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Growth Beyond Cities
Growth Beyond Cities: Place-Based Rural Development Policy in Ontario

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Introduction

This paper makes the case for a rural policy in Ontario that recognizes that conditions vary so greatly across the vast territory of the province that effective public policy has to incorporate these spatial differences. Place-based policy starts from the conditions in specific regions and then develops a set of support mechanisms that are tailored to help the people and communities in that region achieve their economic development objectives. Because rural communities are small and dispersed, they lack the internal capacities of large urban centers and follow a very different development path that is based on low density economies (OECD, 2016). The right set of investments by the province in rural communities can allow them to make a significant contribution to the provincial economy and improve the quality of life of the 20 percent of the provincial population that lives in rural areas.

Place-based economic development policy can be controversial (Barca, McCann and Rodriguez-Pose 2012, Kline and Moretti 2014, World Bank 2008). It is seen by some as a mostly inefficient form of transfer payments that only prop up weak local economies. In the process, resources that could be put to better use are trapped in low-value activities in declining regions. Others see it as offering rewards to special interests, by providing support to some that is not provided to others, thereby violating the principle that government should treat people, firms and places equally. Finally, some acknowledge that, in principle, different places need different types of support, but argue that governments are typically unable to identify the appropriate types of support, nor can they effectively deliver it. These arguments have been used to suggest that government should adopt spatially blind approaches that deliver the same level and form of support to people and firms no matter where they are located.

On the other hand, proponents of place-based economic development policy argue that in a heterogeneous world where market forces are far from perfect, transaction costs are high, opportunities vary greatly from place to place, and there are clear differences in levels of development within nations and provinces, there is a useful role for place-based policy that has both efficiency and equity benefits (Barca, McCann and Rodriguez-Pose, 2012; OECD, 2006).

Efficiency arguments recognize that because resource endowments vary across space, transport costs exist and can be significant, and preferences are heterogeneous, there is a clear spatial distribution of economic activities. Consequently, if some regions are not performing at a high level, investing in raising their performance can provide a higher rate of return to society than simply abandoning these places. Further, equity concerns recognize that different people and places can aspire to different futures, and a spatially blind approach may not suit these diverse aspirations. As a result, imposing undifferentiated policies may treat people equally but not equitably.

If not a place-based territorial policy, then what form should economic development policy take? Two alternatives are possible. Both are spatially blind approaches that do not differentiate policy by type of place. Support is provided in the same manner everywhere to all who are eligible. The first alternative is to focus on people and try to improve their human capital as a means to improving their well-being (Taylor and Plummer, 2003). People with better skills are seen as either being able to find employment in their current location, or if this is not possible, being able to relocate to another place where jobs are available. People-based approaches have a strong belief in the efficiency of market forces as a means to resolve situations of excess supply or excess demand in any particular place. Improving skills and connecting local labour markets, so there is more effective matching of workers and available jobs, is seen as the most effective way to improve the aggregate or provincial economic outcome. The other alternative is to focus on trying to improve the competitive position of firms in target
industries — industrial policy (Rodrik, 2004). This can be classic industrial policy where emphasis is placed on strengthening key sectors, such as: automobile assembly, bio-technology, renewable energy, aerospace, financial innovations, social media, film or any of a number of sectors that are seen as having a strong growth potential. Or it can follow a more nuanced approach where the emphasis is on developing a cluster of firms that includes both end producers and important parts of their supply chain. The cluster approach goes beyond an emphasis on a single sector and encompasses a variety of firms that can develop the classic industrial agglomeration benefits of industrial districts as identified by Alfred Marshall in the 1890s (Marshall, 11923).

The three options are often considered to be competing alternatives, requiring that only one be chosen. However, the three approaches to strengthening economic development can be complementary. In particular, in any place, whether it is a large metropolitan region or a rural area, it is always important to find ways to enhance workforce skills and to support core business sectors. This means that improving human skills and supporting local firms are always at the core of local economic development strategies. However, it is important for national and provincial governments to construct broad-based initiatives in education and training and to put in place support platforms for businesses by ensuring uniform access to financial services and support for innovation. The missing piece at the national and provincial level in many instances is the recognition that different localities will emphasize different aspects of workforce development and will identify different business sectors as their best opportunities. With this recognition, a national or provincial government can supplement its broad general purpose forms of support with spatially targeted assistance that is designed to address the particular needs of specific types of regions, whether it is mass transit in metropolitan regions or basic sewer and water systems in small rural places that are out of compliance with current environmental regulations.

**Why Rural Policy**

Having a distinct rural policy is the first step in this process, and a way to complement the standard support for urban areas. In the Canadian rural context the importance of a differentiated rural policy was perhaps best captured in Manitoba in the early 1970s, when then-Premier Ed Schreyer articulated the benefits of a “stay option” for rural families. He believed the role of the provincial government was to help rural communities make investments in improving social and economic conditions so that rural people had a real possibility to remain if they wanted to. Importantly, provincial support was to be conditional on the investments having a reasonable prospect for generating a positive rate of return in the community. Of course, this “stay option” meant doing different things in different parts of the province depending on the various needs.

More broadly, in 1981, Joel Garreau's book *The Nine Nations of North America* introduced the idea that the boundaries that define nation states can blur regional similarities that cut across these boundaries. He based his nine regions on similarities in economic function and socio-cultural linkages that do not neatly follow national or other administrative boundaries. Garreau placed southern Ontario in the same region as the Upper Midwest, and northern Ontario in a natural-resource-dependent region that cuts across the Canadian Shield, the northern part of the Prairie provinces up into the Territories, and down into the western states of the US. He argued that the industrialized corridor that connects Chicago and Montreal, running through Detroit and Toronto, leads to a high degree of homogeneity between southern Michigan and southern Ontario. This makes southern Ontario more like the highly industrialized states of the Upper Midwest than like other parts of Canada. Similarly, northern Ontario, like the Upper Peninsula of Michigan, resembles the resource rich, but population scarce, areas to their west.

This paper is essentially a rescaling of Garreau’s idea to identify important differences among the distinct geographic regions within Ontario, most of which are rural in nature. As Ontario becomes more and more dominated by the Greater Toronto Area (GTA) in terms of population share, economic activity and political influence, it is easy to simply think of Ontario as the GTA and everything else, or perhaps, the GTA, other metropolitan areas and rural Ontario. While the GTA is clearly a unique phenomenon that has a vast influence on the province, as the dominant region in the province, and indeed in Canada, the
area outside the GTA is simply too large and diverse to be seen as a single region, or even a region that can be bifurcated into its urban and rural components.

One strong argument for a place-based rural development policy in Ontario is the simple fact that the provincial government directly holds the vast majority of the land in the province. Over 85 percent of Ontario is Crown Land, and while there is limited Crown Land in southern Ontario, except for parks and other protected areas, in northern Ontario over 95 percent of the land is held by the province. Given this situation, the province effectively controls the vast majority of land-use decisions outside settled areas. Especially in northern Ontario, the development prospects of small communities can hinge on decisions by the province on what uses of Crown land will be allowed. Without spatially sensitive land-use policies for Crown Lands, it is unlikely that coherent economic development can take place in rural Ontario.

More importantly, given the distribution of responsibilities in Canada, provinces have direct control of the majority of public policies that affect people and firms on a day-to-day basis. Provinces control, for example, education, health care, land use, resource management and public safety, all of which affect economic development and the quality of life. If these policies are not designed with sensitivity to differences between rural and urban areas, and ideally with sensitivity to the nuances across different rural areas, some regions are left worse off. Boxes 1 through 3 (below) provide three examples of how decisions by the government of Ontario have put in place policies that, from an aggregate, but mainly urban, perspective, make sense, but which have led to unintended adverse effects on rural areas and people. It is unlikely that any public policy can treat people in every part of the province equitably, but at present it can seem to rural people in Ontario that their interests are being systematically marginalized by the provincial government (Spears, 2016).

The Changing Nature of Rural Ontario

The simplest way to differentiate policy on a spatial basis is between urban and rural territory. Governments often acknowledge that urban and rural areas require different types of policy, but have rarely examined how changing conditions in urban and rural regions lead to a need for new policies. Historically, agricultural policy was seen as the main policy thrust for rural development, perhaps supplemented by policies for other natural resource industries, as well as transport and infrastructure investments (OECD, 2006). Urban policy had a broader, but less coordinated, approach, including support for: transport, infrastructure, higher education, public housing, advanced health care and major cultural facilities. However, over time, rural areas have diversified their sources of income, and farming and other natural resource industries have shed workers even as they have increased output. Today, even in areas where agriculture remains the major use of land, it accounts for a small share of economic activity and an even smaller share of employment.

Even when the majority of the rural population was engaged in farming, in many rural areas farming was not the major economic activity. This reflected unfavourable climate, topography and other geographic factors. In these situations something other than farming underpinned rural settlements. Importantly, these other industries — fishing, forestry, mining, energy or tourism — resulted in a different settlement pattern than is the case with farming. Only farming led to the transformation of large amounts of rural territory and a dispersed settlement pattern, with farm homesteads and market towns being spread out across the landscape. Other resource industries concentrated settlement in specific locations and tended not to transform the areas where people did not live.

This was especially true for mining and fishing where mine sites and fishing ports became the only settled areas. It is also largely true for forestry, unless the forests are intensely managed, which is rare in Canada. While forested areas are radically transformed when harvested, this is an infrequent action on any specific parcel of land, and in Ontario, one that occurs about once a century. Importantly, forested land is not densely settled even when intensively managed. The only other land use producing a settlement pattern similar to farming is a form of tourism and recreation that leads to the intense development of seasonal private homes. Cottage-dependent areas have a relatively dense settlement
pattern, albeit seasonal in nature, that is focused on a particular amenity such as lakes, ski hills or some other significant attractor. Second homes lead to a strong local service sector to support the seasonal residents and the presence of small settlements to accommodate visitors and workers in supporting industries.

Some governments have seen the reduced role of the natural resource industries in rural economies as an indication that urban and rural economies are converging and that there is no longer a reason for a distinct rural policy (Copus et al., 2006). Rural economies, like urban economies, are now dominated by private and public services, such as education, health care, retail or tourism. This can be seen as justification for adopting spatially blind approaches that lead national or provincial governments to offer the same forms of support to all regions. However, there are two clear shortcomings to this approach. The first is that rural economies remain markedly different from urban ones. While both are service-employment dominated, the nature of the services is very different. In rural areas there may only be basic medical services and no post-secondary education. Tourism may be important in urban and rural areas, but in rural areas it is mainly nature based, while in urban areas it is more cultural. Retail is the largest source of employment in both urban and rural areas, but the range of shops, the variety of goods and the extent of competition is far more limited in rural than in urban situations.

And, while governments may intend to provide spatially blind support to all places, they typically fail to do so. Funding formulas tend to favour urban areas, the higher costs of delivering equivalent services in rural areas are not fully considered nor funded, and a variety of programs, such as public transit, support for universities and funding for major cultural facilities, are only provided in urban areas. The result is a policy system that too often inherently advantages urban areas, and that can contribute to slower economic growth in rural regions.

Certainly there are important public policies that support citizens irrespective of their location, such as, health care, education, public safety and other social services. These are seen as entitlements that all should have access to. However, even where access is assured to both urban and rural residents, it often

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**Box 1: Renewable Energy and Rural Electricity**

In recent years, Ontario has invested vast sums of money in renewable energy. At the same time, there has been a significant consolidation of power supply in the province, with most small municipal electricity systems being absorbed by Hydro One and electricity rates being harmonized across the province. In this process, electricity costs have sky-rocketed for many rural customers. This reflects much higher delivery charges, as well as higher cost generation. Ironically, renewable energy is far more likely to be generated in rural areas than was the case for coal or oil-fired power stations, which were sited close to cities. Now a rural household next to a large wind generation site may have an electricity bill much larger than an urban dweller for the same quantity of electricity because of large transmission and distribution charges, even though the urban household is hundreds of kilometers further away from the place the power was produced.

Further, rural households have less scope for reducing their electricity bill. The existing rural housing stock is older, household incomes are lower, there is less opportunity for switching to gas and new, better-insulated homes are not being built. The result is a growing incidence of fuel poverty, especially in northern Ontario where more homes are heated with electricity and winters are long. Moreover, businesses in rural areas tend to be major electricity users, because the service sector is less important, and high electricity prices are affecting their ability to be competitive. The result is a provincial policy that has placed a disproportionate burden on rural citizens and regions.
occurs through different mechanisms and typically with important differences. For example, in rural regions there is no school choice and access to school may entail a long bus ride to and from home. Similarly, while both urban and rural residents may have access to health care on equivalent financial terms, rural residents will have fewer options in terms of doctors and facilities and will have to travel long distances to an urban area for tertiary care services or access to specialists.

Rural areas in reasonable proximity to an urban place, say of 50,000 or more that has a relatively full set of public services, may have roughly equivalent opportunities to those of urban people, once higher travel costs are accounted for. But rural people that live far from a significant urban center can face a significant penalty in terms of access to public and private services. They also face a much different set of employment opportunities. Local labour markets in remote rural regions are small, specialized and unconnected. At any point in time the set of available job opportunities in any particular local labour market will be small and limited. This can lead to significant skill mismatches that can harm both workers and employers. When mismatches develop, workers either have to move to another distant labour market, entailing changing place of residence, or in the case of employers, workers with appropriate skills have to be recruited from a distant labour market.

The large differences between the situations facing urban and rural people and firms can lead to governments adopting at least a binary place-based policy approach. However, while the problems and needs of urban areas are fairly consistent in nature — public transit, urban infrastructure, public housing, etc., — rural places, even those of a similar size, can face huge differences in situation and need. For example, Kemptville and Tobermory are both small rural communities with populations of about 5,000 people, but they are considerably different in terms of economic function and opportunity. Tobermory is at the extreme tip of the Bruce Peninsula, and while remote from any urban place, has a strong summer tourism economy. Kemptville is a farm service centre located on a major road that connects Ottawa to the Trans-Canada Highway and has a branch campus of The Ontario Agricultural College of the University of Guelph. While some aspects of a single uniform rural policy will certainly benefit both places, much of their development potential will be only weakly addressed by generic rural policy that cannot appropriately respond to such significant differences in situation and opportunity.

### Box 2: Gasoline Taxes and Rural Households

Cars in rural areas are a more of a necessity than is the case in a city where public transit or taxi services are readily available. For a low-income rural household, operating a car is a major share of their household budget. A major element of this cost is the price of gasoline. High provincial taxes on gasoline are justified, in part, as a way to fund public transit systems and encourage their use, and to reduce emissions associated with congested urban roads.

Rural residents pay these taxes but do not have access to public transit and rarely experience congested highways. To be sure, rural residents tend to have relatively long distance commutes from their place of residence to work because in rural labour markets jobs are typically not available in close proximity to where they live. While they tend to drive more miles in a year than city residents, most of this travel is part of rural life where stores, schools, public services and jobs are dispersed. Gasoline taxes also fund roads and this use is clearly beneficial for rural residents, but perhaps some other form of tax might be a fairer way to address the problems of urban congestion.

### Regions and Place-Based Policy

National and provincial/state governments have significant concerns with improving economic conditions across all their territory: balanced growth; ensuring that all citizens achieve some minimal standard of well-being; equity; and reducing conflicts among the various parts and communities of their territory: social cohesion. Achieving these conditions brings about political success for government, and,
more importantly, a higher quality of life. The challenge in a highly diverse environment, such as is the case in Ontario, is how to best accomplish these goals. A necessary first step is to appreciate the role that differences in geography play in altering both the opportunities and constraints that people in various locations face.

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**Box 3: Access to Health Care by Rural Citizens**

Dealing with rising healthcare costs and a growing number of older people are major challenges for the provincial government. In rural areas the problem is especially acute because aging is taking place at a faster rate and the population is widely dispersed making it more expensive to deliver health services. Moreover, the presence of a hospital in a community, just like the presence of a high school, is a significant factor influencing economic attractiveness and quality of life. Places that lose these essential services become less desirable locations for firms and households.

A big challenge is the trade-off between ready access, which requires a large network of hospitals to allow proximity, and the lower cost of operating a smaller number of larger facilities that can capture economies of scale and that have higher utilization rates. Hospital consolidation, like school consolidation, imposes longer travel costs on users. Thus, part of the saving for the province from consolidation is offset by higher travel costs for citizens. In the case of health care, these costs can involve worse health outcomes, as well as additional monetary costs, if it takes too long to get to a treatment centre. For example, the large new regional hospital in St. Catharines offers more advanced care than was available previously at the old smaller hospitals in the Niagara Region. But, for the more remote part of the southern portion of the Region, the resulting loss of easy access to local hospitals has led to much greater travel distances, which makes it possible that access to health care is now worse than in the past. For people in the distant north, where roads are limited in number and distances are large, access to emergency health care is a particular challenge.

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For over 20 years the Organization for Economic Cooperation and Development (OECD) has examined differences in patterns of economic growth across the regions of its member countries. Regions are defined by administrative boundaries, such as states/provinces or the next lower administrative units, counties or other similar formal administrative units. The OECD assigns regions into one of three broad categories: predominantly urban, intermediate and predominantly rural. In all three categories there is a mix of urban and rural populations, with differences in the share of population living in a rural or urban environment determining into which category a specific region falls (OECD, 2016b). As early as 1994, the OECD discovered that differences among the member countries in terms of economic growth were smaller than were differences in economic growth across the regions within a country (OECD, 1994). Moreover, while predominantly urban regions generally had better growth performance than did predominantly rural regions, a significant share of predominantly rural regions had better growth performance than the urban average.

These findings on urban rural growth patterns also hold at various levels of sub-national geography. In a Canadian context, the levels and rates of economic growth among the provinces vary considerably, but so too do levels and rates of growth within any given province. Indeed, as the scale of geography is reduced from the province to multi-county regions and then down to counties or similar sub-regions, the degree of variability in growth rates increases. Why is this important? Ultimately, national economic growth in Canada, and all other countries, comes from aggregating provincial growth up to the national level. But, in turn, provincial growth comes from a parallel adding up of sub-provincial growth. This means that if growth rates can be improved in lagging regions, there are benefits to provincial and
national growth. As the OECD has observed, a small number of large-population urban regions, like the GTA, account for a disproportionate share of economic growth across the OECD, but an even larger share of growth comes from the very large number of small-population regions that account for the vast share of territory and the majority of the population (OECD, 2012). If economic growth can be enhanced in those smaller regions where it is currently weak, this not only leads to clear benefits for the residents of these regions, but also for the provinces and nations in which they are located.

The Importance of Place-Based Policy

An important implication of the OECD work is that place-based policy can play an important role in efforts to improve regional growth. Place-based policy recognizes that different regions need different types of support if their development is to be enhanced. This reflects a series of differences, some of which are geographic: terrain, climate, natural resource endowment; some of which are demographic: population size, workforce skill mix, educational attainment levels; and some of which are institutional: capacity of local governments, quality of services, etc. Place-based policies are relevant because we observe such large differences in economic performance within a specific country (Garcilazo, Oliveira Martins and Tompson, 2010). These differences exist despite the presence of uniform macroeconomic policy and other national social policies that are designed to support people, firms and communities in all regions.

In Canada, the national government operates a number of place-based regional development agencies that cover the country: Atlantic Canada Opportunities Agency; Canada Economic Development for Quebec; Federal Economic Development Initiative for Northern Ontario; Federal Economic Development Agency for Southern Ontario; Western Economic Diversification Canada; and Canadian Northern Economic Development Agency. The mandate of these agencies is roughly the same, but because the conditions in each territory served are different, their approaches and priorities vary.

The national government has already concluded that Ontario requires two distinct agencies — one for the south and one for the north — because the development opportunities and challenges are different. In a large and incredibly diverse province like Ontario, a parallel provincial approach that recognizes important differences in conditions and circumstances could be useful. In particular, in a federal system of government, where the national and provincial governments have different, but related, responsibilities, the territorial units Ontario chooses should probably be different than those adopted by the national government, but coordinated. This suggests that Ontario might have more distinct regions for its place-based policy, but ideally these regions would mostly align with the boundary between the two federal development agencies.

The most recent analysis by the OECD continues to show that as you descend in scale from states through provinces and districts, the degree of heterogeneity in measures of economic activity and economic growth increases (The OECD Regional Outlook 2016: Productive Regions for Inclusive Societies). But, as with prior OECD analysis, even at this lower level of geography there are high-performing rural regions. When examining productivity trends at the TL2 level of geography (provinces/states) from 2000 to 2007 the OECD finds “Rural regions accounted for over half of the top 10% fastest growing OECD regions in terms of labour productivity before the crisis.” (p. 163). Post crisis, rural regions fell from over half to 41 percent of the top 10 percent in the 2008–2012 period (p. 163). Moreover, while before the 2008–2009 financial crisis the top performing rural regions were evenly split between those relatively close to a metropolitan region and those that were distant from one, after the crisis most of the high-performing rural regions were located near a metropolitan region (p.163).

These results suggest that proximity to an urban area provides important benefits to rural firms and people even when the distance is too great for daily commuting. For people, it allows ready access to a broader variety of goods and services, while for firms it can allow integration into supply chains, better access to important providers of goods and services. For both people and firms, proximity leads to lower transportation costs. Indeed, the OECD finds that the majority of rural regions close to cities that are
experiencing increases in labour productivity are also increasing employment (p.165). This suggests that increases in worker productivity are not simply coming from capital-labour substitution, as firms replace lower-skill workers with machines. In contrast, in remote rural regions there is a stronger correlation between increases in labour productivity and lower employment. In remote regions, the natural resource sector and first-stage resource processing play a much larger role in local economies. In these industries, there is a long history of advances in technology leading to capital-labour substitution that increases output and competitiveness, but leads to fewer — although higher paying — jobs. Given this inevitable dynamic, that steadily reduces job opportunities while adding to provincial GDP, there is a compelling argument for public policy to better support the people in these communities whose livelihoods are disappearing.

A Typology of Rural Regions in Ontario

Statistics Canada provides a large amount of data at the level of Census Divisions that in rural Ontario largely correspond to counties or the successors to counties (Rural Ontario Institute, 2016). However, it is not organized in a way that is useful for forming regional economic development policy. In some cases, particularly in southern Ontario, counties still remain useful aggregations of local governments that can be used for economic development purposes, because they are still fairly homogeneous internally. However, in much of both northern and southern Ontario, counties are obsolete concepts for managing economic development. This has been recognized, both by the province through its decisions to merge counties into larger units, as it did in the Niagara Region and with the GTA, and by local governments that have chosen to merge into a unified urban and rural structure, such as Ottawa-Carleton or the Thunder Bay District. Crucially, while the units of analysis employed by Statistics Canada correspond to administrative boundaries of some sort, in rural Ontario they do not map very well into how rural people live and work.

Very few Census Divisions now have a sufficient degree of internal coherence to make them useful for defining economic development policy. In northern Ontario they are too large to have any shared opportunities and also lack any direct administrative capacity. In southern Ontario economic development has spilled across county and regional administrative boundaries in ways that make it impossible for local and regional government to develop effective independent development strategies. While metropolitan areas have a large enough local market to have endogenous growth opportunity and the capacity to manage their own strategy to enhance this growth, this is not the case for rural areas.

A consequence of this diversity and interconnectedness is the need for a new approach for managing rural economic development. If Ontario is to develop a place-based approach to rural policy, it is crucial that a typology of rural places be constructed. The essence of a place-based approach is that those places that are similar should receive similar treatment, but that treatments should differ across places that are dissimilar. In an ideal world, governments would provide a unique set of policy support to each place that was tailored to the specific resources, opportunities and strategies of that place. However, the overhead costs of developing and implementing this type of individually tailored approach are so large that it is impossible. But, just as the government of Canada has identified six distinct regions within the country and designed appropriate regional development policy for each region, it should be possible for Ontario to develop a similar handful of specific types of rural policy that are appropriate for sets of places with distinct but similar rural milieus.

The essential argument for a spatial approach to economic development policy is that the units of analysis should have similar economic contexts. Communities within a region have to have similar economic functions and opportunities. Absent this, it is impossible to think of a shared or regional development opportunity. In addition, if the province is interested in constructing development assistance that is focused on places with specific types of limitations and opportunities, it is important that groups of regions can be identified that are also similar. This allows a typology of places to be identified. Then a specific set of programs can be offered to all units (regions) that are similar, because within each of these regions there is also a strong enough degree of similarity that the set of programs
are useful to multiple communities.

Certainly it is more complex and more costly to have multiple types of rural policy than to provide a single uniform policy to all rural areas. One could also argue that a single policy treats all equally, which is one definition of fair. On the other hand, appropriate metrics for public policy most commonly emphasize both cost effectiveness and equity. Spatially differentiated rural policy may cost more to deliver, but if this produces better outcomes, the increase in cost may be justified. Similarly, where people or places need different things from government, it is better public policy to treat them equitably and not equally.

Typologies are simply a means to sort entities into a reasonable number of categories. In every typology the objective is to place those entities that are most similar into a single category so that within-category variability is low but across-category variability is high. Not only do we want those entities in a single category to be similar, we also want the different categories to be clearly different. Typically having only a small number of categories increases within-category variability, while a large number of categories reduces across-category variability. When thinking about rural Ontario, categories tend to be spatially compact, in the sense that communities that are similar are typically, but not always, geographically proximate. This reflects the fact that conditions in rural communities are highly influenced by climate, topography, distance and resource endowments, and these vary significantly across the vast territory of the province.

What is outlined below and in Figure 1 is a taxonomy of rural Ontario that follows the logic of Garreau’s *Nine Nations of North America*. It reflects differences in geography, economic function, population levels and density, and access to urban agglomerations. The resulting regions can be called functional in nature since their boundaries reflect differences in how people organize and interact. This is a different approach than government typically uses when it draws boundaries for administrative purposes. Existing administrative boundaries are less important in shaping these development regions, if only because existing administrative boundaries generally do not take this type of spatial variability into consideration when they are set, or if they do, at the time the boundary was created, they fail to recognize changes over time that require boundary adjustments.
The Proposed Taxonomy

Rural in the Greater Toronto Area (GTA) — The GTA dominates the provincial economy and is by far the largest urban concentration in Canada but it also includes a large rural area, much of which is protected from urban development (The Greenbelt). The rapid growth of metropolitan Toronto and nearby urban places in the last 50 years has transformed large amounts of previously rural land that was held by working farms into other uses. With increased urbanization, planning and zoning decisions now play a large role in land-use decisions. A consequence of this is that the public interest in land use, as identified in planning documents, can become a significant constraint on local economic development when planning decisions limit local action to achieve some larger public purpose (OECD, 2017).

While urban and rural interactions are important in other metropolitan areas in Ontario, the scale of these effects is vastly different in the case of the GTA, because of its sheer size and rapid growth. With the Greenbelt legislation in 2004 the provincial government intervened directly in land-use decisions in the GTA in a way that it had not done previously, nor subsequently in other urban areas where land-use decisions largely remain a local government responsibility. Crucially, this intervention was to preserve rural land from urban conversion, suggesting that, at least in the GTA, the province has identified the need for a spatial policy to preserve rural areas from urban conversion.

Although the spatial boundary of the GTA is reasonably well understood at any point in time, it is a boundary that changes with time as development expands the size of the agglomeration. Expansion brings rural areas that were previously not strongly influenced by the Toronto agglomeration under strong urbanization pressure. The Greenbelt has removed a large amount of land that was under pressure for development, but this has had a leapfrog effect on more remote rural areas (Vyn, 2012).

Rural on the Metropolitan Fringe — This is the only category in the typology that is not spatially contiguous because its members are adjacent to the largest cities in the province that are outside the GTA. The population and economy of Ontario are now mainly urban in nature. But in metropolitan areas,
a significant share of the territory is rural in nature and a strong minority of the population live in a rural environment. As in the GTA, these rural areas are tightly coupled to an urban place, specifically a medium-size urban centre (population over 100,000). In some cases both the urban and the rural area are part of a metropolitan or regional government (Ottawa-Carleton, Niagara) where planning and development decisions are unified across rural and urban areas. In other cases administrative boundaries can separate urban and rural governments (Windsor, London). In all cases rural is tightly coupled to urban — see OECD 2013 for linkages and issues. These regions are distributed across the entire provinces as autonomous units and are not spatially contiguous.

Cottage Country — A distinct area north of the GTA that has long been dominated by seasonal recreational housing forms a unique rural region. The area is centered on the Kawartha, Muskoka and Haliburton lake districts and bounded by the northern edge of Algonquin Provincial Park running across to Georgian Bay and up to Lake Nipissing. The southern boundary extends down to the outer edge of an expansive definition of the GTA, which is steadily moving north. While seasonal homes are common in Canada, Cottage Country is unique in terms of the sheer number of second homes, the value of the properties and the volume of weekend trips. Its growth is clearly linked to the growth of the GTA. It is characterized by huge seasonal population fluctuations, high income inequality between seasonal population and permanent residents. While forestry and manufacturing are important in some communities, the region is dominated by a single industry — seasonal tourism.

Boundary Waters — This is the territory in the southern part of northwest Ontario running from Thunder Bay to Kenora along the US border. Unlike the land further north, it is a relatively densely settled region with a mix of agriculture, forestry and tourism. Importantly, its western portion is more strongly connected to Manitoba than to the rest of the province in terms of economic and social linkages, and the entire region has a strong US influence. Relative to much of the north, Crown Lands are a somewhat less-important barrier to economic development. Administratively, the region is part of two very large Census Divisions, but this band of territory is significantly different from the remainder of these Census Divisions in terms of number and density of incorporated settlements and population.

Distant North — The region contains roughly all of Ontario north of the 48th parallel. The area is very sparsely settled, with mostly isolated small communities that are either First Nations reserves or mining sites. Weak transportation linkages and large problems in access to services characterize the territory. Settlements are, for the most part, isolated single-industry towns reliant on either transfer payments or a single mining company that offers limited employment opportunities. The area lacks a higher order level of regional government and relies upon the province to carry out these functions.

Intermediate North — This region roughly runs from north of North Bay to the 48th parallel and along the northern edge of Lake Superior. It is a better connected version of the Distant North with larger places, better infrastructure and more development opportunity but still mostly single-industry towns. Forestry and mining are important sectors.

Eastern Ontario — The region runs roughly from the Quebec boundary west to a line passing through Peterborough. In the past, the region was relatively densely settled and had a significant agricultural and manufacturing base that has declined over the last 50 years. Farmland abandonment remains a significant concern. Tourism is significant, but has a lower value than in other parts of rural Ontario. Some smaller urban places are doing relatively well but others are struggling as their economic function erodes.

South Central Ontario — This area consists of the Niagara and Kitchener–Waterloo regions and nearby places. Historically, rural areas in the region were farm based, but with a lot of off-farm income from the well-paying manufacturing sector, particularly in the automotive sector and in metal production and fabrication. Currently there is considerable variability in economic performance between the northern part of the region where economic conditions are still good and the local economy has adapted to NAFTA, and Niagara which largely deindustrialized after NAFTA and has become reliant on services and
agro-tourism based on wineries. A defining feature of this region is the strong influence of the GTA, although it is not currently a part of the GTA labour market.

**Southwestern Ontario** — The area lies roughly west of a line between Brantford/Paris and on up to Georgian Bay. It is mainly agricultural land with strong commercial farms and a few large urban centers. Manufacturing, although significant, was less dominant than in south central Ontario and concentrated along major highways. The recent loss of manufacturing, especially first-stage agricultural processing, has had negative direct employment implications and is an impediment to high-value farm production. Tourism is significant along the lakes and in communities like Stratford but is not generally a key sector.

The typology set out above is relatively rudimentary, but it serves to demonstrate that there are distinct rural types in Ontario that have important differences in geographic situation and in opportunities and constraints. Adopting any typology of rural brings the benefit of recognizing that while rural Ontario is diverse, there are significant similarities among parts of this huge territory. Adopting a typology of rural provides government with a framework for organizing public policy to support economic development in the different types of rural Ontario. Without a typology, the best that government can do is either assume that rural is homogeneous, which leads to relatively ineffective policy, or try to deal with individual communities or regions on a case-by-case basis, which can lead to fragmented and inconsistent approaches.

**Towards a Spatially Sensitive Rural Policy for Ontario**

Balanced economic growth is often seen as more desirable for long-term stability and equity purposes (OECD 2012, Barca McCann and Rodriguez-Pose, 2012). Obviously at a macroeconomic or provincial level, spatially balanced growth is difficult to address since territorial variability is inherently masked by the level of analysis. It is only when the sub-provincial or regional level is considered that concerns with where and how growth is occurring, and where the benefits of growth are occurring, can be addressed. Moving to a provincial strategy that achieves better balanced growth across different parts of the province requires first identifying appropriate regions and then introducing sets of coordinated and effective policies that can support growth within the various regions.

To be sure, a balanced growth approach may not result in maximizing aggregate provincial growth, because the different parts of the province will have different growth potential and growth rates. But relying on only a few regions for growth is inherently risky because these regions can experience cyclical downturns, it can lead to large transfer payments from wealthy to lagging regions that offset the effects of faster growth and unbalanced growth reduces social cohesion. If labour and other markets were completely flexible, it might be possible that sufficient movement of people from lagging to leading regions would restore more balanced growth. But there is a lot of evidence in Canada and other countries that, although migration flows are significant, people do not move as easily as simple economic models assume (VanderKamp 1971; VanderKamp 1986; Grant and VanderKamp 1986; Molho 1986; Polese 2013; Amirault, de Munnik and Miller, 2013).

Ontario is currently experiencing highly unbalanced growth, with only the GTA and a few other urban centres experiencing high rates of growth in population and economic activity. Meanwhile, other parts of the province are seeing declines in population and output. This experience is not unique to Ontario. Other provinces, such as Quebec and British Columbia, are also seeing growth concentrating in their largest cities (Markey, Halseth and Manson 2008, Polese, 2013). Similar experiences can be found in Scandinavia and the United Kingdom. Most OECD countries with this phenomenon are trying to put in place ways to broaden the growth base and support more balanced growth. Notably, the European Union has long used regional policy as a way to strengthen cohesion within the Union. Although there has been considerable criticism of some of the specific policy instruments used by the European Commission, there is evidence that the programs have strengthened economic activity in lagging regions. Similarly, Quebec has a longstanding commitment to improving conditions in rural areas, initially through the Pacte Rurale from 2002 to 2014, and more recently with a new rural policy introduced in 2014 that
continues provincial support but devolves most responsibility for economic development initiatives to regional government (OECD 2010: Jean 2014).

For Ontario, a key challenge is identifying spatially differentiated policy approaches that recognize the diversity of condition across the province. Diversity comes in many forms. For urban policy, there are clear differences between the GTA, urban places adjacent to it, such as Hamilton and Kitchener-Waterloo, and urban areas in the rest of the province, including the National Capital Region, London, Sudbury and Thunder Bay. Similarly, there are large differences across the rural parts of the province that will require similar spatial sensitivity in policy approaches to achieve more balanced development.

The regional typology set out above is one way of identifying regions but it is not the only way and may well be inferior to other approaches. What is clear from the experience of other nations and provinces in trying to define useful sub-provincial regions is that this is a task that cannot be performed by a few ministries in provincial government acting independently. Getting the boundaries right is important because if the people and places in a region do not believe that the defined boundaries of their region are appropriate, they will be unlikely to engage in collectively working to strengthen its economy. Similarly, where regions are not well defined, investments by the province and others can spill out of the target region into other places where they may not be appropriate influences.

**People-Based and Place-Based Policies**

There is a tendency to see development policy either in terms of supporting people or in supporting places as a way to indirectly support people. More appropriately, some types of policy are better delivered through direct efforts to assist people while some other types can be more effectively delivered through the places where people live, because the people in those places collectively benefit from this approach. In general, policies that accrue to individuals are better thought of as person based. These include: education, health care and many social services where there are clear minimal standards that all individuals should have equal access to, irrespective of where they live. However, while people everywhere in Ontario should have equal access to these services, they may be delivered differently in a large city than in a small remote rural town. At a minimum, people in rural areas will have far less choice about how they receive services, or from whom they obtain them.

Other public services, such as, public safety and infrastructure: water, broadband, electricity etc., are delivered where people collectively access them. In rural areas, fire protection is commonly provided through a volunteer fire brigade, while in cities professional fire fighters are hired by the community. Rural residents pay more for electricity because the costs of delivering it are inherently higher in a low-density environment. Larger urban places have local police forces while rural residents rely on the Ontario Provincial Police. Urban regions have public transit systems, but where bus service exists in rural regions it is typically a private service.

The distinction between place- and person-based approaches is especially important for discussions of economic development. Person-based approaches tend to focus on skill development as a way to increase the earnings potential of individuals and on increasing mobility so that people can move from places where unemployment is high to places where jobs are plentiful. This is an important activity and is a key part of improving labour market outcomes. However, it is also important to understand why unemployment is high and incomes are low in a region. These phenomena may be the result of some other barrier to economic growth. For example, if funds for business development are difficult to obtain in a small and remote community, firms that could create jobs and income will not develop. In this situation encouraging people to move to other places when they might prefer to stay can be an inferior solution to the problem.

**Recognize Linkages Among and Within Regions**

While any regional typology creates boundaries between different territories, these boundaries are only
meaningful in specific contexts. In other contexts they may not be useful. Regions are not autonomous units. They are open to a wide range of flows and are part of larger systems. Every region in Ontario is part of the province, part of Canada and part of North America. In particular, some rural regions are tightly coupled to large urban places. Obviously those rural regions that are in close proximity to metropolitan regions are tightly integrated into that system, even though they may have a distinct local labour market (OECD, 2012). Linkages can also occur in other ways. Cottage Country is a region that is defined by a particular relationship with the Greater Toronto Area. It exists as a distinct region because of the large flow of urban residents who make weekend and seasonal trips to a cottage in the region. Without this flow it would have a different identity and different characteristics. Similarly, parts of the Boundary Waters region especially around Kenora and Lake of the Woods, also rely on seasonal summer residents, mainly from Winnipeg.

Proximity to even a medium-size city provides rural people with access to goods and services that are not available in their community. This is one of the basic differences between rural life in southern Ontario, where settlement density is high, and northern Ontario, where settlements are distant from each other and most small communities do not have easy access to a larger urban place. It is also an important reason why a spatially differentiated rural policy is important if people in Ontario are to have equitable access to vital goods and services.

Proximity, however, does not mean that rural challenges are not present. Rural areas within a metropolitan region are the most integrated with urban territory but can face important challenges in having a voice in local governance. For example, when the City of Ottawa merged with the rest of Carleton County to create a unified government, there were clear challenges in absorbing a huge territory into a local government that was oriented to delivering services in a purely urban context. Extending fire protection and emergency services to rural areas was an immediate concern. More importantly, perhaps, was adjusting a city council electoral process to the new regional reality. The initial approach, driven by the city, was to extend Ottawa’s existing wards out into the new rural territory. This approach effectively diluted the rural vote so that rural residents were a minority in every council district. A challenge raised by rural residents to the Ontario Municipal Board overturned this approach and required a new districting process that improved the likelihood that rural residents would have an elected voice at the council.

Regions can be a useful organizing principle for understanding how communities in a similar geography share similar characteristics. However, within any region there will be places that are prosperous, others that are doing all right and others that are struggling. Community-based policy has to sit somewhere below regional policy and drawing a line between regional policy and community policy can be challenging.

Conclusion

Ontario has become a highly urbanized province over the last 50 years, but it continues to have a significant rural population and the vast majority of the land in the province is either not settled or has a low-population density. Not unexpectedly, the change to a mostly urban population and mostly urban economy has led to provincial policies that are urban oriented. Yet there are clear economic development opportunities in rural Ontario that could benefit both the people living in these areas and the province collectively. To realize these opportunities will require the introduction of a policy framework that supports local rural development initiatives. In this regard, Ontario is similar to other parts of the OECD where there are similar ongoing challenges in identifying appropriate policies to support rural growth.

Moreover, because the vast majority of rural land in the province is Crown Land, and because municipalities and other local governments are limited in their authority and actions by provincial law, there is a clear need for a proactive provincial role in supporting local economic development. The sheer size and diversity of rural Ontario means that for any policy to be effective, it has to deal with different
types of rural places in different ways. For example, opportunities in farming areas in southwestern Ontario differ from those in the mining belt near Sudbury.

In turn, this means that if the province is to have an effective territorial approach to supporting rural development it must first improve the way that it understands the nature of rural Ontario. This will require identifying how the various parts of rural Ontario differ from each other and what their challenges and opportunities look like. The taxonomy suggested in the paper is at best an illustration of what is required. It is offered as a way to stimulate thought about how a more effective rural policy might be developed.
Works Cited


The implementation of place-based policies has the potential to significantly improve the ability of communities and regions to foster economic development and to achieve other important outcomes in northern Ontario — especially in rural areas. For decades, there have been calls for northern Ontario to be self-governing due to its vastly different climate, geography, size and industrial structure (see Mackinnon 2015 & Robinson 2016) from the rest of the province. These calls come from a belief by northerners that the needs of northern Ontario have not be recognized by decision makers and that the uniqueness has not been accounted for in policy making and program delivery.

Furthermore, as described in Freshwater’s report, northern Ontario’s rural communities and areas differ significantly from rural communities in the south — especially given the vast geographic area of the north (which is larger than the size of France) which results in significant challenges related to infrastructure and transportation. Thus, place-based policies allowing for more regionally specific decision making can not only improve outcomes for rural and northern areas, but also foster a sense of self-determination among community members.

Freshwater highlights that the provincial government can benefit from a better understanding of the true nature of rural Ontario by becoming more familiar with economic opportunities, infrastructure availability, population trends and other characteristics in the diverse regions of northern Ontario. This sentiment is echoed in a recent report by Charles Conteh (2017) that also discusses the importance of place-based policy making for northern Ontario specifically. While Freshwater defines three regions in his taxonomy of rural northern Ontario: the Boundary Waters, the Distant North and the Intermediate North, Conteh (2017) identifies 12 economic zones or clusters in northern Ontario. More specifically, through his analysis, Conteh names six city regions: Kenora, Thunder Bay, Sault Ste. Marie, Sudbury, Timmins and five industrial corridors: Fort Frances, Manitoulin, Marathon, Parry Sound, Temiskaming Shores, and the Far North as unique clusters in northern Ontario with shared opportunities and economic advantages.

Although Conteh and Freshwater present different numbers and composition of the regions in Northern Ontario, both drive home an important point — the north is not a single, resource-dependent, monolithic economy. Opening up a dialogue that sees rural and northern communities as diverse, and requiring a range of solutions rather than a one-size-fits-all approach, is a critical first step for developing appropriate place-based policies. Furthermore, the identification of regions or zones in rural Ontario can help communities collaborate to achieve common goals. As Freshwater notes, if the government does not employ a typology, the best they can do is consider that rural Ontario is homogenous, or deal with individual communities and areas on a case-by-case basis, which can lead to fragmented and inconsistent approaches (p.13). Similarly, Conteh elaborates that structures to enable place-based policy making “need to target the specific assets and challenges of economic clusters” (p.28). Overall then, the authors highlight the need for both the provincial government, and local governments and structures, to think more carefully about locally based strategies to reflect shared needs.

These findings are absolutely critical to the effectiveness of future government investment and regulation of the economies in the north and other rural communities. Ignoring these realities risks ignoring the potential growth and comparative advantage to be found in each separate region. It will be

1 The authors gratefully acknowledge the contributions to this piece made by James Barsby.
interesting to see if the newly endorsed “northern Ontario” committee in the Ontario Legislature will encourage place-based policy making in northern Ontario by acting as a “northern lens” on various policy and governance issues (Slattery 2017) and whether this new committee will recognize the diversity of the regions of northern Ontario.

Works Cited


Access the other Rural Ontario Foresight Papers at www.ruralontarioinstitute.ca/foresightpapers