The Dominance of Canada's Largest Cities

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Growth of Canada's largest urban centres in recent years has outstripped expectations. Data from *Census 2001* provide ample evidence for the 1996-2001 period, while other indicators, such as employment, confirm further expansion through 2002. The first half of 2003, however, has brought a number of setbacks for the large CMAs. The global economic recovery is stumbling, the Canadian dollar's appreciation is buffetting a broad range of industries, trade frictions persist and shadows from the SARS outbreak and one incident of mad cow disease has extended across the country.

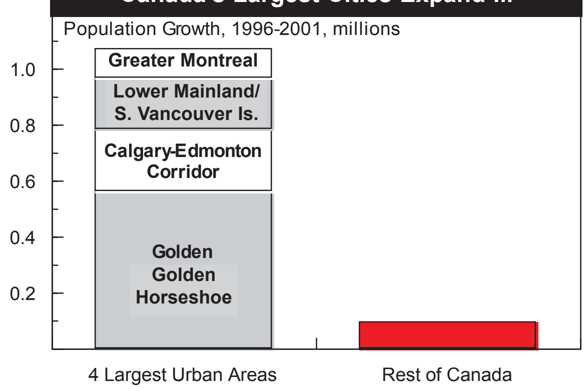
Pent-up demand resulting from robust growth in the major urban regions continues to support domestic expenditures, most notably on housing. However, a resumption of stronger real growth in Canada depends upon the revival of business investment and production in our largest cities.

Population and Employment Gains

Canada's four major urban regions — the Golden Horseshoe, Greater Montreal, the Lower Mainland/Southern Vancouver Island and the Edmonton-Calgary corridor — witnessed a 7.6% jump in population from 1996 to 2001, compared with a meagre 0.5% advance for the rest of Canada, according to *Census 2001*. These four regions are now home to 15.3 million people, 51% of Canada's population *(see table on page 4 for details)*. Calgary led the population gains with a 15.8% increase, almost four times the national pace, while Toronto, the largest city, expanded at nearly 2½ times the national average. The absolute increase in Golden Horseshoe residents from 1996 to 2001 accounted for almost half of the national gain. Of note was the rapid growth in centres at the perimeter of the large urban regions. For example, Barrie, Vaughan and Brampton — located about one hour from central Toronto — all witnessed population increases of more than 20% from 1996 to 2001.

The cities with the strongest population growth witnessed the smallest rise in median age, reflecting the high proportion of incoming residents age 20 to 39, many with children. In the four major urban areas, the median age rose 1.8 years to 37.0 years during the five years to 2001; in the rest of Canada, the median age rose 2.9 years to 38.3 years. The suburbs have

Canada's Largest Cities Expand ...



Source: Statistics Canada, *2001 Census.*

... Generating Substantial Employment

	1992-96	1997-01	2002	2003*
	average annual growth, %			
Vancouver	2.6	2.1	2.4	0.1
Calgary	2.8	4.7	2.3	2.4
Edmonton	0.6	2.8	3.4	0.7
Toronto	1.1	3.8	1.9	0.5
Ottawa-Gatineau	-0.1	3.0	0.4	5.2
Montreal	0.4	2.3	3.6	-1.7
Six Largest Cities	1.1	3.1	2.4	0.5
Rest of Canada	0.8	1.6	2.0	0.5
Canada	**0.9**	**2.3**	**2.2**	**0.5**

* Per cent change from December 2002 to July 2003.
Source: Statistics Canada, *Labour Force Survey.*

aged faster than urban cores, leaving the median age of the former slightly higher by 2001.

Importantly, Canada's major urban areas have been able to employ, as well as attract, new residents. After lacklustre job creation during the first half of the 1990s, payrolls in the six largest cities expanded at almost twice the pace of the rest of Canada from 1997 to 2001. By July 2003, however, slowing employment growth had lifted unemployment rates in Montreal, Toronto, and Calgary above their respective provincial averages.

Immigrants' Expanding Role

Immigration is now critical to Canada's population and labour force growth, particularly in the major urban regions. In 2001, 18.4% of Canada's population was foreign born, lower than Australia's 22% share but higher than the 11% share in the United States. The 2.2 million immigrants entering Canada from 1991 to 2000 outpaced any decade in the past century. In the 1990s, immigrants generated almost 70% of Canada's labour force expansion, and will likely account for nearly all of the increase this decade.

Canada's CMAs in 2001 were home to 94% of the 1990s immigrants, with the five largest cities absorbing about 80% of the newcomers. These recent immigrants represent 10.2% of the CMAs' working-age population, compared with 1.1% in the rest of Canada. In Toronto and Vancouver, 44% and 38% of their respective populations in 2001 were foreign-born, like other noted multi-ethnic cities such as Miami (40%), Sydney (31%), Los Angeles (31%) and New York City (24%). For the fourth consecutive year, Toronto in 2002 attracted a larger number of legal immigrants than any other North American city. In addition to Toronto's substantial share, other CMAs in Southern Ontario have witnessed considerable international immigration relative to their populations, including Windsor, Kitchener and Hamilton.

The profile of recent immigrants has changed dramatically. With Canada's tighter immigration policy, the level of education of newcomers has escalated, as has the share arriving as entrepreneurs. Among the highly skilled individuals immigrating to Canada during the 1990s, a proportionately large number were qualified in information technology, engineering and natural sciences. The majority of recent newcomers, however, are still employed in lower-skilled occupations, though this is gradually changing. Ottawa-Gatineau, with its high-tech sector's rapid expansion in the late 1990s, stands out with almost one-half of its recent immigrants in highly-skilled positions. This compares with the one-quarter share in Canada's other CMAs.

The Higher Earnings Edge

Canada's largest urban areas have the greatest concentration of occupations with high, and rising, earnings. These professions include sales and marketing, senior management, financial managers, information technology services, doctors, and business service professionals such as lawyers and accountants. The 7.3% rise in average real earnings (wages, salaries and net income from self-employment) from 1990 to 2000, following a meagre 1.3% rise in the 1980s, was to a large extent the result of a surge in the number of workers earning $80,000 or more. During the latter half of the 1990s, advancing technologies and global growth opportunities spurred demand for highly skilled workers, typically with a university education. Experienced workers in the baby boom generation were significant beneficiaries. The gain in earnings also reflected the rising share of employees on a full-year, full-time basis.

In Toronto and Montreal, payroll expansion over the past decade occurred almost entirely during the latter half of the 1990s. The Toronto CMA accounted for 16% of Canada's employed population in 2001, but its share topped 25% in business services, and was 28% in computer and electronic products manufacturing, 30% in the motion picture/sound recording industry and 23% in the media and telecommunications industries. In Montreal, more than 80% of its labour force growth was in university-level occupations, with one-third in information technology. In Vancouver, highly-skilled positions represented more than 40% of the city's labour force growth, with information technology's share 14%.

The large-city focus of Canada's high-tech surge increased the vulnerability of these CMAs during the recent information and communications technology (ICT) correction. By 2000, Toronto employed 200,000 ICT workers, Montreal 90,000 and Ottawa just under 50,000. Ottawa had the highest proportion of its workforce in ICT. For these large cities, the slow ICT recovery in areas such as telecommunications remains a constraint.

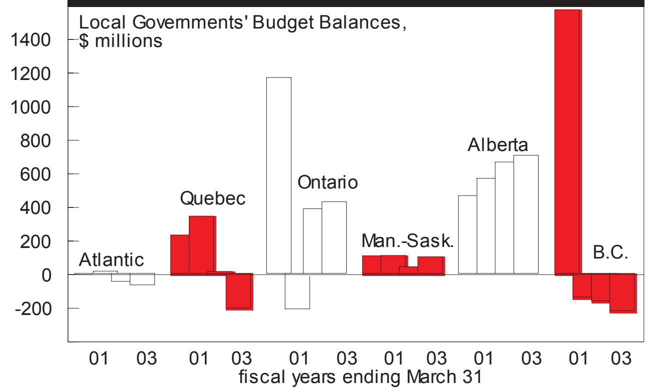
A further challenge is the widening income disparities emerging in a number of cities. In 2000, approximately four out of ten Canadians reported employment income of less than $20,000, little changed from 1990. Family incomes were most unequal in Toronto and Vancouver, where for every $1 of income among families in the lowest decile, families in the highest decile had $27.30 and $23.50, respectively.

Managing Growth

The expansion of Canada's largest urban areas is posing challenges in governance, financing and infrastructure investment that escalate with each passing year. Solutions are critical to the cities' future competitiveness, particularly when other factors such as the recent appreciation of the Canadian dollar are casting a lengthening shadow on current profitability and future investment prospects.

The overview of local government finances prepared by Statistics Canada indicates that the small aggregate municipal budget surplus witnessed in FY00/01 and FY01/02 was maintained in FY02/03. Total net municipal debt outstanding has in fact declined since the mid-1990s, though several jurisdictions have recently pursued additional financing.

Local Governments Limit Red Ink



Source: Statistics Canada.

Yet these relatively positive fiscal results reflect the problem — the required investment and restructuring is not proceeding. Local governments are cautious about running up debt. The City of Toronto, for instance, implemented a debt service guideline in 1999 stipulating that debt services charges should not exceed 10% of property taxes in a given year. At the federal and provincial levels, initiatives to date have fallen far short of comprehensive solutions.

Growth of Canada's Major Metropolitan Areas

	Vancouver	Calgary	Edmonton	Toronto	Ottawa-Gatineau	Montreal	Halifax	National
Population, 2001, 000s	1,987.0	951.4	937.8	4,682.9	1063.7	3,426.4	359.2	30,007.1[1]
Change from 1996, %	8.5	15.8	8.7	9.8	6.5	3.0	4.7	4.0
Share of National, %	6.6	3.2	3.1	15.6	3.5	11.4	1.2	100.0
Immigrants During the 1990s								
Distribution by Destination, %	17.7	3.8	2.5	43.3	3.9	11.8	0.4	100.0
Share of 2001 Population, %	16.5	7.3	4.8	17.0	6.7	6.4	n/a	6.2
Share of 2001 Working-Age Population, %	18.2	8.1	5.6	19.3	7.3	7.3	n/a	7.1
Median Age, 2001, years	37.4	34.9	35.4	36.2	36.6	37.9	36.6	37.6
Change from 1996, years	1.9	1.2	1.7	1.6	2.0	1.9	2.3	2.3
Unemployment Rate for Labour Force Age 25-44, %								
1996 - Non-immigrants	6.8	5.3	n/a	5.8	6.6	8.7	n/a	8.8
Recent Immigrants[2]	14.3	10.4		16.4	21.5	26.3		16.7
2000 - Non-immigrants	5.4	3.8		3.7	3.8	5.4		6.4
Recent Immigrants[2]	12.0	6.9		10.7	13.5	20.6		12.1
Average Earnings in 2000, $	34,007	36,851	31,999	38,598	38,011	31,730	30,614	31,757
Share of National, %	107.1	116.0	100.8	121.5	119.7	99.9	96.4	100.0
Share Earning < $20,000, %	37.8	40.1	36.8	34.0	33.7	39.0	41.0	40.6
Share Earning > $100,000, %	3.2	2.7	4.9	4.8	4.3	2.7	2.5	2.7
Full-year, Full-time Earners[3] in 2000, 000s	555.0	324.1	290.5	1489.8	354.6	986.1	114.1	8565.4
Share of All Earners, %	50.1	54.6	52.2	56.0	57.7	53.6	55.7	52.2
Share of Population, %	30.3	39.4	33.7	34.9	35.5	29.6	33.3	28.5
Average Full-year, Full-time Earnings, $	46,786	49,326	43,399	51,111	50,341	41,774	41,481	43,231
Share of National Average, %	108.2	114.1	100.4	118.2	116.4	96.6	96.0	100.0
Census Family Median Income[4], 2000, $	57,926	65,488	60,817	63,700	69,518	53,385	55,885	55,016
Change from 1996, %	-3.9	6.6	4.4	-4.2	2.1	-0.4	-0.8	0.8
Share of National Average, %	105.3	119.0	110.5	115.8	126.4	97.0	101.6	100
Income Ratio: Highest to Lowest Decile[5]	23.5	19.1	15.5	27.3	16.7	17.3	16.2	17.9
Experienced Labour Force[6], Share by Occupational Skill Group, 2001, %								
University	18.7	19.8	n/a	19.8	27.3	18.5	n/a	16.2
College	21.3	21.0		19.4	20.1	21.4		21.6
Apprenticeship Training	6.8	8.2		6.4	5.0	6.9		8.3
Secondary Schooling or Less	41.4	38.9		41.4	34.6	42.3		43.4
Managers[6]	11.9	12.1		13.0	12.9	10.9		10.4
Experienced Labour Force[6], Ch from 1991, %	18.9	29.1	n/a	14.7	10.7	5.9	n/a	8.7
University	55.4	55.3		45.4	45.5	32.6		24.8
College	14.7	18.3		7.0	1.9	8.1		5.9
Apprenticeship Training	-8.7	22.2		-6.7	-8.8	-13.4		-3.9
Secondary Schooling or Less	12.2	22.5		7.7	-1.7	0.1		5.1
Managers[6]	28.7	42.3		28.1	16.0	4.0		14.7

[1] Revisions subsequent to the census release to address coverage issues are not included.
[2] Immigrants arriving in Canada during the five years prior to the census year.
[3] Full-year, full-time earners defined as working 49 to 52 weeks for 30 hours or more per week.
[4] Includes pre-tax income from all sources.
[5] Average income of census families in the highest decile per dollar of average income in the lowest decile.
[6] Experienced labour force comprises individuals employed at some point since January 1 of the preceding census year. Managers classified separately because of their widely varying backgrounds.

Source: Statistics Canada, *Census 2001*.

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