



STRENGTHENING RURAL CANADA: Fewer & Older: The Coming Population and Demographic Challenges in Rural Newfoundland & Labrador

An Executive Summary

This paper has been prepared for the Strengthening Rural Canada initiative by:
Dr. Bakhtiar Moazzami on behalf of Essential Skills Ontario and Literacy Newfoundland and Labrador

This project is funded by the Government of Canada's
Adult Learning, Literacy and Essential Skills Program.

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INTRODUCTION

Many rural communities in Newfoundland & Labrador are facing serious challenges. Data derived and analyzed from both the 2001 and 2011 Census and the 2011 National Household Survey (NHS) reflected in this study paint a picture of rural Newfoundland & Labrador at a crossroad. The migration of youth, aging populations, lower educational attainment levels and significant long-term population decline do not bode well for the future economic health of rural Newfoundland & Labrador. For some rural, remote and small town communities, the slow slide to no longer being viable is increasingly in sight.

This is not good news for either rural or urban Newfoundland & Labrador. Rural, remote and small towns play an integral role in the province's current and future economic growth, whether in service industries, natural resources, manufacturing, agri-foods or tourism. Aside from the economic arguments, rural Newfoundland & Labrador is an essential part of the cultural and political fabric of the province. Some of the key findings of this study include:

- About 41% of the province's population live in rural areas.
- While Newfoundland & Labrador's urban population grew by 12.2% over 2001-2011, rural and small town population declined by 8.4%.
- Population projections for 2011-2025 indicate that Newfoundland & Labrador's rural population will continue to decline – from 269,719 to 217,544.
- Younger working age adults are leaving and most are not returning. The prime working age population (those aged 20-44) declined by 27% between 2001 and 2011. It is probable that many of these younger adults left to pursue post secondary and employment opportunities in urban areas.
- Post secondary attainment rates in rural communities are significantly lower than the provincial average.
- Rural Newfoundland & Labrador is not attracting immigrants: The province as a whole has trouble attracting immigrants, and of those who are retained, fewer are attracted to the rural areas of the province.

This study, ***Fewer & Older: The Coming Population and Demographic Challenges in Rural Newfoundland & Labrador***, is the second in a series of research reports coming out of the Strengthening Rural Canada initiative, a multi-year project funded by the Government of Canada's Adult Learning, Literacy and Essential Skills Program, and in part by the Roadmap for Canada's Official Languages 2013-18: Education, Immigration and Communities. Strengthening Rural Canada is designed to provide a comprehensive understanding of the relationship of human capital on both population and economic growth in rural, small town and remote communities in Canada. Working in 28 rural communities in four provinces across Canada (British Columbia, Newfoundland & Labrador, Ontario and Saskatchewan), the project will purposefully explore approaches and frameworks to support rural communities across Canada in building their own place-based strategic plans towards addressing the issues of human capital and economic growth.

The main objective of this particular report is to analyze past, present and future demographic changes in the province of Newfoundland & Labrador. The province is the most geographically remote and isolated province in Canada. With a population density of 1.4 persons per square kilometer, it has the lowest population density among all provinces. There are over 560 communities in Newfoundland & Labrador dispersed over 400 square kilometers with about 73.0 percent of the communities having less than 500 inhabitants. According to the 2011 National Household Survey, about 41 percent of the province's population lives in rural areas.

The study focuses mainly on rural-urban demographics and examines how demographic changes have impacted four population groups, namely total provincial population, Francophone, Aboriginal and immigrant population.

The study is organized into three parts:

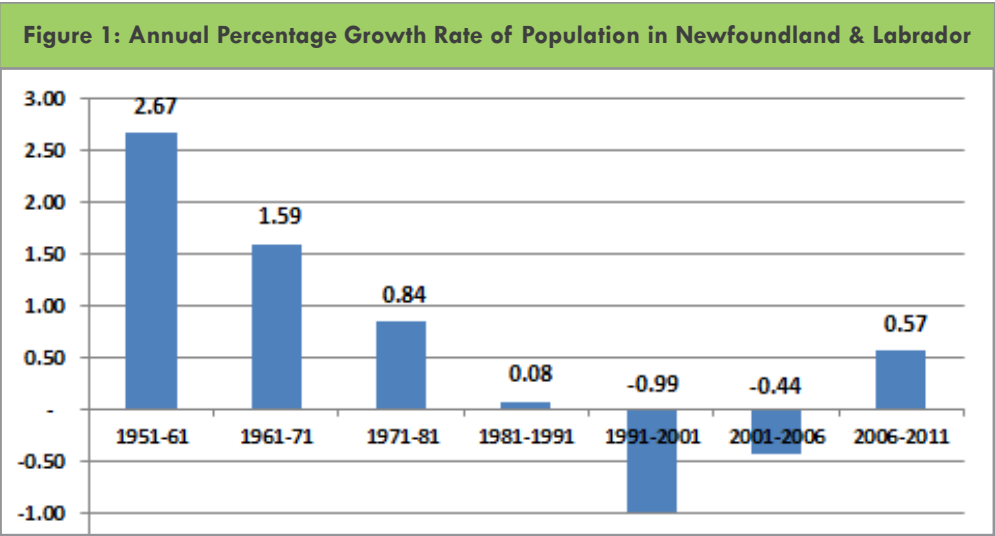
Part I examines demographic change in the province of Newfoundland & Labrador. The report aims at analyzing past, present and future demographic trends. As mentioned above, the focus is on four population groups, namely total, Francophone, Aboriginal and immigrant population. We also examine population trends in rural and urban regions in the province and pay special attention to the degree of rurality.

Part II examines demographic and socio-economic trends in rural and urban areas. This part also reviews the rural-urban earnings differential and investigates factors explaining the existing earnings gap between rural and urban regions. The report constructs a human capital index for rural and urban areas of the province and finds that a significant part of the earnings gap between rural and urban regions is explained by differences in the human capital composition of their employed workforce.

Part III makes projections of future rural and urban population trends in Newfoundland & Labrador. Using a demographic forecasting model, the report not only estimates future rural and urban population trends but also provides an age profile of those who have out-migrated from rural and urban areas.

PART I: POPULATION GROWTH IN NEWFOUNDLAND & LABRADOR

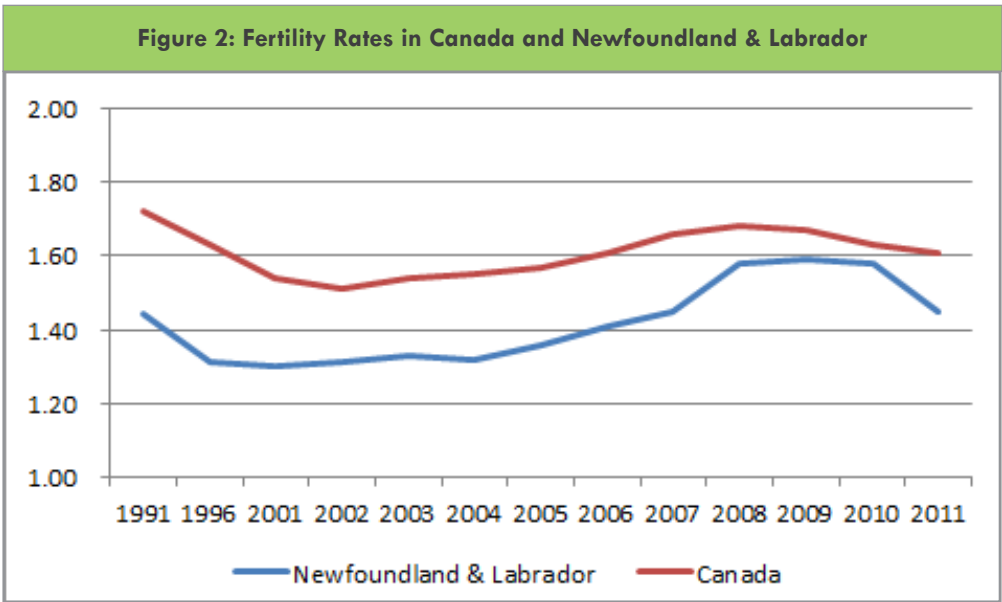
The population of Newfoundland & Labrador grew from 361,416 in 1951 to 525,037 in 2011, a growth rate of about 0.75 percent per year. However, its growth rate has declined from the high of 2.7 percent per year during the 1950s to 0.1 percent per year during 2001-2011 (Figure 1). It reached a historical low of -1.0 percent per year during the 1990s due to the depressed provincial economy during that period.



The province's share of the Canadian population declined from 2.58 percent in 1951 to 2.42 percent in 1971, 2.36 percent in 1981, 1.74 percent in 2001 and 1.53 percent in 2011. The above trend is partly explained by the unfavourable economic conditions along with a changing fertility rate in Newfoundland & Labrador. The total fertility rates, defined as the average number of children that a woman will have over the course of her life, continued to decline in

Newfoundland & Labrador during the 1990s due to a widespread economic decline in many parts of the province. It reached 1.3 children per child bearing age woman in 2001, the lowest in the country and well below the generational replacement rate of 2.1 (Figure 2).

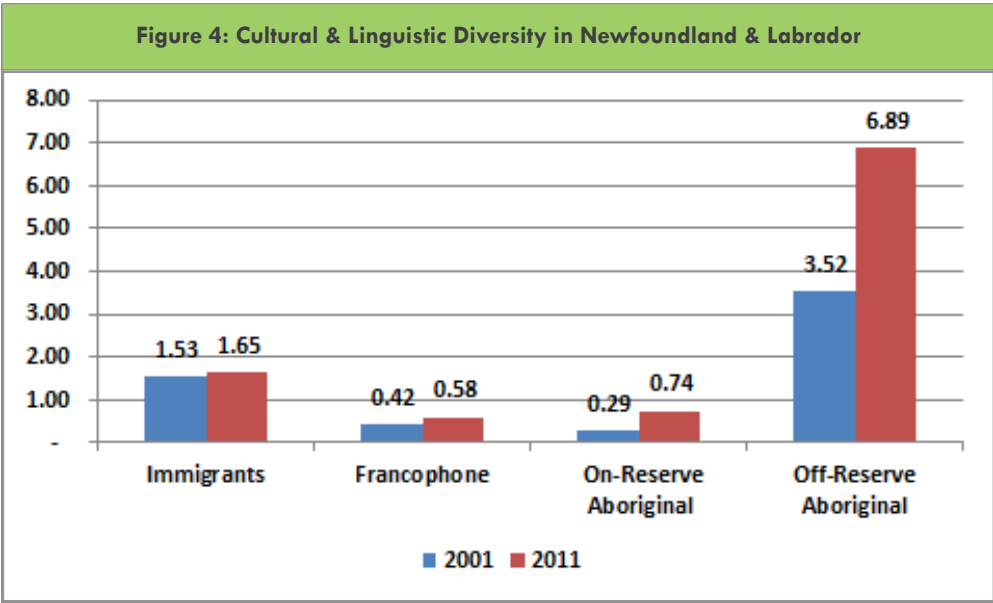
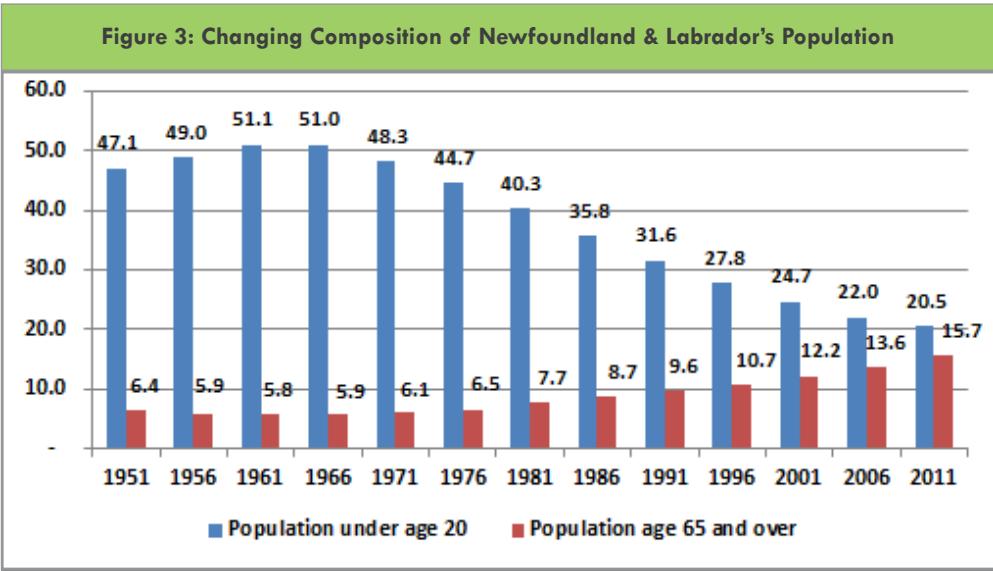
The implication of a low fertility rate is that the natural increase (births minus deaths) has become a less important factor in provincial population growth. Concurrently, immigration has not become an increasingly significant factor in population growth. According to Census data, about 1.4 million immigrants came to Canada during 2001-2011.¹ However, the immigrant population losses through out-migration to other provinces explain a part of the declining provincial population, a more significant explanation is



the disproportionately small number of immigrants to Canada who have taken up residency in the province.

The low fertility rate, out-migration, low immigration rate and rising life expectancy have resulted in the aging of the provincial population. The share of individuals below the age of 20 has declined from 47.1 percent in 1951 to 20.5 percent in 2011 while the share of seniors rose from 6.4 percent in 1951 to 15.7 percent in 2011 (Figure 3).

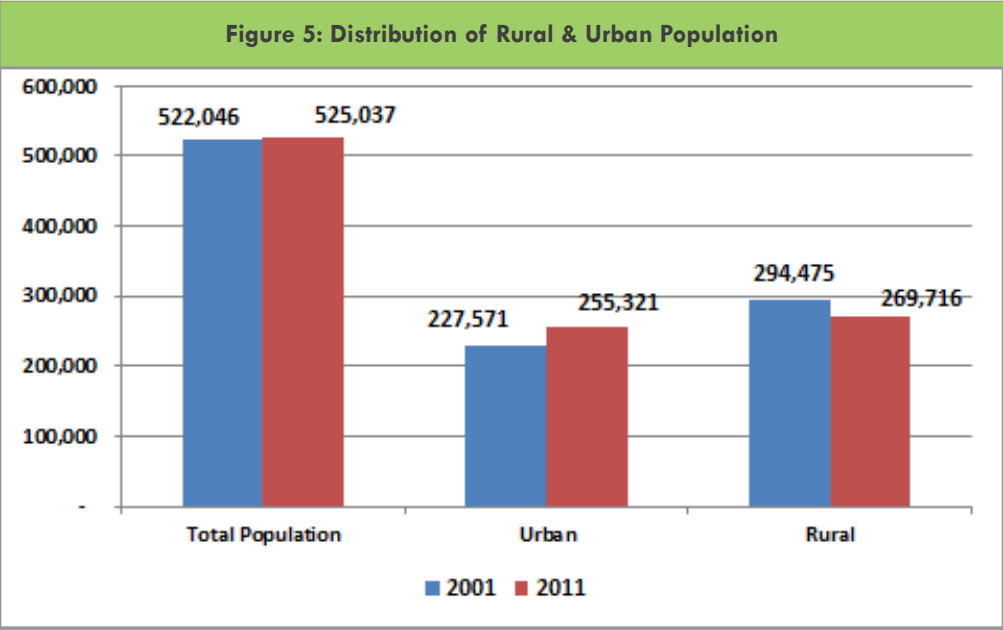
Another aspect of demographic change in Newfoundland & Labrador relates to the cultural and linguistic diversity of the population (Figure 4). The share of the Francophone population increased from 0.42 percent in 2001 to 0.58 percent in 2011. Similarly, immigrants comprised 1.5 percent of the provincial population in 2001. Their share increased to 1.7 percent in 2011. The share of the Aboriginal population living on- and off-reserve increased from 0.3 and 3.5 percent in 2001 to 0.7 and 6.9 percent in 2011 respectively.



and 6.9 percent in 2011 respectively. The Aboriginal population is younger and has a higher fertility rate than the rest of the population. In addition, a higher percentage of them live in rural areas compared to other visible minorities.

PART II: POPULATION GAP BETWEEN RURAL AND URBAN + SOCIO-ECONOMIC CHALLENGES IN RURAL AREAS

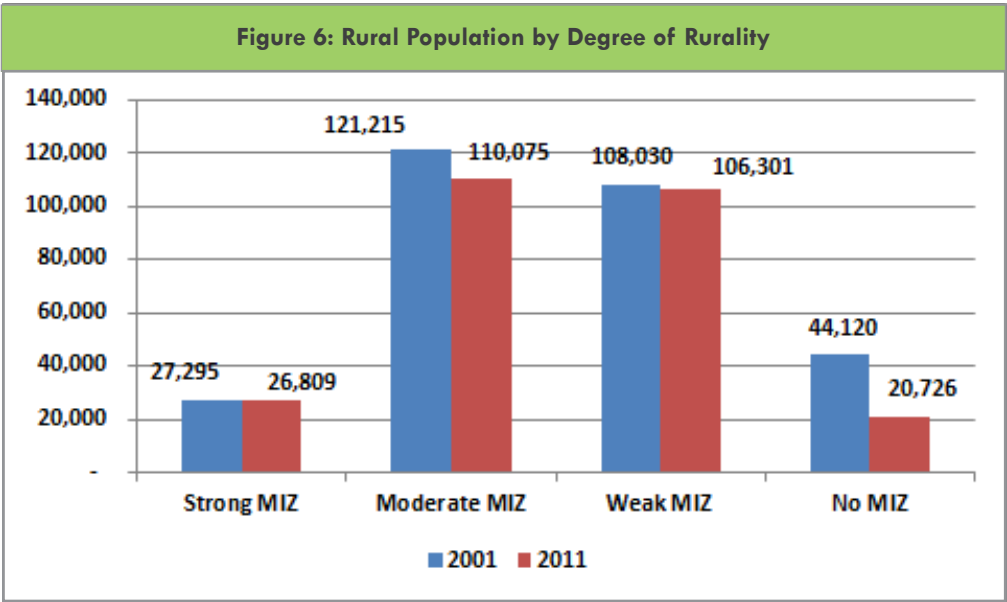
The total provincial population declined by 2.2 percent during 2001-2006 but grew by 2.8 percent during 2006-2011. As a result, the provincial population experienced a growth rate of about 0.6 percent during 2001-2011 (Figure 5). The urban population grew by 12.2 percent while the rural population declined by 8.4 percent during the same period.



During 2001-2011, the rural population declined both in absolute and relative terms. The share of the population living in rural and small towns declined from 56.4 percent in 2001 to 51.4 percent in 2011. Classifying rural areas according to their degree of rurality (Figure 6), one finds that the rural population has declined irrespective of the distance from metropolitan centres. However, the remote rural areas designated as zero metropolitan influenced zones have experienced the largest decline of about 53.0 percent followed by 9.2 percent decline in

areas with a moderate link to metropolitan centres. Rural areas designated as strong and weak metropolitan influenced zones also experienced slight population decline.

The study also examines various socio-economic characteristics of rural and urban areas in Newfoundland & Labrador and pays special attention to the degree of rurality. It shows that improved economic conditions resulted in a rising labour force participation rate in the province's urban and rural areas. The participation rate is highest in urban areas. Similarly, the

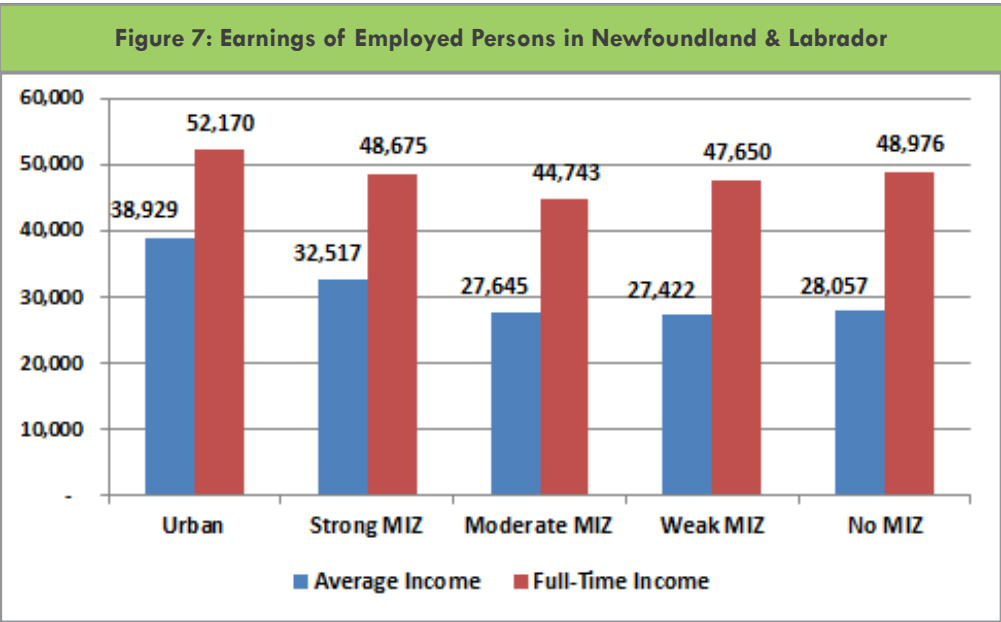


unemployment rate declined in all urban and rural regions of Newfoundland & Labrador due to improved economic conditions during 2001-2011. The unemployment rate is lowest in urban areas and increases as the degree of rurality rises. The unemployment rate in remote rural regions in 2011 is about 17.0 percent higher than the rate prevailing in urban centres.

In terms of dependency on government transfer payments, the study finds that an average of 12.8 percent of individuals in urban areas receive transfer payments. The dependency rate increases from 19.8 percent in rural areas with a strong link to urban centres to 25.7 percent in remote rural regions. In other words, the dependency rate in remote areas of the province is about 2.0 times greater than that in urban regions.

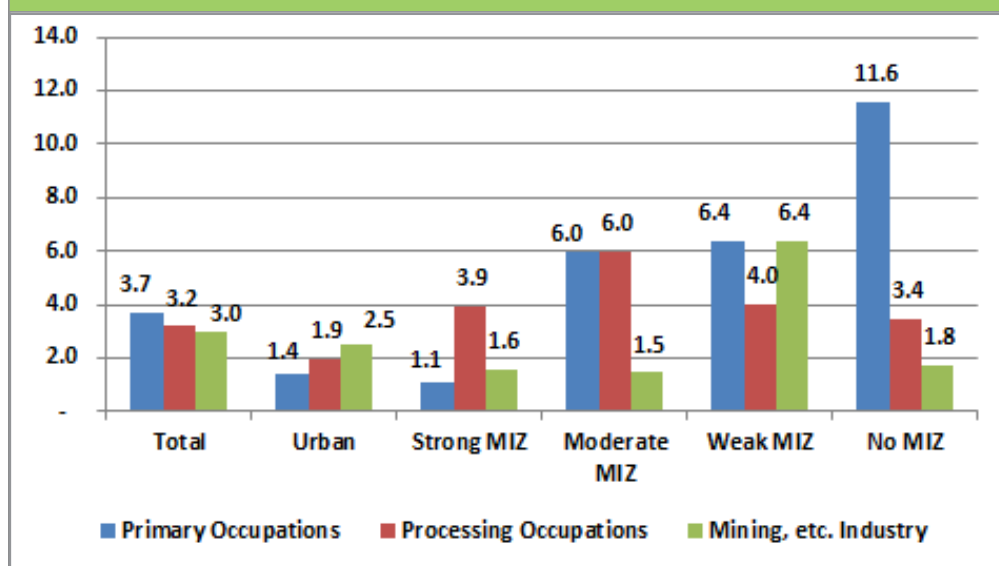
The average earnings in remote areas is about 72.0 percent of earnings in urban regions (Figure 7). The earnings of those who worked full-time and full-year equaled \$52,170 in urban centres compared to \$48,675 in rural areas with a strong link to urban centres, \$44,743 in those with a moderate link, \$47,650 in relatively remote regions and \$48,976 in remote rural areas. What factors explain the earnings differences between rural and urban regions? Is it the distance, population size or economies of agglomeration (concentration of economic activities in an area) or the stock of human capital that explains the earnings differential between rural and urban regions?

It appears that distance from population centres does not affect earnings significantly. To examine factors explaining this phenomenon, the study calculates the percentage of the employed labour force engaged in resource-based industries in urban as well as rural areas. Results are shown in Figure 8 indicating a relatively high percentage of the employed workforce is engaged in resource-based occupations and industries in rural areas with moderate to no link with urban centres.



It appears that the occupational and industrial concentration of the workforce in rural Newfoundland & Labrador can partly explain the earnings distribution in rural and urban regions. Focusing on various population groups, the study finds that the total Francophone population in Newfoundland & Labrador increased by 15.0 percent during 2001-2011. Overall, the average age of the Francophone population increased from 43.6 in 2001 to 48.7 in 2011.

Figure 8: Employed Workers by Occupation and Industry

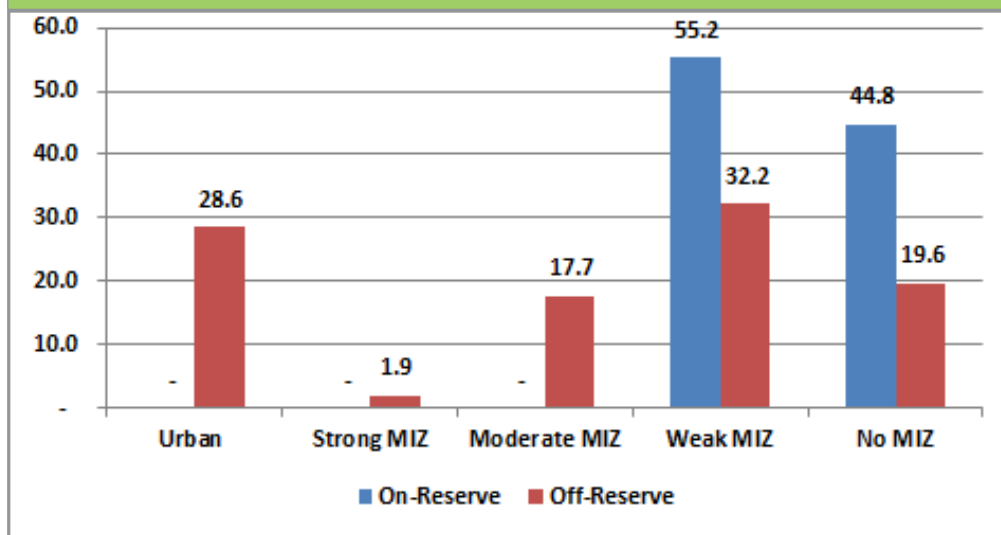


The Francophone population is older than the total provincial population. The average age of the provincial population is 41.2 years compared to 48.7 years for the Francophone population. The majority or 42.6 percent of the Francophone population live in urban areas. About 23.9 percent live in rural areas with a moderate link with urban centres. Another 27.3 percent live in rural areas with a weak link to urban centres. About 3.5 percent live in strong metropolitan influenced zones. Only about 2.7 percent live in remote rural communities.

Focusing on the Aboriginal population, the study finds that the Aboriginal population has increased from 18,770 in 2001 to 35,805 in 2011, a growth rate of about 90.8 percent. The study discusses various factors explaining the significant growth of the Aboriginal population in the province. Almost all the on-reserve Aboriginal people live in rural areas designated as weak or no metropolitan influenced zones (Figure 9). Similarly, 32.2 percent of the off-reserve Aboriginal people live in rural areas with a weak link to urban centres and 19.6 percent reside in remote rural regions. About 28.6 percent of off-reserve Aboriginal people live in urban centres and the rest live in rural areas with a strong or moderate link to urban centres.

Turning attention to the immigrant population, the study finds that the immigrant population has increased by 1,150 during 2001-2011. This number is equivalent to an average annual net immigration of 115 persons during the above period and is significantly lower than the average annual immigration levels of about 464 the province experienced during 1994-2004. This is consistent with Statistics Canada's estimate of the immigrant retention rate of about 36.0 percent for Newfoundland & Labrador. Comparing the average age of immigrants who arrived in Newfoundland & Labrador during 1991-2001 with the present age distribution, this study concludes that the majority of the immigrants who out-migrate from the province are among the younger age categories.

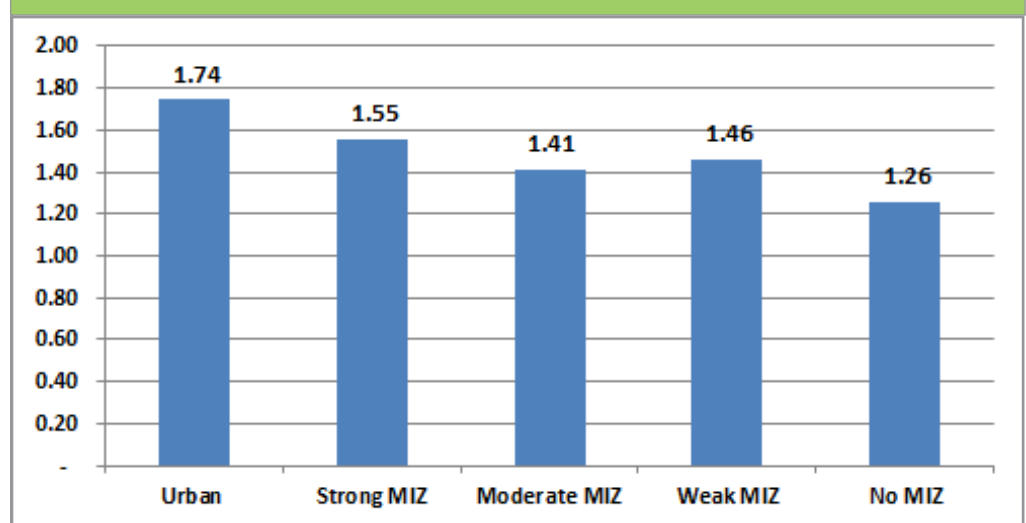
Figure 9: On-Reserve and Off-Reserve Aboriginal Population



The majority or 78.6 percent of the immigrant population live in urban centres. About 18.6 percent of the immigrant population live in rural areas with moderate to weak link to urban centres. These are areas with significant primary, processing and mining operations.

Part II of the study also examines factors explaining the earnings differences between rural and urban regions. There are at least two competing explanations for the observed earnings gap. One relates the earnings gap to the differences in human capital composition in rural and urban regions. The other relates the earnings gap to the presence of agglomeration economies resulting from the concentration of workers and proximity of firms in larger urban areas.

Figure 10: Human Capital Index for Urban and Rural Areas



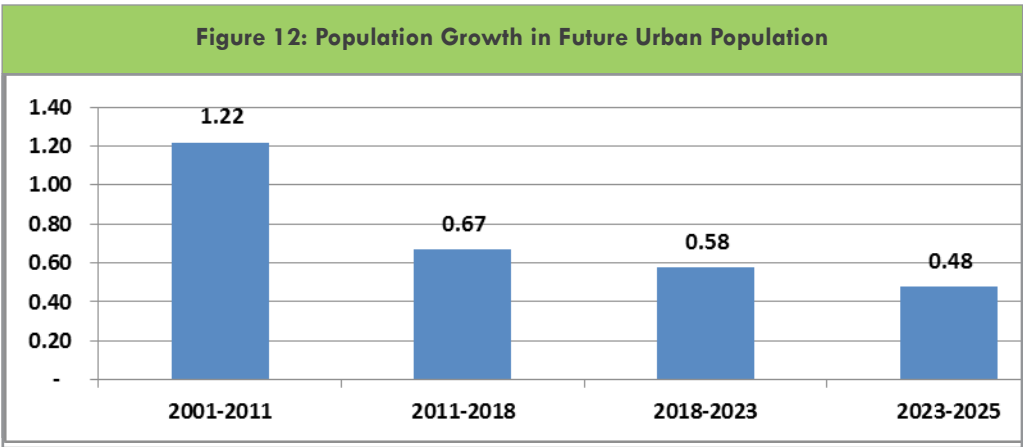
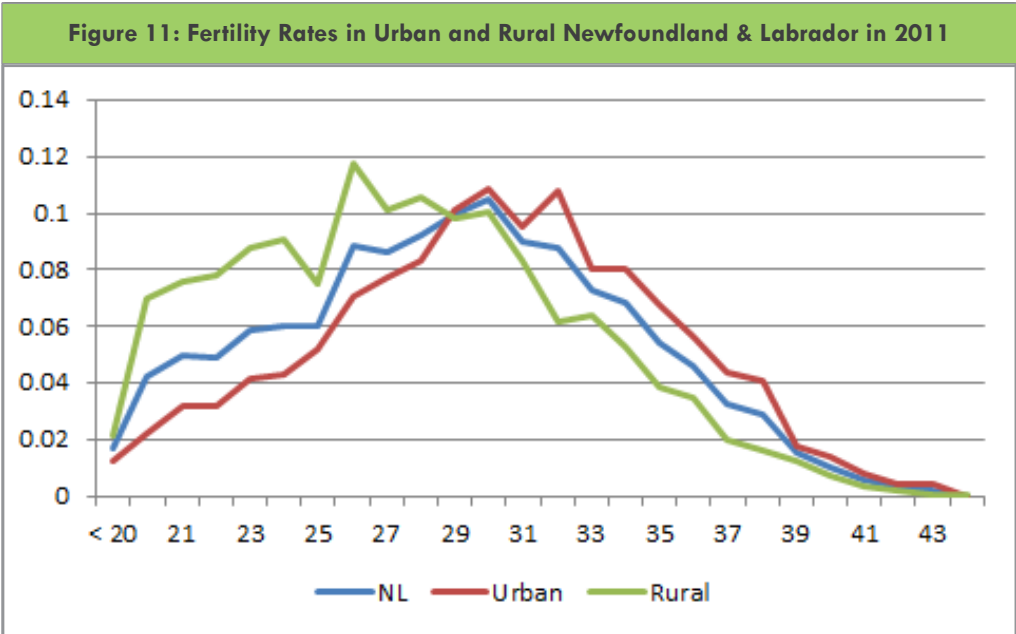
The study finds that a significantly larger share of the earnings gap is explained by the differences between the stock of human capital in rural and urban areas (Figure 10).

PART III: THE FUTURE POPULATION OF RURAL NEWFOUNDLAND & LABRADOR

Part III of the report makes projections of the rural and urban population from the base year of 2011 to 2025. The study shows that the fertility rates in rural areas have been higher than those in urban regions for women aged 15 to 28 and lower for those older than 28 years of age (Figure 11). Overall, the total fertility rate in the province equaled 1.40 in 2011 which is significantly below the national average of 1.61 and the generational replacement rate of 2.1. The total fertility rate in urban centres equals 1.35 compared to 1.51 in rural areas.

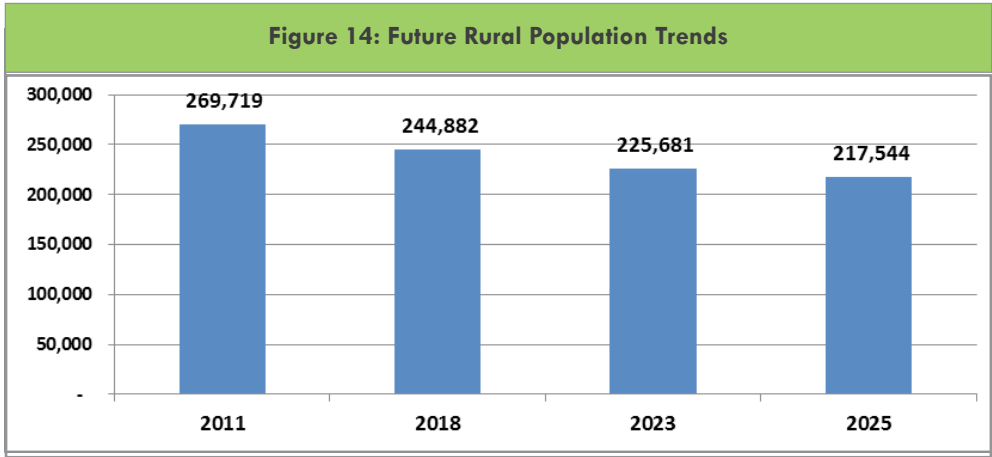
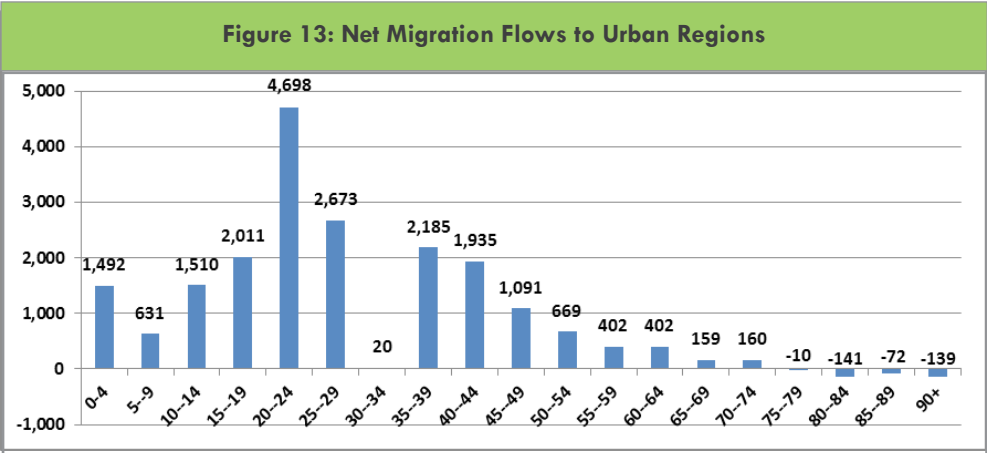
Assuming that the 2001-2011 demographic trends will continue into the future, the province's urban population is expected to rise from 255,262 in 2011 to 267,212 in 2018 and 277,588 in 2025. However, due to the low fertility rate and aging of the population, the growth rate declines as we go forward into the future (Figure 12).

The above relatively stable population structure is primarily due to a significant net in-migration that urban areas have been experiencing (Figure 13).



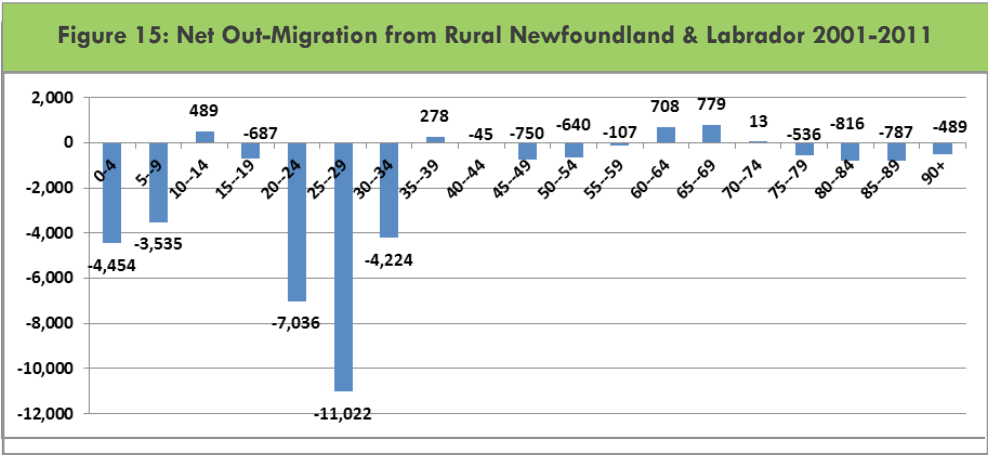
The report shows that the urban areas experienced significant net inflow of people in almost all age categories during 2001-2011. The newcomers came from other provinces, rural areas and other countries. Overall, the province experienced a net inflow of about 19,672 people during 2001-2011.

The province's rural population declined from 294,495 in 2001 to 269,719 in 2011, a decline of about 8.4 percent during 2001-2011. This is in contrast to the total urban population that grew about 12.2 percent and the provincial population that grew about 0.6 percent during the same period. The study shows that the 2001-2011 trend is expected to continue into the future (Figure 14).



Out-migration of youth along with low fertility rates and aging population results in acceleration of rural population decline in the future. The rate of decline increases from 0.84 percent during 2001-2011 to 1.32 percent during 2011-18, 1.57 percent during 2018-23 and 1.80 percent during 2023-25.

How much of the rural population decline is caused by out-migration? The study estimates the migration flows during 2001-2011 (Figure 15). It appears that out-migration of youth between the ages of 20 and 34 has played a significant role in the declining rural population in Newfoundland & Labrador.



CONCLUSION

The study finds that the urban population in Newfoundland & Labrador has been rising at a declining rate. Recent resource-related developments have created favorable economic conditions attracting youth from rural areas as well as other provinces. On the other hand, the rural population has been declining due to out-migration of youth and a low fertility rate. Although out-migration has been a reality in rural areas for some time, it intensified after the collapse of the cod fishery in the 1990s. Out-migration of youth reduces the ability of rural areas to stay vibrant and economically viable. It also decreases the capacity of the local population to support local businesses. In fact, the study shows that the stock of human capital declines as one moves toward more rural areas (Figure 10). According to a recent survey, local businesses identified the lack of human resources as their greatest challenge. About 40.0 percent of local businesses surveyed ranked recruitment of human resources as their most important labour market challenge.² Other studies have also shown that multinational and multi-locational firms in Canada have difficulty finding qualified workers in rural areas.³

Lack of qualified workers creates a significant obstacle for any economic development initiative in rural as well as urban regions. Rural and urban areas are experiencing a high unemployment rate along with growing demand for qualified labour. This suggests a potential skills mismatch between labour supply and demand. In fact, the minimum formal skills required in the fishing industry has contributed to the relatively low human capital present in rural areas. According to the 2011 National Household Survey, about 23.2 percent of individuals between the ages of 15 and 64 in Newfoundland & Labrador do not have a high school diploma compared to the national average of about 17.0 percent.

Attempts by both levels of government to stabilize the rural population appear to have failed. The study shows that out-migration from rural areas has been across most age groups. This will continue as long as no sustainable economic opportunity exists in those areas. The present mismatch between demand and supply of skills in rural as well as urban areas suggests that investment in human capital may provide one potentially viable long-term solution to the present labour market challenges rural and urban areas are facing in Newfoundland & Labrador.

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