

Community Profile Series: Waterloo Region, Ontario

Winter 2020

This series looks at communities across Canada and highlights key labour market statistics and the role that immigration has played or could play to help these communities flourish. It is important to note that predicting future labour market demand can be challenging, as economies are always evolving. This profile uses current population and labour market trends to give a profile of how immigration might play a role in this community.

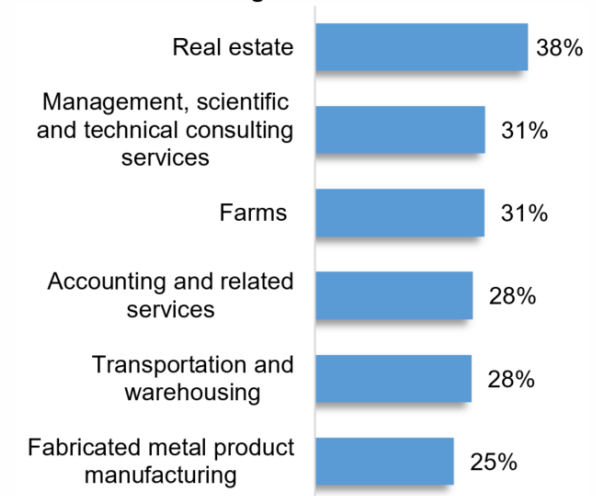
Ensuring the Waterloo region continues to be a thriving technology and innovation hub: the role of immigration

The Waterloo region has been one of the most successful urban centres in Canada in recent years, as measured by economic and population growth, and the number of new jobs created. However, like most urban centres across Canada, there has been a significant increase in the number of people retiring and there are many more set to retire in the near future.

According to Statistics Canada's annual Labour Force Survey, 20% of the people in the Waterloo region workforce are over the age of 55. In the 2016 Census, more than 30% of everyone working in farming and in management, scientific and technical consulting services were over the age of 55. The sectors covering accounting services, transportation and warehousing, as well as fabricated metal manufacturing, all had at least 25% of their workforces over the age of 55 (Figure 1).

In total there are now more than 60,000 people in the Waterloo region workforce over the age of 55, up by 35% in the past 5 years. Ensuring a strong pipeline of workers for the future will be very important to the community in the years ahead.

Figure 1: Share of the Waterloo region's workforce over the age of 55 – selected industries



Source: Statistics Canada, 2016 Census.

The Waterloo region: an important Canadian technology and innovation hub

The Waterloo region (population 584,300)¹ is one of the top urban innovation zones in North America. It has a high concentration of information technology (IT) firms, scientific research and development activity, and engineering expertise. The region also has one of the highest concentrations of university students among urban centres across Canada. The population in the region increased by more than 15% between 2010 and 2019, one of the fastest growth rates of any urban centre across the country.

¹ The Waterloo region includes all municipalities in the Waterloo Regional Municipality except Wellesley (township). This is the same geographic zone as the Kitchener-Cambridge-Waterloo census metropolitan area.

The region's demographic challenge

In 2006, there were far more people under the age of 20 living in the Waterloo region compared to the number aged 55 and older. Now there are only 84 people under the age of 20 for every 100 over the age of 55 living in the community (Figure 2).

While this is a stronger ratio of young to older residents than many other urban centres, it still poses a challenge to the region's continued growth as there are not nearly enough people in the local population to replace upcoming workforce retirees, let alone provide the supply for workforce growth.

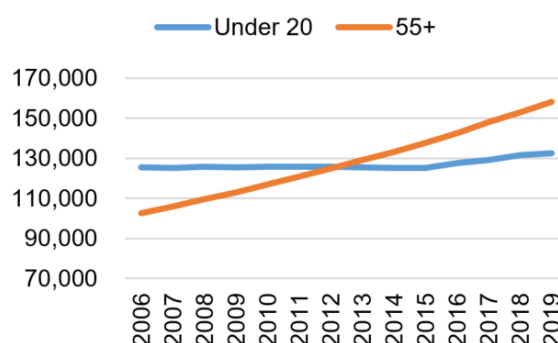
Over the past decade, the region's population increase has come from natural population growth (more births than deaths), interprovincial and intraprovincial migration, as well as a moderate level of immigration. In 2019, an estimated 4,500 immigrants settled in the region, or 78 per 10,000 population. This compares to 106 immigrants per 10,000 population across all census metropolitan areas (CMAs). However, the Waterloo region attracts a very high number of non-permanent residents. In 2019 there were an estimated 7,200 living in the area, or 123 per 10,000 population (Figure 3), second only to Abbotsford-Mission in British Columbia among CMAs.

The aging workforce: a risk for the region's economy

In general, the Waterloo region CMA is younger than many of its peers, but the workforce over the age of 55 is still growing much faster than other segments of the workforce.

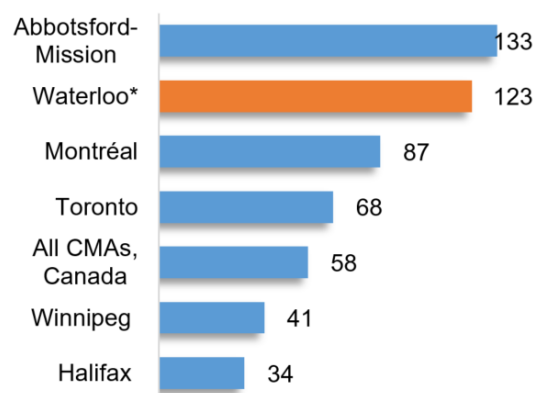
As shown in Table 1, the number of people in the workforce over the age of 55 increased by 29% in the past 5 years. There are now 60,100 people in the workforce who are heading towards retirement in the next decade or so. At the same time, the number of people in the workforce under the age of 55 increased only by 1%. The total number of adults over the age of 55 not participating in the workforce increased by 27% between 2014 and 2019, and is set to rise further.

Figure 2: Population by selected age group in Waterloo region*



*Kitchener-Cambridge-Waterloo CMA. Source: Statistics Canada, Table 17-10-0135-01.

Figure 3: Net non-permanent residents per 10,000 population, 2019



Source: Statistics Canada, Tables 17-10-0136-01 and 17-10-0135-01.

Table 1: The Waterloo region's changing workforce*

	2014	2019	% change
Workforce (all ages)	302,600	319,100	+6%
Workforce (under 55)	255,900	259,000	+1%
Workforce (over 55)	46,700	60,100	+29%
Adults over 55 not in the workforce	62,200	78,800	+27%
Unemployment rate	6.4%	5.3%	

*Kitchener-Cambridge-Waterloo CMA

Source: Statistics Canada, Table 14-10-0096-01.

What is the risk to the economy if there are not enough workers to meet labour demand?

The region already is facing a significant workforce shortage. According to a January 2020 [news release](#) from the Ontario government, "On any given day, there are more than 18,000 vacant jobs in the Kitchener-Waterloo-Barrie region."

A [2018 survey](#) of construction firms in the Waterloo Region found that 69% of them have faced a shortage of skilled workers in recent years. Other reports detail shortages in health care and other sectors of the economy as well. The region has shown an impressive ability to attract companies, students and people in recent years. However, it will need to attract even more population if it is to continue its strong growth.









What industries are at risk if labour market demand cannot be addressed?

Table 2 reveals some of the industries for which the Waterloo region has a much higher concentration of employment compared to the rest of the country.

The region is known for its impressive information technology industry and, indeed, it has more than 6 times as many workers in the software publishing sector compared to the country overall, as a share of the workforce. But the Waterloo region is also known as a manufacturing centre, and has a high concentration of employment in fabricated metal, machinery, electrical equipment and transportation equipment manufacturing.

As a sign of the importance of its universities, the Waterloo Region has more than twice as many employed in this sector relative to the size of the workforce. If labour demand can't be addressed as a result of the demographic realities detailed above, it may impede the growth of these strategically important industries.

Table 2: The Waterloo region's dominant industries – employment share compared to the national economy*

	Fabricated metal product manufacturing—2.5 times as many		Transportation equipment manufacturing—3.6 times
	Machinery manufacturing—2.6 times		Software publishers—more than 6 times
	Computer and electronic product manufacturing—81% more		Insurance carriers—2.6 times
	Electrical equipment, appliance and component manufacturing—2.8 times as many		Universities—more than double

*For example, adjusted for size, Waterloo region has more than 6 times as many people employed in the software publishing sector, compared to the national economy. Source: Statistics Canada, 2016 Census.

The Waterloo region's aging entrepreneurs

The community's entrepreneurs and small business owners are also getting older, which is an additional challenge for the local economy. Across all industries, 33% of persons who are self-employed are over the age of 55. In total, there are more than 9,300 business owners who will be heading into retirement in the near future.

Based on these statistics, the Waterloo region could benefit from a new generation of entrepreneurs to replace those who retire, and to help drive growth in important industries such as professional services and information technologies. The good news is that immigrants can help address this challenge, as they are nearly 50% more likely to be self-employed compared to those in the workforce who were born in Canada.

Critical to sustained economic growth: ensuring there is a talent pipeline

The Waterloo region needs to focus on ensuring there is a strong pipeline of workers to address growing labour demand. From boosting the student population to attracting more immigrants, there are a number of ways the community can expand the number of available workers in the years ahead:

- **Attract more students to the region**

This is an area where the Waterloo region has a distinct advantage. The University of Waterloo, Wilfrid Laurier University and Conestoga College turn out thousands of graduates each year. Many of these graduates are international students. Only 2 other urban centres across the country have a higher share of international students (Figure 4). In 2018 there were an estimated 22,000 international study permits issued for schools in the Waterloo region. Continuing to attract a high level of post-secondary students will help provide both an important source of economic activity for the region and a source of talent that boosts the local labour supply.

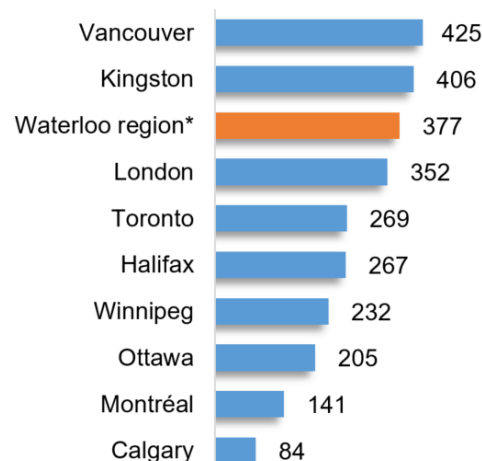
- **Encourage more people to join the workforce**

The older population not currently participating in the workforce could be enticed back in by employers offering flexible work options and by increasing benefits. The Waterloo region already has a relatively high share of persons over 65 in the workforce (16.6% in 2019), though in this group women are considerably less likely to be active in the workforce than men. In 2019, 66.7% of adult women were participating in the workforce compared to 75.6% of men.

- **Attract people from outside the region**

There is no doubt that the biggest opportunity to boost the talent pipeline involves continuing to attract young people and families. Since 2013, all net growth in the labour market across Canada has come from immigrants². Newcomers are already very important to the region's economy, accounting for nearly 1 of out every 4 workers. In specific industries, immigrants make up over 30% of the workforce

Figure 4: International students per 10,000 population, 2018

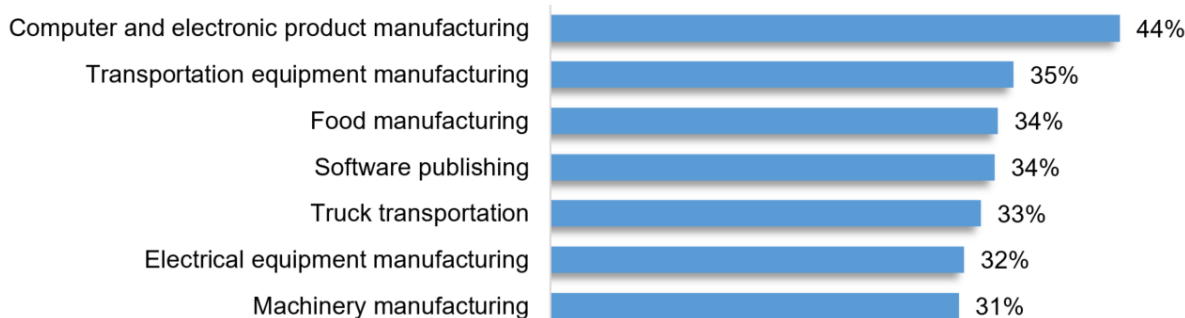


*Kitchener-Cambridge-Waterloo CMA
Source: IRCC, August 31, 2018, and Statistics Canada, Table 17-10-0135-01.

² The number of people born in Canada exiting the workforce is greater than the number of people born in Canada joining each year.

(Figure 5). More than 1 in 3 of those working in the software publishing sector were not born in Canada, and in the transportation equipment manufacturing sector, that figure is 35%.

Figure 5: Immigrants as a share of the workforce, selected sectors, Waterloo region*



*Kitchener-Cambridge-Waterloo CMA. Source: Statistics Canada, 2016 Census.

Immigration: boosting the talent pipeline

Along with other efforts to boost the workforce, increasing the number of immigrants settling in the Waterloo region could be a strategic move to ensure the talent pipeline is large and strong enough to meet local industry demands and provide a source of new entrepreneurs. These immigrants could come as students, workers and business owners, who would fill important roles in the economy and boost demand for local goods and services.

Helping to grow the local economy

Attracting more immigrants to the region in the coming years would create new demand for local products and services. Every 1,000 new immigrant families with an average household income directly generate over \$90 million worth of new household expenditures, much of this spending in the local community³.

Statistics show that these 1,000 immigrant families would spend

- \$21 million per year on housing, such as mortgage payments, electricity and property taxes
- \$13 million each year on transportation, such as vehicle purchases and maintenance, and
- \$9 million on food at local grocery stores and restaurants

These 1,000 new families would also generate about \$25 million worth of taxes per year for local, provincial and federal governments.

Other positive effects

Attracting more immigrants to the Waterloo region would help support a vibrant economic and social life in many other ways. Civic and business groups would have a growing pool from which to draw members. Youth sports clubs and leagues around the region would benefit from an increasing population of young residents.

Helping to sustain high quality public services

There is a direct relationship between economic growth and provincial and local government capacity to provide high quality public services and public infrastructure such as roads, schools and hospitals. A growing economy and population in the Waterloo region could lead to a greater public investment in services and infrastructure.

³ Assumes the new household spending conforms to the current spending pattern in Ontario.

Older residents play an important role in the community

Residents of all ages contribute to the well-being of their communities and their province by working, paying taxes and giving back through volunteer and charitable activities. As residents of region retire and move into a new stage in life, it creates new economic opportunities in health care, personal services and recreation industries. In the years ahead, the community can and should benefit from the economic opportunities arising from more retirees, as well as from attracting and growing the younger workforce.

The Waterloo region in 2035

What will Waterloo region look like in 2035? Will there be enough workers and new entrepreneurs to ensure the region can both meet workforce demand and take advantage of growth opportunities? Will the region continue to be a North American technology and innovation hub? Immigration will continue to play an important role in the region's economic growth and prosperity.

For more information on how immigration matters across Canada, visit canada.ca/immigration-matters.