

by Ben Eisen and  
Steve Lafleur



## Uneven Job Creation in Ontario's Urban Centres from 2008 to 2019

### SUMMARY

- This bulletin updates previous work measuring job creation in urban centres across Ontario.
- We find that in the GTA, in several Census Metropolitan Areas (CMAs) immediately surrounding the GTA, and in Ottawa, rates of job creation were above the national average between 2008 and 2019.
- Conversely, we find that seven CMAs in the rest of the province have experienced a lower job creation rate than the national average during this period. In five CMAs, job growth has been either negative or very low (less than 5 percent over the period analyzed).
- Non-CMA areas (smaller towns and rural areas) cumulatively experienced a significant (9.7 percent) drop in employment between 2008 and 2019.
- The combined population of CMAs where the job growth has been below the national average and people living in non-CMA areas is more than 3.7 million. If this group were its own province, it would be Canada's fourth most populous—and be more populous than Atlantic Canada. As such, the challenges that this cluster of Ontario areas faces should be recognized as a national economic challenge.
- Because of the way economic performance diverges across Ontario, there may be information gaps among Ontarians and among policy-makers about economic conditions elsewhere in the province. This bulletin aims to help close those information gaps.

## Introduction

Ontario has experienced severe economic pain several times since the turn of the century. The 2008/09 recession was deeper in Ontario than in most other regions, and the province's recovery in the years immediately following was tepid. For example, one analysis went so far as to describe the period from 2007–2016 as a “lost decade” for Ontario's economy (Eisen and Palacios, 2018). Even before the COVID-19 pandemic, some parts of the province had not recovered from job losses they suffered during the global financial crisis.

The economic pain that has afflicted Ontario has not been spread evenly across the province. A number of studies published by the Fraser Institute, including those in 2015 (Eisen and Emes, 2016) and 2017 (Lafleur and Eisen, 2017), have highlighted the unevenness of the recovery. More specifically, they have shown that while the Greater Golden Horseshoe region (anchored by Toronto), and Ottawa have performed well in terms of job creation in recent years, several other regions of the province have struggled. More specifically, those studies found that job creation was weak in large urban centers in southwestern, northern, and eastern Ontario in recent years.

This bulletin updates the earlier work with the most recent available data to assess the extent to which job creation has varied across Ontario's major urban centers. We start in 2008 to give a sense of the extent to which each CMA has recovered from the steep recession that began that year. Given the major economic shock resulting from the COVID-19 pandemic and the likelihood of short term shocks influencing 2020 data, the paper will focus on the years from 2008 to 2019.

Whereas several earlier studies have provided detailed analyses of a number of economic metrics, this bulletin will focus solely on job creation in the province's larger urban centers—Ontario's Census Metropolitan Areas (CMAs). To qualify as a CMA, an urban centre must have a total population of at least 100,000 people, of which 50,000 or more must live in the core (Statistics Canada, 2019).

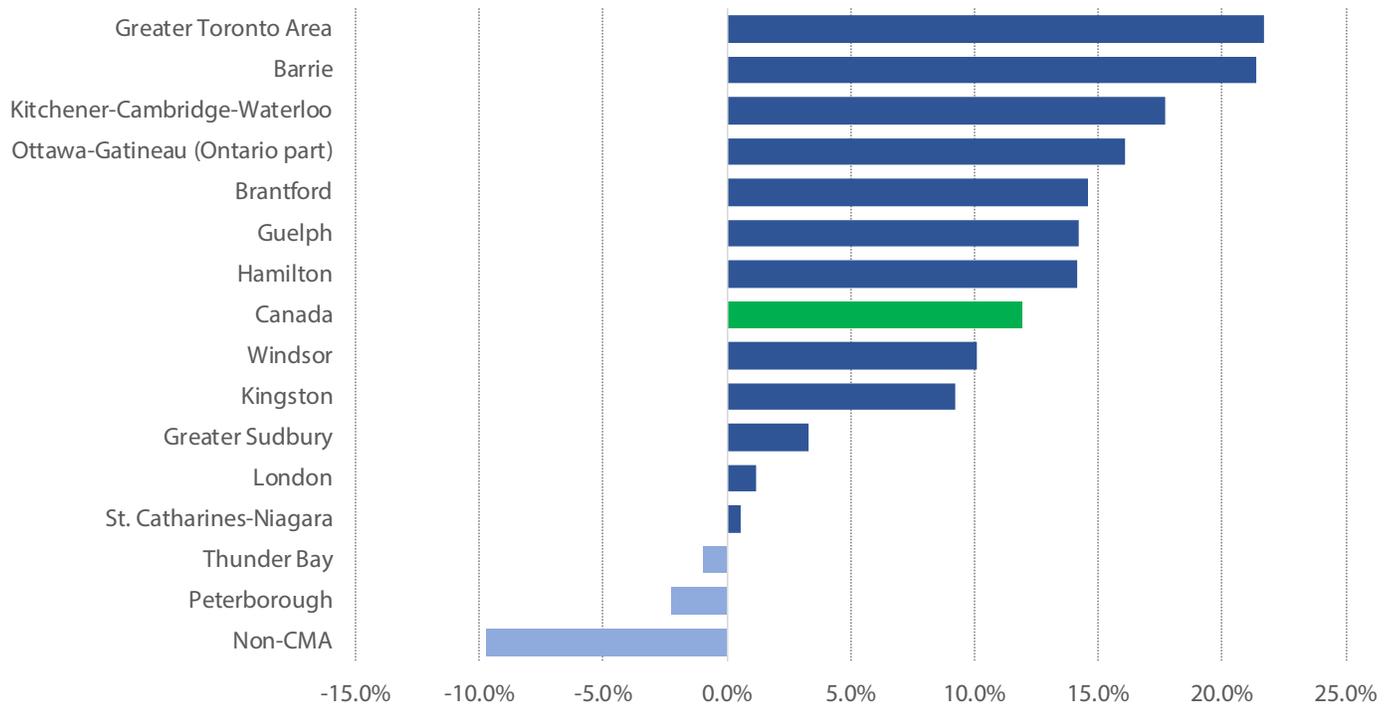
Past studies have examined other important metrics of economic progress such as household income levels; however, no new comprehensive data will be available on household income levels until after the 2021 census (Eisen and Emes, 2020). For that reason, this bulletin focuses on job creation rather than household income levels. It is noteworthy, however, that the most recent analysis of household income levels (Eisen and Emes, 2020) produced results that are broadly consistent with this bulletin's findings, which is to say that the CMAs in that analysis that have recorded stronger income gains are generally the same CMAs that are showing strong job creation rates in this bulletin.

## Strong job growth in the GTA, surrounding area, and Ottawa

Job creation has varied considerably among Ontario's Census Metropolitan Areas since the global financial crisis. To provide context for the job creation performance of each CMA, we include the aggregate national job creation rate for comparison.

While Ontario's largest CMAs have outperformed the national average (as have most of the CMAs in close proximity to Toronto, such as Guelph and Hamilton), several urban areas have experienced very little job creation. Some have even shown a drop in their total employment.

**Figure 1: Employment Growth (%), 2008 to 2019**



Sources: Statistics Canada (2021a and 2021b); calculations by authors.

Figure 1 shows the extent of job creation from 2008 to 2019 by CMA.<sup>1</sup> All non-CMA areas, which includes smaller towns and cities as well as rural areas, are grouped together in the single “non-CMA” category.<sup>2</sup>

<sup>1</sup> Note that migration, population growth, and labour force participation decisions can affect job creation by changing the supply of labour independently from the demand for labour. So, for instance, it is possible for job creation to be negative partly because people have simply decide to leave a CMA, drop out of the labour market, and so forth.

<sup>2</sup> Changing boundaries and small sample sizes make labour force survey estimates of job creation in specific smaller Census Areas unreliable, which is why they are grouped together for the purposes of this analysis.

Figure 1 yields a number of findings. First, job creation rates vary widely across Ontario’s CMAAs. It was strongest and above the national average in and around the Greater Toronto Area (GTA).<sup>3</sup> Indeed, over the course of this decade, the rate of job creation in the GTA (21.7 percent) was nearly twice the national average (11.9 percent).

Several other CMAAs near Toronto also experienced faster job creation than the national average. Although there are numerous plausible factors responsible for these results, it is clear that proximity to Toronto is, at the very least,

<sup>3</sup> This category is formed by combining the employment figures for Toronto and Oshawa, the two municipalities located in the Greater Toronto Area.

strongly correlated with higher job creation rates than is the case in cities that are more geographically distant from the provincial capital (Moffat, 2019).

The only CMA not immediately proximate to Toronto where the job creation rate was above the national rate was Ottawa, at 16.1 percent over the period of analysis.

## Job growth below the national average further away from Toronto and outside of Ottawa

As we have shown, job growth in and around the GTA and Ottawa was comparatively strong. However, this strong growth in such highly populated areas can mask weak performance elsewhere in the province. Figure 1 reveals that many significant population centres in the province have continued to struggle—in several cases, employment has only recovered to roughly 2008 job levels.

This reality is most glaring in Ontario's non-CMA areas. All non-CMA areas, which includes smaller towns and cities as well as rural areas, are grouped together in the single “non-CMA” category, even though those smaller towns and rural areas can be far away from each other geographically. Ontario's non-CMA category represented over 2 million people in 2019, 17.3 percent of the province's population; it contains more Ontario residents than any CMA outside of Toronto. As figure 1 shows, employment in Ontario's non-CMA category fell by 9.7 percent between 2008 and 2019.

Not only in Ontario's non-CMA category, but in 7 of the province's CMAs job creation rates were lower than the national average during this period. In Peterborough, by 2019, employment fell 2.2 percent from its 2008 level. Kings-

ton, the other Eastern Ontario CMA outside of Ottawa, did experience job growth, but at 9.2 percent the rate was below the national average of 11.9 percent.

Northern Ontario CMAs saw little job creation. Employment fell by 1 percent in Thunder Bay from 2008 to 2019. Greater Sudbury (3.3 percent) saw only minimal positive net job creation.

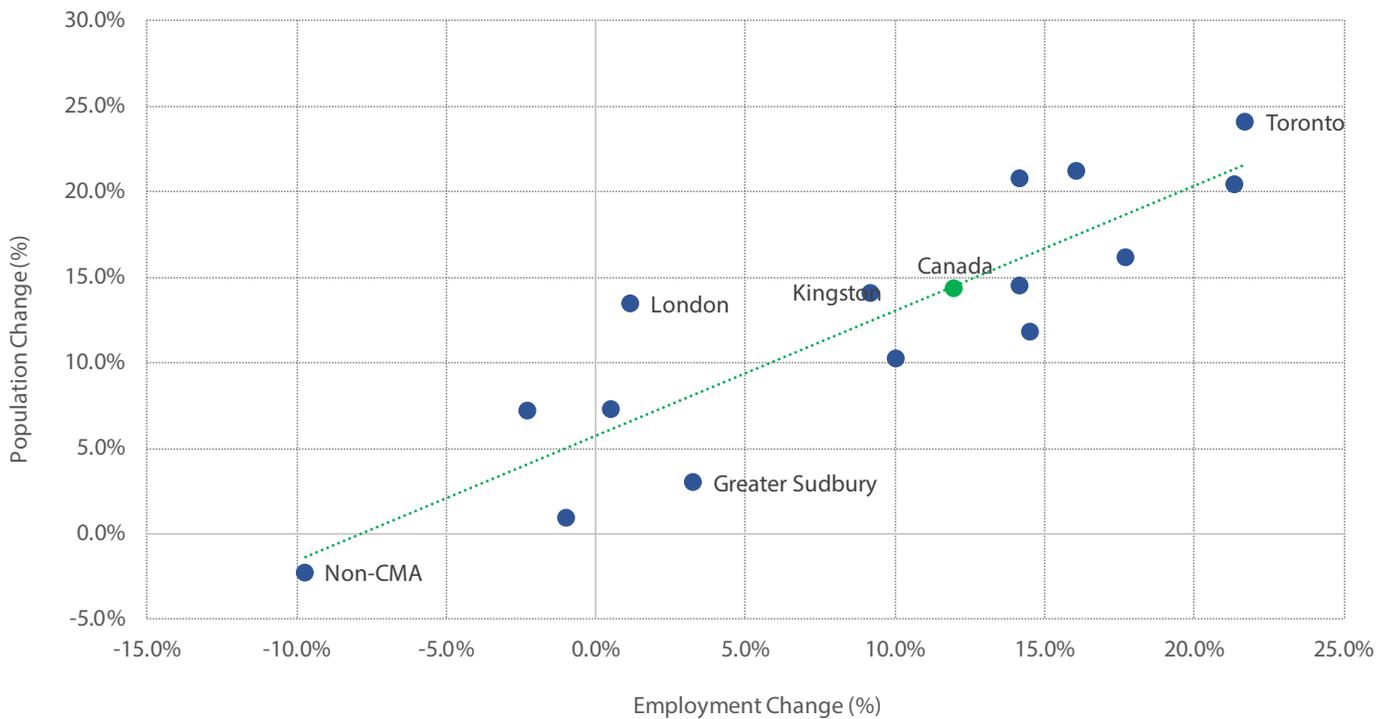
The story in southwestern Ontario is mixed. As noted above, southwestern Ontario CMAs proximate to Toronto (Guelph, Brantford, and Kitchener-Waterloo) have seen job creation rates above the national average since 2008. However, job creation was below the national average in the two large CMAs further away from Toronto. Employment in Windsor increased by 10.1 percent, which was below the national average. Meanwhile, employment in London increased by just 1.2 percent over period under analysis and St. Catharines-Niagara, which is somewhat difficult to classify by region, recorded barely any employment growth between 2008 and 2019 (0.6 percent).

Although the rate of job creation in Ontario varies, both the group of non-CMA areas and most of the CMAs other than Ottawa that are not immediately proximate to Toronto experienced job creation rates below the national average from 2008 to 2019.

## Population change and job creation—A tale of “two Ontarios”

The reasons for weak job performance in Ontario's major urban centres further away from Toronto and excluding Ottawa between 2008 and 2019 differ from place to place, and were explored in some detail in the Eisen and Emes (2016).

Figure 2: Population and Employment Change, 2008-19



Sources: See Figure 1.

However, one consistent indicator closely correlated with job creation rates across the province is the rate of population growth or decline in the CMAs and non-CMA areas.

Figure 2 illustrates the close connection between employment growth and population change. This close relationship is a function of the well-documented fact that people tend to move to places where jobs and economic opportunity are available (Whalen et al., 2021).

Closely related to that fact, when individuals move from one region to another to accept employment, the new arrival's job is recorded in the region's job creation statistics. As such, job creation and population growth are inextricably linked. Our focus in this report on job creation can therefore also be understood more

broadly as a presentation about the relationship between population change and job creation across Ontario.

If we take this approach in analyzing figure 2, some clear implications emerge from the data. The initial report in this series (Eisen and Emes, 2016) focused on Ontario's five regional "solitudes" and discussed the unique economic challenges each of the various regions faced. Around the same time, Mike Moffat of the Smart Prosperity Institute began referring to the existence of "two Ontarios"—one prosperous and growing, the other experiencing significantly less prosperity (Moffat, 2018).

Figure 2 helps illustrate the usefulness of Moffat's "two Ontarios" lens. A number of jurisdictions in the top right-hand corner of

the figure have experienced population and job creation rates that are generally above the national average, while a second cluster of provinces in the bottom left has experienced little or negative growth in jobs and population. The figure includes data for the Canadian average and for the largest city in each of the five regions identified in the original *Five Solitudes of Ontario* study that initiated this series.<sup>4</sup>

## The national importance of economic weakness in some Ontario regions and CMAs

Ontario is unique amongst Canadian provinces in the number of CMAs it has and the number of people living in non-CMA areas. The province's "secondary cities" are as large as provincial or regional anchor cities elsewhere. London, for instance, is approximately as populous as Halifax.

A tally of the population of all Ontarians living either in non-CMA areas or in CMAs that have experienced job creation rates below the national average, totals 3.7 million people. For context, if those people were grouped together, that total would constitute the fourth largest province and would be more populous than the entire Atlantic region. As such, the slow rate of job creation shown here and the overall weak economic performance documented in previous studies should be recognized as an issue that is important not just for Ontario, but for all of Canada.

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<sup>4</sup> The five regions make up "the Greater Golden Horseshoe": eastern Ontario excluding Ottawa, Ottawa, Northern Ontario, and Southwestern Ontario.

## Conclusion

Previous analyses have found that while economic performance in the Toronto area, proximate regions, and Ottawa have generally been comparatively strong, economic outcomes in other parts of Ontario have generally been much weaker. This short update assesses the extent to which these general overall trends have been reflected in employment growth in both CMAs and areas outside of the CMAs across Ontario.

We find that in addition to the GTA and Ottawa, several CMAs, primarily those surrounding the GTA, also experienced significant job growth between 2008 and 2019. Generally, these form a cluster of CMAs that have experienced job creation rates above the national average. Conversely, we find that job creation in the CMAs further from Toronto and excluding Ottawa have generally underperformed the national average. Windsor, Kingston, and Greater Sudbury, for example, experienced job growth that lagged the national average. Several other CMAs, including London, St. Catharines-Niagara, Thunder Bay, and Peterborough, experienced either negative growth or only very slight growth in the period from 2008 to 2019. The non-CMA grouping, comprising Ontario's smaller towns and rural areas, had significantly negative net job creation during this period.

The data presented here show a clear split. A large number of Ontarians live in areas with relatively high job creation rates and high population growth, while others live in areas with less dynamic economic activity, and much slower rates of population and job growth.

Thirty-nine percent of Canada's population lives in Ontario, which has several regions that in and of themselves are larger than some provinces. Given Toronto's commanding size and

economic importance, if we look only at province-wide statistics the economic challenges that some “secondary” but still large CMAs face can sometimes be overlooked, as can challenges in smaller towns and rural communities in non-CMA areas. Analysis of provincial statistics alone can give rise to misconceptions amongst Ontarians and policymakers about the different economic circumstances and challenges facing Ontarians in different regions. This bulletin aims to shed light on the differing regional economic circumstances across the province in an effort to reduce these information gaps.

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**Ben Eisen** is a Senior Fellow in Fiscal and Provincial Prosperity Studies at the Fraser Institute. He holds a BA from the University of Toronto and an MPP from the University of Toronto's School of Public Policy and Governance.



**Steve Lafleur** is Senior Policy Analyst at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University and a B.A. from Laurentian University where he studied Political Science and Economics. His current research focus is on the economic competitiveness of the Prairie provinces.