implementation.

The Niagara Community Observatory is a local public policy think-tank at Brock University in St. Catharines, ON.

More information on our office and an electronic version of this policy brief can be found at: www.brocku.ca/nco

 @BrockNCO