

ENVIRONMENTAL SCAN

ONTARIO REGION



March 2013

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Acronyms

CPP	Canada Pension Plan
ER	Economic Region
HRSDC	Human Resources and Skills Development Canada
GDP	Gross Domestic Product
ICT	Information and Communications Technology
LFS	Labour Force Survey
OAS	Old Age Security
ODSP	Ontario Disability Support Program

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About the E-Scan

Twice a year, the *Service Canada Ontario Labour Market Information Division* develops an Economic/Environmental Scan (E-Scan), a report that provides a general overview of the demographic, economic and labour market conditions and trends for the province of Ontario. E-Scans are intended to support regional Service Canada operations by identifying potential pressures on service and program delivery. However, they may also be of interest to those who seek to know more about the state of a provincial or regional economy and labour market. Facts and statistics presented in this document reflect information available as of March 28, 2013.

Key Points

General Overview/Economic Context

- The United States is Ontario's largest trading partner and the outlook for the U.S. economy is a major factor in the Ontario economic and labour market outlook. The U.S. economy expanded by 2.2% in 2012 and is projected to grow at about the same rate in 2013. Continued rising demand from the U.S. may improve Ontario's automotive production in 2013.
- In 2013, the Canadian economy is expected to expand by about 1.6%, compared to 1.8% in 2012. The first half of 2013 will be slow before picking up mid-year with return to more robust growth in 2014.
- As of March 2013, forecasters expect Ontario's real GDP growth rate will also moderate in 2013 before improving in 2014 along with the strengthening U.S. economy. Ontario employment growth in 2013 (approximately 1.2%) should be higher than in 2012 (0.8%), but lower than in 2010 and 2011.

Provincial and Local Labour Market Conditions

- The unemployment rate in Ontario is expected to remain elevated at about 7.6% as more people join the labour force in search of work. The youth unemployment rate is of particular concern, rising to 16.9% in 2012 as employment levels fell for youth aged 15-24.
- Labour force participation of workers over 55 is expected to continue to increase. In 2012 the average age of retirement rose to almost 63 in Canada.
- Employment growth was fastest in Northwest Ontario in 2012 with large capital investments in mining and a fragile recovery in forestry underway.
- The Toronto and Ottawa labour markets have also been stronger compared to those of other economic regions within Ontario.
- The Toronto economic region is the largest in the country, with a population of almost 5.9 million people in 2011. Employment levels have been increasing but the unemployment rate continues to exceed the provincial average. Construction activity should remain strong due to ongoing commercial and condominium construction and major new infrastructure projects including public transit, venues for the 2015 Pan/Parapan American Games, and the Highway 407 extension eastward.

Introduction

The purpose of the Environmental Scan is to outline the major trends and issues facing Canada and **Ontario Region** that will influence the economic and social environment in current and future years. The document provides timely, evidence-based information that supports the business planning process and it is divided into three main parts. Section 1 includes a general overview of the Canadian and Ontario economic context and some employment outlook information. Section 2 provides perspective on the provincial and local labour markets. Facts and statistics presented in this document reflect information available as of March 28, 2013.

Section 1: General Overview / Economic Context

Globally, economic growth slowed considerably in 2012 compared to 2011. While the United States' economy improved, China's growth dropped below 8% – which is considered soft for China – and the Euro area fell into a recession. A review of various forecasts shows that real gross domestic product (GDP) growth in 2013 is expected to remain subdued, but risks to the outlook outlined throughout the past year have declined. Worldwide, the economy is set to increase at about the same rate of approximately 3% in 2013 as in 2012, with stronger performances in emerging economies compared to advanced economies. World real GDP growth is set to strengthen gradually near mid-2013 moving toward an expected growth rate of over 4% in 2014.

In 2012, emerging economies – China in particular – have seen their economic growth slow considerably due to weaker demand from developed countries as well as lower domestic consumption. Slower than normal GDP growth in these countries impacts Ontario through reduced demand for base metals. A decline in the demand for commodities affects prices and profitability and can prompt companies to delay major mining projects, reduce investments in mining exploration and suspend ongoing projects as we saw happen in 2012 in Northern Ontario. In its January 2013 Monetary Policy Report, the Bank of Canada expects base metal prices to rise gradually over the next few years, supported by growing demand from these emerging markets.

During 2012, the crisis in the peripheral countries of the Euro area (Portugal, Ireland, Greece and Spain) pressed authorities to take measures to prevent a deterioration of the sovereign debt of its weakest members. As a sign of improvement and renewed confidence, government bond yields of troubled European economies have fallen noticeably lately and talks about a Eurozone breakup have subsided. However, despite this respite, the risk of an aggravation of the financial/debt crisis during 2013 should not be excluded. The Euro area was still in recession at the start of 2013, with high unemployment rates in peripheral countries. Even stronger markets such as Germany and France are expected to see their economies grow only very modestly this year, at a rate below 1%, further emphasizing the ongoing weakness in the Eurozone. Although Ontario's trade with Euro area countries is relatively small in comparison to the U.S., any aggravation of the crisis would be felt by the province because of the global integration of financial markets.

In the United States, by far Ontario's largest external trading partner, the economic recovery is deemed below potential, but unlike the euro zone, the country's GDP expanded in 2012 (2.2%) and is projected to grow at about the same rate in 2013. At the beginning of 2013, an agreement was reached to partially resolve the "fiscal cliff", preventing a number of automatic spending cuts and tax hikes to take effect. This would have put a significant drag on the country's growth and impacted Ontario through lower exports.

However, the uncertainty surrounding possible future spending cuts and tax hikes that could come out of negotiations about the debt ceiling and other fiscal issues may dampen consumer spending and business investment growth in the short term. Taking into account these risks, forecasters still project the American economy to pick up in mid-2013 and into 2014. The Ontario economy and labour market will benefit from any improvement to the U.S. economy.

In Canada, real GDP growth slowed at the end of 2012 due to weaker exports and business investments. Residential construction activity has also been showing signs of weakness in the second half of the year with lower sales and housing starts compared to the previous year. The implementation of stricter mortgage rules in the summer of 2012 most likely intensified the drop. Even though prices of existing houses in many urban areas have declined, most noticeably in Vancouver, they remained relatively stable or have even increased in some cities like Toronto, despite a decline in existing home sales in 2012. The Economist even made note of the significant overvaluation of the Canadian housing market in its magazine and some analysts expect the cooling in prices might reach the Greater Toronto Area in 2013. The city's condominium segment market in particular is in danger of being saturated with an increasing number of unsold units and existing listings. On the non-residential side, institutional and governmental investment growth may moderate in 2013, in line with fiscal consolidation from different levels of government. These factors could temper employment gains in construction in 2013 for Ontario.

After strong increases in 2010 and 2011, Canadian manufacturing sales growth slowed in 2012. An exception within the industry was in the motor vehicle assembly sub-sector. This was a result of considerable U.S. and Canadian auto sales growth in 2012 by 13.4% and 5.7% respectively. Forecasters expect sales in 2013 to surpass 2012 levels, which bodes well for Ontario's automotive and auto parts manufacturing plants. Light vehicle production in Ontario was up 15.4% in 2012¹ partly because of the lower output in 2011 as the assembly of some models was hindered following the tsunami in Japan in March 2011. After a difficult year in 2011, Honda, Toyota and Chrysler increased production in 2012 and regained some lost North-American market share at the expense of GM and Ford. Considering motor vehicle and motor vehicle parts manufacturing accounted for almost 40% of the value of the province's exports to the U.S. in 2012, rising demand from the U.S. will likely improve Ontario's automotive production in 2013.

In 2013, the Canadian economy is expected to expand by about 1.6%, compared to 1.8% in 2012. The first half of 2013 will be slow before picking up mid-year with a return to more robust growth in 2014. For Ontario, because of its sizeable manufacturing sector, a potential risk to the outlook is for further appreciation of the Canadian dollar as foreign countries desperate to revive their national economies by improving terms of trade may be tempted to devalue their currencies. The resulting appreciation of the Canadian dollar would adversely impact Ontario's exports and the competitiveness of its manufacturing industry. In addition to exporters, tourism-related industries and economic regions sharing a border with the U.S. would also negatively feel the effects of an even stronger Canadian dollar.

In light of the factors enumerated above and several other indicators, as of March 2013, forecasters expect Ontario's real GDP growth rate will also moderate in 2013 before picking up in 2014 along with the strengthening of the U.S. economy. Employment growth in 2013 should be higher than in 2012, but lower than in 2010 and 2011. The unemployment rate is expected to remain elevated at 7.6%, because despite the increase in employment, the number of unemployed people will also increase as more people join the labour force in search of work.

¹ Desrosiers Automotive Reports, Vol. 27, Issue 2, January 31, 2013.

Section 2: Provincial and Local Labour Market Conditions

The population of Ontario, which was 12,851,821 in 2011, continues to grow each year mainly due to international immigration. In 2012, Ontario welcomed 98,826 new permanent residents according to Citizenship and Immigration Canada. The Toronto area continues to attract about 80% of new immigrants.

Ontario continued to add jobs in 2012, but not at the same pace as the previous year. In 2012, employment in Ontario increased by 52,400 (+0.8%), compared with 121,300 (+1.8%) in 2011. Weaker employment growth reflected the economic headwinds facing the province in 2012. These included weaker commodity prices for base metals, the currency at par with the U.S. dollar, and restrained consumer spending. Both the participation and employment rates declined from 2011. The unemployment rate held steady at 7.8% in 2012, an indication that the Ontario economy is not yet performing at its potential capacity.

Table 1: Annual labour force statistics in Ontario

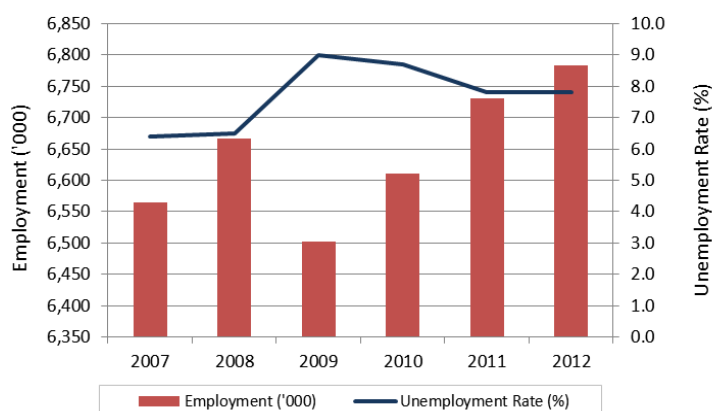
	2012	2011	2010	2011 to 2012		2010 to 2011	
				Number	%	Number	%
Population 15 + ('000)	11,069.7	10,926.3	10,790.6	143.4	1.3	135.7	1.3
Labour Force ('000)	7,357.2	7,301.7	7,236.6	55.5	0.8	65.1	0.9
Employment ('000)	6,783.7	6,731.3	6,610.0	52.4	0.8	121.3	1.8
Full-Time ('000)	5,499.4	5,454.7	5,331.3	44.7	0.8	123.4	2.3
Part-Time ('000)	1,284.4	1,276.6	1,278.7	7.8	0.6	-2.1	-0.2
Unemployment ('000)	573.5	570.4	626.6	3.1	0.5	-56.2	-9.0
Unemployment Rate (%)	7.8	7.8	8.7	0.0	-	-0.9	-
Participation Rate (%)	66.5	66.8	67.1	-0.3	-	-0.3	-
Employment Rate (%)	61.3	61.6	61.3	-0.3	-	0.3	-

Note: Totals may not add due to rounding.

Source: Statistics Canada Labour Force Survey - CANSIM Table-002

The services-producing sector added 51,700 jobs in 2012. Solid growth in the accommodation and food services industry led the way, followed closely by gains in the educational services industry. Other increases in employment were seen in other services, finance, insurance, real estate and leasing, as well as in professional, scientific and technical services. The largest decline was in the information, culture and recreation industry. Employment held steady in retail and wholesale trade, the largest component in the services-producing sector, after declining in 2011. The retail industry continues to be volatile, with hiring by large retailers such as Target

Chart 1 Annual employment and unemployment rate in Ontario



Source: Statistics Canada Labour Force Survey - CANSIM Table-002

and Walmart, contrasted with recent downsizing announcements by other large retailers such as Sears, Best Buy and Future Shop.

Employment in the goods-producing sector remained relatively unchanged in 2012. The manufacturing industry added 5,600 jobs, following an increase of 13,800 in 2011. However, this was offset by a decline in construction employment over the course of the year. Although Ontario urban housing starts rose by 14% in 2012², changes to mortgage regulations, which took effect in July, cooled off the residential housing markets in the second half of the year, and the outlook for 2013 is for more of the same.

Table 2: Annual labour force statistics in Ontario – employment by industry

Employment ('000)	2012	2011	2010	2011 to 2012		2010 to 2012	
				Number	%	Number	%
Total employed, all industries	6,783.7	6,731.3	6,610.0	52.4	0.8	121.3	1.8
Goods-producing sector	1,421.9	1,421.1	1,394.0	0.8	0.1	27.1	1.9
Agriculture	94.2	92.1	84.6	2.1	2.3	7.5	8.9
Forestry, fishing, mining, quarrying, oil and gas	37.1	37.0	40.7	0.1	0.3	-3.7	-9.1
Utilities	55.6	54.6	58.8	1.0	1.8	-4.2	-7.1
Construction	434.4	442.5	428.8	-8.1	-1.8	13.7	3.2
Manufacturing	800.5	794.9	781.1	5.6	0.7	13.8	1.8
Services-producing sector	5,361.9	5,310.2	5,216.0	51.7	1.0	94.2	1.8
Trade	990.1	992.4	1,011.1	-2.3	-0.2	-18.7	-1.8
Transportation and warehousing	316.6	321.8	304.3	-5.2	-1.6	17.5	5.8
Finance, insurance, real estate and leasing	509.1	501.3	497.6	7.8	1.6	3.7	0.7
Professional, scientific and technical services	563.8	556.6	544.8	7.2	1.3	11.8	2.2
Business, building and other support services	293.7	289.1	283.8	4.6	1.6	5.3	1.9
Educational services	504.2	478.7	489.1	25.5	5.3	-10.4	-2.1
Health care and social assistance	762.0	766.4	718.3	-4.4	-0.6	48.1	6.7
Information, culture and recreation	332.8	346.2	322.4	-13.4	-3.9	23.8	7.4
Accommodation and food services	416.0	388.5	388.3	27.5	7.1	0.2	0.1
Other services	290.9	279.5	283.7	11.4	4.1	-4.2	-1.5
Public administration	382.7	389.7	372.5	-7.0	-1.8	17.2	4.6

Note: Totals may not add due to rounding.

Source: Statistics Canada Labour Force Survey - CANSIM Table-008

Employment by Age and Gender

Youth aged 15 to 24 continued to face challenges finding employment in 2012. Youth employment in Ontario decreased by 34,000 (-3.7%) in 2012. The youth employment rate fell to 50% and the youth labour force participation rate fell to 60.1%. These are the lowest employment and participation rates recorded over the period from 1976 to 2012. The youth unemployment rate rose to 16.9% in 2012 compared with 15.8% in 2011.

Men had higher unemployment rates than women in 2012. Young men aged 15 to 24 years had an unemployment rate of 18.4% compared to 15.3% for young women. The difference was less pronounced for men aged 25 years and over with an unemployment rate of 6.5%, compared to 5.9% for women aged 25 and over.

² Canada Mortgage and Housing Corporation. Preliminary Housing Start Data, February 2013.

Table 3: Annual unemployment rates by age and gender in Ontario

	2012	2011	2010	2011 to 2012	2010 to 2011
	%	%	%	Number	Number
Total	7.8	7.8	8.7	0.0	-0.9
25 years and over	6.2	6.4	7.1	-0.2	-0.7
Men - 25 years and over	6.5	6.3	7.5	0.2	-1.2
Women - 25 years and over	5.9	6.4	6.7	-0.5	-0.3
15 to 24 years	16.9	15.8	17.2	1.1	-1.4
Men - 15 to 24 years	18.4	17.6	19.7	0.8	-2.1
Women - 15 to 24 years	15.3	13.9	14.6	1.4	-0.7

Source: Statistics Canada Labour Force Survey - CANSIM Table-002

Local Labour Market Conditions

The province of Ontario is divided into eleven economic regions. These areas were created in the past by an agreement between Statistics Canada and the province of Ontario and are used for both the Labour Force Survey and the Census. Employment growth varied widely across Ontario economic regions over the period from 2010-2012. At the start of this period, overall economic growth was rebounding from the recession in 2009 and employment growth was fairly robust.

Ottawa Economic Region

In addition to the Ottawa census division, the Ottawa economic region includes the following counties: the United Counties of Stormont, Dundas and Glengarry, Prescott and Russell, Leeds and Grenville as well as the county of Lanark. According to the 2011, Census the population of the Ottawa economic region was 1,244,909, the third largest in Ontario. According to the Labour Force Survey, employment grew by 2.8% from 2010 to 2012. While there were 3,000 new part-time jobs created, most of the gain was in full-time employment, with an increase of 16,000 over this three-year period. Most of this growth (+14,800) occurred in 2012. The Ottawa region unemployment rate for 2012 was at 6.4%, well below the Ontario rate for 2012 of 7.8%.

The region continues to be overrepresented in the public administration sector, with more than one-third of all public administration jobs in Ontario located in Ottawa. Almost one in five Ottawa residents works in the public administration sector at the federal, provincial or municipal level. Despite the on-going review of services and staffing at all three levels of government, employment levels in this sector remained stable in 2012.

Trade is the second largest industry in the Ottawa area. Business has been growing for retailers in the region over the past few years. This has prompted larger companies such as Ikea to expand, while smaller retail chains have opened new stores. Projects such as the expanded Ottawa Convention Centre will continue to help drive the retail sector along with the information, culture and recreation industries.

The professional, scientific and technical services sector has remained strong. Expansions by companies like Halogen Software and Huawei along with many other small tech firms have helped spur growth in this sector.

Non-residential construction employment will be supported by a number of major new projects in Ottawa, including construction of the city's new light rail transit line starting in 2013, the Lansdowne Park redevelopment (completion scheduled for 2015), and the Nordstrom renovation in the Rideau Centre (opening spring 2015).

Despite the overall strong performance of the region's economy between 2010 and 2012, some companies reduced employment. StarTek, Quebecor and Convergys all either closed or significantly reduced the number of positions at their call centre operations. In the manufacturing industry, SMART Technologies announced 200 layoffs and BA International had close to 200 layoffs.

Kingston-Pembroke Economic Region

The Kingston-Pembroke Economic Region includes the counties of Hastings, Frontenac, Lennox and Addington, Prince Edward and Renfrew and the Kingston Census Metropolitan Area. According to the 2011 Census, the population of this economic region was 453,080. Health care, trade and manufacturing are the most significant sectors in this region, but overall the regional economy is well diversified.

Employment change in this region was uneven during the period 2010 to 2012. From 2010 to 2011, the region saw a growth of 14,000 jobs. From 2011 to 2012, the region pulled back a bit with a 2% decline in jobs. However, the 2012 employment total of 213,000 was still 10,000 more than the 2010 level. The Kingston-Pembroke unemployment rate for 2012 was 7.3%, well below Ontario rate of 7.8% for the same period.

The expansion and renovation of the Cancer Care Centre of the Kingston General Hospital and the multi-phase expansion of the Belleville General Hospital are examples of a number of projects that built or expanded health care facilities throughout the region. Transportation and warehousing is another important industry. A new Tim Horton's distribution facility opened in 2011 in Kingston.

Several other large construction projects are underway or scheduled to start soon. A new \$9M Holiday Inn Express in Pembroke, the \$20-\$30M Empire Court complex in Kingston, a new \$11M school in Stirling, a new \$19M office building for Kingston Hydro and the ongoing \$6.5M reconstruction of Princess Street in downtown Kingston will create numerous construction jobs in the region.

Some closures and job losses did occur such as the 40 jobs cut at Whig Standard newspaper and 100 with the closure of Zellers. But these will be offset by the 150-200 jobs when a new Target store opens in Kingston the summer of 2013. Two new call centres, one in Trenton and the other in Belleville, and a new Farm Boy grocery store in Kingston will help in the ongoing stability of the local labour market.

Muskoka-Kawarths Economic Region

The Muskoka-Kawarths economic region is located in central Ontario and includes the Kawartha Lakes census division, the counties of Haliburton, Northumberland and Peterborough, and the district municipality of Muskoka. Based on the Census, the population of this economic region was 365,346 in 2011. The region includes the City of Peterborough along with what is known as "Cottage Country" in southern Ontario. This economic region is dependent upon the retail and wholesale trade, and tourism industries, which are sensitive to declines in consumer spending.

The Muskoka-Kawarths economic region experienced relatively strong employment growth (1.9%) in 2011 compared to 2010. However the situation was quite different in 2012 as the Muskoka-Kawarths region saw a 2.4% decline in total employment, offsetting the job gains from the previous year. Over the past year, several small and medium-sized layoffs have occurred, such as the elimination of 180 positions at Peterborough Regional Hospital, 40 teachers from the public school board, 80 jobs with the closure of Baskin-Robbins, 110 at Ventra Plastics and 30 layoffs at Cascades Inc. However, throughout the year, there were also numerous announcements of job creation. These included a new software development company, three new restaurants, a large animal health care centre, a 4,000 square-foot expansion to the local hospital, and construction of a \$35M trades centre at Fleming College.

The Muskoka-Kawarths region has had the lowest participation rate of all 11 of Ontario's economic regions for three consecutive years, falling to 58.4% in 2012, well below the Ontario average of 66.5%. In 2012, more people left the labour force than the decline in jobs. This has resulted in an overall decrease

in the unemployment rate over the past three years. The City of Peterborough is a popular retirement location for seniors. The Muskoka-Kawartha economic region had the oldest median age of all the economic regions in Ontario at the time of the 2011 Census. At 47.4 years it was substantially higher than the Ontario median age of 40.4 years.

Toronto Economic Region

The Toronto economic region includes the City of Toronto along with the regional municipalities of York, Peel, Durham and Halton. It is the largest economic region in Ontario with a population of 5,878,412 measured by the 2011 Census.

The number of individuals employed grew by nearly 3.0% from 2010 to 2012. In each year, the Toronto economic region experienced a rising number of participants in the labour force, which was estimated to be close to 3.5M in 2012. Gains in employment were seen in both full-time (+ 77,500) and part-time (+12,000) positions over this three-year period.

Although the unemployment rate declined from 9.1% to 8.4% from 2010 to 2011, it increased slightly in 2012. The unemployment rate in the Toronto economic region has been above the provincial rate throughout this timeframe. Despite improving employment levels, the unemployment rate may continue to remain high as more entrants join or re-enter the Toronto labour market, a sign that individuals feel more confident about local job prospects.

Several large infrastructure projects were underway in the Toronto economic region over this three-year period. Projects such as the revitalization of Union Station, construction of the Forensic Services and Coroner's Complex and the Toronto South Detention Centre, along with numerous expansions to local hospitals created thousands of construction jobs. Also, work started on multiple venues for the Toronto 2015 Pan/Parapan American Games as well as on large scale public transit projects across the region.

The Toronto economic region also experienced some significant layoffs and closures, which affected workers in manufacturing, transportation, utilities and professional sectors. The cessation of Skyservice Airlines Inc., closure of the Daimler AG bus plant, and downsizing at Toronto Hydro Corporation, Direct Energy Marketing Limited and Loblaw Companies Limited impacted hundreds of jobs over this three-year period.

Looking ahead, construction activity should continue to remain strong as more sites break ground for the upcoming Games and work begins on projects such as the Highway 407 East Extension. However, Mondelez Canada Inc. will close one of its Toronto manufacturing plants later this year, while General Motors of Canada Limited will eliminate a production line at the Oshawa facility in the summer of 2013, affecting workers across the Toronto economic region.

Kitchener-Waterloo-Barrie Economic Region

The Kitchener-Waterloo-Barrie economic region is located in southwestern Ontario and includes the Waterloo regional municipality and the counties of Dufferin, Simcoe and Wellington. It is a part of Ontario's manufacturing heartland and also one of the fastest growing economic regions in the province in terms of its population. In 2011, the population was 1,218,400.

According to the Labour Force Survey, from 2010 to 2011, employment grew by 26,900 (+4.1%), all in full-time positions in the Kitchener-Waterloo-Barrie economic region. However, job growth stalled (-0.4%) from 2011 to 2012. Despite the softened employment conditions, the unemployment rate decreased to 6.6% in 2012, which was below the provincial unemployment rate, as fewer people in the region participated in the workforce. The participation rate in 2012 (70.0%) was the lowest rate recorded in the region for over a decade.

The economic recovery of the auto sector was a key driver of employment growth in the region over the three year period. Investments in the Toyota Motor Manufacturing plant in Cambridge, production of a new vehicle line at the Honda of Canada Manufacturing plant in Alliston and a new auto-parts plant by Linamar Corporation in Guelph, all had a positive impact on the job market in the region. On the negative side, cost cutting measures imposed by some manufacturing companies resulted in the mass layoff of workers. Most significant were the staff reductions at BlackBerry headquartered in Waterloo, which had significant direct and ripple effects on the regional economy, given its importance as one of the largest employers. Added to this were job losses resulting from closures, including those at the Affinia Group brake pad plant, Sonoco Canada plastic plant and the Maple Leaf Foods poultry processing facility.

The Information Communications Technology (ICT) sector is clustered around Waterloo. Communitech, an association representing over 800 technology companies, reported that the Waterloo Region attracted 450 new startup jobs and 300 new companies in 2011 alone³. Investments and technical support by more established global companies such as Google and OpenText also boosted ICT growth over the period.

Several large institutional construction projects were undertaken, including construction of the Waterloo Region Consolidated Courthouse and expansions to the St Joseph's Health Centre in Guelph and to the Royal Victoria Hospital in Barrie. Redevelopment of the Waypoint Centre for Mental Health Care in Penetanguishene, which started in 2011, is still underway.

Looking ahead, the Region of Waterloo's \$818M Rapid Transit Project is expected to yield several thousand direct and indirect job benefits when construction begins in 2014. Other impending projects also augur well for employment in the region, including the planned increase in Lexus RX production at the Toyota plant in Cambridge, the doubling in workforce numbers at the Hitachi Construction Truck facility in Guelph, the opening of the Maple Leaf Foods distribution centre in the Township of Puslinch and the completion of a medical complex at The Boardwalk Mall in Kitchener. The opening of several Target retail stores should help to temper employment losses resulting from the closure of Zellers stores across the region. On the downside, there will be a significant loss of jobs in Kitchener, when the planned closures of the Maple Leaf Foods distribution centre and meat processing plant take full effect in 2013 and 2014 respectively.

Hamilton-Niagara Peninsula Economic Region

The Hamilton-Niagara Peninsula economic region includes the regional municipalities of Halton and Niagara as well as the Hamilton, Haldimand-Norfolk and Brant census divisions. The region has a diverse manufacturing sector along with a strong health sciences, education and tourism industry. The region is the second largest in Ontario with a population of 1,372,227 in 2011.

According to the Labour Force Survey, employment grew by 3.1% from 2010 to 2012. In each consecutive year, the Hamilton-Niagara Peninsula economic region experienced an increasing number of participants in the labour force, which was estimated to be 770,200 in 2012. Gains in employment were seen in both full-time and part-time positions over this three-year period. The unemployment rate decreased from 8.3% in 2010 to 7.2% in 2012, the lowest level since the recent recession in 2009.

The Hamilton-Niagara Peninsula economic region experienced significant losses to its manufacturing sector during this timeframe. Plant closures, such as the Siemens Energy facility, the Smucker's Foods of Canada Co. factory, and downsizing at companies, such as Henniges Automotive, U.S. Steel Canada and National Steel Car, affected hundreds of workers. On a positive note, the region also saw the opening of the country's largest bakery operated by Canada Bread Company and will soon see the addition of the Maple Leaf Foods plant in 2014.

Medical research and health sciences have become major contributors to the regional economy. Capital investments in facilities such as the Hamilton Health Sciences group of hospitals and research centres,

³ <http://www.communitech.ca/waterloo-region-tech-sector-thrives-with-450-startup-jobs-300-companies-founded-in-2011/>

the Niagara Health System and the upcoming construction of the McMaster Children's Health Centre all provide a base for innovation and development.

During this three-year period, work continued on the Niagara Tunnel Project, one of the largest hydro-electric developments underway globally. Also, the Hamilton-Niagara Peninsula economic region can look forward to sharing some of the economic benefits from the Toronto 2015 Pan/Parapan American Games as the area will be host to various sporting events during the upcoming competition.

London Economic Region

The London economic region, largely driven by information technology, advanced manufacturing, life sciences and medical research, is situated in southwestern Ontario including Elgin, Middlesex and Oxford counties. According to the 2011 Census, the population of the London economic region was 632,331.

According to the Labour Force Survey, the unemployment rate for London in 2012 stood at 7.9%, the lowest since 2008. In addition, London employment rose by 1.0% from 2011 to 2012, adding 3,200 jobs to the local economy. There was no change in employment between 2010 and 2011. Robust capital investment from both public and private spheres has aided in the recovery of many jobs lost during the economic downturn in 2009. The expansion of the Toyota Motor Manufacturing plant in Woodstock, opening of the Kongsberg Defense Systems facility and growth at the Brose Canada plant in London all provided a boost to local employment. Also, infrastructure projects such as the construction of the St. Thomas Consolidated Courthouse, and upgrades to the London Health Sciences Centre and the St. Joseph's Health Care facilities were underway during this three-year period generating jobs in the construction sector.

However, significant job losses in the manufacturing industry restrained growth in this sector. Most notably, the closure of the Ford Motor Company of Canada assembly plant in St. Thomas and the cessation of the Electro-Motive Diesel plant in London affected hundreds of workers. Also, significant layoffs occurred at other manufacturing firms in the region, such as Keiper Canada Ltd. and Specialized Packaging Group. The manufacturing sector was not the only industry affected as large information and business support firms, such as Transcom, Sykes Assistance Services Corporation and TeleTech Holdings Inc., reduced or closed operations between 2010 and 2012 in the London economic region.

Looking ahead, The Timken Company will close its St. Thomas plant by May 2013, while Dr. Oetker Canada will open its London manufacturing facility in late 2013 or early 2014, bringing a positive impact to the local economy.

Windsor-Sarnia Economic Region

The economy of the Windsor-Sarnia economic region is largely based on the manufacturing, petrochemical, renewable energy, and agriculture industries. The region is situated in southwestern Ontario including the Chatham-Kent census division, and the counties of Essex and Lambton. The population of the economic region was 619,056, according to the 2011 Census.

The recovery was slow for the Windsor-Sarnia economic region, following large employment losses during the 2008-2009 recession. According to the Labour Force Survey, employment in the economic region grew by 0.5% from 2011 to 2012. The unemployment rate decreased from 10.7% in 2010 to 9.0% in 2012.

The automotive manufacturing industry has been recovering after extended layoffs, downsizing and closures in previous years. The General Motors of Canada transmission plant in Windsor closed in July 2010. Ford has modernized its facilities and increased shifts at its Essex engine plant. Chrysler has added an auto hauling facility in Windsor. Local tool and die and automotive parts manufacturers are benefiting from the recovery and continue to evolve and adapt to the changes in this sector.

Job growth over the 2010-2012 period was supported by activities in the non-residential construction sector. Construction of the Right Honourable Herb Gray Parkway, formerly known as the Windsor-Essex Parkway began in 2011 and should be completed in 2014. Other major infrastructure projects, such as St. Clair College's Centre for Applied Health Science building, the City of Windsor's family aquatic complex, and the South West Detention Centre in Windsor, have also generated direct and indirect employment in the region. The development of the Sarnia Solar Project power plant, by Enbridge Inc. and First Solar Inc., created hundreds of jobs. Looking ahead, the anticipated construction of the Detroit International Crossing will further enhance the region's economy.

Stratford-Bruce Peninsula Economic Region

The Stratford-Bruce Peninsula economic region is located in southwestern Ontario and includes the counties of Bruce, Grey, Huron and Perth. Agriculture and tourism are significant for this region due to its geographic location, with vast farmlands and proximity to major waterways. The population was 292,882 in 2011 according to the Census.

Employment growth was uneven in this economic region over the past three years. From 2010 to 2011, the number of employed persons increased by 5.6%, but declined by 3.2% from 2011 to 2012. Over the three-year period, the region had the lowest unemployment rate in Ontario.

Arising from the rebound in automotive manufacturing, many job openings were created from business expansions by auto-parts manufacturers, mainly located in Stratford, including DYNA-MIG, FIO Automotive and the new Florida Production Engineering. Additional job opportunities were created by new manufacturing operations, including a new wood processing plant by Turuss (Canada) Industry in Chesley and a DuPont Pioneer seed processing facility, near Wingham. The transportation support services industry also received a boost with a federally supported investment in Goderich Aircraft to launch Canada's first centre for completing Boeing business jets. The region also experienced significant losses due to the closure of manufacturing plants, such as Honeywell A.S. Canada, Curtiss-Wright Controls and St. Clair Technologies.

Given the economic importance of the agriculture sector to this region, investments in agricultural and food processing production facilities, including expansions at Erie Meat Products in Listowel, Great Lakes Specialty Meats in Mitchell and Gay Lea Foods Co-operative in Teeswater, helped to create jobs. On the negative side, the high Canadian dollar and the rising price of corn posed a challenge to livestock production and earnings during the period.

Electricity generation at the Bruce Power nuclear facility in Tiverton was a key driver of the region's economy, with several hundred jobs added for general equipment maintenance and for the restart of the Unit 1 and 2 reactors during the period. Many large institutional developments were also undertaken in the region, including construction of the Owen Sound regional recreation centre and the Walkerton District Secondary School. These projects employed many construction workers.

Over the next year, the planned construction of Ontario Power Generation's Deep Geologic Repository in Kincardine is expected to provide significant job benefits. The facility is slated to be operational in 2015, subject to an environmental assessment and other approvals⁴. Also, about 70 manufacturing jobs will be added when TG Minto begins production at its auto parts plant in Stratford in the summer of 2013. On the negative side, the small community of Seaforth will be significantly impacted when the E. D. Smith salad dressing plant closes in the fall of 2013 and terminates about 180 employees.

Northeast Ontario Economic Region

Northeast Ontario is the second largest economic region in terms of land size with the seventh largest population (551,144) in Ontario in 2011. This region includes the Greater Sudbury census division and

⁴ http://nuclearsafety.gc.ca/eng/readingroom/newbuilds/opg_dgr/

the districts of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane and Algoma. Due to the distance between communities, it is often difficult to ensure labour mobility to an area requiring workers.

After solid employment growth in 2011, the Northeast economic region experienced the largest drop among the province's 11 economic regions in 2012, with the loss of 6,400 jobs. The Northeast labour force has fallen to levels not seen since 2009. As fewer people sought work than the number of jobs lost over the past year, the unemployment rate has declined to 7.3%. However, the unemployment rate should not be viewed in isolation. The decline in the labour force, the participation rate and employment rate all point to a softening of the region's economy. A lack of growth in the steel sector, construction, tourism and education has also contributed to the dip as well. Tenaris Algoma Tubes has laid off close to 100 employees at its Sault Ste. Marie site, while all of the region's school boards are facing continued declining enrollment.

Commodity prices and demand for non-precious metals have stalled or weakened over the past year. The weakening has led Vale to implement a hiring freeze at all of its global operations and they have since announced the layoff of 30 staff at its Sudbury site. Further review has led the company to close one of its two smelter furnaces by 2016, possibly leading to future job losses. An immediate impact of this decision is the scaling back of Vale's \$2B Atmospheric Emissions Reduction project in half, to \$1B over the next two years. Caught in the crosswinds are mining service companies such as Boart Longyear, Sandvik Mining and Construction, and Atlas Copco. Located in North Bay, they have collectively laid off more than 200 people in the last year as a result of the decline in demand of non-precious metals.

The precious metals sector, especially in the Timmins-Kirkland Lake region, has remained strong and continues to show signs of long-term growth, supported by relatively high prices in gold and silver. Lakeshore Gold is continuing to expand its Timmins' area production. Kirkland Lake Gold has plans to hire 200 to 250 new employees this fiscal year, as does Detour Gold at its new mine north of Cochrane. Goldcorp's Hollinger project, a large open-pit mine not far from the downtown core of Timmins, is also moving towards production.

The dimensional lumber sector is exhibiting signs of life after many years of stagnation as prices and markets slowly recover. The largest sector in the Northeast, health care and social assistance, should continue to expand, primarily as the need to care for an aging population becomes more acute.

Northwest Ontario Economic Region

Northwest Ontario is the largest economic region in terms of land size and had the smallest population in Ontario in 2011, at 224,034, providing unique advantages and challenges for the region. This region includes the districts of Thunder Bay, Rainy River and Kenora.

The number of employed workers in Northwest Ontario grew by 2.6% from 2011 to 2012, the largest percentage gain year over year of all economic regions in Ontario. This growth stems from gains in full-time employment: approximately 3,100 full-time positions were created between 2010 and 2012. As well, more people are entering the labour force than in previous years resulting in a participation rate of 62.7% for 2012, the highest in this region since 2009. The unemployment rate improved to 7.3% in 2012.

Employment gains in the region can be partially attributed to capital investments in the primary sector, particularly in forestry and mining. The provincial government notes that investment in mineral exploration in Ontario in 2011 surpassed \$1 billion for the first time⁵. Over the past few years, high commodity prices for metallic minerals, such as gold, silver, nickel and platinum, has helped spur growth in this sector, which has resulted in a number of new mining and exploration projects in Northwestern Ontario. In 2012, over 80 exploration projects were underway in the Northwest in various stages of development, in

⁵ Ministry of Northern Development and Mines. 2012. Available: <http://news.ontario.ca/mndmf/en/2012/03/mineral-exploration-investment-hits-record-billion-dollar-level.html>

addition to six operational mines⁶. Notable projects in the mature exploration stage in the region include Cliff Resources' Ring of Fire chromite deposit; the Cameron Gold Project located near Sioux Narrows, owned by Coventry Resources; the Rainy River Resources' Rainy River Gold Project north of Barwick; and Stillwater Canada's proposal to build a copper and palladium mine north of Marathon. Subject to further approval, and largely dependent on the future direction of commodity prices, these projects have the potential to become producing mines within the decade.

The forestry sector in Northwestern Ontario, having seen mass layoffs and mill closures in previous years, is beginning to show signs of recovery. In particular, interest in bio-mass products, such as wood pellets and rayon fibre, has created a number of opportunities in the region. As a result of the transformation of the Atikokan Generating Station from coal to wood bio-mass, expected to be completed in 2014, two Northwestern operations – Atikokan Renewable Fuels and Resolute Forest Products (formerly AbitibiBowater) – will supply the station with wood pellets, expecting to create hundreds of jobs within the communities. In addition, the Aditya Birla Group purchased the idled Terrace Bay Pulp mill in Terrace Bay in 2012, and is investing \$250M to convert the facility to dissolve wood pulp for rayon fibre. The operation is expected to create over 1,900 direct and indirect jobs in the province. While recovery in this sector remains fragile, these recent developments are promising.

Other notable developments in this region over the past two years include the expansion of Activation Laboratories' assay services in Northern Ontario including Red Lake and Thunder Bay, the creation of the Thunder Bay Regional Research Institute for health sciences, and the completion of the Sioux Lookout Meno Ya Win Health Centre.

Table 4: Annual labour force statistics in Ontario, employment by economic region

Employment ('000)	2012	2011	2010	2011 to 2012		2010 to 2011	
				Number	%	Number	%
Ontario	6,783.7	6,731.3	6,610.0	52.4	0.8	121.3	1.8
Economic Regions							
Ottawa	697.6	681.5	678.5	16.1	2.4	3.0	0.4
Kingston—Pembroke	213.0	217.4	203.4	-4.4	-2.0	14.0	6.9
Muskoka—Kawartha	172.7	176.9	173.6	-4.2	-2.4	3.3	1.9
Toronto	3,164.3	3,118.3	3,074.9	46.0	1.5	43.4	1.4
Kitchener—Waterloo—Barrie	687.0	689.9	663.0	-2.9	-0.4	26.9	4.1
Hamilton—Niagara Peninsula	715.0	709.2	693.2	5.8	0.8	16.0	2.3
London	328.0	324.8	324.8	3.2	1.0	0.0	0.0
Windsor—Sarnia	296.4	294.8	294.0	1.6	0.5	0.8	0.3
Stratford—Bruce Peninsula	152.6	157.7	149.4	-5.1	-3.2	8.3	5.6
Northeast	255.8	262.2	255.0	-6.4	-2.4	7.2	2.8
Northwest	101.3	98.7	100.1	2.6	2.6	-1.4	-1.4

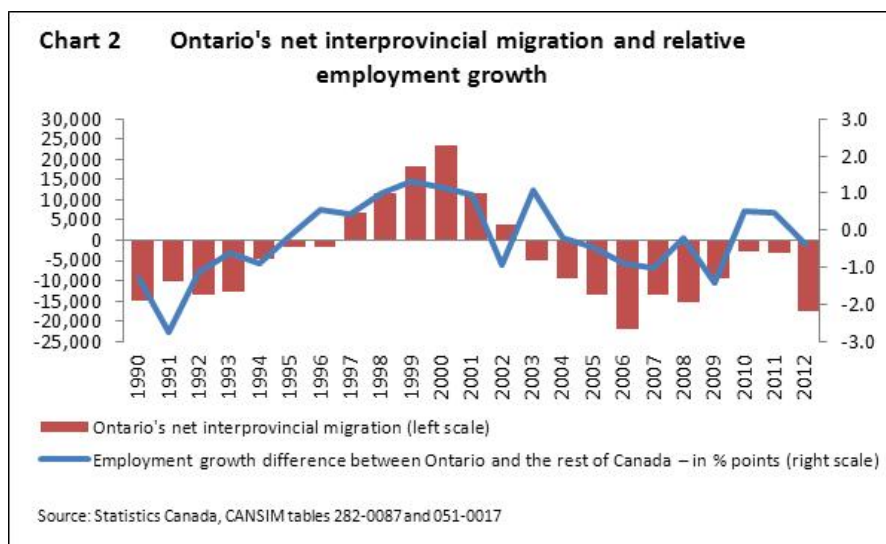
Note: Totals may not add due to rounding.

Source: Statistics Canada Labour Force Survey - CANSIM Table-055

⁶ Mining in Northwestern Ontario: Opportunities and Challenges. Page 8. 2012. Available: <http://www.thunderbay.ca/Assets/CEDC/docs/Mining+in+Northwestern+Ontario+-+opens+a+new+window.pdf>

Ontario's Interprovincial Migration

Ontario residents leaving the province have outnumbered new entrants from other provinces for the last 10 years, the province's longest streak of net outmigration since Statistics Canada began collecting the data in 1960. Ontario's interprovincial loss narrowed considerably in 2010 and 2011 as the province's employment growth outpaced the other province's combined growth. In 2012, however, Ontario has had more difficulty creating jobs than elsewhere in Canada, resulting in a widening of its net interprovincial migration deficit.



The start of Ontario's interprovincial deficit coincided with the decline of its manufacturing industry and the rise in the \$US/\$CA exchange rate. Around those years, Alberta took over Ontario as the country's economic engine, as the price of oil climbed steadily. Since 2005, Alberta has been the principal beneficiary of Ontario's out-migration. Given that its oil industry's is now dealing with declining price and profits, outmigration to Alberta may slow over the next few years. On the other hand, Ontario's interprovincial in-migrants come mainly from Quebec. This is primarily due to proximity and size of population, but the large francophone community of Ontario may also be a factor.

Since the last recession, almost all regions of Ontario have recorded net interprovincial losses. The most affected areas were Toronto and Windsor–Sarnia economic regions due to the significant decline in the manufacturing industry. Prior to the recession, Northwest Ontario experienced its largest interprovincial migration deficits because of the collapse of the forestry industry. The Ottawa economic region is the only area that has had a net intake of interprovincial migrants every year over the past five years, due to the substantial presence of the federal public service.

Labour Market Outcomes for Client Segments

Aboriginal Peoples

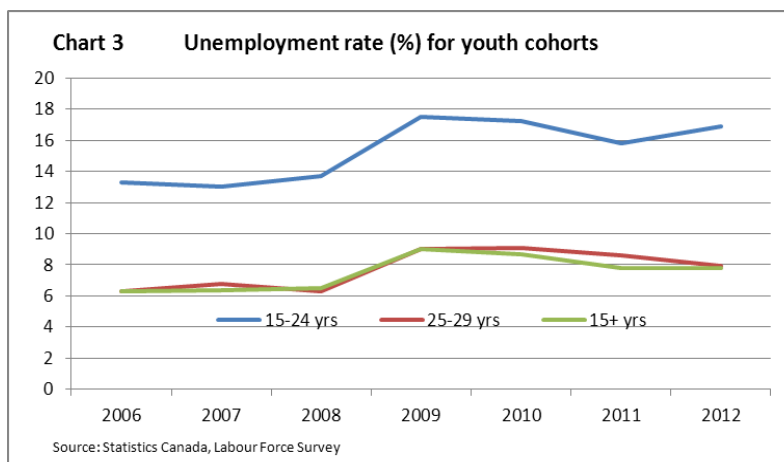
Ontario's Aboriginal population of over 242,000 is the largest in Canada. Statistics Canada's Labour Force Survey excludes persons living on reserves but does include the off-reserve Aboriginal population in Ontario. Based on the survey, it is estimated that the off-reserve Aboriginal unemployment rate in Ontario was 12.1% in 2012, higher than the rate of 7.8% for all workers.

Immigrants/Newcomers

Landed immigrants account for about 30% of Ontario's labour force, rising to 48% in the Toronto census metropolitan area, which attracts the majority of new immigrants to the province. Based on Statistics Canada's Labour Force Survey, the unemployment rate for immigrants in Ontario was 8.6% in 2012, down from 8.8% in 2011. The unemployment rate for recent immigrants who had landed within the previous five years was higher, at 14.3% in 2012.

Youth (aged 15 to 29)

In 2012, the labour market experience of most young workers in Ontario did not improve compared to the previous year. Employment declined for all youth cohorts except for the 25-29 age grouping. The unemployment rate of youth aged 15 to 24 rose to 16.9% in 2012, more than double the rate of the general population. The unemployment rate of youth aged 25 to 29 improved in 2012, falling from 8.6% to 7.9%.



Part-time work has accounted for a growing share of youth employment over the last few years. In 2012, the percentage of part-time positions grew to 51.3% of all employment for the 15 to 24 age cohort. The rise in part-time was most significant for the 20-24 years sub group. There is a high concentration of youth jobs in the retail trade and accommodation and food sectors. In the 15 to 24 age group, over 70% were found in these industries.

Older Workers (aged 55-64)

Ontario's older workers, defined as workers between ages 55 and 64, made up 14.7% of the total labour force in 2012, and their numbers have been increasing each year. This age group is now the leading edge of the large "baby-boom" cohort, born after World War II.

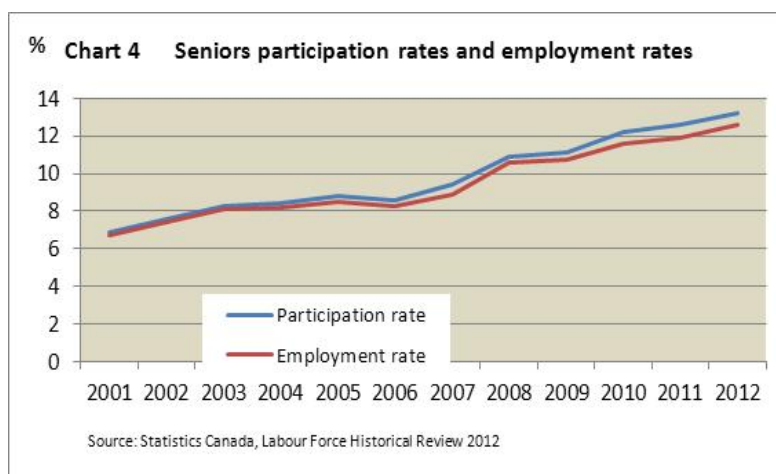
In this age group, men had a greater participation and employment rate than women. In 2012, men had a participation rate of 70.5% while women's participation rate was just under 60%. There was a corresponding difference in the employment rate, with men and women at 65.7% and 56.6% respectively.

The average age of retirement in Canada has been gradually increasing over the past five years and was 62.9 in 2012. Many workers are delaying their departure from the work force due to economic reasons. This allows employers to retain skilled and experienced workers, but may limit advancement opportunities for younger employees.

Seniors (aged 65+)

Ontario's population of seniors aged 65 and over is forecasted to increase from 15% in 2013 to 23% of total population by 2036. The number of seniors will double from 2 million to 4 million over this period. Some seniors remain in the labour force after reaching age 65, and they accounted for 3.5% of total Ontario employment in 2012.

Seniors with higher levels of education were more likely to be employed. In 2012, the employment



rate for seniors with a university degree was 22.7%, compared to 5% for seniors with less than a high-school education. Between 2001 and 2012, the employment rate for all seniors aged 65 and older increased from 6.7% to 12.6%, and their participation rate increased from 6.9% to 13.2%.

Francophones

French is the first official language spoken by the official language minority in Ontario. Based on the 2011 Census, the official-language minority population in Ontario exceeds 540,000 people and forms about 4.3% of the total population. Statistics Canada definition of the official language minority consists of all individuals with French as a first official language spoken and half of those with both English and French.

In terms of knowledge of official languages, 11.3% of Ontarians claim to have the ability to conduct a conversation in French, down from 11.9% in 2006.

Conclusion

Ontario's large population and well-diversified economy should help the province through what may turn out to be a weak start to 2013. Over the next two years, economic growth should strengthen as the U.S. economy continues to improve. This will affect the manufacturing industry, which has begun to stabilize after a period of restructuring. A number of planned investments in infrastructure should also have a positive influence on the economy and labour market. The health of the residential housing market and consumer spending will be key factors supporting more robust growth. They also constitute the largest risks to this outlook should they weaken significantly in 2013. Improving economic growth should create more opportunities in the Ontario labour market going forward.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Human Resources and Skills Development Canada.

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