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Standing Firm: Rural Business Enterprises in Canada

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Highlights

- In 2007, rural and small town Canada had slightly more firms per capita compared to Canada's larger urban centres.
- In 2007, rural and small town Canada had a higher share of firms with 1 to 4 employees compared to Canada as a whole.
- Rural and small town Canada may have relatively more firms and a higher share of firms with 1 to 4 employees due to the dispersed nature and smaller size of its communities. This pattern tends to encourage the establishment of more but smaller firms.
- Communities in weak metropolitan influenced zones (Weak MIZ) appear to be classified as weakly influenced by larger urban centres because they often serve as regional service centres. Among the MIZs, Weak MIZ has relatively more producer service firms (albeit still well under the Canadian average) and more firms with over 200 employees (again, still well under the Canadian average).

Introduction

Within Canada, the economic vitality of those areas outside of major urban areas is of increasing concern. Without the large population bases that drive service sector employment, these areas have tended to rely more on resource oriented primary industry, manufacturing and producer services

employment (Sorensen and de Peuter, 2005). However, outside of the oil and gas sector, it is precisely these areas of employment that have been particularly subject to global competition and have come under increasing pressure in recent times. The drive to become more efficient and



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Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
X	suppressed to meet the confidentiality requirements of the Statistics Act
E	use with caution
F	too unreliable to be published

thus remain competitive has often meant the relocation of business activity to “low-wage” areas of the world or the replacement of workers with automated machinery. This poses a threat to the economic viability of many rural areas in Canada (Senate of Canada, 2008).

Many studies conducted at the community level have found that the region within which a community is located has an important influence on that community’s viability and sustainability (Alasia, forthcoming; Mwansa and Bollman, 2005). Alasia *et al.* (2008) used a number of socio-economic characteristics to assess the vulnerability of individual communities throughout Canada to both population and employment decline. The analysis found that the most vulnerable communities in Canada were generally found in those regions that were distant from urban centres and had a greater proportion of employment opportunities in traditional sectors such as agriculture, forestry and labour-intensive manufacturing.

This situation has reached the attention of senior policy makers. The Canadian government’s regional development agencies such as the Atlantic Canada Opportunities Agency, Western Economic Diversification Canada and the Federal Economic Development Initiative for Northern Ontario provide a range of programs to support regional and rural development. A variety of novel policy approaches have been developed including support for innovation and commercialization and community capacity building (for a comprehensive overview of rural and regional development policies and programs, see Goldenberg, 2008).

There is, however, another side to rural communities. There are rural communities in Canada that act as regional service centres. These are usually larger communities (but still below the 10,000 population threshold for a larger urban centre) that provide a range of services for the surrounding rural and small town (RST)

businesses and population. In this regard they actually exploit their remoteness from urban centres in that the services offered by the nearest larger urban centre are simply too far away for people in the area to use on a regular basis. This range of services often translates into a variety of employment opportunities in these centres.

Box 1 The firms

The data on firms were taken from Statistics Canada's Business Register. The Business Register comprises a list of all active businesses in Canada that have a corporate income tax (T2) account or are an employer or have a GST account with an annual gross business income of over \$30,000. This paper excludes establishments that do not maintain an employee payroll even though these establishments may have a workforce of contracted workers, family members or business owners. This was done because the Business Register does not ascribe a size (in terms of employee numbers) to these establishments. This action also means that the self-employed who do not have any employees are excluded from this study.

Size of firm

Firms are divided into size categories according to the number of persons they employ. The number of employees is estimated from data on payroll remittances and the estimated number of employees is reported in terms of "full-time equivalents." This is the approximate number of employees if each employee worked a full-year. For instance, 10 full-time equivalents could represent 20 employees who each worked for half a year, or any similar combination. The Business Register makes this calculation by dividing the amount of the total payroll by the average pay of the employees.

Industry sector

Firms are divided into industry sectors according to their activities. The sectors are based on the 2007 version of the North American Industry Classification System (NAICS).

In this paper, some of the sectors portrayed are created by combining other sectors:

Primary – comprises "Agriculture, Forestry, Fishing and Hunting (NAICS code 11)" and "Mining, Quarrying and Oil and Gas Extraction (NAICS code 21)."

Construction (NAICS code 23).

Manufacturing (NAICS code 31 to 33).

Distributive Services – comprises "Utilities (NAICS code 22)," "Wholesale Trade (NAICS code 41)," "Retail Trade (NAICS code 44 to 45)," "Transportation and Warehousing (NAICS code 48 to 49)," and "Information and Cultural Industries (NAICS code 51)."

Producer Services – comprises "Finance and Insurance (NAICS code 52)," "Real Estate and Rental and Leasing (NAICS code 53)," "Professional, Scientific and Technical Services (NAICS code 54)," "Management of Companies and Enterprises (NAICS code 55)" and "Administrative and Support, Waste Management and Remediation Services (NAICS code 56)."

Social and Personal Services – comprises "Educational Services (NAICS code 61)," "Health Care and Social Assistance (NAICS code 62)," "Arts, Entertainment and Recreation (NAICS code 71)," "Accommodation and Food Services (NAICS code 72)," "Other Services (except Public Administration) (NAICS code 81)" and "Public Administration (NAICS code 91)."

Box 2 The geography

The geographical concept of Rural and Small Town Canada is defined as labour market areas which are outside the commuting zones of larger urban centres with core populations of 10,000 or more. Rural and Small Town Canada Analysis bulletins address issues of interest to rural Canada such as employment trends, education levels, health status, Internet usage and number of firms by type, among others.

As discussed in Puderer (2009) and du Plessis *et al.* (2001), there are numerous possible operational definitions of urban and rural areas, of which the one used in this paper is only one.

Larger urban centres

Comprise both census metropolitan areas (CMAs) and census agglomerations (CAs)

A **census metropolitan area (CMA)** has an urban core with a population of at least 50,000 and a total population of 100,000 and over.

A **census agglomeration (CA)** has a population of 10,000 to 99,999.

Both CMAs and CAs include all neighbouring municipalities where 50% or more of the workforce commutes to the urban core.

Rural and small town (RST) areas

Comprise towns or municipalities outside CMAs and CAs. These RST areas are disaggregated into four census metropolitan area and census agglomeration influenced zones (MIZ) based on the size of commuting flows of the labour force to any CMA or CA. The **Strong MIZ** category comprises areas where 30% or more of the labour force commute to a larger urban centre. The **Moderate MIZ** category comprises areas where between 5% and 30% of the labour force commute to a larger urban centre. The **Weak MIZ** category comprises areas with a commuting flow of more than 0% and less than 5%. The **No MIZ** category comprises those areas where no individuals commute to a CMA/CA. For further information on MIZ see McNiven *et al.* (2000).

It should be noted that because the RST areas in the three Territories are classified solely as “Non-CMA/CA Territories,” with no disaggregation into MIZs, businesses located in Yukon, Northwest Territories and Nunavut are excluded from this study.

The strength of commuting flows between rural areas and urban centres serve as a proxy for the degree of economic and social linkages a rural area has with a larger urban centre.

In light of this situation, it is important to measure how rural areas of Canada with stronger links to urban centres compare to those with weaker links in terms of the number and size of firms (as measured by the number of employees) that are present and how these numbers relate to the

population within these areas. Further, the industry sector that these firms operate in could be significant. In particular, a larger share of firms in the services sector could be indicative of a rural town acting as a regional service centre for the surrounding population.

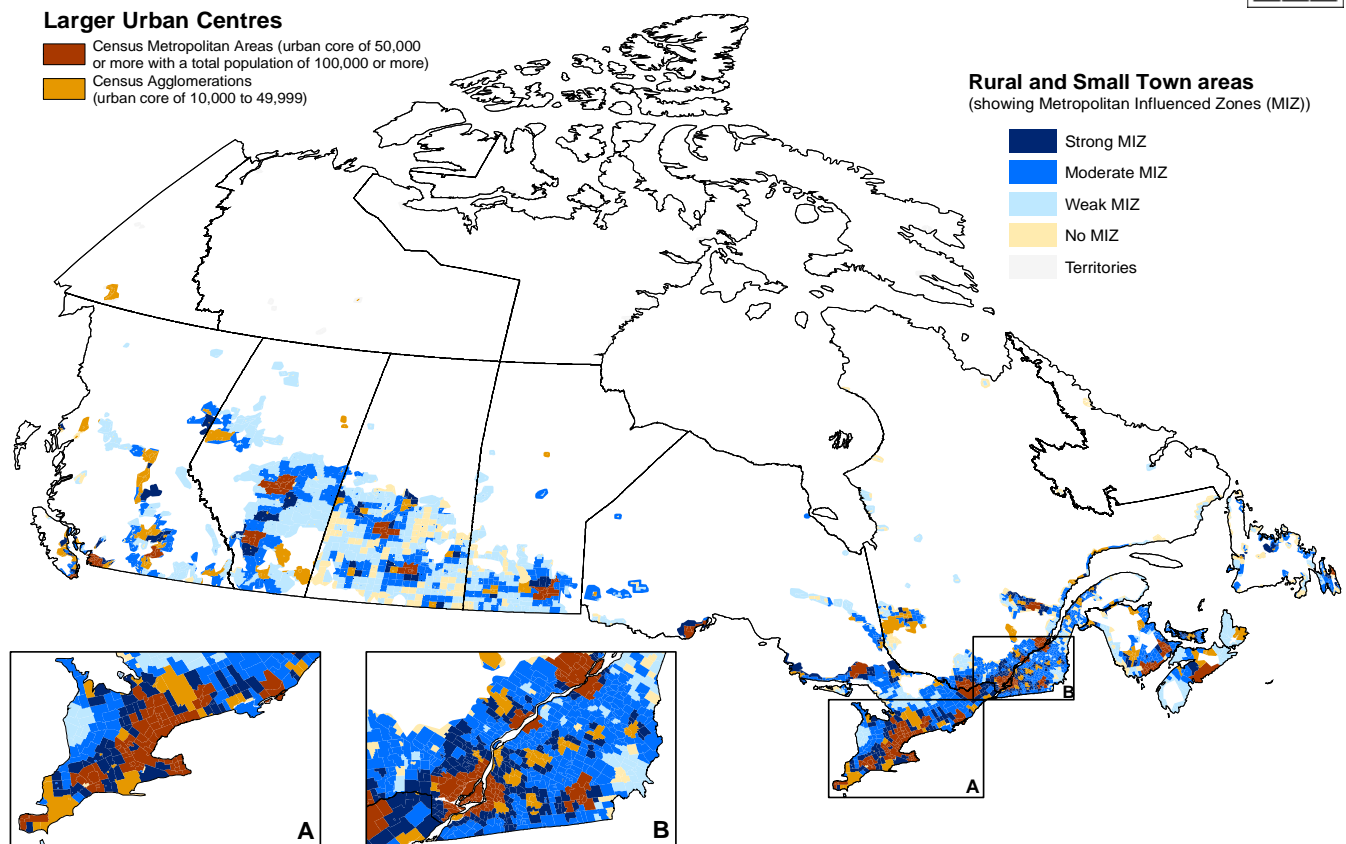
Using Statistics Canada’s Business Register (Box 1), this paper investigates the pattern of business establishments in each of the different census metropolitan and census agglomeration influenced zones (MIZs) (Box 2) across rural Canada. Based on commuting flows, the MIZ categories provide a measure of the social and economic linkages that exists between urban centres and a particular area. By extension, those areas with a lower degree of linkage have less support from urban centres in terms of employment opportunities and have to rely more

on local business establishments to maintain their economic viability.

Rural geography: Dividing rural Canada

The four MIZ types cover the rural areas of Canada outside of the three territories of Yukon, Northwest Territories and Nunavut (see Map). The map limits the display of MIZs to the populated parts of Canada.

Metropolitan Influenced Zones (MIZ) in Rural and Small Town Canada, 2006
using the Statistical Area Classification



Source: Statistics Canada. Census of Population, 2006.

Map produced by the Remote Sensing and Geospatial Analysis Section (RSGA), Agriculture Division, Statistics Canada, 2008

In 2006, there were just over 31.5 million people in Canada. Of these, just under six million resided in RST Canada (Bollman and Clemenson, 2008). Strong MIZ was home to just over 1.3 million of these individuals while another 2.2 million resided in Moderate MIZ. Strong MIZ is concentrated in Ontario and Quebec although smaller patches are associated with the larger urban centres in each of the other provinces.

Not surprisingly, given that it is defined according to the (large) share of the population that commutes to urban centres, Strong MIZ tends to form rings around Canada's major urban centres in Ontario and Quebec. However, in the Prairie Provinces, British Columbia and Atlantic Canada, Moderate MIZ forms the bulk of the rural areas adjacent to urban centres.

In contrast to Strong MIZ and Moderate MIZ, Weak MIZ occupies those areas more distant from urban centres. In 2006, just over 2 million individuals resided in Weak MIZ.

Areas that are not linked to larger urban centres (No MIZ) tend to form small, isolated pockets within the occupied area of Canada. In 2006, just under 300,000 people called No MIZ home.

Rural firms and population

There were just under 1.1 million businesses with payroll employees in Canada in 2007 (Table 1). Less than one-quarter of these were located in RST areas. In Canada's larger urban centres (LUCs) there were 331 firms with payroll employees for every 10,000 people (Table 2). In Canada's RST areas there were 371 firms for every 10,000 population. This suggests that firms were actually more intensive with respect to population in rural areas.

The proportion of firms located in RST areas varied according to firm size. A little over one-fifth of Canada's firms with 1 to 4 employees were located in RST areas compared to one-in-ten of all firms with 200 or more employees. Firms with fewer employees were more intensive relative to population in RST Canada compared to larger urban centres. There were 257 firms with 1 to 4 employees per 10,000 people in RST Canada compared to 186 per 10,000 in larger urban centres. However, the situation was reversed when it came to firms with 200 or more employees. There was one firm of this size per 10,000 people in RST Canada compared to four per 10,000 in larger urban centres.

Table 1 Rural and urban firms with payroll employees, by size category, Canada, 2007

	Size of firm ¹				All firms
	1 to 4	5 to 49	50 to 199	200 or more	
	number of firms				
All areas	633,258	390,791	47,392	11,136	1,082,577
Larger urban centres	476,650	320,850	41,555	10,067	849,122
All rural and small town areas	156,608	69,941	5,837	1,069	233,455
Strong metropolitan influenced zone	34,713	14,103	1,114	169	50,099
Moderate metropolitan influenced zone	57,717	23,384	1,946	334	83,381
Weak metropolitan influenced zone	55,875	29,314	2,576	528	88,293
No metropolitan influenced zone	8,303	3,140	201	38	11,682
	percent of firms across each size category				
All areas	58	36	4	1	100
Larger urban centres	56	38	5	1	100
All rural and small town areas	67	30	3	0	100
Strong metropolitan influenced zone	69	28	2	0	100
Moderate metropolitan influenced zone	69	28	2	0	100
Weak metropolitan influenced zone	63	33	3	1	100
No metropolitan influenced zone	71	27	2	0	100
	percent of firms across each region				
All areas	100	100	100	100	100
Larger urban centres	75	82	88	90	78
All rural and small town areas	25	18	12	10	22
Strong metropolitan influenced zone	5	4	2	2	5
Moderate metropolitan influenced zone	9	6	4	3	8
Weak metropolitan influenced zone	9	8	5	5	8
No metropolitan influenced zone	1	1	0	0	1

1. Number of employee full-time equivalents (Box 1).

Note: Due to rounding, numbers may not sum to totals.

Source: Statistics Canada, Business Register, 2007.

Moderate MIZ and Weak MIZ each contained a little over one-third of the 233,000 firms located in RST Canada (Figure 1). This figure was higher than the one-in-five RST firms that were located in Strong MIZ and very much higher than the one-in-twenty that were located in No MIZ.

Almost one-half of rural firms with 200 or more employees are located in areas with weak links to urban centres (Weak MIZs). This outstrips the 31% found in Moderate MIZ and 16% found in Strong MIZ. In contrast to the results for firms with 200 or more employees, 37% of rural firms with 1 to 4 employees were found in Moderate MIZ and 36% were found in Weak MIZ.

The differences between Strong MIZ and Weak MIZ are striking. Not only are more RST firms located in Weak MIZ, but the pattern according to the size of firm is different. Strong MIZ contains

relatively more firms with 1 to 4 employees and relatively fewer firms with 200 or more employees whereas the opposite pattern pertains in Weak MIZ.

Table 2 Rural and urban firms with payroll employees relative to population, Canada, 2007

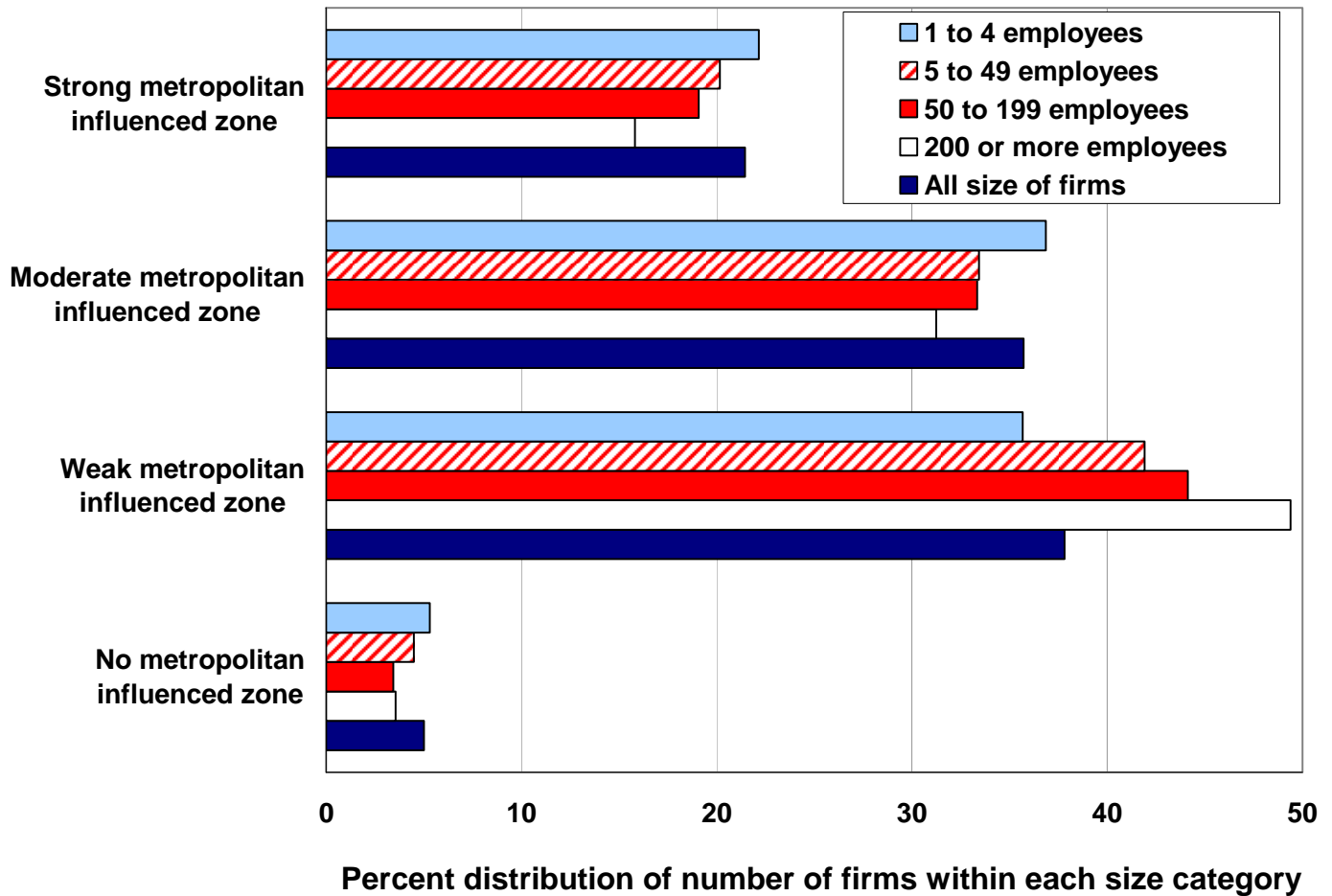
	Size of firm ¹				All firms
	1 to 4	5 to 49	50 to 199	200 or more	
	number of firms per 10,000 population				
All areas	201	124	15	4	343
Larger urban centres	186	125	16	4	331
All rural and small town areas	264	118	10	2	394
Strong metropolitan influenced zone	257	104	8	1	371
Moderate metropolitan influenced zone	259	105	9	2	375
Weak metropolitan influenced zone	273	143	13	3	431
No metropolitan influenced zone	279	105	7	1	392
	intensity of firms in each size category relative to population, compared to Canada as a whole				
All areas	1.00	1.00	1.00	1.00	1.00
Larger urban centres	0.93	1.01	1.08	1.11	0.97
All rural and small town areas	1.32	0.95	0.66	0.51	1.15
Strong metropolitan influenced zone	1.28	0.84	0.55	0.35	1.08
Moderate metropolitan influenced zone	1.29	0.85	0.58	0.43	1.09
Weak metropolitan influenced zone	1.36	1.16	0.84	0.73	1.26
No metropolitan influenced zone	1.39	0.85	0.45	0.36	1.14
	intensity of firms in each size category relative to population, compared to all rural and small town areas				
All rural and small town areas	1.00	1.00	1.00	1.00	1.00
Strong metropolitan influenced zones	0.97	0.88	0.84	0.69	0.94
Moderate metropolitan influenced zones	0.98	0.89	0.89	0.83	0.95
Weak metropolitan influenced zones	1.03	1.21	1.28	1.43	1.09
No metropolitan influenced zones	1.05	0.89	0.68	0.71	0.99

1. Number of employee full-time equivalents (Box 1).

Note: Due to rounding, numbers may not sum to totals.

Sources: Statistics Canada, Business Register, 2007 and Census of Population, 2006.

Figure 1 Within rural and small town Canada, nearly one-half of firms with 200 or more employees are in areas that are weakly linked to larger urban centres



Note: Employees refers to ‘full-time equivalents’ (Box 1).
 Source: Statistics Canada, Business Register, 2007.

The spatial arrangement of rural firms speaks to the characteristics of Strong MIZ. By definition, a relatively large proportion of the population commutes to an urban centre for employment and is therefore less reliant on local firms.

In contrast, a very small proportion of Weak MIZ residents commute to an urban centre. Therefore, Weak MIZ residents are more reliant on local business enterprises for employment opportunities and this may help to explain the higher concentration of firms. It must be kept in mind,

however, that relatively few (10%) of Canada’s large firms are located in RST areas.

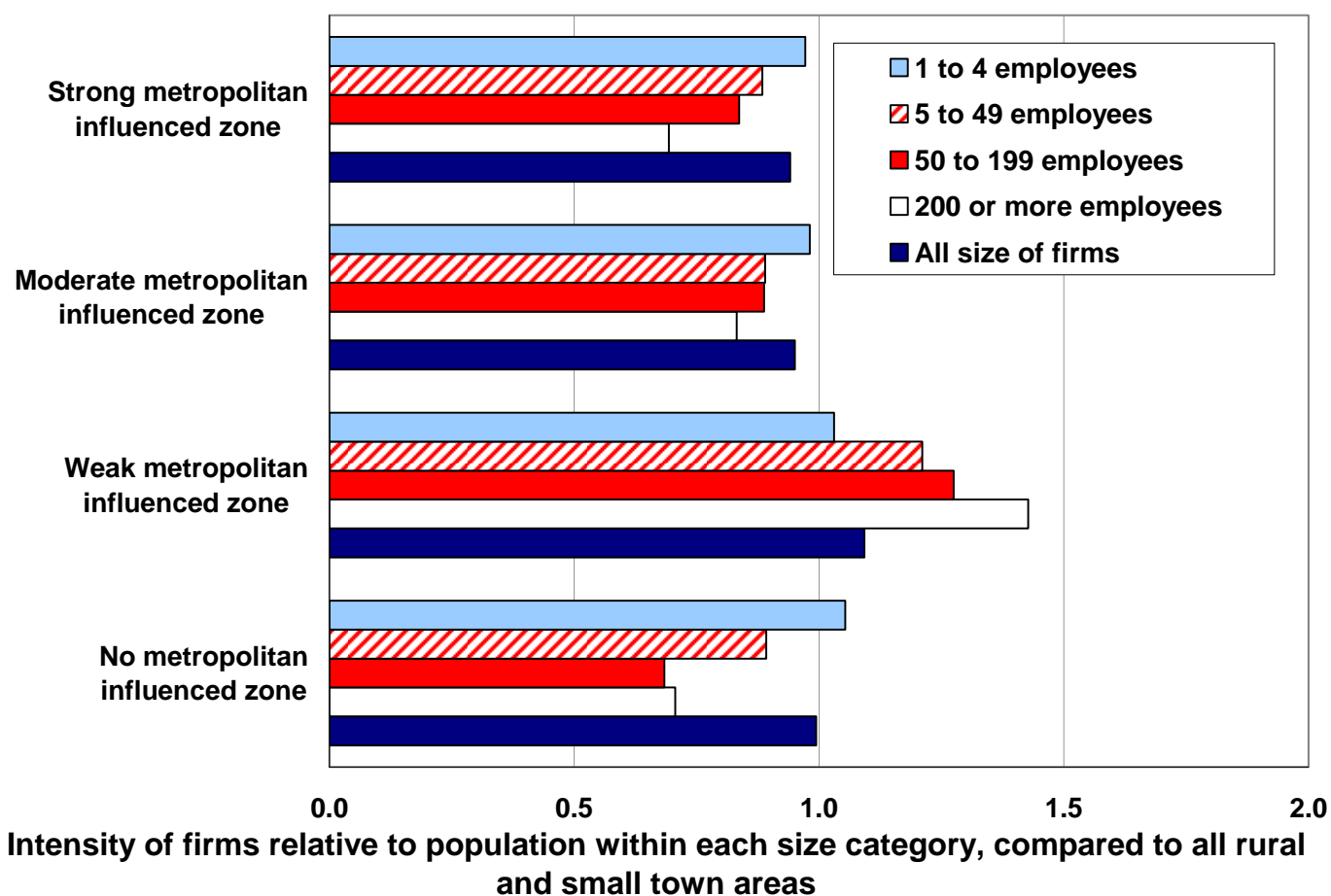
Comparing the number of firms per capita in each region to the number of firms per capita throughout Canada as a whole produces a numerical measurement of the intensity of firms relative to population throughout Canada.

If the intensity measurement for each firm size in Canada as a whole (all areas) is taken as 1.00, rural regions are one-half as intensive (0.5) with

respect to firms with 200 or more employees, while urban centres are more intensive (1.11) (Table 2). Among those firms with 1 to 4 employees, the intensity pattern is reversed – RST areas are more intensive than Canada as a whole (1.32) while urban centres are less intensive (0.93).

This measurement of firm intensity relative to population can be extended to compare the different MIZs to that of RST Canada as a whole. In this case, the intensity of firms in RST Canada is 1.00 and each MIZ is shown relative to this number (bottom of Table 2).

Figure 2 Within rural and small town areas, firms with 200 or more employees are more intensive relative to population in weak metropolitan influenced zones than in any other type of metropolitan influenced zone, Canada, 2007



Note: Employees refers to ‘full-time equivalents’ (Box 1).

Sources: Statistics Canada, Business Register, 2007 and Census of Population, 2006.

Irrespective of the size of firms, those located in Weak MIZ have a higher intensity relative to population than is found throughout RST Canada as a whole (Figure 2). In contrast, firms in both Moderate MIZ and Strong MIZ have a lower intensity. This is perhaps not surprising given the number of firms in these regions. No MIZ has practically the same intensity of firms relative to population as seen in rural Canada as a whole despite containing a very low share of all rural firms.

Firms with 1 to 4 employees are slightly more intensive in Weak MIZ, and slightly less intensive in Moderate MIZ and Strong MIZ, compared to RST Canada as a whole. Despite the low absolute number, when population is taken into account, firms of this size are actually slightly more intensive in No MIZ than in RST Canada as a whole.

The difference between the rural regions is more pronounced when it comes to firms with 200 or more employees. In Weak MIZ, these firms are nearly one-and-a-half times more intensive relative to population compared to RST Canada as a whole. In comparison, Moderate MIZ (0.8) and Strong MIZ (0.7) are less intensive.

In contrast to the results seen for firms with 1 to 4 employees, No MIZ has a low intensity of firms with 200 or more employees. In No MIZ, firms of this size were 0.7 times as intensive as they were in RST Canada as a whole.

Rural firms: Industry sector

The industrial sector in which a firm operates can provide an insight into the type of employment opportunities available to the local population. As previously seen, 22% of Canada's firms are located in rural regions. However, this proportion varies according to industry sector. Almost two-thirds of firms in the primary industry sector are located in RST Canada (Table 3). In contrast, a little under one-in-eight of all the firms in the producer services sector are located in RST Canada. Moreover, a little less than one-quarter of firms in the construction sector and about one-fifth of firms in the manufacturing sector, the distributive services sector and the social and personal services sector call RST Canada their home.

Table 3 Rural and urban firms with payroll employees by industry sector, Canada, 2007

	Industry sector							All industry sectors
	Primary	Construction	Manufacturing	Distributive services	Producer services	Social and personal services		
	number of firms							
All areas	65,705	123,482	59,840	262,522	275,244	295,784	1,082,577	
Larger urban centres	23,579	94,512	48,321	207,890	241,131	233,689	849,122	
All rural and small town areas	42,126	28,970	11,519	54,632	34,113	62,095	233,455	
Strong metropolitan influenced zone	8,083	8,572	2,942	10,999	8,314	11,189	50,099	
Moderate metropolitan influenced zone	14,652	10,456	4,746	19,406	11,291	22,830	83,381	
Weak metropolitan influenced zone	15,916	9,131	3,467	21,751	13,246	24,782	88,293	
No metropolitan influenced zone	3,475	811	364	2,476	1,262	3,294	11,682	
	percent of firms in each sector							
All areas	6	11	6	24	25	27	100	
Larger urban centres	3	11	6	24	28	28	100	
All rural and small town areas	18	12	5	23	15	27	100	
Strong metropolitan influenced zone	16	17	6	22	17	22	100	
Moderate metropolitan influenced zone	18	13	6	23	14	27	100	
Weak metropolitan influenced zone	18	10	4	25	15	28	100	
No metropolitan influenced zone	30	7	3	21	11	28	100	
	percent of firms in each region							
All areas	100	100	100	100	100	100	100	
Larger urban centres	36	77	81	79	88	79	78	
All rural and small town areas	64	23	19	21	12	21	22	
Strong metropolitan influenced zone	12	7	5	4	3	4	5	
Moderate metropolitan influenced zone	22	8	8	7	4	8	8	
Weak metropolitan influenced zone	24	7	6	8	5	8	8	
No metropolitan influenced zone	5	1	1	1	0	1	1	

Source: Statistics Canada, Business Register, 2007.

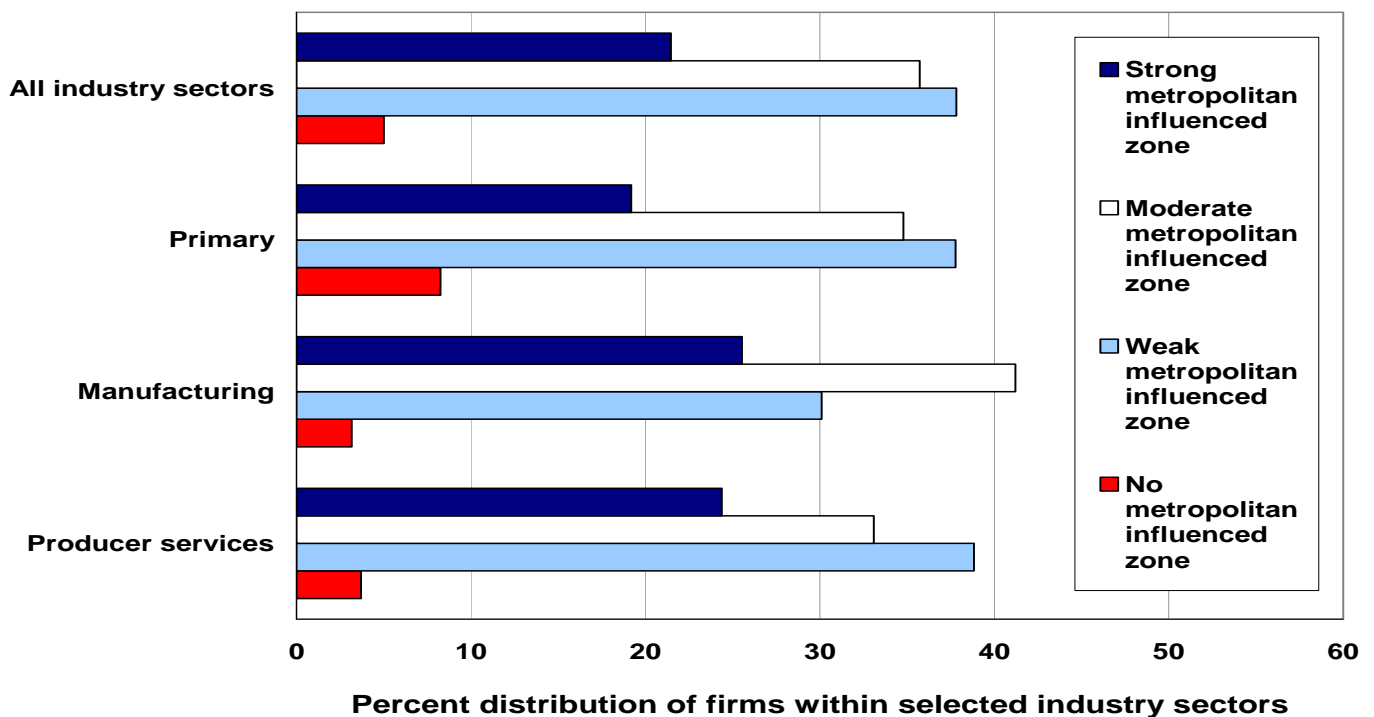
Looking at the distribution of firms by industry sector within each type of area, just under one-in-five of all firms in RST Canada were in the primary sector compared to 3% of firms in urban centres. Meanwhile, 15% of all RST firms were in the producer services sector while 28% of all firms in LUCs were in this sector. There was little difference in the rural/urban split for firms in the other industrial sectors.

This section emphasizes those industry sectors that are particularly important to rural Canada. Firms in the primary sector and manufacturing sector tend to produce exportable products. Having an exportable product means that a firm is not limited to selling its products or services in the immediate area. Consequently, it has more

potential to grow as it is less constrained by the size and spending ability of the local population (a critical factor in much of rural Canada). However, producing an exportable product is a double-edged sword. While the potential to grow is enhanced, the firm is subject to competition from firms that are located at a distance. This competition is increasingly of a global nature in which the firm often has to compete with producers in low-wage economies around the world.

Firms in the producer services sector provide services to other businesses (including the self-employed) and may indicate the presence of rural 'service centres'.

Figure 3 Rural and small town manufacturing firms have a greater affinity to areas with stronger linkages to larger urban centres than those in the primary and producer services sector, Canada, 2007



Source: Statistics Canada, Business Register, 2007.

Among the 42,000 primary sector firms that were located in Canada's rural regions, just under one-fifth were found in Strong MIZ while Moderate MIZ and Weak MIZ accounted for over one-third each (Figure 3). Less than one in ten rural primary sector firms were found in No MIZ.

The pattern was different for rural manufacturing firms. There were approximately 11,500 manufacturing firms located in rural Canada. Their presence was strongest in Moderate MIZ which accounted for 40% of the total. Weak MIZ contained 30% of rural manufacturing firms while a further one-quarter were situated in Strong MIZ. Manufacturing firms appear to be associated slightly more with rural areas that have a higher degree of linkage to larger urban centres compared to those in the primary sector and the producer services sector. This pattern of rural manufacturing accords with the findings of Baldwin *et al.* (2001). The proportion of manufacturing sector firms in both Strong MIZ and Moderate MIZ was higher than that seen for

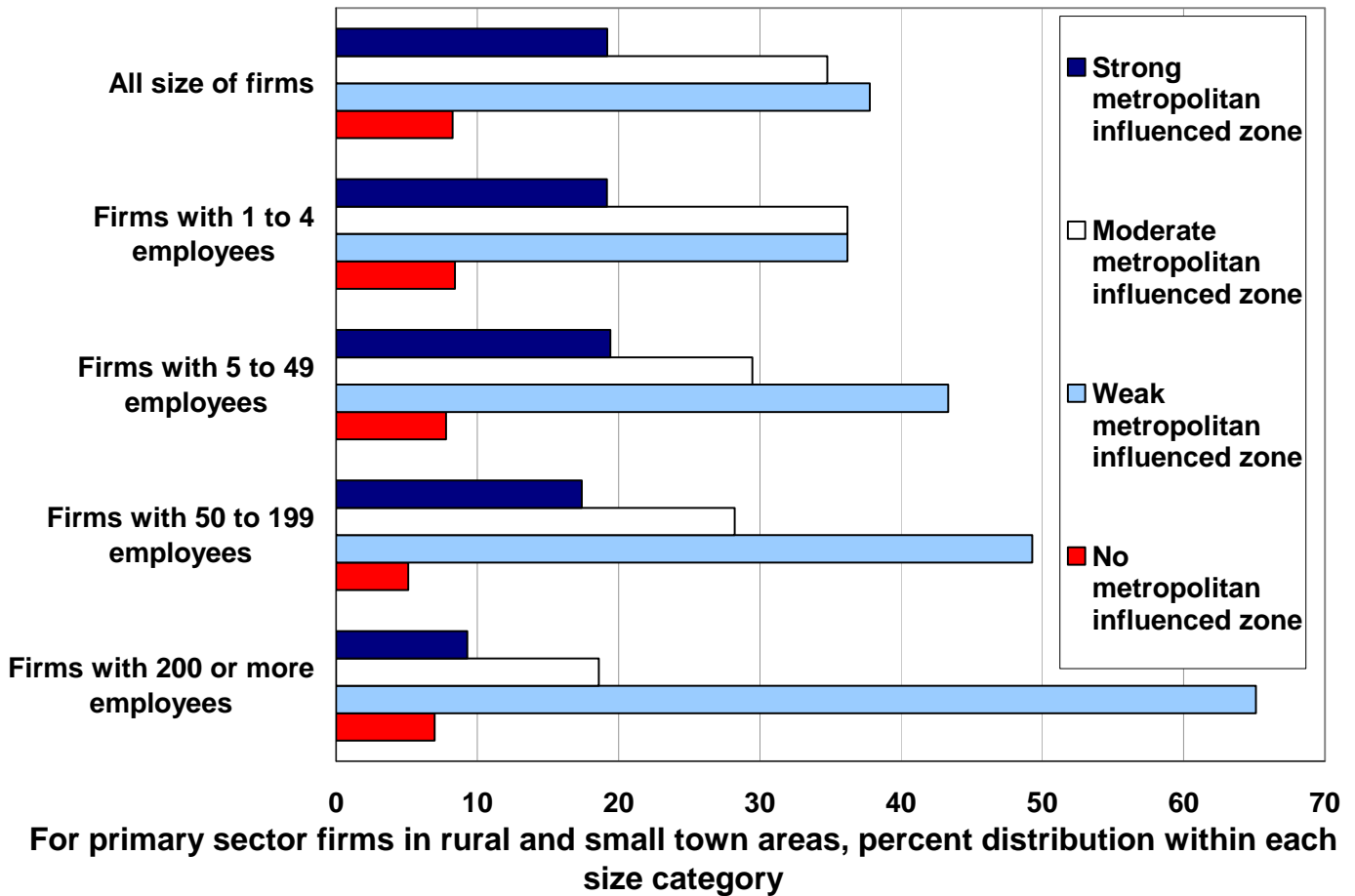
firms in the primary sector and the producer services sector.

There were 34,000 rural firms in the producer services sector. Of these, the largest share (39%) were located in Weak MIZ, followed by Moderate MIZ (33% and Strong MIZ (24%).

A closer look: Size and sector

In the primary sector, just over 65% of firms with 200 or more employees in RST Canada were located in Weak MIZ (Figure 4 and Appendix Table A). In contrast, less than 20% were found in Moderate MIZ and less than one-in-ten were located in Strong MIZ. This is an exaggeration of the pattern by size that was seen earlier for rural firms in all industry sectors. Primary sector firms with 200 or more employees are overwhelmingly concentrated in those rural areas that have fewer linkages to urban centres.

Figure 4 Within rural and small town Canada, primary sector firms with 200 or more employees are overwhelmingly concentrated in areas weakly linked to larger urban centres, Canada, 2007



Note: Employees refers to ‘full-time equivalents’ (Box 1).
 Source: Statistics Canada, Business Register, 2007.

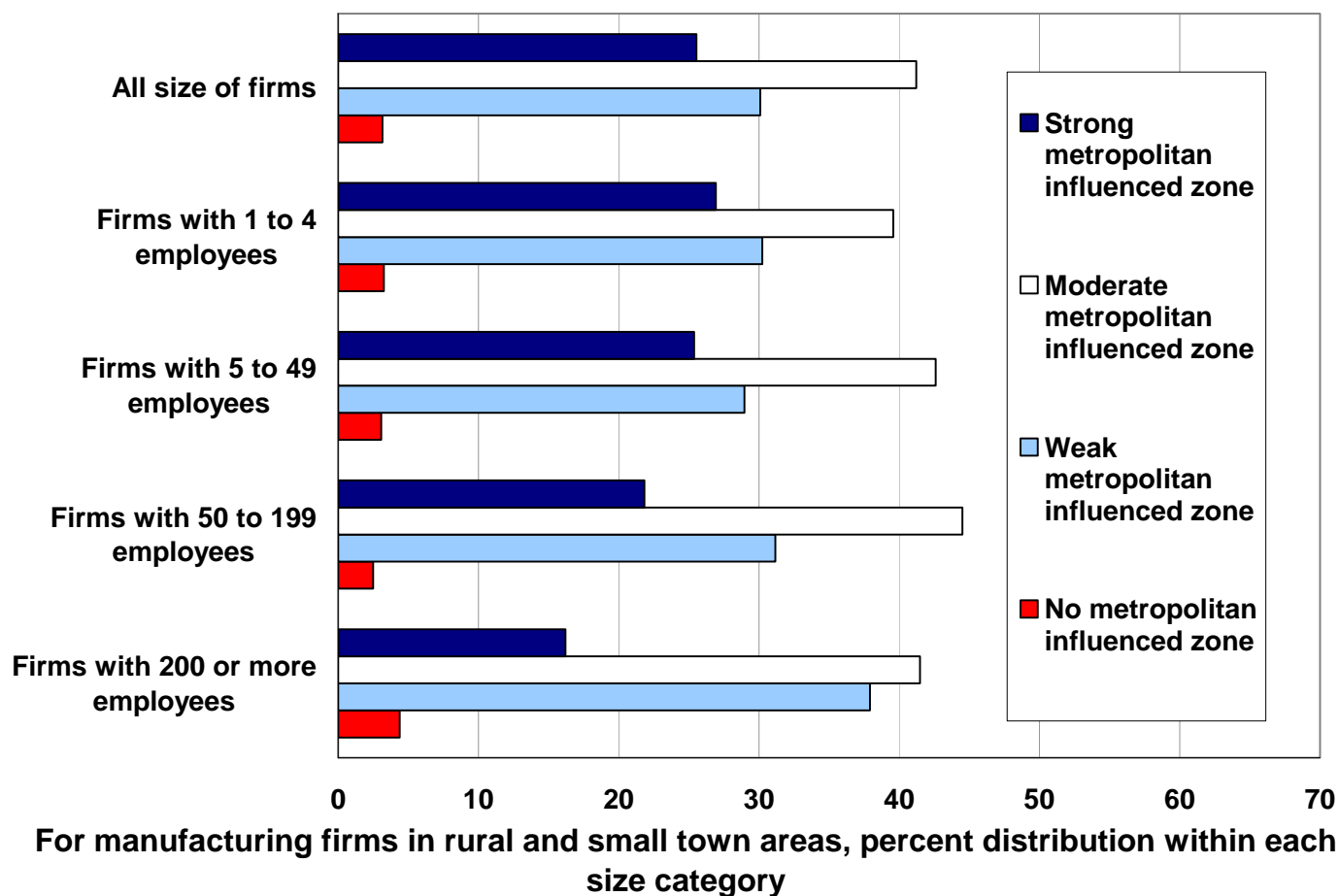
The pattern for RST firms in the manufacturing sector contrasted with that of firms in the primary sector. Forty-one percent of rural manufacturing firms with 200 or more employees were located in Moderate MIZ (Figure 5 and Appendix Table B). This was followed by Weak MIZ (38%) and Strong MIZ (16%).

As seen earlier, rural manufacturing firms have a greater affinity for those rural areas more strongly linked to urban centres as compared to firms in

the primary sector and the producer services sector.

However, this pattern is nuanced according to firm size. While over one-quarter of all rural manufacturing firms were found in Strong MIZ, the majority of these were firms with 1 to 4 employees. Just 16% of all rural manufacturing firms with 200 or more employees were located in Strong MIZ. Weak MIZ, the home of 30% of all rural manufacturing firms, contained 38% of firms of this size.

Figure 5 In rural and small town Canada, the strong metropolitan influenced zone contains one-quarter of all manufacturing firms, but just 16% of manufacturing firms with 200 or more employees, Canada, 2007

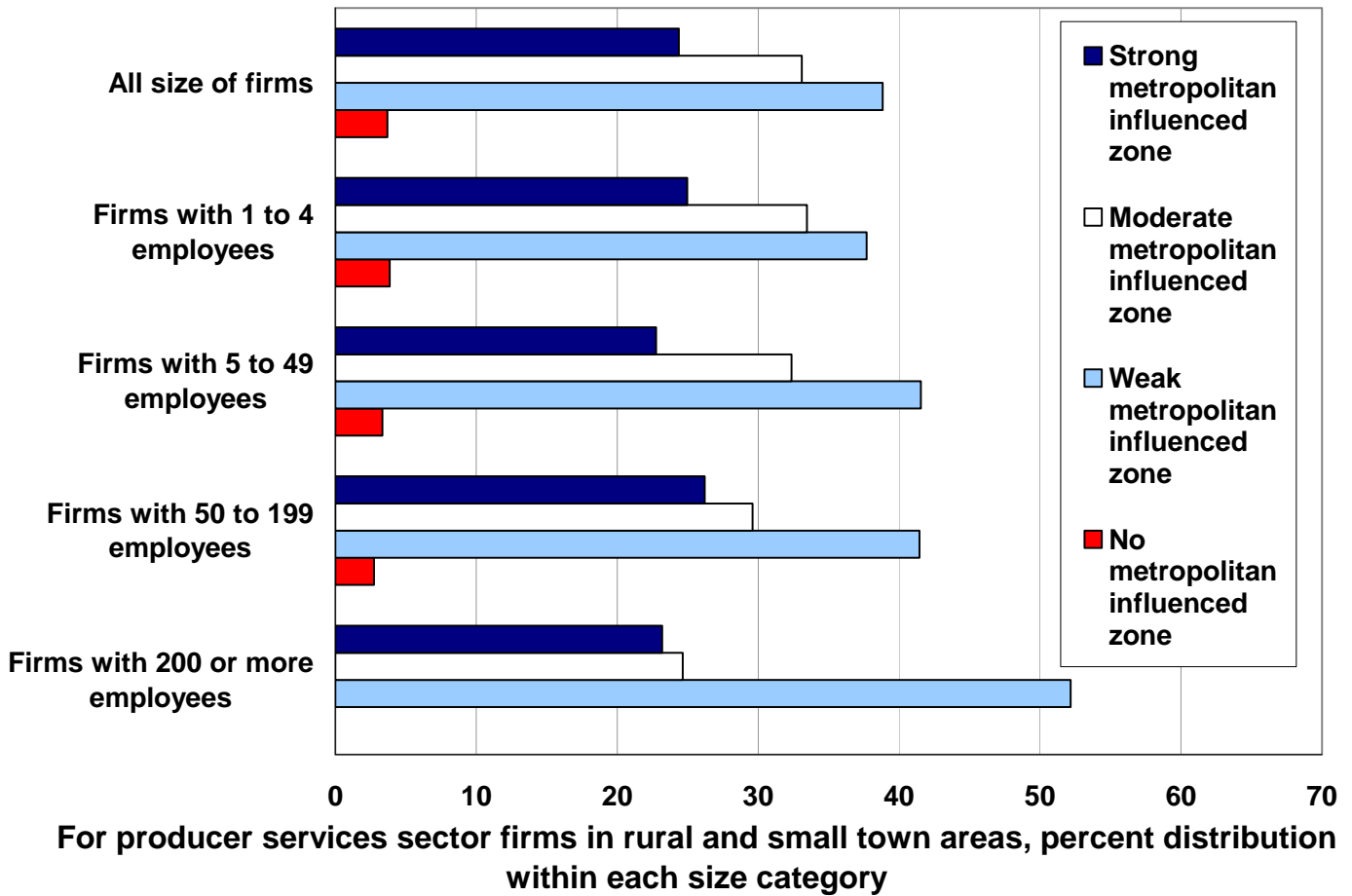


Note: Employees refers to 'full-time equivalents' (Box 1).
 Source: Statistics Canada, Business Register, 2007.

In the producer services sector located in RST Canada, firms with 200 or more employees were most often found in areas with weaker linkages to urban centres. Weak MIZ contained over one-half of producer services sector firms of this size (Figure 6 and Appendix Table C) while Strong

MIZ was home to less than one-quarter of these firms. This suggests that the producer services firms with 200 or more employees that were found in Weak MIZ were far enough from a LUC that they were able to capture a sizeable rural clientele.

Figure 6 Weak metropolitan influenced zones contain more than one-half of all rural and small town producer services sector firms that have 200 or more employees, Canada, 2007



Note: Employees refers to ‘full-time equivalents’ (Box 1).
 Source: Statistics Canada, Business Register, 2007.

Conclusion

This paper has portrayed the number and size of firms in rural and small town Canada and has compared those areas with stronger linkages to urban centres to those areas that have weaker linkages to urban centres. In addition, the number of firms in each rural region has been related to the number of people living in the same region. Finally, the number of firms in each industry sector was also examined with emphasis placed on the primary services sector, manufacturing sector and producer services sector.

The share of Canada’s firms with payroll employees located in RST areas is slightly higher than the share of Canada’s population living in RST. Nearly 22% of all Canada’s firms were located in RST areas. In comparison, RST Canada is home to 19% of Canada’s population. This overall pattern was nuanced according to firm size. One-quarter of all Canada’s firms with 1 to 4 employees were located in RST areas compared to one-in-ten firms with 200 or more employees.

RST Canada may have more firms per capita and a higher share of firms with 1 to 4 employees than larger urban centres due to the dispersed nature and relatively small size of its communities. This pattern tends to encourage the establishment of more but smaller firms.

Rural and small town areas that had strong links to larger urban centres (Strong MIZ) contained just over one-in-five of all rural firms. This is lower than the 23% of the RST population that reside in Strong MIZ. In addition, this share was lower for firms with 200 or more employees to the extent that 16% of large rural firms were located in Strong MIZ.

Rural regions that had weak links to urban centres (Weak MIZ) had relatively more firms than their share of the RST population. Weak MIZ was home to 38% of all rural firms but 34% of the RST population. Moreover, this share of firms increased with size to the extent that almost one-half of all firms with 200 or more employees in rural Canada were located in Weak MIZ. However, it should be remembered that one-in-ten of all firms of this size are located in RST areas.

The share of manufacturing firms in Weak MIZ (30%) trailed that of firms in both the primary sector (38%) and the producer services sector (39%).

Rural firms in these three industry sectors that had 200 or more employees were strongly represented in Weak MIZ. The most dramatic example was

furnished by the primary sector where the share of RST firms in Weak MIZ was 36% for firms with 1 to 4 employees and fully 65% for firms with 200 or more employees. As noted, Weak MIZ had more firms per capita than any other rural region in Canada and this situation was most apparent amongst firms with 200 or more employees. There were nearly 1.5 times as many large firms per capita in Weak MIZ compared to rural Canada as a whole.

The relatively high share of RST firms that were found in Weak MIZ, and particularly the high share of those firms with 200 or more employees, suggests that some towns in Weak MIZ are single-enterprise towns that are relatively more reliant on one larger employer.

There are two aspects to the relative concentration of rural firms in Weak MIZ. First, the concentration of firms in the primary sector, as well as the concentration of firms with 200 or more employees in the manufacturing sector, is important. These sectors tend to produce exportable products. As a result, businesses in these sectors are less constrained by the limited size of the local market.

Second, the relatively high share of firms overall, and the relatively high share in the producer services sector, in Weak MIZ may provide evidence for the presence of rural 'service centres.' These centres provide services for the surrounding rural population and businesses for whom the nearest urban centre is simply too far away.

Box 3 Resource-extraction versus a service centre: A tale of two communities

Among all the different types of communities found within Weak MIZ in Canada, there are essentially two extremes in terms of business establishments and employment opportunities. There is the 'traditional' rural community with a single major firm, usually exploiting a raw material, upon which the community relies for the bulk of its employment. At the other extreme, there is the rural community that acts as a regional service centre and which contains a diverse mix of business establishments. These regional service centres exploit their distance from urban centres by attracting rural residents who will be prepared to travel some distance to make use of the services that are offered but for whom the nearest urban centre is simply too far away.

A traditional community in a Weak Metropolitan Influenced Zone: Dubreuilville, Ontario

Dubreuilville is a community located in Northern Ontario that recorded a population of just below 800 in the 2006 Census of Population. As the name of the community might suggest, the majority (630) of the inhabitants of Dubreuilville recorded French as their mother tongue. Among the 625 that were 15 years of age or older, 10 had a university degree, certificate or diploma. The unemployment rate stood at 8.9% at the time of the 2006 Census of Population.

While Dubreuilville had 27 firms with payroll employees in 2007, there was only one that had 200 or more employees. This firm was in the wood product manufacturing industry sector (NAICS code 321). There were two firms that had between 50 and 199 employees, one in the forestry and logging industry sector (NAICS code 113) and one in the truck transportation industry sector (NAICS code 484). All the rest of the firms had less than 50 employees with the majority (17) being firms with 1 to 4 employees. The extent of the specialization of this community can be judged from the employment by industry type. Dubreuilville recorded 450 individuals aged 15 and over in the labour force. Of these 450, 25 were employed in retail and wholesale trade and 40 employed in business services. Nearby towns for shopping are about one hour away (Wawa or White River).

A regional service centre in a Weak Metropolitan Influenced Zone: Woodstock, New Brunswick

The New Brunswick community of Woodstock recorded a population of a little over 5,000 in the 2006 Census of Population. Among the 4,140 that were 15 years of age or older, 655 had a university degree, certificate or diploma while a further 125 had a certificate or diploma below the bachelor level. The unemployment rate stood at 7% at the time of the 2006 Census of Population.

Woodstock had 323 firms with payroll employees in 2007. There was one large firm with over 200 employees (in the hospitals industry sector (NAICS code 622)), but a further 24 had between 50 and 199 employees and 128 had 5 to 49 employees. There were 170 firms with 1 to 4 employees. The firms represented a diversity of industry sectors, including primary sector activity, manufacturing and retail and wholesale trade. Service sector activity was particularly well represented. Among the 24 firms with 50 to 199 employees, two were in the management of companies and enterprises sector (NAICS code 551), one in waste management and remediation services (NAICS code 562) and four were in the food services and drinking places sector (NAICS code 722).

The diversity of firms is reflected in Woodstock's employment statistics. Of the 2,565 in the labour force aged 15 and over recorded in the 2006 Census of Population, 310 were in manufacturing industries, 455 in retail and wholesale trade, 445 in business services and 510 in other services. A further 505 were in health care and social services and educational services.

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Appendix tables

Appendix table A Rural and urban firms with payroll employees in the primary sector, Canada, 2007

	Size of firm ¹				All firms
	1 to 4	5 to 49	50 to 199	200 or more	
	number of firms				
All areas	48,985	15,084	1,317	319	65,705
Larger urban centres	15,519	6,999	828	233	23,579
All rural and small town areas	33,466	8,085	489	86	42,126
Strong metropolitan influenced zone	6,420	1,570	85	8	8,083
Moderate metropolitan influenced zone	12,116	2,382	138	16	14,652
Weak metropolitan influenced zone	12,116	3,503	241	56	15,916
No metropolitan influenced zone	2,814	630	25	6	3,475
	percent of firms across each size category				
All areas	75	23	2	0	100
Larger urban centres	66	30	4	1	100
All rural and small town areas	79	19	1	0	100
Strong metropolitan influenced zone	79	19	1	0	100
Moderate metropolitan influenced zone	83	16	1	0	100
Weak metropolitan influenced zone	76	22	2	0	100
No metropolitan influenced zone	81	18	1	0	100
	percent of firms across each region				
All areas	100	100	100	100	100
Larger urban centres	32	46	63	73	36
All rural and small town areas	68	54	37	27	64
Strong metropolitan influenced zone	13	10	6	3	12
Moderate metropolitan influenced zone	25	16	10	5	22
Weak metropolitan influenced zone	25	23	18	18	24
No metropolitan influenced zone	6	4	2	2	5

1. Number of employee full-time equivalents (Box 1).

Source: Statistics Canada, Business Register, 2007.

Appendix table B Rural and urban firms with payroll employees in the manufacturing sector, Canada, 2007

	Size of firm ¹				All firms
	1 to 4	5 to 49	50 to 199	200 or more	
	Number of firms				
All areas	26,030	24,947	6,969	1,894	59,840
Larger urban centres	20,173	20,730	5,888	1,530	48,321
All rural and small town areas	5,857	4,217	1,081	364	11,519
Strong metropolitan influenced zone	1,577	1,070	236	59	2,942
Moderate metropolitan influenced zone	2,318	1,796	481	151	4,746
Weak metropolitan influenced zone	1,771	1,221	337	138	3,467
No metropolitan influenced zone	191	130	27	16	364
	percent of firms across each size category				
All areas	43	42	12	3	100
Larger urban centres	42	43	12	3	100
All rural and small town areas	51	37	9	3	100
Strong metropolitan influenced zone	54	36	8	2	100
Moderate metropolitan influenced zone	49	38	10	3	100
Weak metropolitan influenced zone	51	35	10	4	100
No metropolitan influenced zone	52	36	7	4	100
	percent of firms across each region				
All areas	100	100	100	100	100
Larger urban centres	77	83	84	81	81
All rural and small town areas	23	17	16	19	19
Strong metropolitan influenced zone	6	4	3	3	5
Moderate metropolitan influenced zone	9	7	7	8	8
Weak metropolitan influenced zone	7	5	5	7	6
No metropolitan influenced zone	1	1	0	1	1

1. Number of employee full-time equivalents (Box 1).
Source: Statistics Canada, Business Register, 2007.

Appendix table C Rural and urban firms with payroll employees in the producer services sector, Canada, 2007

	Size of firm ¹				All firms
	1 to 4	5 to 49	50 to 199	200 or more	
	Number of firms				
All areas	175,536	87,454	9,722	2,532	275,244
Larger urban centres	151,267	78,152	9,249	2,463	241,131
All rural and small town areas	24,269	9,302	473	69	34,113
Strong metropolitan influenced zone	6,058	2,116	124	16	8,314
Moderate metropolitan influenced zone	8,123	3,011	140	17	11,291
Weak metropolitan influenced zone	9,150	3,864	196	36	13,246
No metropolitan influenced zone	938	311	13	0	1,262
	percent of firms across each size category				
All areas	64	32	4	1	100
Larger urban centres	63	32	4	1	100
All rural and small town areas	71	27	1	0	100
Strong metropolitan influenced zone	73	25	1	0	100
Moderate metropolitan influenced zone	72	27	1	0	100
Weak metropolitan influenced zone	69	29	1	0	100
No metropolitan influenced zone	74	25	1	0	100
	percent of firms across each region				
All areas	100	100	100	100	100
Larger urban centres	86	89	95	97	88
All rural and small town areas	14	11	5	3	12
Strong metropolitan influenced zone	3	2	1	1	3
Moderate metropolitan influenced zone	5	3	1	1	4
Weak metropolitan influenced zone	5	4	2	1	5
No metropolitan influenced zone	1	0	0	0	0

1. Number of employee full-time equivalents (Box 1).
 Source: Statistics Canada, Business Register, 2007.

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