



True North in
Canadian public policy

AUGUST 2019

FORGOTTEN PEOPLE AND FORGOTTEN PLACES: **Canada's Economic Performance in the Age of Populism**

Sean Speer

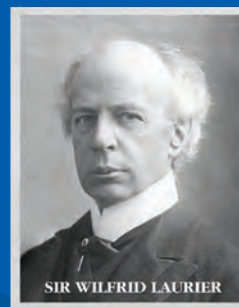
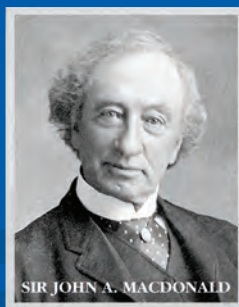
SERIES

REAL JOBS for
REAL PEOPLE

no. 1



True North in
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Executive Summary

Donald Trump's surprising election has been characterized as an expression of the so-called "forgotten" (Bradlee Jr. 2018). The basic idea is that American politics and policy had come to neglect working-class people and places. The 2016 presidential election has thus become characterized as their "revenge" (Rodríguez-Pose 2017).

The controversial outcome has galvanized important rethinking in policy circles. Why did it happen? What is the source of working-class disillusionment? How can policy-makers constructively respond? What is an agenda for inclusive growth and broad-based opportunity?

The Macdonald-Laurier Institute (MLI)'s work on these questions pre-dates Mr. Trump. But his election and the rise of populism elsewhere have assuredly intensified our efforts. As part of this ongoing work, MLI has launched a multi-year project, *Real Jobs for Real People*, to develop and advance policy reforms that better respond to the concerns, interests, and needs of working-class Canadians. Think of it as a blueprint for inclusive growth rooted in work and opportunity.

This first paper aims to establish an empirical foundation for this ongoing work. One of the lessons from elsewhere is that we cannot judge the health of our labour markets simply by examining the headline data. We need to drill down to discern "who" and "where" are at risk of falling behind.

The paper therefore delves into the data to identify different experiences and outcomes across the country. The goal is to better understand where the overall picture may be obscuring challenges for certain industries, communities, or individuals. In so doing we can gain a clearer picture of the opportunities and threats in our economy and ensure that our politics and public policy are more responsive.

What do we find?

- Canada's strong labour market performance in recent years conceals significant differentiation among regions, genders, and working-age Canadians with different levels of educational attainment.
- The challenges are most acute for working-age men without post-secondary qualifications, whose labour market outcomes outside of the oil-producing provinces have for some time resembled some of the poor outcomes observed in parts of the United States. This cohort seems to be facing a series of secular headwinds that threaten their inclusion in broader labour market gains.
- Much of Canada's labour market strength (including employment, full-time employment growth, labour force participation, and income growth) has been driven by women with post-secondary qualifications. They have outperformed men with post-secondary experience and degrees and markedly outperformed non-educated men and women for the past 20 to 30 years.
- Income growth has been driven in large part by rising government transfers rather than increases in market income. This is most marked for men who experienced essentially flat growth in median market income from 2000 to 2017 and a nearly 10 percent rise, on average, in government transfers over this period.
- Approximately 36 percent of Canadians still do not have university or college qualifications or have completed an apprenticeship. This amounts to about 6.7 million Canadians aged 25 to 64

- roughly the equivalent of the combined populations of Manitoba, Saskatchewan, and Alberta or more than the population of the Greater Toronto Area. This cohort faces the most economic risks due to the process of “skills-biased change” whereby the economy is producing fewer opportunities for people without the aptitudes and credentials to participate in knowledge-based work.
- There is a considerable education premium reflected in market earnings. The median annual earnings for someone with a bachelor’s degree or higher in Canada are roughly 50 percent higher than for someone with only a high school diploma.
- A combination of aging demographics, outmigration, and concentrated immigration to cities is contributing to marked demographic and economic differences between urban and rural places. Rural areas now represent just 18.7 percent of the national population and are home to lower levels of employment, labour force participation, income, and educational attainment.

The upshot is that while the labour market has performed generally well in recent years, there are some longer-term, structural challenges that we cannot neglect. Improving the conditions for work and opportunity for these vulnerable workers must be a top priority for Canadian policy-makers. The lesson from elsewhere is that we cannot afford to take these people for granted. And it is the animating premise of the *Real Jobs for Real People* project that we should not.

Sommaire

L’étonnante élection de Donald Trump a été largement attribuée à l’appui de ceux qu’on appelle les « laissés-pour-compte » de la société (Bradlee Jr., 2018). L’idée de départ est que les politiques et la politique américaines en sont venues à perdre de vue les intérêts des gens issus des classes populaires et que ces derniers auraient pris leur « revanche » lors de l’élection présidentielle de 2016 (RodríguezPose, 2017).

Le résultat controversé a provoqué une profonde remise en question au sein des milieux politiques. Pourquoi est-ce arrivé? Quelles sont les sources de la désillusion? Comment les décideurs peuvent-ils y répondre adéquatement? Qu’est-ce qu’un programme de croissance inclusive et de débouchés pour tous?

L’Institut Macdonald-Laurier (IML) n’a pas attendu M. Trump pour se pencher sur ces questions, mais cette élection et la montée du populisme dans le monde ont certainement contribué à intensifier ses efforts de recherche. Dans le cadre de son programme permanent, l’IML a lancé le projet pluriannuel : *De vrais emplois pour de vraies personnes*, afin d’aider à l’élaboration et à la promotion de réformes politiques visant à mieux répondre aux inquiétudes, aux intérêts et aux besoins des travailleurs canadiens. Ce projet est envisagé comme un plan directeur pour une croissance inclusive basée sur l’emploi et les débouchés économiques.

Ce premier article vise à établir les fondements empiriques de ces travaux. Ce qui s’est produit à l’étranger nous apprend, entre autres, que nous ne pouvons pas juger de la santé de nos marchés du travail uniquement à partir des données qui font les gros titres. Nous devons creuser un peu plus loin pour déterminer « qui » risque de prendre du retard et « où ».

Il présente donc les données pouvant faire ressortir les différentes expériences vécues et les résultats

obtenus partout au pays. L'objectif est de mieux connaître les difficultés rencontrées dans certaines industries, collectivités et cultures, que les tableaux brossés à grands traits passent sous silence. Cette démarche éclaire les possibilités et les défis de notre économie pour faire en sorte que nos politiques et notre politique publique soient plus réactives.

Que découvrons-nous?

- La solide performance des marchés canadiens du travail au cours des dernières années dissimule d'importants écarts entre les régions, les sexes et les niveaux de scolarité de la population en âge de travailler.
- Les difficultés sont les plus criantes pour les hommes sans études postsecondaires. À l'extérieur des provinces productrices de pétrole, les résultats médiocres de ce groupe sur les marchés du travail s'apparentent depuis un certain temps à ceux de certaines régions des États-Unis. Cette cohorte semble être en proie à des turbulences récurrentes qui menacent son accession à de meilleurs revenus d'emploi.
- La force des marchés canadiens du travail (y compris l'emploi, la croissance de l'emploi à temps plein, le taux d'activité et la croissance du revenu) avantage principalement les femmes possédant des qualifications postsecondaires. Elles ont surpassé les hommes ayant fait des études ou obtenu un diplôme de niveau postsecondaire et ont été nettement plus performantes que les femmes et les hommes moins scolarisés au cours des 20 à 30 dernières années.
- La croissance du revenu provient principalement des transferts gouvernementaux. Cette tendance est particulièrement marquée chez les hommes, leur revenu marchand médian ayant pratiquement stagné de 2000 à 2017, alors que les transferts dont ils ont bénéficié ont progressé de 10 p. cent.
- Environ 36 p. cent des Canadiens ne possèdent toujours pas de qualification universitaire ou collégiale ni n'ont réussi un programme d'apprentissage. Parmi les 25 à 64 ans, ils sont environ 6,7 millions dans cette situation, soit un chiffre à peu près l'équivalent des populations combinées du Manitoba, de la Saskatchewan et de l'Alberta, ou plus élevé que la population de la région du Grand Toronto. Cette cohorte est la plus exposée aux risques économiques en raison du processus de « changement axé sur les compétences », caractéristique d'une économie produisant de moins en moins de débouchés pour les personnes dépourvues des aptitudes et des compétences exigées pour un emploi axé sur le savoir.
- L'avantage salarial de la scolarité est considérable. Les gains annuels médians des personnes titulaires d'un baccalauréat ou d'un diplôme de niveau supérieur au Canada sont environ 50 p. cent plus élevés que ceux des titulaires d'un diplôme d'études secondaires.
- Les effets combinés du vieillissement démographique, de l'émigration et de l'immigration concentrée dans les villes contribuent aux différences démographiques et économiques marquées entre les zones urbaines et rurales. Les zones rurales ne représentent plus que 18,7 p. cent de la population nationale et affichent des taux d'emploi, d'activité, de revenu et de scolarité moins élevés.

Ainsi, si les marchés du travail ont globalement bien performé ces dernières années, nous ne pouvons négliger certains défis structurels permanents. L'amélioration des conditions propres aux activités de travail et des débouchés pour les travailleurs vulnérables doit être une priorité absolue des décideurs canadiens. Ce qui s'est produit à l'étranger signifie nous ne pouvons pas nous permettre de prendre ces personnes à la légère, prémisse qui anime notre projet *De vrais emplois pour de vraies personnes*.

Introduction

Canada's economy has performed generally well in recent years. Economic growth, employment, and wages have increased steadily. Recent headlines such as "Canada's Unemployment Rate Sinks to New Low as Hiring Continues" (Parkinson 2019), "Job Surge Helps Push Canada's Unemployment Rate to Lowest in over 40 Years" (Argitis 2019), and "High-paying Gigs Are Leading Growth in Canada's Strong Jobs Market, Economist Says" (Breen 2019) reflect these positive sentiments about the overall state of Canada's economy.

We do not diminish them. We are assuredly pro-efficiency and pro-growth. It is self-evidently good that our economy is performing generally well. Low unemployment is associated with higher levels of public trust and positive feelings about democracy (Altindag and Mocan 2010). It is good for communities, families, and individuals (Suarez 2017). And, of course, there are various economic-oriented effects including innovation, productivity, and rising living standards (Asselin and Speer 2019). We cannot and should not "flinch" from an overriding emphasis on broad-based economic growth (Gillespie 2018; Crowley and Speer 2018).

But, as important as these macro trends are, there is a risk that we become too caught up in the big picture. It can cause us to miss seeing those with different experiences or outcomes. These can come in the form of community, regional, sectoral, occupational, educational, or ethnic deviations from aggregated statistics or the economy's overall performance.

We only need to look elsewhere to understand the risks of neglecting these differences and the communities, families, and individuals affected. Political turmoil in the United States, United Kingdom, and elsewhere is partly a consequence of this economic myopia. The so-called "forgotten men and women" grew tired of neglect and have since been the political backbones of these new, disruptive populist movements. It is a salutary lesson for Canadian policy-makers that we cannot afford to make the same mistake here.

Although we have not quite observed the same political disaffection in Canada, it only seems prudent that we aim to better understand the economic experiences in different parts of our society. Doing so can help to make our politics more responsive and representative and ensure that public policy is rooted in what is actually happening in the country. At worst it is an insurance policy against the rise of disruptive politics in the country and at best it is the basis for a renewed agenda to make our economy, politics, and society more inclusive and egalitarian.

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The Macdonald-Laurier Institute's multi-year project, *Real Jobs for Real People*, represents our effort to contribute to a better shared understanding of Canada's economic opportunities and challenges as seen through the eyes of those who have been forgotten.

It builds on ongoing work by MLI to champion the cause of work and opportunity for disadvantaged or marginalized Canadians, including, of course, our award-winning work on *Aboriginal Canada and the Natural Resource Economy*. We fundamentally believe in an inclusive economy that creates opportunity for all Canadians and are dedicated to developing and advancing public policies that can help us achieve this goal.

This paper aims to establish an empirical foundation for our efforts. It seeks to drill down into the headline economic data to identify different experiences and outcomes across the country. The goal is to better understand where the overall picture may be obscuring challenges for certain industries, communities, or individuals. In so doing we can gain a clearer picture of the opportunities and threats in our economy and ensure that our politics and public policy are more responsive.

The paper does not contain any specific policy prescriptions. Future MLI papers will consider the policy implications of the data and evidence set out in the pages that follow. This is about getting the foundation right.

Our principal findings are as follows:

- Canada's strong labour market performance in recent years conceals significant differentiation among regions, genders, and working-age Canadians with different levels of educational attainment.
- The challenges are most acute for working-age men without post-secondary qualifications, whose labour market outcomes outside of the oil-producing provinces have for some time resembled some of the poor outcomes observed in parts of the United States. This cohort seems to be facing a series of secular headwinds that threaten their inclusion in broader labour market gains.
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The upshot is that while the labour market has performed generally well in recent years, there are some longer-term, structural challenges that we cannot neglect. Improving the conditions for work and opportunity for these vulnerable workers must be a top priority for Canadian policy-makers. The lesson from elsewhere is that we cannot afford to take these people for granted. And it is the animating premise of the *Real Jobs for Real People* project that we should not.

A Trump-Induced Introspection About The Economy And Public Policy

Donald Trump's unexpected election in 2016 has caused many people to re-evaluate how they think about the economy and public policy. That his voters were disproportionately drawn from the ranks of those most affected by trade- and technology-induced dislocation has galvanized important re-thinking in policy circles (Muro, Whiton, and Maxim 2019; Tankersley 2016). Economists and policy experts from across the ideological and political spectrum are part of these efforts.

We would count ourselves among them. President Trump's election and the rise of populism elsewhere have challenged some of our assumptions about economic policy. Namely, they have caused us to be more attuned to the so-called "losers" of dynamic capitalism and the Schumpeterian process of "creative destruction." We have published various essays, op-eds, and speeches in the ensuing months that reflect this ongoing introspection (Speer 2016; 2018; 2019).

We recognize that the rise of populism in general and Mr. Trump's election in particular are due to a combination of factors. Previous MLI analysis has sought to engage the various lines of argumentation about the relative roles of economic factors, cultural forces, and even darker tendencies on the part of some voters (Speer 2018). We also recognize that the characterization of the "forgotten" people and places can become a bit overwrought. It would be a mistake to oversimplify the political and policy debate by diminishing the extent to which public policy is already focused on supporting those facing economic dislocation or minimizing the role of personal responsibility.

But this paper is predicated on the assumptions that (1) the rise of political populism is driven in large part by a growing sense of economic precarity on the part of working-class people, particularly men, and (2) the economic conditions that have contributed to their sense of precarity have developed without adequate attention and discernment on the part of policy-makers.

The best (or worst) example may be the expansion of trade with China beginning in the mid-1990s. There is now overwhelming evidence that import penetration from China has destroyed a large number of blue-collar jobs in Canada and the United States and contributed to the rise of political populism – including Mr. Trump's election (Kim 2018; Bloom et al. 2019; Autor, Dorn, and Hanson

2016; Autor et al. 2017). This development was not inevitable. It was a policy choice (Salam 2018). It now seems clear that policy-makers were too focused on the macro gains that came from expanded trade with China to discern the significant yet concentrated economic costs.

We readily admit that, in hindsight, we were similarly too focused on the macro picture and as a result lost sight of the micro experiences of those who struggled in the face of globalization and technological innovation. We took for granted the broad-based benefits of economic growth. Our confirmation bias caused us to miss those communities experiencing dislocation or individuals facing economic strain. We became too gripped by theories and models and lost view of people – particularly those without post-secondary degrees or who live outside major urban centres.

Mr. Trump's election has jolted us. It has caused us to revisit our underlying assumptions, correct our analytical mistakes, and adjust our focus to the forgotten people and places. We have come to place a much greater emphasis on the responsiveness of our politics and policy.

“A growing body of analysis shows that technological changes such as automation are fundamentally reshaping our labour market.

It would be wrong to assume that Canada is immune to the trends of economic dislocation and political disruption that we are observing elsewhere. A growing body of analysis shows that technological changes such as automation are fundamentally reshaping our labour market (Lamb and Lo 2017). Nearly three quarters tell pollsters that they are worried about the future for themselves and their families (Grenier 2019). Public support for free trade and globalization is by no means rock-solid (Acquaviva, Barker, and Wolfe 2018). Labour force participation for working-age males is basically flat (Statistics Canada Table 14-10-0018-01). A wage disparity based on educational attainment (post-secondary qualifications versus high school or less) is increasingly evident (Statistics Canada 2017b). Neglecting these big challenges will only lead to greater political agitation and growing distrust of market capitalism.

This paper therefore amounts to the first in a series that aims to address and answer them as part of a reorientation of our politics and policy on behalf of forgotten people and places in Canada. It is not just an insurance policy against political disruption, including the potential rise of populism. It is ultimately about expanding the benefits of work and opportunity to all Canadians. Think of the *Real Jobs for Real People* project as a blueprint for inclusive growth.

It is worth addressing the issue of income inequality at this point. To the extent that these questions about inclusion and opportunity have been addressed by our politics, it has tended to be through a lens of income inequality. The underlying assumption seems to be that a program of greater redistribution will reduce inequality and in turn address any latent economic anxieties in our society. We believe that this is both a misdiagnosis and a mistaken prescription as we have observed in various essays, op-eds, papers, and so on (Crowley and Speer 2018; Speer 2017a).

Not only are there normative and practical limits to higher tax rates on high-income earners, it misunderstands the source of economic anxieties and potential for public discord. Research shows that people are not galvanized by unequal outcomes. They are principally expressing concerns about

fairness, work, and opportunity (Starmans, Sheskin, and Bloom 2017). It is, as American policy scholar Oren Cass (2018a) has observed, more about a demand for productive work than it is about more government-supported consumption.

It does not mean there is no room to make government policy more progressive. There is plenty that could be done, including reforming tax expenditures, providing means-tested support for the uninsured or under-insured to obtain drug insurance, and liberalizing land-use policies. But it does mean a program of higher taxes on high-income earners in order to finance more and more redistribution is an insufficient and even counter-productive response to the economic and political trends observed elsewhere. France taxes its high-income earners at a higher rate than Canada and it has not escaped working-class discord and political disruption (Dobush 2018). We should thus be skeptical of simple “soak-the-rich” solutions to the complex economic challenges facing some people and places within our country.

A program designed to expand work and opportunity for all Canadians will necessarily involve various policy levers – including (but not limited to): education, income support programs, childcare, health-care benefits, skills training, housing, natural resources, retirement income, and so on. Future MLI papers will seek to build on our previous thinking about how to devise a broad-based policy agenda for work and opportunity (Crowley and Speer 2018; Speer 2017a).

But the first step is understanding the current opportunities and challenges in our economy. This requires drilling down into the data to discern among whom and where there may be deviations from Canada’s overall economic performance and whom and where our politics and policy may be failing.

The rest of this paper aims to answer these empirical questions. It is fundamentally focused on “who” and “where.” The “what” and “how” will come in later papers. We believe a proper understanding of “who” and “where” is an important contribution to the political and policy debate and an essential foundation for our future work.

It is worth recognizing upfront that no such analysis can be fully comprehensive. There are so many socio-economic indicators, timeframes, and individual characteristics that it would be virtually impossible to cover them all in such a paper. We have sought to focus on a combination of indicators and characteristics that, based on our research, seems to be most closely associated with the potential for political populism to gain salience in Canada (Harper 2018).

This means in practice that the following sections place a considerable emphasis on gender-based analysis, including a focus on the labour market outcomes for working-class males. In so doing, it builds on our previous work on the economic conditions of Canadian men without post-secondary qualifications (Speer 2018). This is not to diminish the opportunities and challenges for other groups in the country. We recognize the need to make further progress on the economic opportunities and outcomes for under-represented groups such as Canadians with disabilities and Indigenous peoples. An inclusive economy ultimately requires that all Canadians are able to participate and contribute.

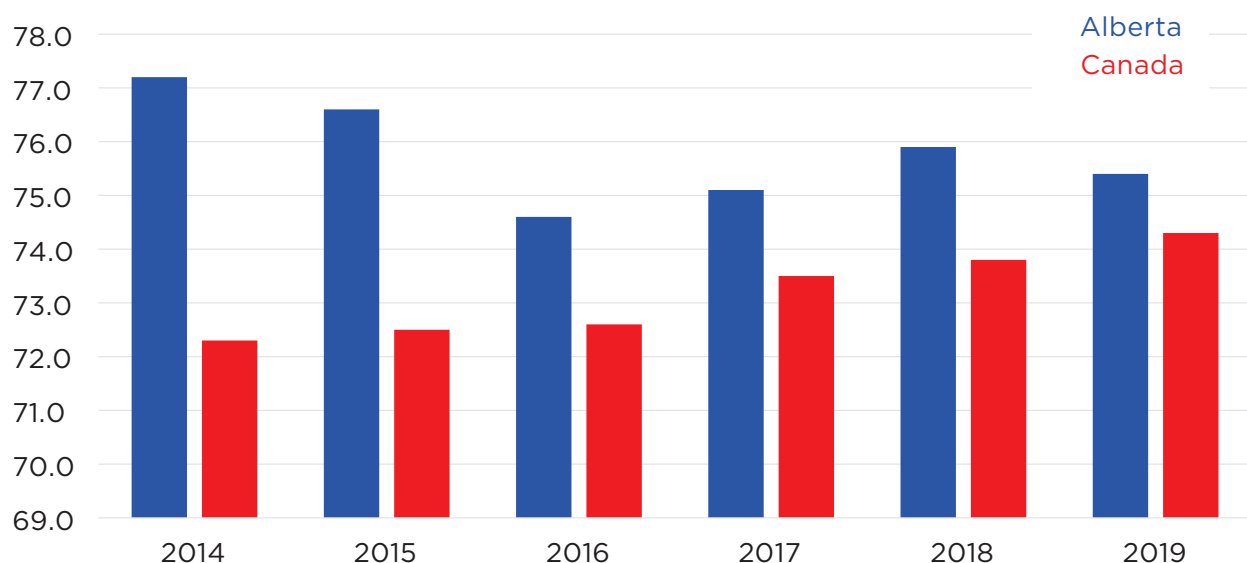
Employment, Gender, And Educational Attainment

It would seem to make the most sense to start with jobs. There are various explanations for Mr. Trump's surprise election, but the evidence that it was driven in considerable measure by non-college-educated voters facing employment risks seems irrefutable (Speer 2018). Former Canadian Prime Minister Stephen Harper (2018), American scholar Oren Cass (2018b), and others (Kolko 2016) have come to persuasively characterize Mr. Trump's election as an expression of economic anxiety in general and job precarity in particular. It stands to reason therefore that any analysis of Canada's susceptibility to populism ought to begin with the employment picture.

The Trudeau government has rightly highlighted Canada's strong employment growth in the past several months. April 2019 saw the largest one-month increase in employment since the mid-1970s (Statistics Canada 2019b). The macro jobs picture is self-evidently strong.

But it also conceals differentiated employment experiences across the country. Readers will, for instance, be familiar with Alberta's employment woes in recent years. Its employment rate was 5 percentage points higher than the national average just over five years ago. Now it is less than 1 point mainly due to its ongoing employment challenges (see chart 1).

CHART 1: CANADA'S AND ALBERTA'S AVERAGE EMPLOYMENT RATES (BOTH SEXES, AGED 15 TO 64), 2014 TO MAY 2019

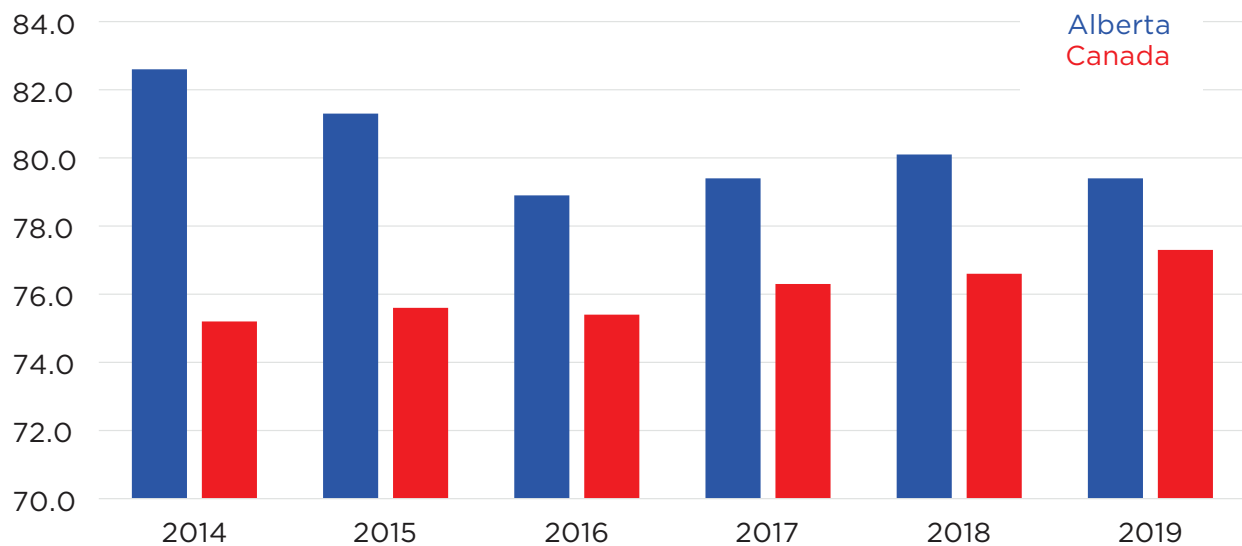


Source: Statistics Canada Table 14-10-0287-03.

Alberta's employment struggles are even starker when one compares changes in its employment rate by gender relative to the rest of the country. The province's employment rate for women (aged 15 to 64) has generally performed close to the national average. Its 2014 rate, for instance, was 71.5 percent versus 69.4 percent nationally. Its rate in May 2019 was 71.2 percent versus 71.3 percent across Canada. This has not changed much in spite of evolving economic circumstances.

But Alberta's employment rate for men has long exceeded the national average by a significant margin. It has been a "worker's paradise" for working-age men for much of this century. The province started 2014 with an employment rate for males (aged 15 to 64) that was more than 7 percentage points higher than the national average. This gap has narrowed considerably in recent years. It is now barely 2 percentage points higher (see chart 2).

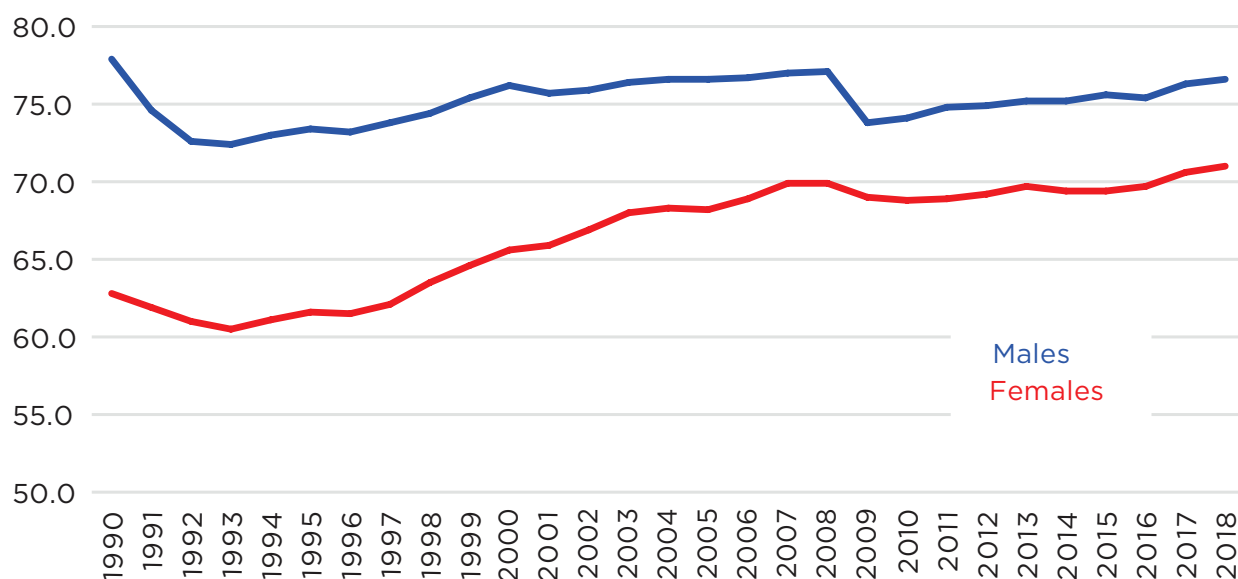
CHART 2: ALBERTA'S AND CANADA'S EMPLOYMENT RATES (MEN, AGED 15 TO 64), 2014 TO MAY 2019



Source: Statistics Canada Table 14-10-0287-02a.

Is this gender differentiation evident in other parts of the country? The short answer is yes. Canada's employment story for the past 30 years has been significantly shaped by rising employment for women. Overall male employment has grown, on average, by 0.9 percent since 1990. Female employment has increased by an average of 1.4 percent over the period. The result is the gender gap in Canada's employment rate has fallen from 15.1 percentage points in 1990 to 5.6 percentage points in 2018 (see chart 3).

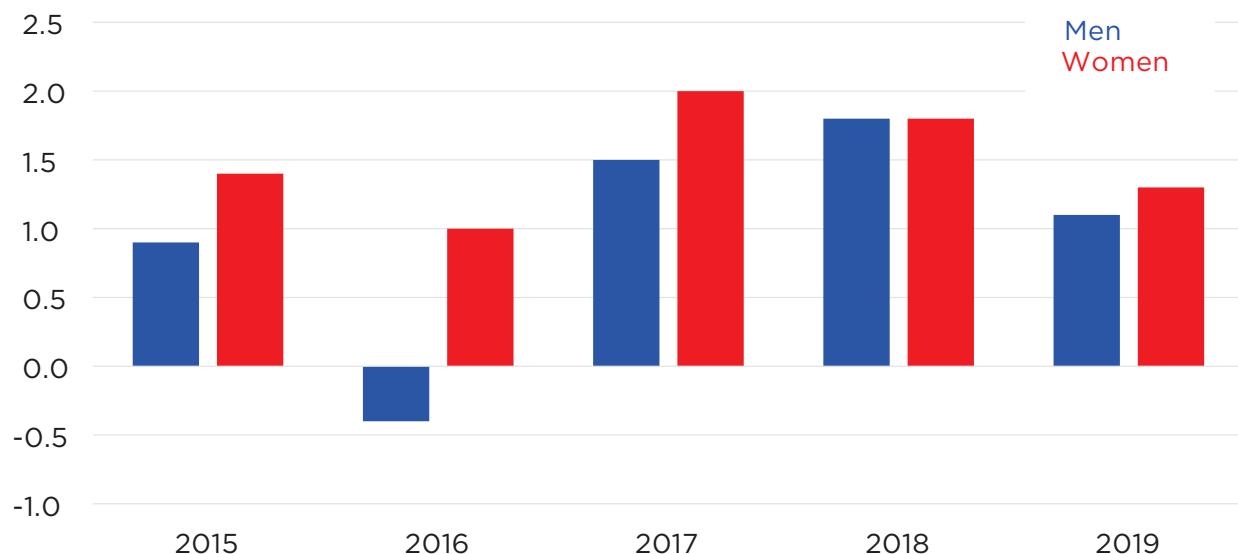
CHART 3: CANADA'S EMPLOYMENT RATES (MEN AND WOMEN, AGED 15 TO 64), 1990 TO 2018



Source: Statistics Canada Table 14-10-0018-01.

More recently, gender differentiation has been found in the growth rate in full-time employment across the country. Although overall employment has grown at roughly the same pace for men and women since 2015, full-time employment growth has tracked differently. The growth of full-time employment for women has met or exceeded the rate for men each year over this period. It has grown, on average, by 1.5 percent since 2014 versus only 1.0 percent for males (see chart 4).

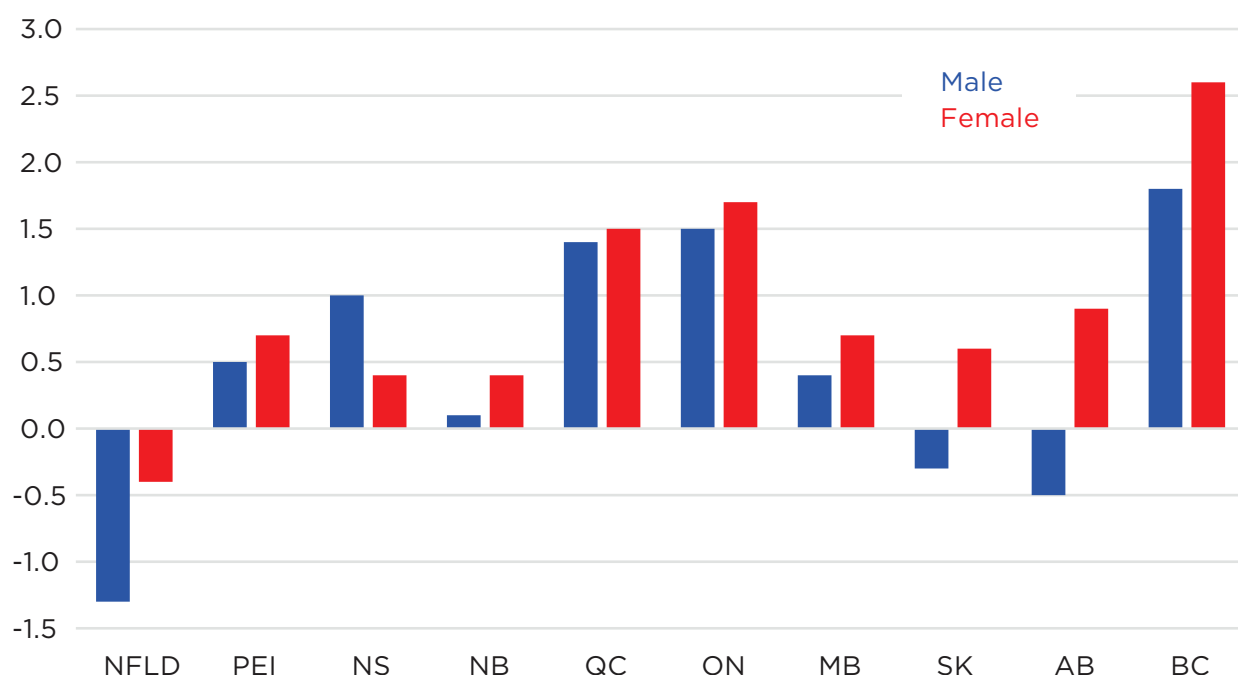
CHART 4: CANADA'S AVERAGE FULL-TIME EMPLOYMENT GROWTH (MEN AND WOMEN, AGED 15 TO 64), 2015 TO MAY 2019



Source: Statistics Canada Table 14-10-0287-02a.

This relative performance on full-time employment for women has been a common trend across the country. Full-time employment has grown, on average, faster for women than for men in every province except Nova Scotia since the beginning of 2014. The difference was most marked in the western provinces (see chart 5). Full-time employment for men actually fell in Alberta, Newfoundland, and Saskatchewan over this period. Newfoundland was the only province in which it also fell for women.

CHART 5: AVERAGE FULL-TIME EMPLOYMENT GROWTH ACROSS THE PROVINCES (MEN AND WOMEN, AGED 15 TO 64), 2014 TO MAY 2019

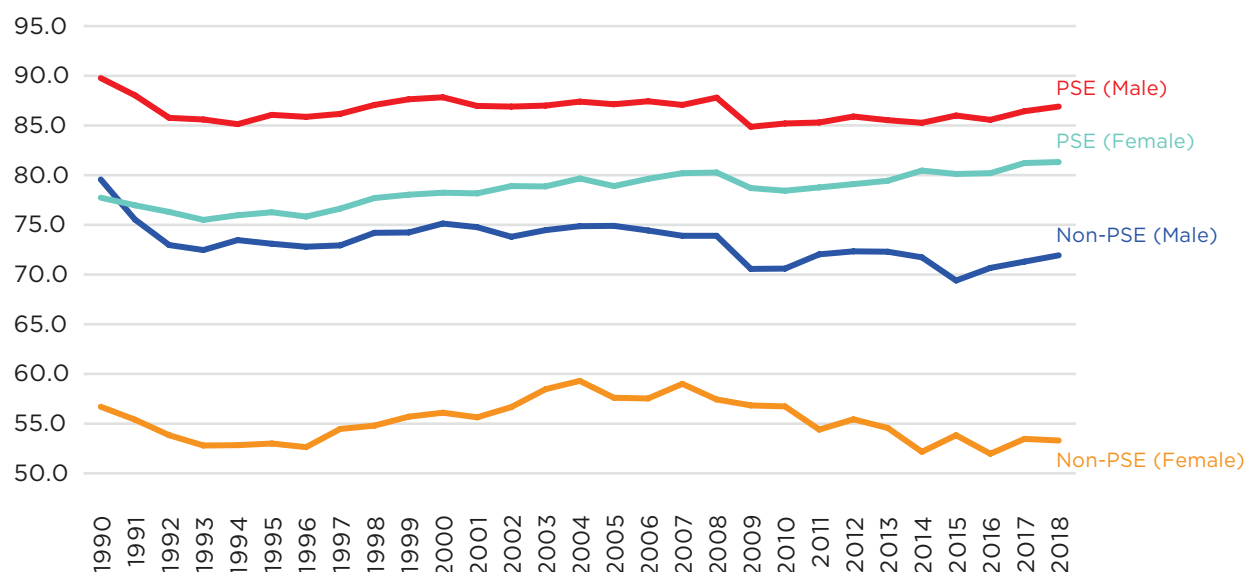


Source: Statistics Canada Table 14-10-0287-02b.

The real story here is the rising employment for females with post-secondary experience or degrees.¹ Thirty years ago women with post-secondary qualifications had a lower employment rate than men without post-secondary education. Now the employment rate for educated women is 10 percentage points higher than for non-educated men. This trend is critical to understanding Canada's labour market performance since 1990. Major progress for educated women has helped to drive our employment growth over this period.

Yet the employment picture for non-educated women has not matched this trend. A significant gap still persists between men and women without post-secondary experience or degrees. Women with high school education or less still face employment rates that are nearly 20 percentage points lower than those for their male counterparts (see chart 6). This gap has barely budged in the past 30 years.

CHART 6: CANADA'S EMPLOYMENT RATES (MEN AND WOMEN, POST-SECONDARY AND NON-POST-SECONDARY QUALIFICATIONS, AGED 25 TO 54), 1990 TO 2018



Source: Statistics Canada Table 14-10-0019-01.

It would seem then that a combination of the expansion of post-secondary education and changing social norms have enabled educated women to find employment at rates comparable to those for educated males and significantly higher than those for non-educated males. This is a major source of Canada's rising employment growth in the past three decades and it still seems to be contributing to some of the changes that we have observed in recent years – including the increasing convergence between Alberta's employment rate and the national average.

We do not make this observation to imply that this is a regrettable outcome. Remember, the purpose of the paper is to disaggregate the data to understand what is actually happening. It is not enough to observe that the employment rate is increasing. We need to understand what has contributed to its growth to discern which groups are doing well and which ones are stagnating or even falling behind.

The outlier is the relative performance between non-educated men and women. An employment gap has persisted for the past 30 years with virtually no progress. It is difficult to discern the source of these different outcomes. It may be that the employment opportunities available to this sub-section of the population place a higher emphasis on physical aptitudes and in turn disproportionately favour men. It may be that the financial compensation (including salary and benefits) for these types of jobs is typically lower than child-care, transportation, and other costs and the result is that women in these circumstances disproportionately remain out of the labour market. There may even be social or cultural factors that influence this sub-section of the population more than they do educated women. But it is worth emphasizing that further analysis and policy thinking should be dedicated to the employment circumstances of working-age women without post-secondary qualifications.

Labour Force Participation: The Canary In The Coal Mine Of Populist Politics

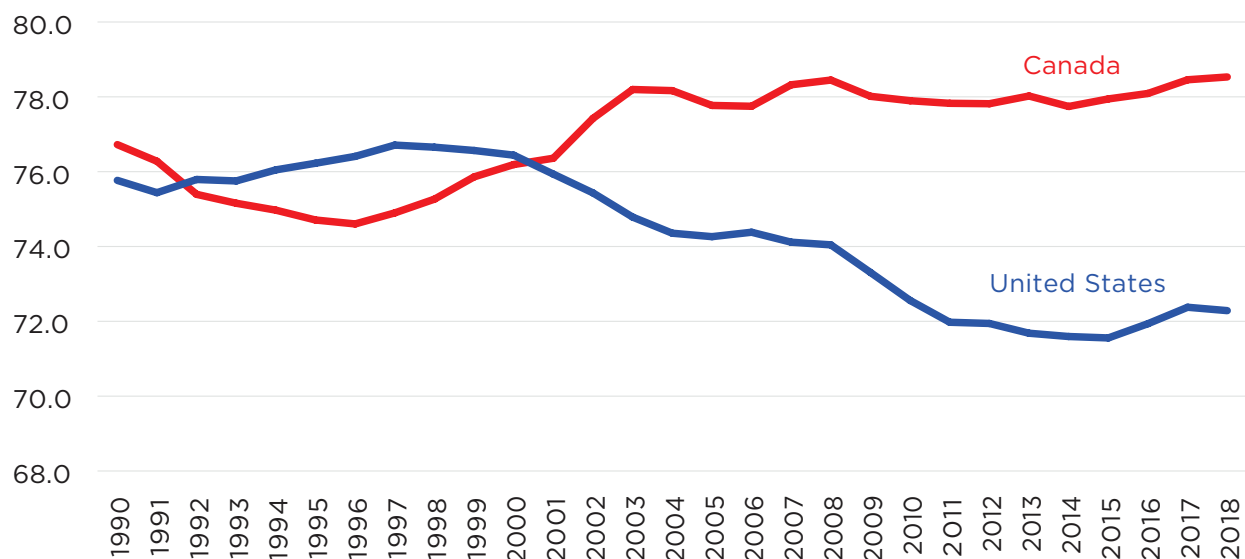
We have previously written about the extent to which the labour force participation rate may be the best barometer of the potential fecundity of populist politics (Speer 2017b). Labour force participation refers to the share of working-age people who are employed or actively searching for work. That it implicitly discounts those who have given up looking for employment may provide a useful indicator of economic anxiety and political frustration.

The labour force participation rate was, in hindsight, a good gauge for President Trump's political appeal. Nine out of the 10 states with the lowest labour force participation rates voted for him. Of the five crucial states that flipped to the Republican Party in 2016, three – Florida, Michigan, and Ohio – experienced a drop in their participation rate relative to 2012, and the other two were essentially flat (Speer 2017b).

Drilling into Canada's labour force participation rate can therefore give us a better sense of which regions and individuals are facing the weakest attachment to the labour market and in turn may be most susceptible to the economic pessimism that can fuel political populism.

Canada's labour force participation rate for the working-age population (aged 15 to 64) has remained steady for the past 30 years. We have moved in the opposite direction as the United States, where the participation rate has steadily fallen for this cohort since the 2008/09 recession (see chart 7).

CHART 7: CANADA AND UNITED STATES LABOUR FORCE PARTICIPATION RATES (BOTH SEXES, AGED 15 TO 64), 1990 TO 2018



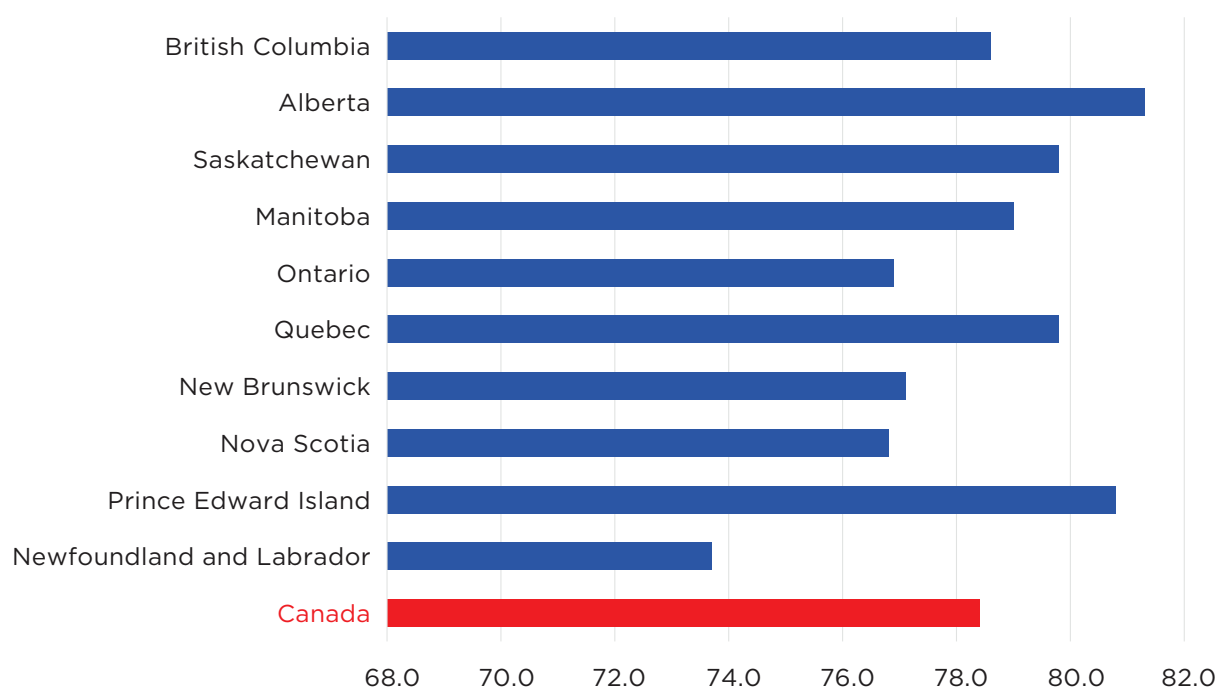
Source: International Labour Organization 2019.

The drop in US labour force participation has been marked by significant regional or state-based differentiation. There is a more than 10 percentage point gap between leading states such as Colorado, North Dakota, and South Dakota and poor performers such as Kentucky, Mississippi, and West Virginia.²

Canada has not experienced quite the same differentiation across the provinces. There are differences, of course, but they are much less marked than the American experience. Most of the provinces are clustered around the national average (see chart 8).

This has generally been the case for the past several years. The main exceptions are Alberta and Saskatchewan, whose participation rates, on one hand, hit 82 percent and higher between 2006 and 2009, and Newfoundland and Labrador, which, on the other hand, has consistently underperformed the national average from 1990 to the early 2000s. The provincial experience has otherwise been broadly similar over this period.

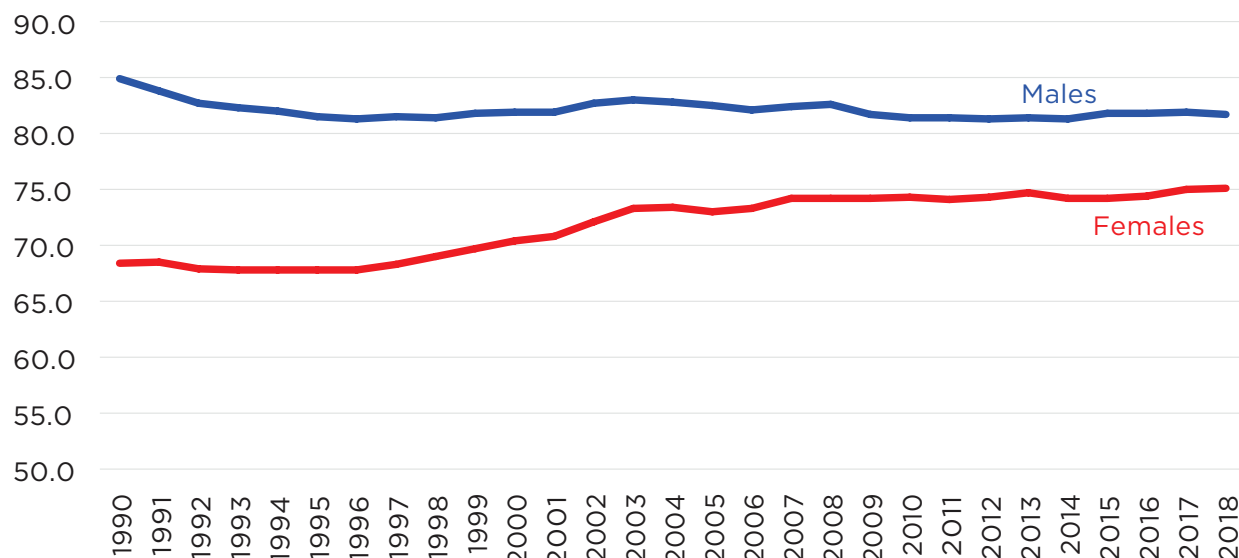
CHART 8: LABOUR FORCE PARTICIPATION RATES BY PROVINCE (BOTH SEXES, AGED 15 TO 64), 2018



Source: Statistics Canada Table 14-10-0287-02b.

There is also not a major gender gap in Canada. The labour force participation rates of working-age men and women are tracking the same trend line as the employment rate in the direction of greater convergence. The gap has thus fallen from 16.5 percentage points in 1990 to less than half of that in 2018 (see chart 9).

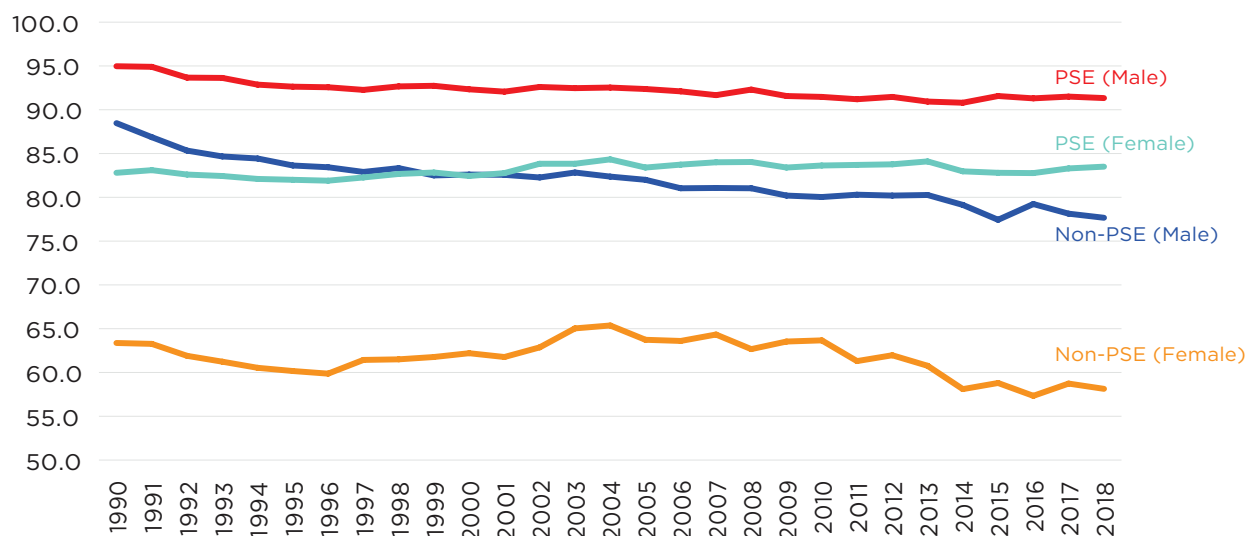
CHART 9: CANADA'S LABOUR FORCE PARTICIPATION RATES (MEN AND WOMEN, AGED 15 TO 64), 1990 TO 2018



Source: Statistics Canada Table 14-10-0287-02b.

The main storyline here is similar to the employment picture. We have witnessed steady increases in the labour force participation rates of women with post-secondary experience and degrees and a corresponding decline for men without post-secondary education. Non-educated men outperformed educated women in 1990 by 5.7 percentage points. Now they underperform them by 5.8 percentage points. That is more than a 10 percentage point swing in the gender differential in just 30 years (see chart 10).

CHART 10: CANADA'S LABOUR FORCE PARTICIPATION RATES (MEN AND WOMEN, POST-SECONDARY AND NON-POST-SECONDARY QUALIFICATIONS, AGED 25 TO 54), 1990 TO 2018



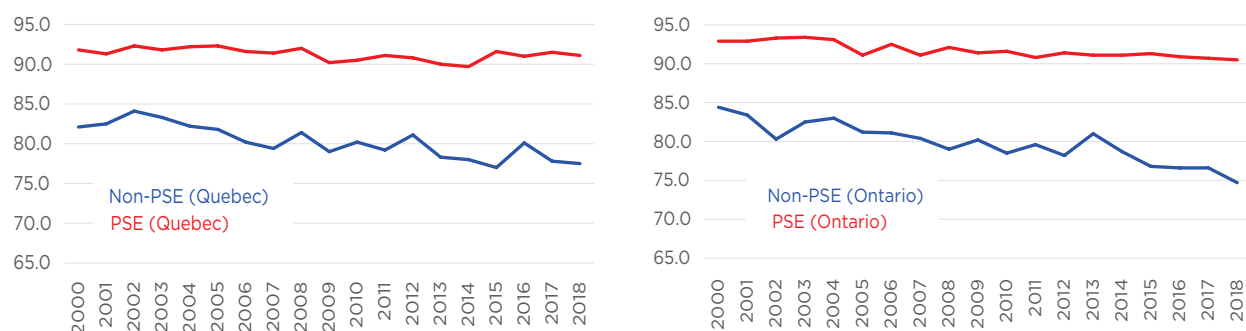
Source: Statistics Canada Table 14-10-0287-02b.

The dark blue line shows the decline in labour force participation by working-age men without post-secondary qualifications. It has been falling steadily since 1990 and fallen by nearly one-tenth up to the present. This marked decline is larger than the similar yet less stark trend for women without post-secondary education. The experience of these men requires further inquiry.

Understanding the experiences in the different provinces is complicated by the fact that workers without post-secondary qualifications are more susceptible to economic shocks (Vuolo, Mortimer, and Staff 2016). The 2008/09 recession had a greater effect on employment rates for non-educated men than for educated men, and the employment challenges in Alberta and Saskatchewan in recent years have similarly harmed this cohort more than they did their counterparts with post-secondary education (Speer 2018). It can thus be challenging to identify long-term trends versus episodic or extenuating circumstances.

Examining the experience in Quebec and Ontario since 2000 can conceivably smooth out some of the short-term volatility in the data and avoid the unique conditions in our oil-producing provinces. The trend lines in the two central provinces may be less stark than elsewhere, but they still point in the same direction. The participation rate for non-educated men has fallen by roughly 5 percentage points in Quebec and 10 percentage points in Ontario over this period. Labour participation for men with post-secondary experience or degrees, by contrast, has remained steady and even grown (see chart 11).

CHART 11: QUEBEC'S AND ONTARIO'S LABOUR FORCE PARTICIPATION RATES (MEN, POST-SECONDARY AND NON-POST-SECONDARY QUALIFICATIONS, AGED 25 TO 54), 2000 TO 2018



Source: Statistics Canada Table 14-10-0019-01.

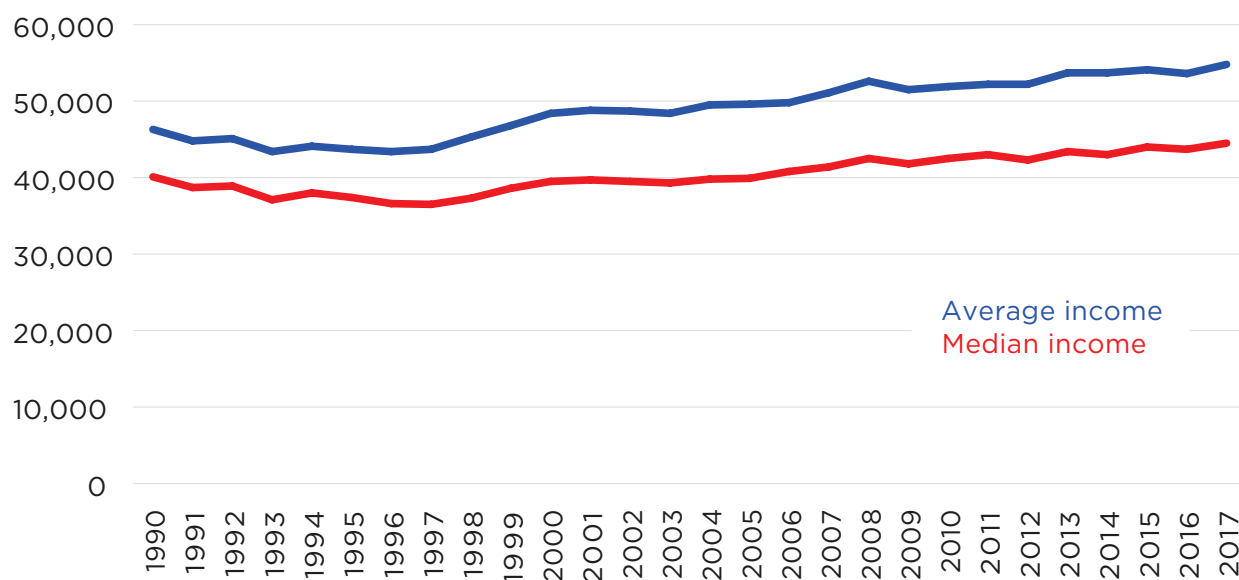
Remember these data represent the experience of working-age males (aged 25 to 54), so this overall decline in labour force participation cannot be attributed to aging demographics. It explicitly excludes baby boomers. These are men in their prime working years who are exiting the labour market at a considerable pace. These rates may not quite be the same as the American experience (United States 2016), but they are not far off.

Incomes, Markets, And Rising Government Transfers

The extent to which incomes have been rising or stagnant for Canadian households has been the subject of considerable debate. The Trudeau government's first budget set out a downbeat narrative of income stagnation for the “middle class and those working hard to join it” (Canada 2016). Others, such as *National Post* columnist Andrew Coyne (2015), have since challenged Ottawa's “mythology” and pointed to evidence that middle-class incomes are growing and income inequality has ceased rising.

The headline data certainly affirms the latter viewpoint. Average and median incomes in Canada have generally moved upwards since 1990. The average income for Canadians aged between 25 and 54 has increased from \$46,300 in 1990 to \$54,800 in 2017 after adjusting for inflation based on 2017 constant dollars. The median income for this age cohort has risen from \$40,100 to \$44,500 over the same period (see chart 12). The trend lines do not change if one adjusts the age group to Canadians aged 16 years and over. The story is positive.

CHART 12: AVERAGE AND MEDIAN INCOMES IN CANADA (BOTH SEXES, AGED 25 TO 54), 1990 TO 2017 (2017 CONSTANT DOLLARS)

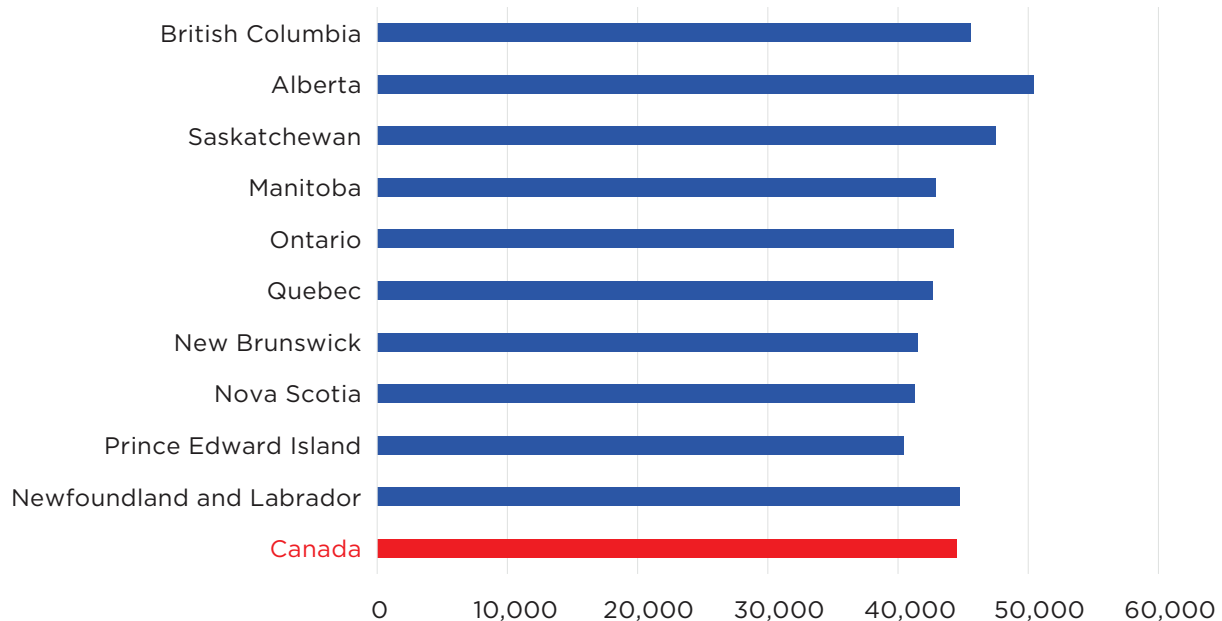


Source: Statistics Canada Table 11-10-0239-01.

The picture can become more complicated, however, depending on adjustments to the dataset, including gender, region, educational attainment, and source of income. The trend lines can start to shift.

Alberta has the highest median income in Canada. Its median income for working-age people (aged 25 to 54) in 2017 was \$50,400. That was 13 percent higher than the national average. Prince Edward Island's was the lowest at \$40,400 (see chart 13).

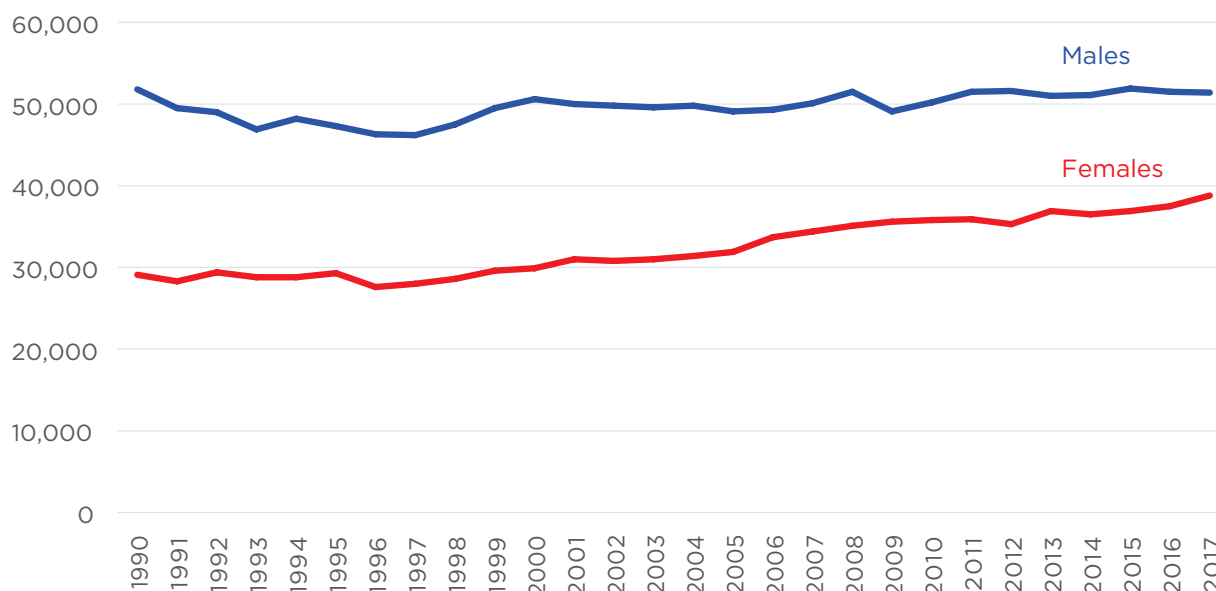
CHART 13: MEDIAN INCOMES BY PROVINCE (BOTH SEXES, AGED 25 TO 54), 2017



Source: Statistics Canada Table 11-10-0239-01.

As for gender, the median income for working-age men (aged 25 to 54) remains higher than for working-age women. But the size of the gender gap was reduced by nearly half between 1990 and 2017. This is attributable to much faster income growth for women over this period. The median income for women grew, on average, by 1.1 percent annually, while median income for men was essentially flat (see chart 14).

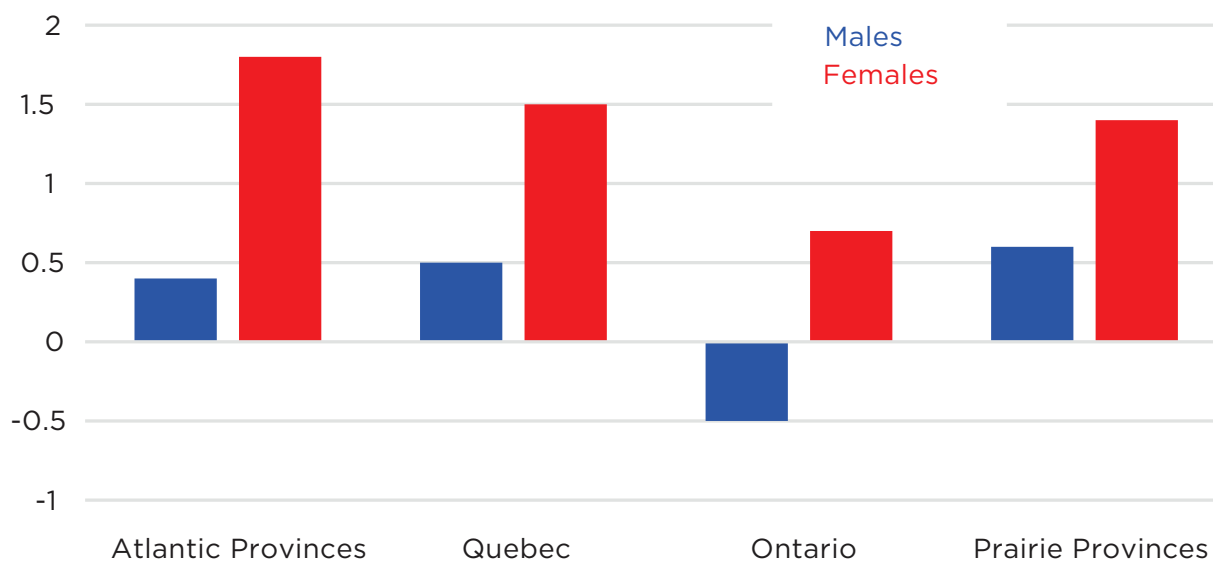
CHART 14: MEDIAN INCOME IN CANADA (MEN AND WOMEN, AGED 25 TO 54), 1990 TO 2017 (2017 CONSTANT DOLLARS)



Source: Statistics Canada Table 11-10-0239-01.

This gender differentiation is most visible at the regional level. Average growth of median income for women exceeded the rate for men in every region of the country from 1990 to 2017 (see chart 15). It was most marked in Ontario, where median income for men actually fell year-over-year, on average, and women saw their median income increase by an average of 0.7 percent per year.

CHART 15: AVERAGE MEDIAN INCOME GROWTH IN CANADA BY REGION (MEN AND WOMEN, AGED 15 TO 64), 1990 TO 2017 (2017 CONSTANT DOLLARS)



Source: Statistics Canada Table 11-10-0239-01.

It gives us a sense of how significant the role of greater female participation in the labour market, including rising market incomes, has been in our overall picture of income-based outcomes. That chart 12 shows a steady upwards increase in overall median income between 1990 and 2017 is due virtually entirely to the income growth of women. The role of working-age men during this period was at best negligible and at worst negative. This insight is only possible by drilling into the headline data on income growth and points to a gender-based divergence that is at once seemingly significant and inconsistent with Ottawa's major emphasis on female participation in the economy.

But there is further inquiry possible – namely, with respect to the different sources of income. Total income typically comprises a combination of market income (such as employment income, investment income, and retirement income) and government transfers (such as Employment Insurance, child benefits, and social assistance). Disaggregating income by source is important because while the composition of one's income does not matter for the purposes of consumption, it does for measuring one's productive role in the economy. Rising incomes are, of course, good, but if they are being driven disproportionately by increasing government transfers, then the macro picture risks missing the financial and non-financial benefits of work and the value that individuals place on production (Cass 2018a). It is key, therefore, to observe the relative growth of market income and government transfers.

It is worth expanding on this point for a minute. Calls for greater redistribution – including the creation of a guaranteed annual income – have become increasingly commonplace in Canada and elsewhere. These advocates assume that people simply require more money to sustain consumption and that its source is irrelevant. We think that this thinking is flawed. It fails to think of what American scholar Arthur Brooks refers to as our inherent demand for “neededness” (Crowley and Speer 2018, 5). An economic agenda that sees income rise due only or primarily to greater redistribution neglects people's needs as producers. It underestimates the importance of work and its financial and non-financial benefits. We cannot emphasize enough that a work and opportunity agenda in the era of populism must be rooted in a holistic conception of people's needs and this starts with understanding the critical difference between market income and government transfers.

What do the data tell us? The data still show that market income has grown in Canada, but it is slower than the rise in government transfers. The gap between the two is larger for working-age men than it is for women. Median market income for men aged 25 to 54 grew, on average, by 0.2 percent between 2000 and 2017, while median government transfers grew an average of 9.6 percent over this period (see table 1).

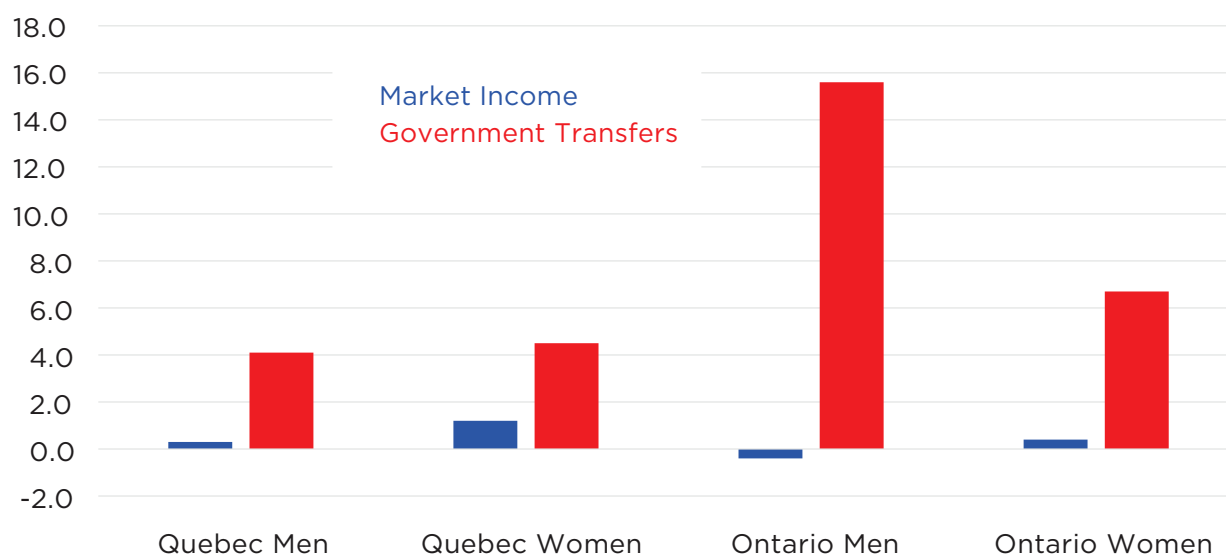
TABLE 1: AVERAGE ANNUAL GROWTH OF AVERAGE MARKET INCOME AND AVERAGE GOVERNMENT TRANSFERS AND MEDIAN MARKET INCOME AND MEDIAN GOVERNMENT TRANSFERS IN CANADA (BOTH SEXES, MEN AND WOMEN, AGED 25 TO 54), 2000 TO 2017 (2017 CONSTANT DOLLARS)

| Income Measure | Both Sexes | Men | Women |
|------------------------------|------------|------|-------|
| Average Market Income | 0.6% | 0.4% | 1.2% |
| Average Government Transfers | 2.9% | 2.1% | 3.4% |
| Median Market Income | 0.6% | 0.2% | 1.2% |
| Median Government Transfers | 7.4% | 9.6% | 5.4% |

Source: Statistics Canada Table 11-10-0239-01.

Drilling into Ontario and Quebec can provide a greater sense of the relative role of market income and government transfers in shaping income changes for men and women thus far in the 21st century. The data are somewhat less reliable with smaller samples. But the trend is nonetheless clear. Rising government transfers have played a considerable role in overall income growth for men and women in both provinces, especially for working-age men (aged 25 to 54) in Ontario, whose government transfers increased annually by an average of 15.6 percent while their market income actually contracted by an average of 0.4 percent (see chart 16).

CHART 16: ONTARIO'S AND QUEBEC'S AVERAGE MARKET INCOME AND GOVERNMENT TRANSFERS GROWTH (MEN AND WOMEN, AGED 25 TO 54), 2000 TO 2017 (2017 CONSTANT DOLLARS)



Source: Statistics Canada Table 11-10-0239-01.

One way to reconcile the positive employment trends described earlier with more modest income growth (particularly with respect to market income) may be that employment growth has tended to be in low-wage industries such as food services, accommodation, and administration. As a recent report by CIBC economics observes:

This reality of a lower level of [job] quality also plays a role in explaining the disappointing pace of income growth in Canada. Note, that in the late 1980s, when our measure of employment quality was 15% higher, a one percent increase in employment generated on average, a 4.4% increase in real labour income. Today, it generates less than a 3% increase in real labour income. (Tal 2019)

The distribution of job creation by compensation is thus an important consideration. The report finds that the number of low-paying, full-time jobs has grown strongly relative to mid-paying jobs and the weakest performance has been among high-paying industries. The result is that we can have both historic progress in Canada's employment rate and disappointing performance in market incomes. Add the uneven performance of working-age men for the past several years and Canada's overall economic picture becomes increasingly complicated.

Educational Attainment And Labour Market Returns

Previous sections have touched on the role of educational attainment in influencing and shaping labour market outcomes. Education is such a key determinant that it justifies its own section.

MLI research has highlighted the determinative role that education levels played in voter behaviour in the 2016 presidential election and the Brexit referendum (Speer 2018). The evidence seems overwhelming that education was a much greater factor in voting patterns than income, ethnicity, geography, family status, and other characteristics (Harris 2018).

This is consistent with a growing body of international research on the bifurcation of labour market outcomes based on educational attainment (OECD 2011; 2015; 2017). It is well-established that higher levels of education tend to coincide with a better performance in the labour market, including lower unemployment rates, higher labour force participation rates, and higher wages (Felix and Chapman 2018). The growing importance of the services sector in general and knowledge-based industry in particular should only exacerbate these outcome differences based on education.

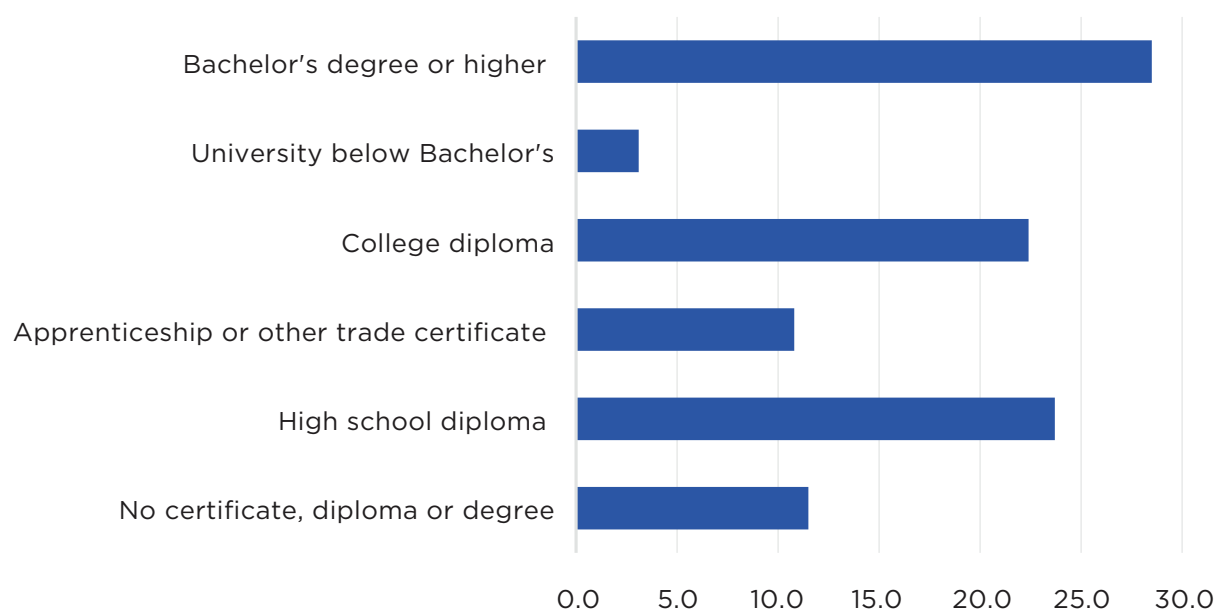
It is worth observing that it is difficult to discern causality here. That post-secondary qualifications are associated with better labour market outcomes is indisputable. But it is hard to judge the role of post-secondary qualifications relative to other factors such as intelligence, work ethic, family status, and so on. Put simply: it is challenging to assess whether one's professional success is attributable to his or her post-secondary qualifications or certain aptitudes, circumstances, and skills that would have drawn them to post-secondary education in the first place (Caplan 2018). This is not to diminish the importance of post-secondary education. It is just to recognize that while there are significant labour market returns for educational attainment, we do not fully know what factors are driving them.

Canada is no exception to this broader global trend of growing premiums on education. An examination of our educational attainment levels and labour market performance certainly points in the direction of substantial returns for university and college education. It signals a potential socio-economic fault line that policy-makers must be cognizant of.

The 2016 Census gives us the most recent picture of educational attainment across the country. More than half of Canadians (aged 25 to 64) have either university or college qualifications (Statistics Canada 2017c). This is up from 48.3 percent in 2006 and puts Canada at the top of the OECD with regards to a country's proportion of university and college graduates. Our college system plays a key role in our international ranking. Roughly 22 percent of Canadians (aged 25 to 64) have a college diploma, while the rate is only 8 percent in the OECD overall (Statistics Canada 2017c).

Our breakdown of educational attainment reflects these different pathways. The 2016 Census finds that 22.4 percent have a college diploma, 3.1 percent have a university certificate below a bachelor's degree, and 28.5 percent have a bachelor's degree or higher. The cumulative rate is 54 percent with either university or college qualifications and this does not even include the nearly 11 percent with an apprenticeship or other trade certificate (see chart 17).

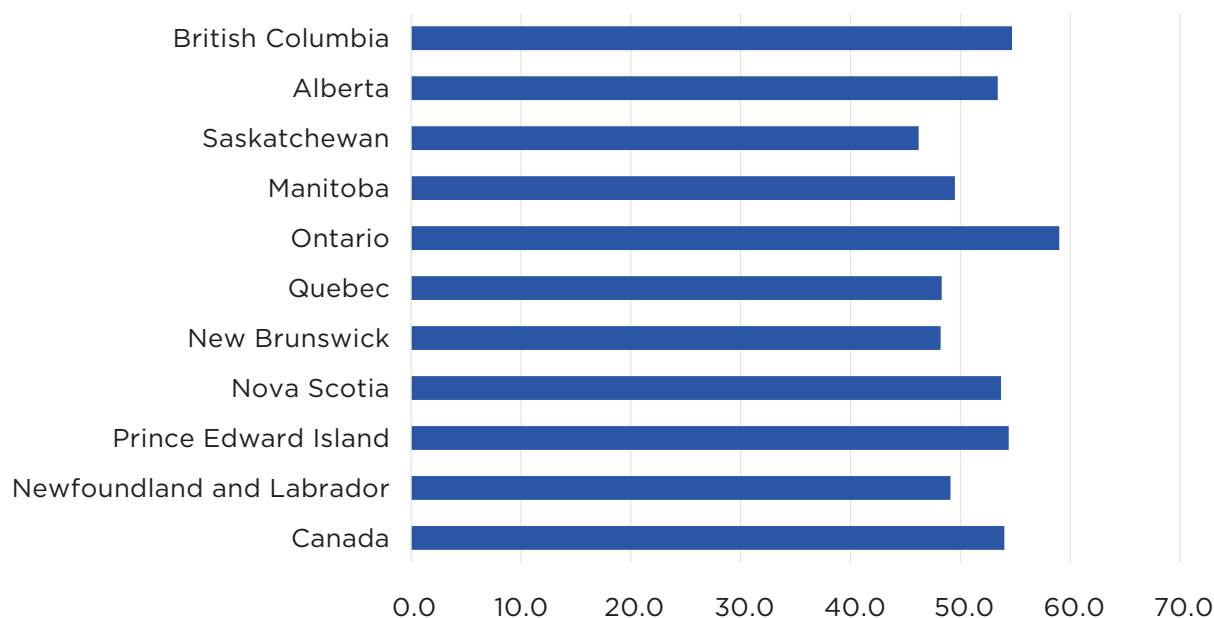
CHART 17: EDUCATIONAL ATTAINMENT RATES IN CANADA (BOTH SEXES, AGED 25 TO 64), 2016



Source: Statistics Canada 2017c.

The province-by-province differences are minimal. They are clustered in and around a small band. Ontario's university and college qualification rate is the highest in the country at 59 percent. Saskatchewan's is the lowest at 46.2 percent (see chart 18).

CHART 18: UNIVERSITY OR COLLEGE QUALIFICATION BY PROVINCE (BOTH SEXES, AGED 25 TO 64), 2016

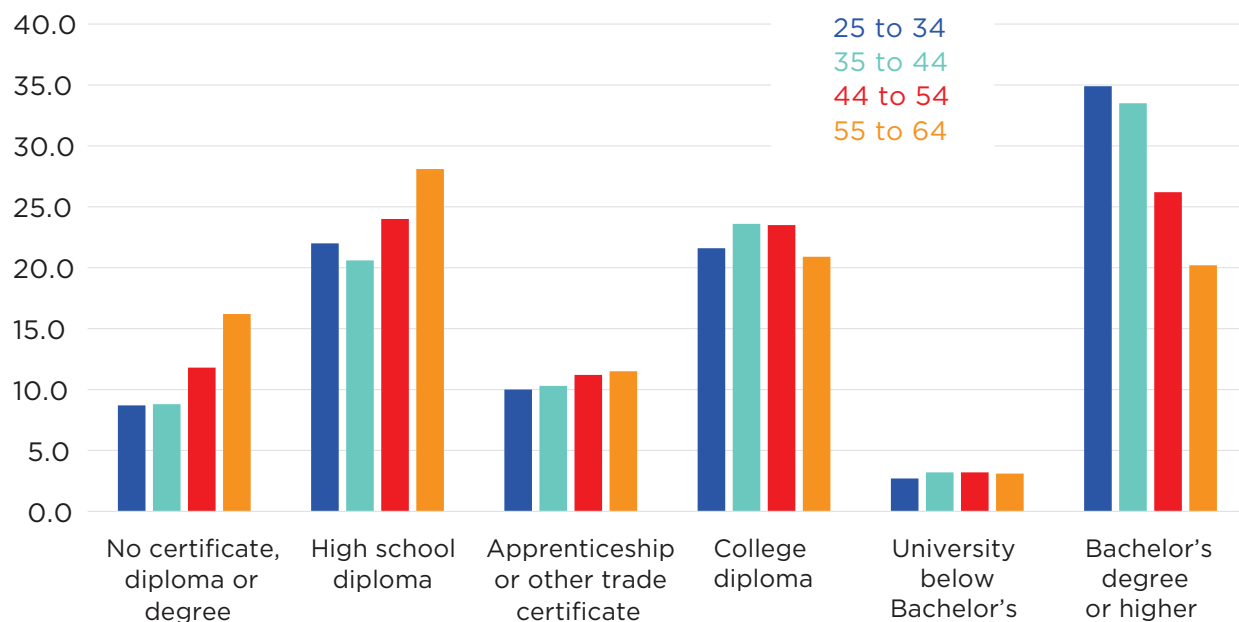


Source: Statistics Canada 2017c.

The upshot is that approximately 36 percent of Canadians do not have university or college qualifications and have not completed an apprenticeship or other trade certificates. This amounts to about 6.7 million adults between the ages of 25 and 64 (Statistics Canada 2017d). It is roughly the equivalent of the combined populations of Manitoba, Saskatchewan, and Alberta or more than the population of the Greater Toronto Area.

Educational attainment rates differ by age. Canadians aged between 25 and 34 are nearly three-fourths more likely to have a bachelor's degree or higher than those aged between 55 and 64. The inverse is, of course, true: the older cohort is one-fifth more likely to have a high school diploma as their highest level of educational attainment than the younger one. The trend is clearly in the direction of higher rates of education across a broader share of the population (see chart 19).

CHART 19: EDUCATIONAL ATTAINMENT RATES IN CANADA (BOTH SEXES, MULTIPLE AGE GROUPS), 2016



Source: Statistics Canada 2017d.

But while the share of the population with post-secondary qualifications is climbing, it is striking that even among the younger cohorts (aged 25 to 34 and 35 to 44) the share of the population with high school education or less is still considerable. There are still roughly 30 percent of the population without post-secondary experience or qualifications. This amounts to roughly 2.7 million people aged 25 to 44 alone (Statistics Canada 2017d).

It is useful to understand the gender breakdown of those without post-secondary education in Canada. A gender analysis finds that the share of men and women has changed across age groups. Men comprise only 46.7 percent of those aged 55 to 64 without university or college qualifications. They make up 57.6 percent of those aged 25 to 34 (see table 2)

TABLE 2: NUMBER OF CANADIANS WITHOUT POST-SECONDARY QUALIFICATIONS (MALES, MULTIPLE AGES), 2016

| | No certificate, diploma or degree | High school diploma | Total | Males | Percentage |
|----------|-----------------------------------|---------------------|-----------|-----------|------------|
| 25 to 34 | 398,475 | 1,007,695 | 1,406,170 | 809,355 | 57.6% |
| 35 to 44 | 395,420 | 926,885 | 1,322,305 | 727,955 | 55.1% |
| 44 to 54 | 588,625 | 1,196,545 | 1,785,170 | 906,810 | 50.8% |
| 55 to 64 | 787,275 | 1,363,460 | 2,150,735 | 1,003,530 | 46.7% |
| TOTAL | 2,169,795 | 4,494,585 | 6,664,380 | 3,447,650 | 51.7% |

Source: Statistics Canada 2017e.

Think about it this way: notwithstanding rising post-secondary rates, more than one in three men and just under one in four women are entering the labour market without any post-secondary qualifications (including university degree, college diploma, or apprenticeship and other trade certificate) of any kind (Parkin 2018).

This is a major challenge in light of the “skills-biased change” and its labour market effects. What is skills-biased change? It refers to labour market changes that are being driven in large part by technological innovation and adoption and resulting improvements in productivity. The economy is just producing fewer opportunities for people who have neither the aptitudes nor credentials to participate in knowledge-based sectors. Two immediate consequences are job losses for unskilled workers and a rise in the skill premium in the form of a growing wage differential between skilled and unskilled workers (Rodrik 2018). The longer-term consequence is a bifurcating labour market with fewer opportunities, lower wages, and more employment volatility for non-educated workers and greater demand and higher returns for educated workers (Speer 2018).

The education premium is already evident in Canada. The median annual earnings for someone with a bachelor’s degree or higher are nearly 50 percent higher than for someone with a high school diploma. This ratio shifts a bit among the provinces but is generally a good rule of thumb no matter in which province one lives (see table 3).

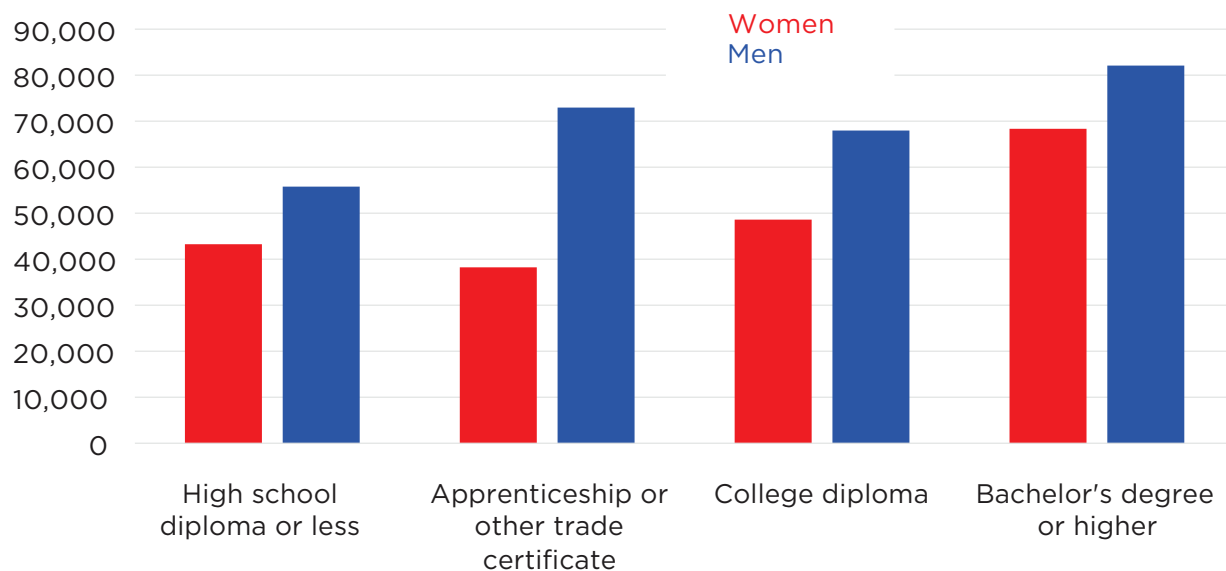
TABLE 3: MEDIAN ANNUAL EARNINGS BY EDUCATIONAL ATTAINMENT FOR PROVINCES (BOTH SEXES, AGED 25 TO 64), 2015

| | High school diploma or less | Apprenticeship or other trade certificate | College diploma | Bachelor’s degree or higher |
|---------------------------|-----------------------------|---|-----------------|-----------------------------|
| Canada | \$55,774 | \$72,955 | \$67,965 | \$82,082 |
| Newfoundland and Labrador | \$50,121 | \$73,800 | \$71,088 | \$83,115 |
| Prince Edward Island | \$42,454 | \$53,829 | \$52,992 | \$67,149 |
| Nova Scotia | \$48,401 | \$60,943 | \$59,236 | \$72,962 |
| New Brunswick | \$45,895 | \$58,631 | \$57,922 | \$74,252 |
| Quebec | \$48,344 | \$53,177 | \$61,450 | \$75,107 |
| Ontario | \$55,216 | \$72,135 | \$67,576 | \$85,645 |
| Manitoba | \$53,615 | \$73,086 | \$65,524 | \$76,677 |
| Saskatchewan | \$62,199 | \$86,059 | \$78,176 | \$84,825 |
| Alberta | \$69,774 | \$92,580 | \$87,983 | \$97,733 |
| British Columbia | \$59,180 | \$75,344 | \$69,513 | \$77,168 |

Source: Statistics Canada 2017b.

The education gap is slightly larger for women than men. That is to say the income gap between women with post-secondary qualifications and women with high school diplomas or less is larger than it is between educated and non-educated men. Women with post-secondary qualifications earn 57 percent more than their female counterparts with high school diplomas or less. Educated men earn 47 percent more than non-educated men (chart 20).

CHART 20: MEDIAN ANNUAL EARNINGS BY EDUCATIONAL ATTAINMENT FOR CANADA (MEN AND WOMEN, AGED 25 TO 64), 2015



Source: Statistics Canada 2017b.

The gender gap therefore does not extend to the education premium. Here the story is the extent to which educational attainment trumps gender. It only reinforces our earlier observation that a greater policy emphasis on working-class men should not cause policy-makers to lose sight of the economic conditions for women without post-secondary qualifications. They also require our attention and focus.

More generally, the various tables and charts in this section point to the significant role that educational attainment plays in our labour market. This insight may be intuitive. But what is important is that we still have 6.7 million working-age Canadians – the equivalent of the combined populations of Manitoba, Saskatchewan, and Alberta or more than the population of the Greater Toronto Area – without post-secondary qualifications. And that figure is not set to drop dramatically any time soon given the percentage of those without post-secondary education is falling yet still somewhat persistent. The key takeaway is that policy-makers need to put this cohort closer to the centre of the policy-making process.

ECONOMIC OPPORTUNITY AND THE “LUCK OF GEOGRAPHY”: THE URBAN/ RURAL DIVIDE IN CANADA

Economic and political disruption of the past several years has tended to be concentrated in specific places. That is to say that the economic bifurcation observed in the earlier sections of the paper is partly a function of what one journalist has called the “luck of geography” (Tankersley 2016).

The role of place has received considerable scholarly and popular attention in the context of the rise of political populism. Books by J.D. Vance (2016), Tim Carney (2019), and Robert Putnam (2016), for instance, have described how the process of deindustrialization has contributed to declining employment, rising government dependency, and a raft of socio-cultural problems including family breakdown, substance abuse, and social isolation in certain regions and communities, and in turn produced fertile soil for disruptive politics. A British scholar has even described the 2016 presidential election and Brexit referendum as the “revenge of the places that do not matter” (Rodríguez-Pose 2018). As he puts it: “In recent years, some of the places that ‘don’t matter’ have increasingly used the ballot to rebel against feelings of being left behind, of lacking opportunities or future prospects.”

It is important therefore that Canadian policy-makers seek to better understand the place-based economic differences across the country. The urban/rural divide is increasingly the most important economic, cultural, and political fault line in our society.

The first step is to establish definitions for *urban* and *rural* and understand the demography of Canada’s urban/rural divide. Statistics Canada (2017a) used the same definitions for *urban* and *rural* from 1971 to 2006. An *urban area* was defined as having a population of at least 1000 and a density of 400 or more people per square kilometre. Everywhere else was characterized as a *rural area*. Together urban areas and rural areas covered the entire country.

Statistics Canada began to refine its definitions in 2010. There was a concern that the broad definition of *urban* (essentially any community exceeding 1000 people) neglected the significant differences among these places. It seems in hindsight such a self-evident problem. Nipigon, Ontario, and Toronto, Ontario, have virtually nothing in common save for they are both located in Ontario and have more than 1000 residents.

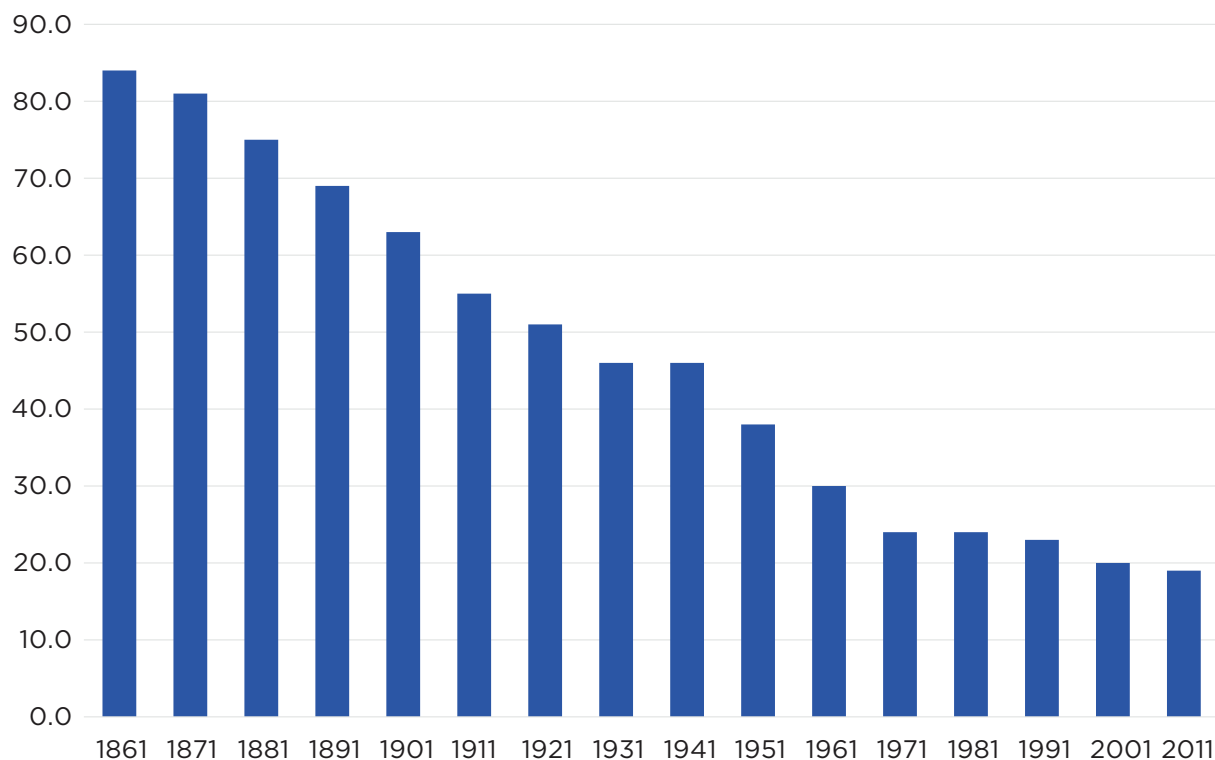
Two changes were made to address this problem. The first is the term *population centre* was adopted as a replacement to *urban area*. A population centre is defined as an area with a population of at least 1000 and a density of 400 or more people per square kilometre. All areas outside population centres continued to be defined as rural area. The second is population centres were divided into three groups based on their population to reflect the continuum between small towns and major metropolises:

- small population centres, with a population of between 1000 and 29,999;
- medium population centres, with a population of between 30,000 and 99,999; and
- large urban population centres, consisting of a population of 100,000 and over.

These changes were meant to better capture the differences between various places and in so doing more accurately reflect the differing opportunities and challenges in places such as Moose Jaw and Vancouver. As part of this effort, two new criteria were added in 2016 to further delineate population centres: the use of a secondary population density threshold as well as employment density.

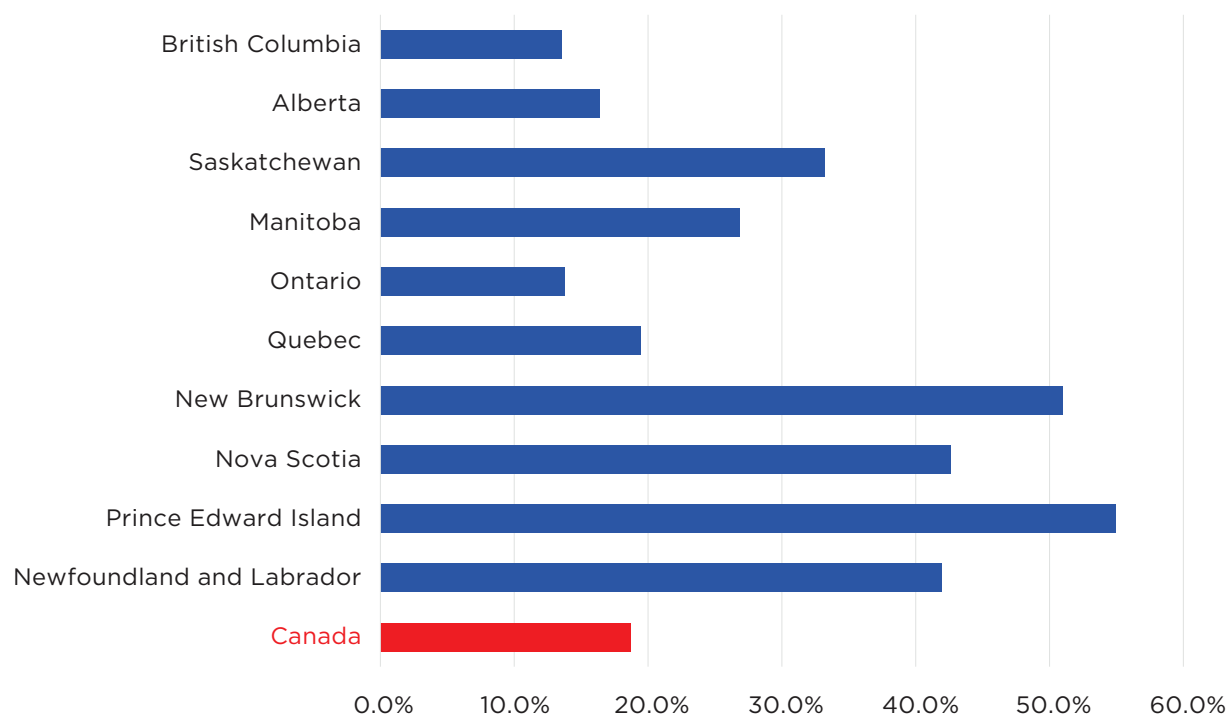
Irrespective of how we measure urban and rural areas, the trend line is clear: the story of Canada is one of urbanization. Canada's first census was conducted in 1871. We had a population of 3.2 million and 84 percent lived in rural areas (Statistics Canada 2015). Now fewer than 19 percent live in rural communities (see chart 21; Statistics Canada 2017f). This is among the lowest rates in the G7 (Statistics Canada 2012a).

CHART 21: PROPORTION OF THE CANADIAN POPULATION LIVING IN RURAL AREAS, 1861 TO 2011



See: Statistics Canada 2012b.

The size of the rural population varies greatly among provinces. Chart 22 sets out the proportions in rural areas based on the 2016 Census. The lowest rate is 13.4 percent in British Columbia. The highest is 54.9 percent in Prince Edward Island. Only four provinces had a rural population that was near or lower than the national average: Quebec (19.5 percent), Ontario (13.8 percent), Alberta (16.3 percent), and British Columbia (13.4 percent; Statistics Canada 2012a).

CHART 22: PROPORTION OF CANADIANS LIVING IN RURAL AREAS BY PROVINCE, 2016

Source: Statistics Canada 2017f.

Statistics Canada has since gone back to analyse Canada's population according to its population centres metric. This enables us to track trends over time – including the population growth in the different types of places and changes in their relative size (see table 4). Canada's total population grew by 17.1 percent between 2001 and 2016. Medium population centres grew the fastest at 29.9 percent. Rural areas grew the slowest at 7.8 percent.

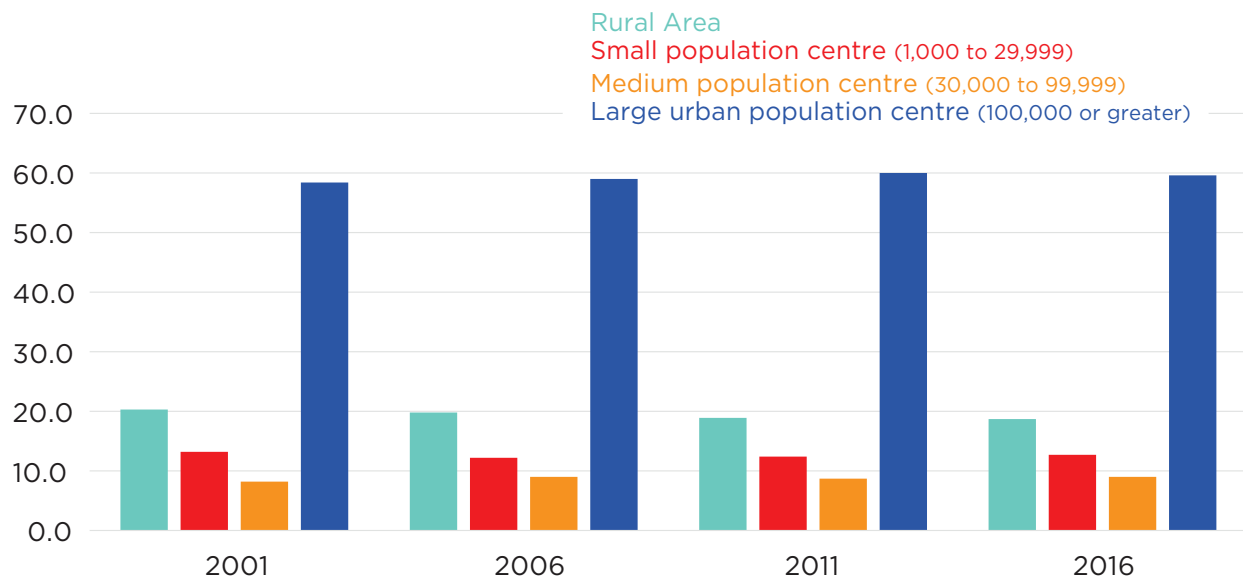
TABLE 4: CANADA'S POPULATION BY PLACE, 2001 TO 2016

| | 2001 | 2006 | 2011 | 2016 |
|--|------------|------------|------------|------------|
| Rural areas | 6,098,883 | 6,262,154 | 6,329,414 | 6,575,373 |
| Small population centres (1,000 to 29,999) | 3,949,780 | 3,843,931 | 4,144,723 | 4,458,766 |
| Medium population centres (30,000 to 99,999) | 2,448,150 | 2,850,159 | 2,926,734 | 3,179,294 |
| Large population centres (100,000 or greater) | 17,510,281 | 18,656,653 | 20,075,817 | 20,938,295 |
| Total | 30,007,094 | 31,612,897 | 33,476,688 | 35,151,728 |

Source: Statistics Canada 2017g and Statistics Canada 2011.

As for the changing proportion of where Canadians live, the trend is certainly moving in the direction of size and scale. The proportion of the population in rural areas fell from 20.3 percent in 2001 to 18.7 percent in 2016. The share in large urban centres, by contrast, grew from 58.4 percent to 59.6 percent over the same period (see chart 23). One must put these data in a context in which rural areas comprise 95 percent of Canada's landmass (Moazzami 2015). Demography is winning out in the competition with geography.

CHART 23: PROPORTION OF CANADA'S POPULATION BY PLACE, 2001 TO 2016

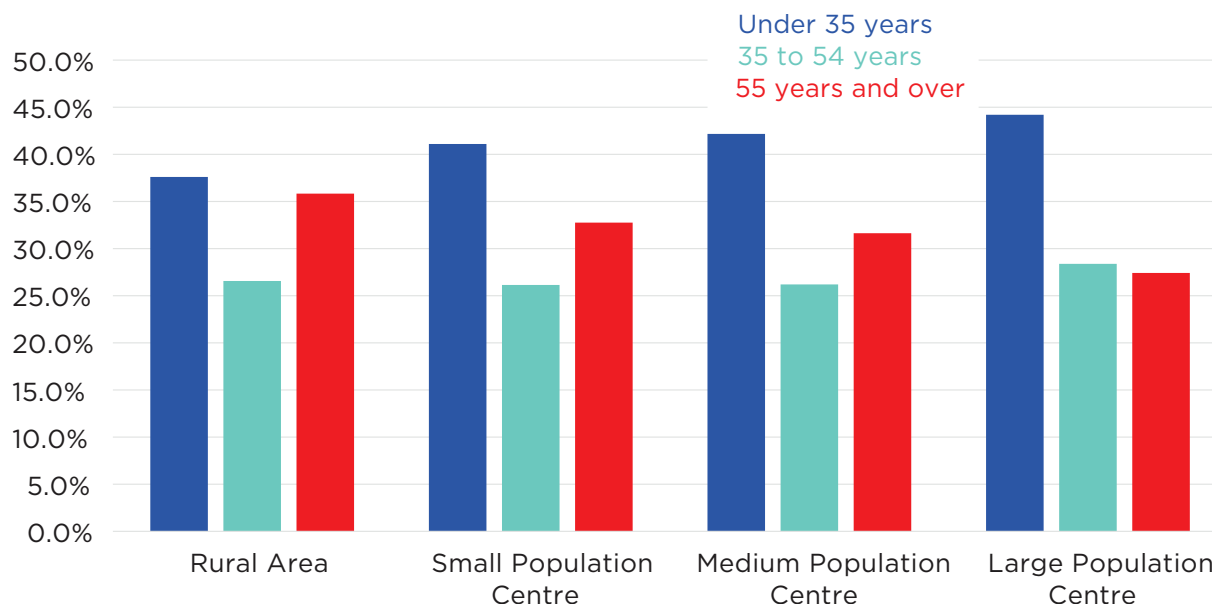


Source: Statistics Canada 2017g and Statistics Canada 2011.

What about the demography of Canada's different places? The age composition of the population differs between rural areas and population centres.

Rural areas and small population centres have populations aged 65 and older that represent 35.8 percent and 32.8 percent respectively. This falls to 31.6 percent for medium and 27.4 percent for large population centres (see chart 24). These proportions do not change much based on gender.

CHART 24: PROPORTION OF POPULATION BASED ON SEX AND AGE BY PLACE, 2016



Source: Statistics Canada Table 32-10-0012-01.

The translation of these differences into labour market outcomes can be complicated. One of the challenges is growing labour dispersions across the provinces. A combination of aging demographics and labour mobility from regions with excess labour supply to tight labour markets is the major driver. The result is, as a 2016 Bank of Canada study observes, that “provincial labour market performance is more similar today than at any time in the past 35 years” (Amirault and Rai 2016).

But the urban/rural divide is persistent and even growing below this trend. Data consistency can be a challenge, however. Finding apples-to-apples data on employment, labour force participation, income, and other common economic metrics is difficult. The transition to the new model of population centres has not seemingly extended across a broader range of Statistics Canada products.

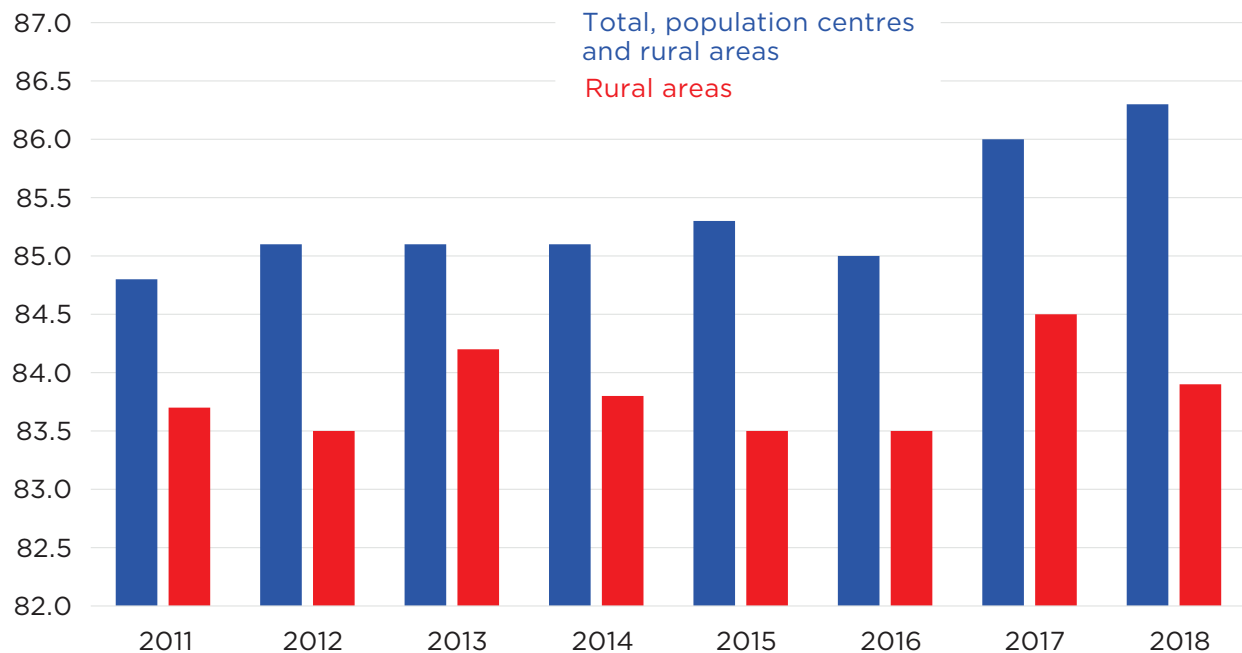
There are still, however, some windows into the different economic experiences in urban and rural Canada. The evidence points to divergence in the labour market performances in our population centres and rural areas in recent years and into the future.

A 2018 report by Statistics Canada observed such divergence with respect to employment. The 12-month period ending in June 2018 saw, for instance, 98 percent of all employment growth occurring in population centres (Statistics Canada 2018). Since the 2008/09 recession, in fact, employment in rural areas has actually edged down, while it has climbed by more than 13 percent in population centres.

That the employment rates and labour force participation rates in rural areas have been lower than the national average (including population centres and rural areas) would not surprise most readers (Statistics Canada Table 14-10-0106-01). But that the urban/rural gap is especially large for working-age males ought to be a cause for concern given the experiences elsewhere. Scholars such as Nicholas Eberstadt (2018) and Anne Case and Angus Deaton (2017) have documented the negative economic and social consequences of the clustering of unemployed and disengaged men in parts of the American Rust Belt.

There is now roughly a 2.5 percentage point gap in the employment rate for working-age males (aged 25 to 54) between the national average and rural areas (see chart 25). This employment gap has contributed to a consistent 1.5 percentage point difference in the unemployment rate for working-age men since 2011. The unemployment gap for working-age women has tended to be closer to 0.5 percentage points over this timeframe (Statistics Canada Table 14-10-0106-01).

CHART 25: EMPLOYMENT RATES FOR POPULATION CENTRES AND RURAL AREAS (MEN, AGED 25 TO 54), 2011 TO 2018



Source: Statistics Canada Table 14-10-0106-01.

This employment gap has several consequences. It contributes to higher levels of government dependency – in fact, research conducted as part of a joint initiative between several provinces finds that the level of dependence on government transfer payments rises as the “degree of rurality increases” (Moazzami 2015). It also manifests itself in a significant earnings gap – the same study finds that earnings in remote rural areas are, on average, about 30 percent lower than earnings in urban centres (ibid). And, as alluded to earlier, these labour market disparities can contribute to socio-cultural and health-related differences such as higher rates of family breakdown, more substance abuse, and lower life expectancy (Kondro 2006).

Long-term projections do not anticipate these trends to turn around. A recent Statistics Canada report on the future of Canada’s labour market, in fact, anticipates that the significant differences between urban and rural places will only grow due to a combination of aging demographics, outmigration, and the concentration of immigration in cities. Labour force growth is expected to remain positive in most Canadian regions, but it will actually fall in Thunder Bay, Ontario and Sudbury, Quebec outside of the metropolitan areas, and the Atlantic region outside its metropolitan areas (Statistics Canada 2019a). Rural areas, more generally, are projected to experience net population declines between now and 2036.

A 2011 Ontario-focused study anticipated a similar trend of population growth in urban population centres and outmigration from rural communities. It estimates that Ontario's urban population will grow from 11.6 million in 2011 to reach 13.3 million by 2025. By contrast, the report projects that the province's rural population will actually decline from 1.1 million to 925,299 based on a 1.15 per cent per year change (Moazzami 2014).

These circumstances are exacerbated by rural Canada's lower levels of educational attainment and human capital. In fact, notwithstanding Canada's strong relative performance on educational attainment overall, it has amongst the largest urban/rural gaps in educational levels in the OECD (Lauzon, Bollman, and Ashton 2015). The gap is driven almost entirely by the process of self-selection inherent in outmigration (ibid). Our rural communities' biggest export is their talented people.

This slow yet steady decline has caused Bill Reimer, a rural policy expert, to describe the challenges facing rural Canada not as a crisis but rather a "slow burn" (Hutchins 2018). They are anticipatable and observable and yet many rural citizens feel that their needs and interests are excluded from the national agenda. As Sarah Breen, the president of the Canadian Rural Revitalization Foundation, has

“Better addressing the needs, interests, and concerns of the people and places that have been forgotten in recent decades is a good unto itself.

put it: “[T]here is a general sense in rural places of being forgotten about, or not being considered, when it comes to policy decisions” (Hutchins 2018). It is striking that she unwittingly yet tellingly uses the same language as President Trump to describe the feelings and perspectives of rural citizens that way. It is a powerful reminder that we cannot afford to be complacent or self-righteous. We have our own “forgotten people and places” in Canada.

Not only is this regrettable from the point of view of political responsiveness, it could create the conditions for the type of “political revenge” seen elsewhere. Some have even characterized the 2018 Ontario election result as our own version of the “revenge of places that do not matter” (Taylor 2019). The extent to which Ontario's election was

ultimately shaped by non-metropolitan grievance is difficult to discern without proper exit polling. But the idea that different parts of the province made different political judgments is self-evidently reflected in the partisan representation in the provincial legislature. The current government disproportionately found support for its message outside of large population centres.

It is a sign that policy-makers need to place a greater emphasis on the economic and demographics trends described above. They are going to increasingly shape our culture and politics. We cannot afford to neglect them. This is not just about raw politics either. Protecting against political populism is an important yet secondary motivation. Better addressing the needs, interests, and concerns of the people and places that have been forgotten in recent decades is a good unto itself. It is ultimately about inclusion and opportunity. A more responsive politics is the first step.

Conclusion

Donald Trump's surprise election and the rise of political populism more generally have caused us at the Macdonald-Laurier Institute to redouble our efforts to understand the opportunities and challenges in Canada's economy and regions, groups, and individuals that may be most at risk of "being left behind."

We have since published a series of papers, commentaries, essays, op-eds, speeches, and podcasts on how our politics and policy must be more responsive to the needs, interests, and concerns of working-class Canadians. The totality of this thinking and writing forms the basis of our newly launched *Real Jobs for Real People* project. Think of the project as a blueprint for inclusive growth that aims to put the "forgotten people and places" closer to the centre of Canadian policy-making.

This primer aims to inform and shape our ongoing work by providing an empirical foundation on the conditions, circumstances, and characteristics of these people and places. This cohort is most at risk of what economists and public policy scholars have come to describe as "skills-biased change." It has also tended to form the electoral base of populist politicians in other jurisdictions. It is important therefore that we understand who they are and how they are doing if we are to make our politics and policy more representative and responsive and in so doing protect our political system from the disruption observed elsewhere.

The paper contains some key empirical insights:

- Canada's strong labour market performance in recent years conceals significant differentiation among regions, genders, and working-age Canadians with different educational attainment.
- The challenges are most acute for working-age men without post-secondary qualifications, whose labour market outcomes outside of the oil-producing provinces have resembled some of the poor outcomes observed in parts of the United States. This cohort seems to be facing a series of secular headwinds that threaten their inclusion in broader labour market gains.
- Much of Canada's labour market strength (including general employment, full-time employment growth, labour force participation, and income growth) has been driven by women with post-secondary qualifications. They have outperformed men with post-secondary experience and degrees and markedly outperformed non-educated men and women for the past 20 to 30 years.
- Income growth has been driven in large part by rising government transfers rather than market income. This is most marked for men who experienced essentially flat growth in median market income from 2000 to 2017 and a nearly 10 percent rise, on average, in government transfers over this period.
- Approximately 36 percent of Canadians do not have university or college qualifications or have completed an apprenticeship. This amounts to about 6.7 million Canadians aged 25 to 64 – roughly the equivalent of the combined populations of Manitoba, Saskatchewan, and Alberta or more than the population of the Greater Toronto Area.

- There is a considerable education premium reflected in median incomes. The median annual earnings for someone with a bachelor's degree or higher in Canada are roughly 50 percent higher than for someone with only a high school diploma.
- A combination of aging demographics, outmigration, and concentrated immigration to cities is contributing to marked demographic and economic differences between urban and rural places. Rural areas now represent just 18.7 percent of the national population and are home to lower levels of employment, labour force participation, income, and educational attainment.

The upshot is that while the labour market has performed generally well in recent years, there are some longer-term, structural challenges that we cannot neglect. Improving the conditions for work and opportunity for these vulnerable workers must be a top priority for Canadian policy-makers. The lesson from elsewhere is that we cannot afford to take these people for granted. And it is the animating premise of the *Real Jobs for Real People* project that we should not. Future MLI work will develop and advance a policy agenda that ensures we do not.

About the Author



Sean Speer is a Munk Senior Fellow at the Macdonald-Laurier Institute. He previously served in different roles for the federal government including as senior economic advisor to the Prime Minister and director of policy to the Minister of Finance. He has been cited by *The Hill Times* as one of the most influential people in government and by *Embassy Magazine* as one of the top 80 people influencing Canadian foreign policy. He has written extensively about federal policy issues, including personal income taxes, government spending, social mobility, and economic competitiveness. His articles have appeared in every major national and regional newspaper in Canada (including the *Globe and Mail* and *National Post*) as well as prominent US-based publications (including *Forbes* and *The American*). Sean holds an M.A. in History from Carleton University and has studied economic history as a PhD candidate at Queen's University.

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Endnotes

- 1 This cohort includes the following people: some post-secondary; post-secondary certificate or diploma; university degree; Bachelor's degree; or above Bachelor's degree.
- 2 Bureau of Labor Statistics, Region, Division, and State Labor Force Participation Rates (with confidence intervals, their relationships to US rates, and over-the-month rate changes with significance indicators), May 2019, seasonally adjusted.

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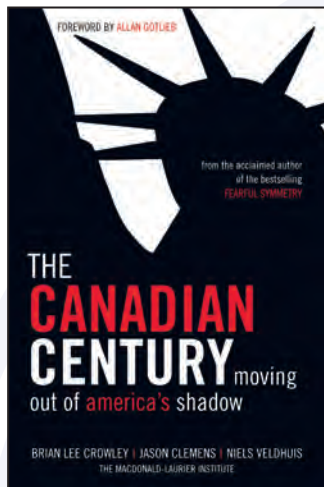
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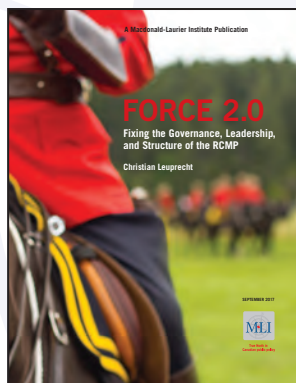
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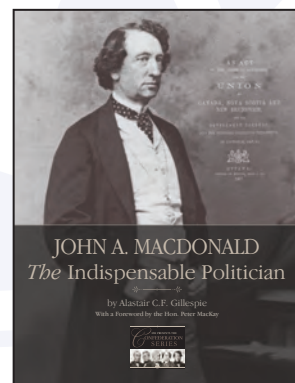
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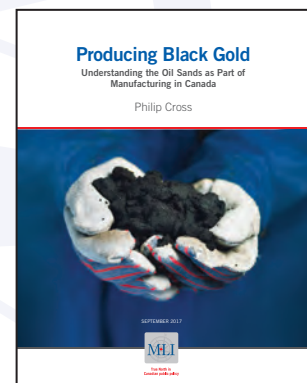
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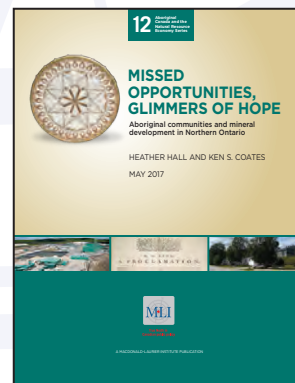
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