



# City of London

## London Community Economic Roadmap – Technical Report Summary

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## Introduction

London's economy has changed considerably over the last several decades. As with other communities across Canada, the city's traditional sources of employment and economic growth in goods-producing sectors continues to be replaced by new, and often fundamentally different, sources of growth and prosperity in more service-oriented sectors. The resulting economic reality mandates new and more holistic community-based approaches to economic development planning. This includes approaches that coordinate the efforts of the diverse range of stakeholders and organizations in a community that influence the city's economic prosperity.

London's Community Economic Roadmap is intended to provide a framework to ensure that the city evolves with a strong economic base to generate the services that support its current and future residents, while fostering new and high value jobs that are sustainable, in sectors and occupations that encourage the prosperity of the city and its residents over the long term.

The purpose of the Technical Report is to provide an understanding of London's performance relative on a wide range of demographic and labour force characteristics, business trends, and market competitiveness factors, to offer a deeper understanding of the competitive position of London's economy and its contributing industries. In creating this baseline understanding of opportunities and challenges, the report provides the necessary background information required to frame the strategic directions for the community over the longer term.

## Key Observations

### Demographic Trends

London's population has grown only moderately between the last two census periods, falling slightly behind the province, but leading mid-sized comparators like Hamilton, Waterloo, and Windsor. Despite its younger age characteristics in 2011, the population trends suggest that London is poised to experience similar aging characteristics as other areas of Canada and Ontario. In 2011, the city held a comparatively small share of young, working-age population, and higher shares of population between 45 and 64 years old. Growth and age characteristics have taken on more prevalence of late in economic development, particularly related to a community's ability to meet business demand for both new workers to support growth, and workers to replace retiring



employees. Not only does a strong population growth rate suggest an ability to meet economic development opportunities in a community, it can also be an indication of how welcoming or attractive that community may be to newcomers. From that perspective, London's slower growth may be a challenge.

The bulk of new residents that arrived in London between 2006 and 2011 were internal migrants, coming from other parts of Ontario. However, new residents from other provinces made up a comparatively strong proportion of internal migrants in London over that time period, suggesting a strength that may be leveraged in talent attraction.

Immigration remains a key challenge. Though London has a comparatively large visible minority<sup>1</sup> population, the city's immigrant population remains smaller than that of the province and other mid-sized cities. However, more recent immigration trends place the city in a more competitive position, with London attracting strong levels immigration from Asian and Latin American countries. Considered within the context of migration trends, this suggests a strengthening position as a destination for new Canadians. Statistics Canada has projected that at some point between 2011 and 2016, Canada's immigrant population will account for upwards of 100% of net labour force growth, underscoring the importance of immigrant attraction and retention prospects for a city. Reflecting on internal migration trends, it appears as though London holds a strong position as a secondary destination for migration within Canada, which may be leveraged to support growth of immigrant population as well.

London's existing population is slightly more educated than the province, holding a higher share of those with post-secondary credentials in 2011. Among this population, credentials are concentrated in fields like business, management, and administration; architecture, natural resources, and conservation; health; and education. Despite this advantage though, there are slight differences between the province and London with regards to managerial/professional level and technical level credentials. London holds a higher proportion of its population with post-secondary credentials at the college and other non-university certificate or diploma level than the province, and a lower proportion of its population with university-level certificate or diploma credentials. In short, London's population remains highly skilled, but the lower proportion of those with university-level credentials may influence the city's supply of workers able to engage in the highest skill or managerial occupations in the city's key growth sectors.

Perhaps reflecting the educational attainment levels in London, the city has also experienced more moderate levels of growth in personal and household income than the province. In 2011, both the median household and personal income levels in London fell behind the province and most mid-sized comparator communities. Overall, a higher proportion of London's households reported household income below \$60,000 than the province in 2011. In line with these challenges, London also holds higher

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<sup>1</sup> Visible minority refers to the visible minority group to which the respondent belongs. The *Employment Equity Act* defines visible minorities as 'persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour.'



prevalence of low income<sup>2</sup> individuals than the province, and a lower prevalence than only Windsor among comparators. The issue is slightly more critical among those younger than 18, where London held a higher percentage of its population living in low income households than the province, and all other mid-sized comparators.

From a demographic perspective, the city faces challenges related to the income level and skills of its population, paired with slower growth and aging trends. Each of these challenges poses a potential barrier to the engagement of London's residents in its long term economic plans. However, the demographic trends also seem to suggest that it is increasingly welcoming new residents, and is positioned to support growth from a diverse range of sources. This, in part, may assist with addressing the city's more notable demographic challenges.

### **Labour Force, Employment, and Business Trends**

Unemployment rates remain a key indicator of labour force engagement and local economic performance. London's current unemployment rate is generally in line with provincial unemployment rates, though higher than some comparators like Hamilton, Kingston, and Kitchener-Waterloo. For youth (i.e. those aged 15 to 24), unemployment rates are also generally similar to provincial levels, though slightly behind cities like Hamilton and Kitchener-Waterloo. In short, London's challenges are not uncharacteristic of those across the province, but likely still require additional efforts to ensure that all individuals have the skills and support required to engage in the labour force.

As with most Canadian communities, sources of employment and job growth in London have shifted to more service-producing sectors of the economy. Industry and occupational growth from 2006 to 2011 supported this continued shift, as sectors like accommodations and food; and arts, entertainment, and recreation generated growth, in addition to health and education. In 2011, the health care, retail, and education sectors accounted for the majority of employment in the city, with manufacturing retaining a notable share of employment despite declines. Much of the hiring demand over the last year supports the emergence of more service-based job demand as well. Interestingly, the manufacturing sector accounted for approximately 11% of hiring demand in 2014, suggesting resiliency in some key sectors like defence and food, likely in the replacement of older workers.

To 2025, the city is expected to see growth of 19,650 new jobs, primarily in health care; professional services; education, and accommodation and food services in service-producing sectors; and construction in the goods-producing sector. Despite an overall decline of employment in manufacturing, several key sectors like food, beverages, and machinery manufacturing are expected to maintain their employment levels over the next decade. Demographic trends suggest that London will be able to meet the projected employment demand over the next 10 years, particularly through in-

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<sup>2</sup> Statistics Canada, National Household Survey, 2011. Low income measures (LIMs), are relative measures of low income, set at 50% of adjusted median household income. These measures are categorized according to the number of persons present in the household, reflecting the economies of scale inherent in household size.



migration. However, this underscores a need to support talent attraction and retention efforts, and continue making London a welcoming community.

Business growth in London has particularly been driven by small businesses and the self-employed over the last five years. Small businesses (i.e. one to four employees) and the self-employed continue to make up the majority of the city's business base, and grew at comparatively higher rates than their larger counterparts from 2008 to 2013. In addition to that small business base, the city maintains a base of large (i.e. 100+ employee) businesses in sectors like health care, manufacturing, and transportation and warehousing. Much of the recent hiring demand has been driven by the city's largest employers, with Western University, London Health Sciences Centre, St. Joseph's Health Care, and Service Canada generating 9% of total job postings across the city in 2014. London's business base holds a combination of large and established employers paired with a dynamic small business and entrepreneurial sector driving growth in both knowledge and service-based areas of the economy.

Labour force, employment, and business trends point to an economy that is continuing its transition away from traditional sources of economic development. Institutional sectors, particularly in the city's health and education sectors, are becoming a key source for all types of employment in the city, and are expected to continue playing this role in the future. Further, service-based sectors continue to develop to meet London's population growth and status as a commercial centre in southwestern Ontario. However, the city's historic sources of business activity and employment growth persist in spite of this shift, with high-skill and technology-based manufacturing subsectors replacing more traditional labour-intensive or low-skill activities.

## **Market and Environmental Trends**

London has generated a moderate, but increasing, level of building activity in the city over the last five years. However, that level of activity has lagged behind both the province and southwestern Ontario. The city's residential sector has driven overall building activity, accounting for the majority of construction value in each of the five years, and generally increasing over that time period as well. With residential growth, both the commercial and institutional sectors have attracted notable levels of activity, with commercial permit values growing by over 50% in five years. The industrial sector has lagged behind other sectors, generally trending downward from a peak value of \$75 million in 2011.

Tax assessment and tax revenue trends point to the comparative strength of the residential and commercial sectors in the city as well. Tax revenues continue to be balanced towards the residential sector (at a stable split with non-residential), while assessment growth in both residential and commercial sectors has continued at a moderate pace. In contrast, industrial assessment declined slightly from 2009 to 2013, suggesting that growth in the sector has been unable to offset limited investment in new or revitalized industrial facilities, and loss of occupied industrial space.

Most of these development trends have been occurring within the context of declining tax rates and development charges in the city, improving its competitiveness. However,



the city's industrial land inventory continues to decline, with gaps in market choice and barriers to development standing in the way of expanding shovel-ready supply. Total industrial land supply has declined by 517 hectares since 2009, sitting at just 1,232 hectares in 2014. The remaining public and private sector supply faces barriers related to location and distance to Highway 401, lack of servicing, and reluctance to service new lands. This limited potential for development exacerbates challenges associated with market choice in the city, namely the lack of general industrial and office business park lands at a range of parcel sizes. Existing strategies stress expansion of the shovel-ready inventory to accommodate large-scale external investment in the industrial sector. However, gaps in market choice and barriers to development suggest a broad-based strategy inclusive of both external and internal investment considerations, and public and private efforts, is needed to best position the city for growth.

The moderate activity generated across the city over the last five years is notable, but continues to lag behind the province and adjacent areas. This stands in contrast to the city's position as a regional centre for southwestern Ontario. As a result, the broader development and business community across London, in addition to the City of London, needs to continue working to improve the competitiveness of the city for new internal and external investments, while further balancing the level of activity between the residential and non-residential sectors, and in particular, the industrial sector.

## Summary

All of the information contained in the technical report, together with the intelligence and insight derived from the stakeholder engagement process will serve to inform the reporting of strengths, weaknesses, opportunities, and threats for economic growth and development in London. These results in turn will assist with framing the strategic direction for London's Economic Roadmap, meant to guide all economic and community development stakeholders in London towards a more economically prosperous city.

***To view and download the complete technical report visit the following link on the City of London's website.***

<http://www.london.ca/business/Resources/corporate-investments/Documents/London%20Economic%20Roadmap%20Technical%20Report.pdf>