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EMPLOYMENT STRUCTURE IN RURAL AND SMALL TOWN CANADA: THE PRODUCER SERVICES SECTOR

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Highlights

- ◆ **The producer services sector is a growing sector. It has grown in each period since 1981.**
- ◆ **Predominantly rural regions are participating in this growth. In fact, in the 1991 to 1996 period, employment in the producer services sector grew faster in each type of rural region.**
- ◆ **However, rural regions still have a very low share of their employment in the producer services sectors. The good news is that rural areas are not losing their relative employment intensity in producer services. The bad news is that rural areas are not gaining relative to larger urban centres.**

Introduction

The rural employment picture is changing quickly in Canada. One sector being monitored closely by rural development analysts is the “producer services” sector, especially the component that provides services to other businesses. This is a growing sector and the issue for rural analysts is whether rural workers can participate in these growth opportunities.

The purpose of this bulletin is to provide an overview of the producer services sector in rural Canada¹.

¹ This bulletin is one in a series that includes an “overview” of rural employment in different sectors.



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Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Definitions and data sources

Two data sources using two definitions of “rural” have been used in this bulletin:

- Census data for each of 1981, 1986, 1991 and 1996 have been tabulated within constant 1996 census division boundaries for “predominantly rural regions”, as defined by the OECD (See Box 1 for the definition). The advantage of this tabulation is that we obtain an extended time-series back to 1981.
- Statistics Canada’s Labour Force Survey has been tabulated to provide annual data from 1987 to 1998 for rural and small town (RST) areas (see Box 2 for the definition). The advantage of this time-series is that it can be updated on an annual basis.

Box 1

Definition of “Predominantly Rural Regions”

The Organisation for Economic Co-operation and Development (OECD, 1994) has defined a “predominantly rural region” as *having more than 50 percent of the population living in rural communities where a “rural community” has a population density less than 150 persons per square kilometre.* In Canada, the census division has been used to represent “regions” and census consolidated sub-divisions have been used to represent “communities”.

“Intermediate regions” have 15 to 49 percent of their population living in a “rural community”. “Predominantly urban regions” have less than 15 percent of their population living in a “rural community”.

“Predominantly rural regions” are classified as metro-adjacent, non-metro-adjacent and the north, following Ehrensaft and Beeman (1992).

Data are tabulated for the 1981 to 1996 period within constant 1996 boundaries.

Box 2

Definition of “Rural and Small Town” (RST) Canada

Rural and Small Town (RST) refers to the population living outside the commuting zones of larger urban centres — specifically, outside Census Metropolitan Areas (CMAs) and Census Agglomerations (CAs). RST areas have a population of 1 - 9,999 where less than 50 percent of the employed individuals commute to a CMA/CA and less than 25 percent commute from a CMA/CA.

A CMA has an urban core of 100,000 or over and includes all neighbouring municipalities where 50 percent or more of the labour force commutes into the urban core or more than 25 percent commute from a CMA/CA. A CA is an urban core of 10,000 to 99,999 and abides by the same commuting rule as CMAs.

Data are tabulated within constant boundaries for 1976 to 1984, for 1985 to 1994, and for 1995 to date.

Box 3

Definition of producer service sector used in this bulletin

Producer services*: **FIRE:** finance (banking, consumer and business), insurance and real estate.
Business services: e.g., law, accounting, computer services and advertising.
Incidental services to:
Primary: agriculture (e.g., veterinarian and crop dusting), fishing (e.g., net and gear repair), logging and forestry (e.g., nursery stock, reforestation) and mineral and oil extraction (e.g., contract drilling).
Construction: (e.g., project management and land development).

***Note:** This definition differs from the usual definition as we have moved “services incidental to primary and construction industries” to the producer services sector.

Box 4

Location Quotient

A location quotient (LQ) is an index of specialisation or intensity. It compares the employment concentration of a given industry or sector in a given “location” (i.e. rural and small town areas) to that industry or sector’s employment concentration in the spatial system as a whole (i.e. province or country)*. By “employment concentration”, we mean “percent of the workforce employed in a given sector”. As a measure of specialisation or intensity the LQ can be used to ascertain the export capacity of the local economy or the degree of self-sufficiency of a local economy with respect to a particular industry. Therefore, a “location” with the same share of employment as we see at the national level means that the industrial concentration is the same and the LQ value is 100. An LQ below 100 indicates a lower relative employment concentration in the given industry within RST areas. Thus, RST areas are not specialised in this industrial sector and there may be a gap in the RST economy in the sense that RST areas are importing goods or services produced by this sector. An LQ above 100 indicates a higher employment concentration in the RST compared to the overall economy. Thus, RST areas are specialised in this industrial sector which indicates that this is an export activity from RST areas. The difference from 100 is used to define the degree of specialisation or concentration. The difference from 100 can also be used to indicate the degree to which the given sector is exporting from this area or whether RST areas are importing these goods or services.

A change in the LQ of an industry should be carefully interpreted as a change can be due to a number of factors. For example, an increasing share of employment in an RST industrial sector could mean that the area is increasing its employment in the industry but it could also mean that the rest of the country, in the comparison, is actually decreasing its employment in the same industry – or employment is declining in another RST industry. That is, if the employment in manufacturing for a whole country is decreasing but RST manufacturing employment is unchanged, the intensity of RST employment in manufacturing will increase (i.e. the LQ will increase) even though the actual number of individuals employed in manufacturing in RST areas may not have increased. In any case, an increasing LQ for an RST sector means that this sector is increasing its share in RST areas relative to the share this sector holds in the total economy. From this point of view, an increasing LQ suggests that RST areas are relatively competitive in the sense of increasing their market share (i.e. competitive in relation to larger urban centres).

* To calculate the location quotient for primary employment in RST areas, the calculation would =
{ [(number of RST individuals employed in the primary sector) / (number of RST individuals employed in all sectors)] divided by
[(total number of individuals employed in the primary sector) / (total number of individuals employed in all sectors)] } times 100.

Producer service sectors in predominantly rural regions

There are many different ways of portraying the structure of employment by industrial sector. If all service-providing sectors are combined, then we find more employment in “services” than in goods-producing sectors. At the Canada level, as early as 1951, total employment in service-providing sectors represented almost half of all workers. By 1987, service-providing sectors employed 62 percent of Canada’s workforce and by 1999, service-providing sectors employed a total of 10.9 million workers or 75 percent of the national employment. Within RST areas, jobs in the service-providing sectors represent 63 percent of all the RST jobs in 1999.

In this bulletin, we focus on one set of service-providing sectors – the producer service sectors (For definitions, see Box 3).

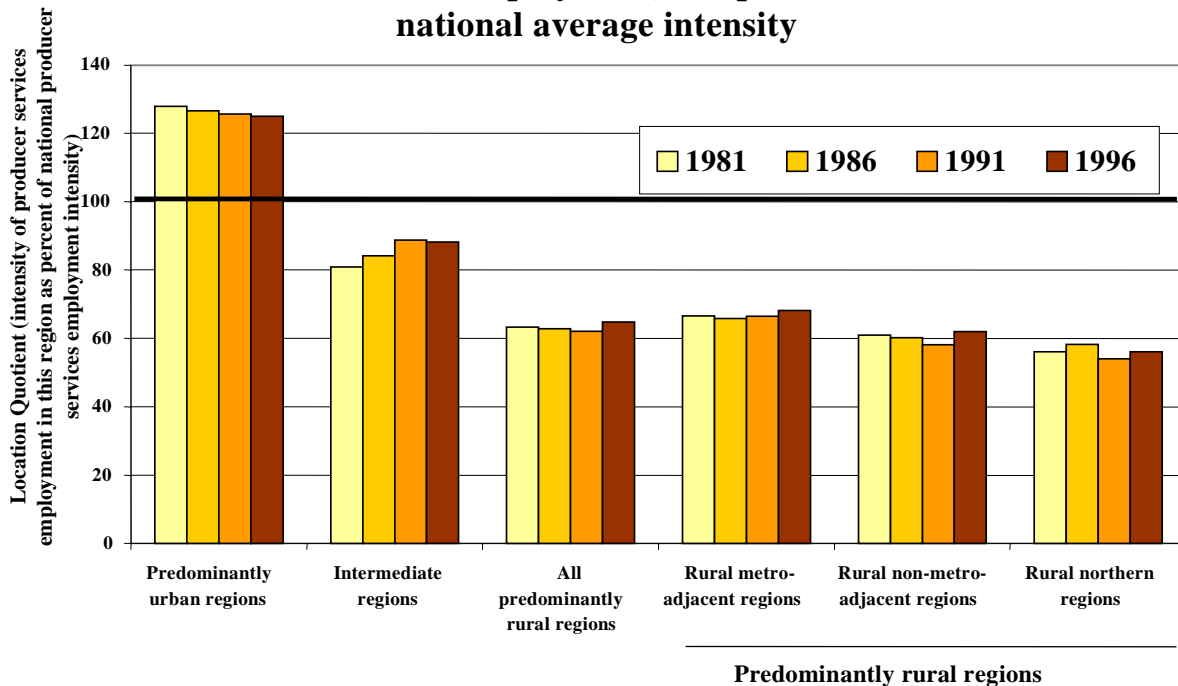
Among the various sectors of employment, producer services are not a large sector. However, this is a growing sector, in part because it encompasses many jobs in the private sector with computer applications. Anecdotally, there are stories of consultants, accountants, writers, computer programmers, etc. who are providing their services to their clients using the Internet from a rural base. Thus, these individuals are “exporting” their services to clients outside their rural area. The issue for rural analysts is to see if there is an increasing number of individuals with these jobs living in rural areas.

At present, these jobs still tend to be head-office jobs. They are concentrated in predominantly urban regions – predominantly urban regions are 20 percent more intensive² in producer service jobs compared to the national economy (Figure 1). Predominantly rural regions are only 60 percent as intensive in producer services jobs, compared to the national economy. Each type of predominantly rural region (i.e. metro-adjacent, non-metro-adjacent and the north) have similar (low) shares of their employment in producer services.

² We use a location quotient, defined in Box 4, to measure “intensity”.

Figure 1

Rural regions are less intensive in PRODUCER SERVICES employment, compared to the national average intensity



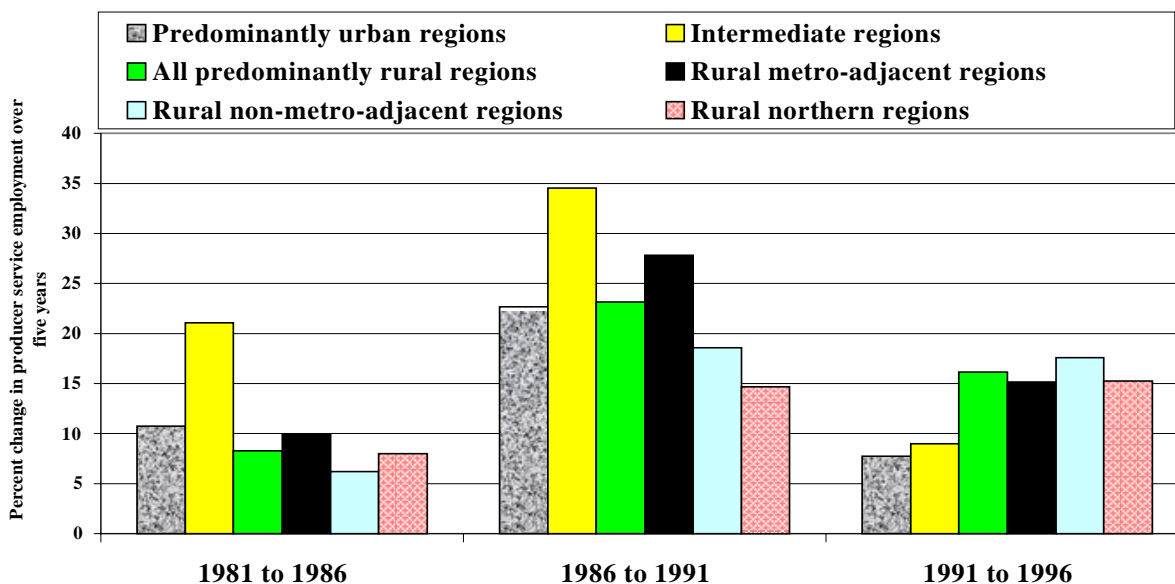
Source: Statistics Canada. Census of Population, 1981 to 1996. A predominantly rural region has over 50 percent of its population living in rural communities. An intermediate region has 15 to 49 percent and a predominantly urban region has less than 15 percent.

These sectors have been growing throughout the 1981 to 1996 period (Figure 2). This growth has occurred in each type of region. Predominantly rural regions, as a whole, reported growth comparable to the growth of predominantly urban regions during the 1980s. In the 1991 to 1996 period, each type of predominantly rural region showed stronger growth than either predominantly urban or intermediate regions.

However, this stronger growth in predominantly rural regions had a very small impact on the relative intensity of employment in the producer services sector in 1996 (as indicated by the location quotient in Figure 1).

Figure 2

In the 1991 to 1996 period, EACH predominantly rural region reported stronger employment growth in PRODUCER SERVICES employment



Source: Statistics Canada. Census of Population, 1981 to 1996. A predominantly rural region has over 50 percent of its population living in rural communities. An intermediate region has 15 to 49 percent and a predominantly urban region has less than 15 percent.

Provincial patterns of rural producer service employment

Another way to understand the pattern of employment in rural and small town (RST) areas in each province is to review the location quotients of RST employment, relative to the structure of employment for each respective province.

Here we concentrate specifically on the business services sub-sector because they are a potential exportable industry. Rural communities can grow if they increase their export base. Perhaps more realistically, rural communities will not decline if they can increase their employment in new export-base industries (e.g. manufacturing, tourism, business services, etc.) at a faster rate than the traditional export-based industries (e.g. agriculture, logging, fishing, mining, etc.) are discarding labour. Many analysts have argued (e.g. Chambers and Deans, 1998) that the Internet will allow business service proprietors to live anywhere and electronically deliver their services everywhere.

In the mid-1990s, RST areas were only 42 percent as intensive in business services employment as was the Canadian economy as a whole (i.e. the RST location quotient for business services is 42 in Table 1). The highest intensity for RST areas is in British Columbia, with a location quotient of 59.

Table 1. Location Quotients of the relative intensity of producer service employment in Rural and Small Town areas compared to the relative intensity of producer service employment in the province, 1996 to 1998 average

	Canada	New- found- land	Prince Edward Island	Nova Scotia	New Brunswick	Québec	Ontario	Manitoba	Sask- atchewan	Alberta	British Columbia
Finance, insurance and real estate	58	50	69	66	75	68	52	62	72	61	61
Services related to primary industries	202	128	129	137	137	185	223	224	156	164	205
Services related to construction industries	25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Business services	42	43	50	53	52	39	45	36	47	40	59
Total Rural and Small Town	100	100	100	100	100	100	100	100	100	100	100

Source: Statistics Canada, Labour Force Survey.

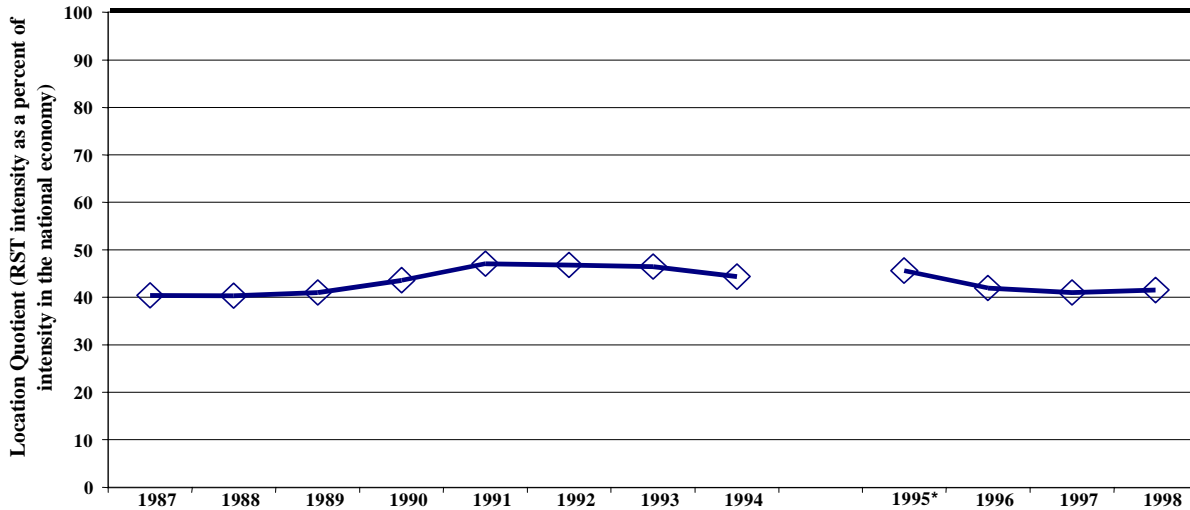
"Rural and Small Town" refers to the population outside CMAs and CAs. A CMA is an urban core of 100,000 or more plus the neighbouring municipalities where 50 percent or more of the workforce commutes into the urban core. A CA has an urban core of 10,000 to 99,999 and includes the neighbouring municipalities where 50 percent or more commute into the urban core. Thus, the "Rural and Small Town" population lives outside the commuting zone of larger urban centres.

Between 1987 and 1998, employment in the business service sector grew from 0.6 million to 1.1 million. RST areas participated in this growth. However, the RST location quotient of 42 percent indicates that RST areas are only 42 percent as intensive in this growing sector as is the national economy as a whole (Figure 3). There has been virtually no change in this intensity over a decade. This is a good news <-> bad news scenario:

- a. the good news is that the RST location quotient **did not decline** in this period. In other words, RST employment in business services has grown at the same rate as the national rate and thus RST areas have maintained their (low) share of employment in this sector.
- b. The bad news is that the RST location quotient for business services is low and it **did not increase** in this period. Some stories in the popular press would lead one to believe that rural areas, facilitated by Internet access, are gaining employment relative to urban areas In this expanding sector.

Figure 3

Rural and Small Town Canada is not increasing its intensity of employment in BUSINESS SERVICES relative to the overall Canadian economy

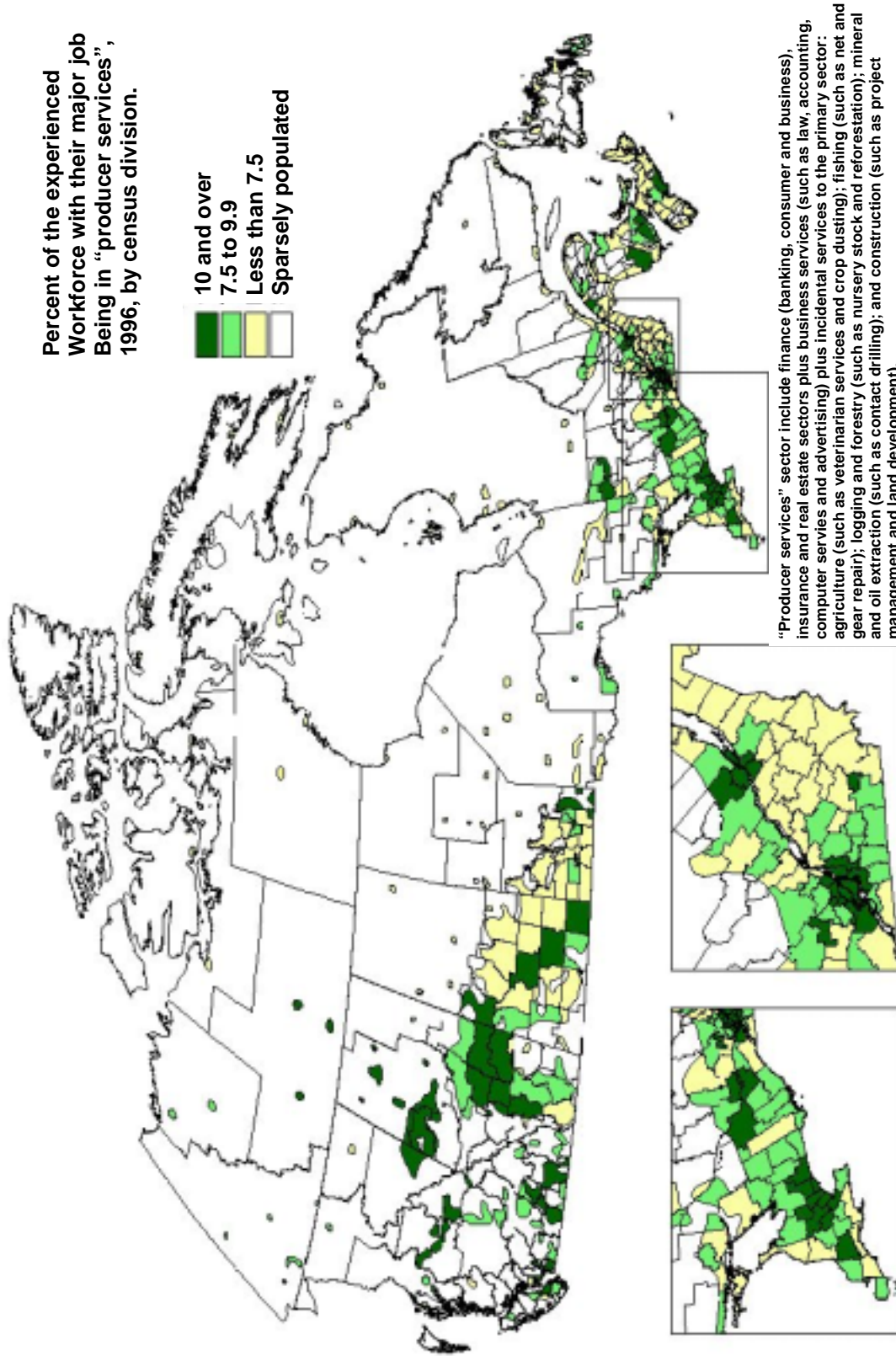


Source: Statistics Canada. Labour Force Survey. Rural and small town Canada refers to non-CMA/CA areas. A Census Metropolitan Area (CMA) has a core population of 100,000 or more and includes neighbouring municipalities where 50 percent or more of the workforce commutes to the core. A Census Agglomeration (CA) has a core population of 10,000 to 99,999 and includes neighbouring municipalities where 50 percent or more of the workforce commutes to the core.

Diversity within provinces

Relative to the total level of employment in a given census division, there are 67 census divisions (out of 288) in Canada with 10 percent or more of workforce employed in the producer services sectors (Map 1). Note that all of these localities are associated with cities. In addition, since our definition of producer services includes “incidental services to the primary and construction sectors” (such as enterprises growing tree nursery stock, reforestation enterprises and contract oil drilling enterprises), there are number of census divisions (in the interior of British Columbia, Alberta and southwestern Saskatchewan) with over 10 percent of the workforce in one of the producer services sectors. The eleven census divisions with over 15 percent of their workforce in producer services are associated with the large metropolitan centres of Toronto (the census divisions of Toronto, York, Halton, and Peel), Calgary, Vancouver, Ottawa, Montreal (the census divisions of Montreal and Champlain) and Quebec City (the census divisions of Desjardins and les Chutes de la Chaudière).

Share of Employment in Producer Services, 1996



Summary

The producer services sector is a growing sector. It has grown in each period since 1981.

Predominantly rural regions are participating in this growth. In fact, in the 1991 to 1996 period, employment in the producer services sector grew faster in each type of rural region compared to predominantly urban or intermediate regions.

However, rural regions still have a very low share of their employment in the producer services sectors. The good news is that RST areas are not losing their relative employment intensity in producer services. The bad news is that RST areas are not gaining relative to larger urban centres.

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