

## Economic Profile Series: Sault Ste. Marie, 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 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 Sault Ste. Marie remains an important urban centre in Northern Ontario: the role of immigration

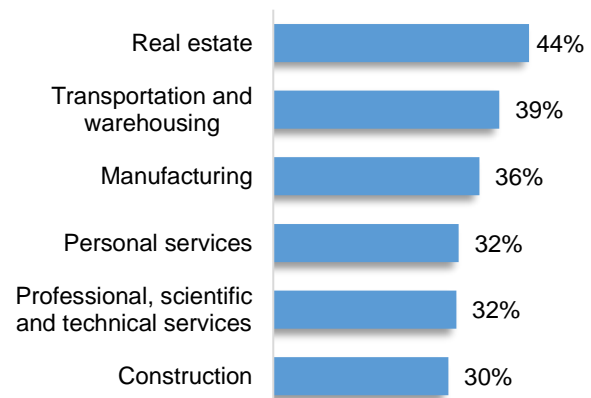
#### The looming workforce challenge

The 2016 Census reported that 26% of everyone in the Sault Ste. Marie workforce was over the age of 55. Overall, nearly 11,000 people are likely to retire in the next decade or so, as they are 55 and older.

Thirty-six percent of everyone working in the manufacturing sector was 55 and older at the time (Figure 1). More than 39% of workers in transportation and warehousing, 32% in professional services and 30% of workers in construction were over the age of 55.

There are not enough young people coming through the education system to meet the demand of the current labour market, let alone provide the workforce for potential future economic growth.

**Figure 1: Share of the Sault Ste. Marie workforce over the age of 55—selected industries\***



Source: Statistics Canada, 2016 Census.

#### Sault Ste. Marie plays an important economic role in Ontario

Sault Ste. Marie<sup>1</sup> (population 80,000) lies between Greater Sudbury and Thunder Bay in northwest Ontario, and borders the U.S. State of Michigan. Sault Ste. Marie is a major North American steel manufacturing centre and a regional transportation and logistics hub.

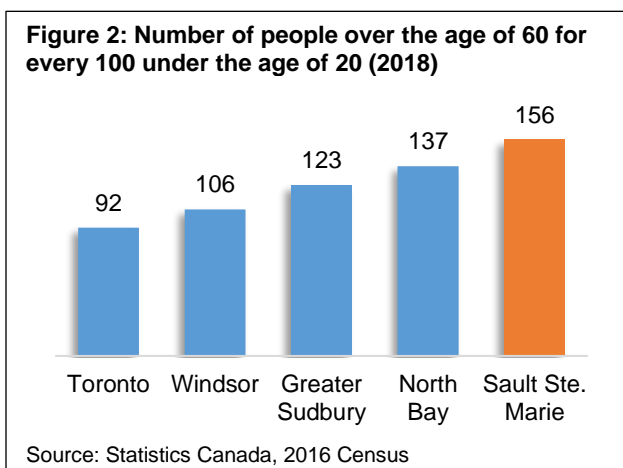
<sup>1</sup> The data in this report is based on the Sault Ste. Marie census agglomeration area, which includes the City of Sault Ste. Marie, the townships of Laird, Macdonald, Meredith and Aberdeen Additional, Prince, and the Garden River 14 and Rankin Location 15D First Nations communities.

Tourism is another labour-intensive and important industry for the regional economy. The community is also positioning itself as the [Alternative Energy Capital of North America](#); it has attracted investment in solar, wind, hydroelectric and cogeneration energy production.

### The population is aging fast

Sault Ste. Marie's population is in decline. In the past 5 years, the population has declined by 2%. At the same time, the number of people over the age of 60 living in the community is increasing.

As a result, there are now 156 people over the age of 60 for every 100 under the age of 20, making it one of the oldest urban centres in Canada by this measure. Figure 2 shows Sault Ste. Marie in comparison to several other Ontario communities.



### The aging workforce: a risk for the economy

This demographic shift has hit the workforce and there are signs that it is starting to impact the economic potential of the community. The number of people in Sault Ste. Marie reporting employment income dropped by 6% between 2008 and 2017, while the number reporting Canada Pension Plan income rose by 21%<sup>2</sup>.

As shown in Table 1, the number of people active in the labour market has declined by 2,700 in the past 5 years, while the number of unemployed people dropped by 35%. This has led to the community having a very low unemployment rate of only 4.5%.

**Table 1: Summary labour market indicators, Sault Ste. Marie**

	2014	2018	# change
Labour force	42,700	40,000	-2,700
Employment	39,900	38,200	-1,700
Unemployment	2,800	1,800	-1,000
Unemployment rate	6.6%	4.5%	

Source: Statistics Canada, Table: 14-10-0102-01.

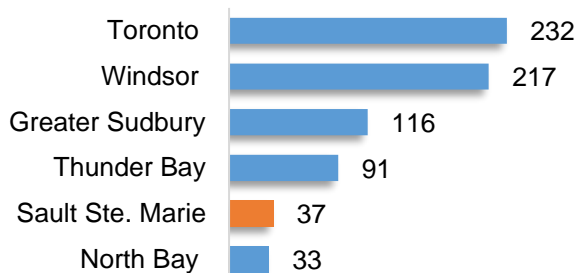
<sup>2</sup> Source: Statistics Canada Table: 11-10-0007-01.

**There has been relatively little immigration to Sault Ste. Marie**

Despite the tightening labour market and the aging population, there has been limited immigration in recent years. In the past 5 years, the community has attracted an average of 93 immigrants per year. In 2018, there were also 200 non-permanent residents (for example, international students and temporary foreign workers) living in the community.

Adjusted for population size, Sault Ste. Marie has one of the lower recent immigration rates among small urban centres in Canada. There were 37 new immigrants and non-permanent residents in 2018 per 10,000 people living in Sault Ste. Marie, compared to 116 in Greater Sudbury and 91 in Thunder Bay.

**Figure 3: Immigrant rate per 10,000 population (2018)\***



\*Includes net non-permanent residents. Source: Statistics Canada Table 17-10-0136-01.

**If there are not enough workers to replace retirees, what could be the impact on the economy?**

Predicting labour market demand is not easy, but the community clearly understands the need for population growth. In 2017, the community launched [FutureSSM](#), an initiative meant to address the big challenges and opportunities facing Sault Ste. Marie. Labour force development and population growth are 2 main goals for FutureSSM.

**What industries are at risk if labour market needs can't be addressed?**

Table 2 reveals the industries for which Sault Ste. Marie has a much higher concentration of workers compared to the rest of the country. Adjusted for size, there are 20 times as many people working in steel manufacturing compared to the country overall. There are nearly 40% more working in general merchandise stores, pointing to the importance of the retail sector.

Sault Ste. Marie has a well-above-average concentration of workers in health care, as well as nursing and residential care facilities, and a lot of employment in tourism-related sectors. If the workforce continues to tighten, many of these strategically important industries could struggle to find workers, and some of this economic activity could move to other communities with a stronger talent pipeline.

**Table 2: Sault Ste. Marie's dominant industries: Employment share compared to the national economy\***

 Steel manufacturing—20 times as many	 General merchandise stores—37% more
 Amusement and recreation industries—more than double	 Accommodation services—50% more
 Administration and support services—47% more	 Nursing & residential care—67% more
 Rail transportation—93% more	 Health care—31% more

\*For example, adjusted for size, Sault Ste. Marie has 37% more people employed in general merchandise stores compared to the national economy. Source: Statistics Canada, 2016 Census.

### Sault Ste. Marie's aging entrepreneurs

The community's entrepreneurs and small business owners are getting closer to retirement, which is an additional challenge for the local economy. There are over 3,200 self-employed people in Sault Ste. Marie and more than 40% of them are over the age of 55. Sault Ste. Marie could benefit from the attraction of a new generation of entrepreneurs to replace those who retire and to help drive growth in important industries such as trade, transportation and tourism.

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

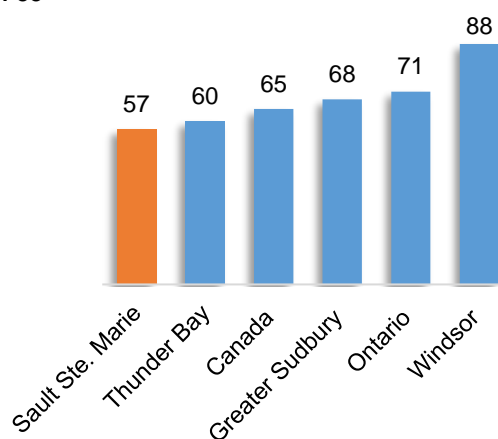
The Sault Ste. Marie workforce is aging and the pipeline for younger workers is shrinking. There are a number of ways in which the community can expand the number of available workers in the years ahead:

- **Attract more students to the region**

An evaluation of the population in high school and post-secondary school shows that, compared to many other smaller and larger urban centres, Sault Ste. Marie is at a disadvantage. In 2016, there were only 57 young people aged 15 to 24 in school for every 100 people in the workforce over the age of 55 (Figure 4). This was well below both the Ontario and national level. Windsor, by contrast, has 88 young people in school for every 100 in the workforce over the age of 55. Sault Ste. Marie is home to a number of post-secondary institutions, including Algoma University and Sault College.

If the community is able to attract more Canadian and international students, it will help to build a larger local talent pipeline to address workforce needs in the years ahead.

**Figure 4: High school and post-secondary school population\* per 100 in the workforce over the age of 55**



\*Aged 15 to 24. Source: Statistics Canada, 2016 Census.

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

The tightening labour market creates employment opportunities for people who previously struggled to participate in the labour market, such as women re-entering the workforce or those with disabilities. In 2016, Sault Ste. Marie was comprised of around 11% Indigenous people, of which 16% were First Nations and 42% were Métis. The unemployment rate among this segment of the workforce was 19% at the time of the 2016 Census. Persons aged 55 and older who are not in the labour market could also be enticed back in by being offered flexible work and other benefits.

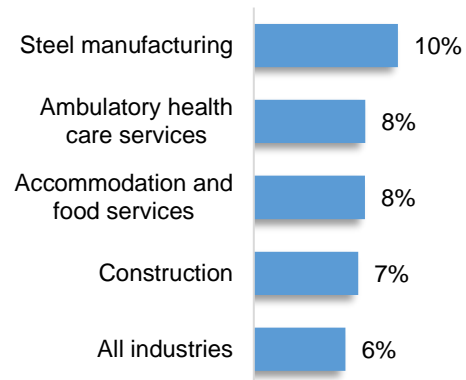
- **Attract people from outside the region**

There is no doubt the biggest opportunity involves the attraction of young people and families to Sault Ste. Marie. Since 2013, across Canada, all net growth in the labour market has come from immigrants<sup>3</sup>. There is a direct correlation between immigrant attraction and workforce growth.

The urban centres with the highest immigration rates have, by far, the fastest labour market growth. While Sault Ste. Marie has among the lowest immigration rates among small urban centres in Canada, those who are coming to the region are playing an important role.

As shown in Figure 4, 10% of all workers in the steel industry and 8% in the ambulatory health care sector are immigrants or non-permanent residents. A focused effort to attract more immigrants and retain them in the community may serve to grow the economy in the years ahead.

**Figure 5: Immigrants and non-permanent residents as a share of the total Sault Ste. Marie workforce, by select sector**



Source: Statistics Canada, 2016 Census.

### **Immigration: boosting the Sault Ste. Marie talent pipeline**

Along with other efforts to boost the workforce, increasing the number of immigrants settling in Sault Ste. Marie would be a strategic move to ensure that 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 filling important roles in the economy and boosting demand for local goods and services.

Sault Ste. Marie is part of the new [Rural and Northern Immigration Pilot](#), established to help smaller rural and northern communities attract and retain foreign skilled workers to meet their economic development and labour market needs.

### **Helping to grow the local economy**

Attracting more immigrants in the coming years would create new demand for local products and services. Every 100 new immigrant families with an average household income directly generate over \$9 million worth of new household expenditures—much of this spending in the local community<sup>4</sup>.

Statistics show that these 100 immigrant families would spend:

- \$2.1 million per year on housing costs such as mortgage payments, electricity, and property taxes,
- \$1.3 million each year on transportation costs such as vehicle purchases and maintenance, and
- \$870,000 on food expenditures at local grocery stores and restaurants.

These 100 new families would also generate some \$2.4 million worth of taxes per year for local, provincial and federal governments.

<sup>3</sup> The number of Canadian-born workers exiting the workforce is greater than the number of Canadian-born workers joining the workforce each year.

<sup>4</sup> Assumes the new household spending conforms to the current spending pattern in Ontario.

### **Other positive effects**

Attracting more immigrants to Sault Ste. Marie 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.

### **Retaining and integrating newcomers**

Retention will be critical to long-term population growth. The local population in the region doesn't have much recent history with immigration. More than 74% of Sault Ste. Marie residents are at least third-generation Canadians, meaning that they were born in Canada, as were their parents and grandparents. In order to ensure the successful integration and retention of immigrants to Sault Ste. Marie, it is important that newcomers are welcomed into social life and quickly develop a strong sense of Canadian identity and social cohesion.

### **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 Sault Ste. Marie could lead to a greater public investment in services and infrastructure.

### **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 Sault Ste. Marie retire and move into a new stage in their lives, it creates new economic opportunities in healthcare, personal services, and recreation industries.

But these industries should not be considered a replacement for Sault Ste. Marie's important export-oriented industries such as manufacturing and tourism. In the years ahead, the community can benefit from the economic opportunities arising from more retirees and from attracting and growing the younger workforce.

### **Sault Ste. Marie in 2035**

What will Sault Ste. Marie look like in 2035? Will it continue to be an important and growing urban centre in northern Ontario?

In the years ahead, Sault Ste. Marie faces many opportunities to grow its local economy and build on existing successes in its manufacturing, renewable energy, transportation and tourism industries. Increasing immigration may be a critical piece that will help to secure a strong and vibrant economy in the region—and drive innovation and growth for years to come.

For more information on how immigration matters across Canada, visit [Canada.ca/Immigration-Matters](https://Canada.ca/Immigration-Matters).