

# Three large urban areas in transition

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The three largest metropolitan areas, Montreal, Toronto and Vancouver, together accounted for a third of all employment in Canada in 1991. Because of their size and their industrial and financial status, these urban areas are vital not only to their respective provinces, but also to the country as a whole.

Between 1971 and 1991, the relative demographic and economic positions of these three census metropolitan areas (CMAs) changed (see [Definition of census metropolitan area](#)). Montreal, which had long been the most populous, relinquished the title of Canada's largest CMA to Toronto. <sup>(1)</sup> Vancouver, previously hampered by its geographic location, now finds itself well placed as trade with Asia expands. Montreal and Toronto, however, remain Canada's centres of economic activity, largely because their respective provinces together account for nearly 60% of the country's population.

This article examines how employment by industry has evolved in these three CMAs since 1971. The analysis is based on data from the 1971, 1981 and 1991 Censuses. The Labour Force Survey is used for a brief overview of trends in 1992 and 1993.

## Historical and demographic development

Montreal was founded in 1642 at the site of an Indian village (Hochelaga) on the waterways serving the fur trade. Montreal's population grew gradually at first, then more rapidly, especially after the British takeover and the resulting development of the agriculture, manufacturing and financial sectors. For many years, Montreal was the economic hub of Canada. By 1971, it was the country's largest CMA, with 2.7 million inhabitants. However, over the next 20 years, its population rose at a relatively slow pace - 13% - so that by 1991 it was Canada's second largest CMA, with a population of 3.1 million.

British and American loyalist immigrants developed the town of York, which became Toronto in 1834. Proximity to American industrial cities and the settlement of Western Canada meant that Toronto was a more central market than Montreal. This contributed to the CMA's long-term industrial and financial importance. Between 1971 and 1991, Toronto's population increased 47% from 2.6 million to 3.9

million, making it the largest Canadian CMA.

Vancouver, founded in 1886, owes its early growth to British Columbia's natural resources (forestry, fishing, and mining). The CMA's location and port facilities earned it the title, "Canada's window on the Pacific." Vancouver long appeared to be on the "wrong" side of the country, as trade routes favoured the Atlantic over the Pacific. Recently, however, this location has been an advantage, and the CMA has benefited from expanding trade with Asia. The population of Vancouver rose 46% from 1.1 million in 1971 to 1.6 million in 1991, with more than 40% of this increase occurring after 1986.

During the 1971 to 1991 period, the shift in Canada's industrial structure toward a service-based economy was reflected in these three urban areas, as the goods-producing share of total employment declined in each CMA (see [Industrial classification](#)). In addition, the rate of economic growth measured by real gross domestic product (GDP) slowed from 4.7% in the 1970s to 3.3% in the 1980s. These developments changed the labour market in the three metropolitan areas, but because each one had a different industrial mix, they were not affected to the same extent.

## Goods sector

From 1971 to 1991, the proportion of workers in goods-producing industries fell in each of the three CMAs. For the most part, this downturn in goods-producing employment was attributable to manufacturing (see [Industries not included in this study](#)).

In all three CMAs, the number of manufacturing workers was actually higher in 1981 than in 1971, but by 1991 the figures had fallen. The drop was particularly sharp in Montreal and Toronto. From 1981 to 1991 the net employment loss in manufacturing was 15% (-45,000 workers) in Montreal and 10% (-38,000) in Toronto, compared with a 4% drop for Vancouver (-3,000).

As a result, in each CMA manufacturing made up a smaller proportion of employment in 1991 than it had 20 years earlier. In 1971, manufacturing dominated the economies of Montreal and Toronto, accounting for one quarter of all employment; by 1991, the proportion had fallen to 17% in both cities. Manufacturing was less important to Vancouver, representing only 16% of workers in 1971. Even so, by 1991, manufacturing's share of Vancouver's employment was down to 11% ([Table 1](#)).



**Table 1 Employment share by industry and census metropolitan area**

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## Weaker industries

In both Montreal and Toronto, the largest manufacturing employment losses were primarily in the same industries: clothing and textiles, [\(2\)](#) metal fabricating, and electrical products. Vancouver's greatest manufacturing loss was in the wood industry ([Table 2](#)).



### Table 2 **Employment in manufacturing, by census metropolitan area**

The steep declines in Montreal's manufacturing employment are often attributed to the prominent role of its clothing and textile industries. The loss of protective tariffs as a result of market globalization forced these industries to compete with Asian countries where labour costs are significantly lower, and with major industrialized nations such as the United States. As well, clothing and textile industries felt the impact of the last two recessions. Consequently, despite efforts to specialize in top-of-the-line clothing, Montreal had a net loss of almost 19,000 clothing and textile workers from 1981 to 1991.

Other substantial employment losses occurred in Montreal's metal fabricating industry (7,000 workers between 1981 and 1991) and electrical products industry (a total decline of 5,000 between 1971 and 1991). The latter is one of only two industries (the other being tobacco) that lost workers in both the 1970s and the 1980s.

Toronto's manufacturing is more diversified, and tends to be concentrated in highly mechanized industries with greater value added [\(3\)](#) and higher productivity growth. Between 1981 and 1991, manufacturing employment losses in Toronto were more widespread, with declines of approximately 11,000 workers in each of metal fabricating, clothing and textiles, and electrical products. As in Montreal, the recessions and market globalization were probably largely responsible for these losses. The decline of the metal fabricating industry also reflects technological changes that have reduced the use of metal products.

In 1971, the wood industry dominated Vancouver's manufacturing. However, this sector was adversely affected by equipment modernization and by the 1981-82 recession, which was followed by a drop in all resource prices. Between 1981 and 1991, the decline in Vancouver's wood industry employment amounted to nearly 7,000 workers.

## Stronger industries

Certain industries in the three CMAs escaped the general downturn in manufacturing employment. The most notable examples were printing and publishing and chemical products (including pharmaceuticals), which saw net employment increases in each CMA. The resurgence of the printing and publishing industry was most pronounced in Vancouver, while gains in chemicals were more important to Montreal and Toronto, and occurred mainly between 1971 and 1981.

From 1981 to 1991, both Montreal and Toronto experienced employment growth in a few other manufacturing industries. In addition to chemicals and printing and publishing, Montreal had slight increases in wood and in rubber and plastics. Toronto had a major gain (9,200 workers) in transportation equipment, as well as comparatively minor growth in primary metals and woods.

But of the three CMAs, Vancouver saw employment rise in the greatest number of manufacturing industries. As well as in chemicals and printing and publishing, there were upturns in food and beverages, rubber and plastics, clothing and textiles, electrical products, furniture, and paper. Even though these gains tended to be relatively small, they reflected the diversification of Vancouver's manufacturing, which coincided with the decline in wood. And unlike the situation in Montreal and Toronto, many of Vancouver's industries were new, so did not have to undergo restructuring in the 1980s with resulting loss of employment ([Kunin and Knauf](#), 1992).

## Changing places

The employment gains and losses in the various components of manufacturing affected the relative importance of different industries in each CMA ([Chart A](#)).



### **Chart A Vancouver accounted for only 5% of employment in Canadian manufacturing in 1991.**

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In 1991, despite large employment losses, clothing and textiles continued to account for the largest share of Montreal's manufacturing workers, followed by food and beverages. But while clothing and textiles had employed 25% of the CMA's manufacturing workers in 1971, and food and beverages, 12%, the proportions had fallen to 21% and 11%, respectively, by 1991. As well, in 1991 Montreal's third- and fourth-ranking manufacturing industries were printing and publishing (10%) and transportation equipment (9%); 20 years earlier, electrical products and metal fabricating had stood third and fourth.

Toronto's two leading manufacturing industries in 1971 had been metal fabricating (11%) and electrical products (11%). By 1991, printing and publishing (12%) and transportation equipment (12%) shared first place.

Of the three CMAs, Vancouver experienced the greatest change in the distribution of manufacturing workers. The sharp downturn in wood meant that by 1991 this industry represented just 11% of the CMA's manufacturing employment, compared with 21% two decades earlier. In fact, by 1991 wood ranked third after food and beverages (17%) and printing and publishing (12%).

## Service sector

Unlike employment in goods-producing industries, the number of workers in services increased steadily in all three CMAs from 1971 to 1991. During these 20 years, service sector employment rose 75% in Montreal and more than doubled in both Toronto and Vancouver.

As a result, employment in each CMA shifted even more toward the service sector. By 1991, services accounted for 73% of workers in both Montreal and Toronto, up from 61% two decades earlier. Vancouver's service sector also increased (to 78%), although even in 1971, services had represented 67% of the CMA's employment.

## Consumer services

Over the two decades, employment in consumer services roughly doubled in all three CMAs. Consequently, by 1991, consumer services accounted for the single largest proportion of workers in each CMA - 23% in Montreal (up from 18% in 1971), 22% in Toronto (from 19%), and 26% in Vancouver (from 22%).

Retail trade represented the greatest share of consumer services workers in 1991, although this proportion had fallen since 1971 in favour of tourism-oriented services such as accommodation and food. (4) For Montreal and Toronto, tourism employment increased mainly in the 1970s, reflecting the 1976 Olympics in Montreal and the construction of tourism infrastructures such as the CN Tower and convention centres in Toronto. In both CMAs, employment growth in this area fell off in the 1980s.

Growth was strong in Vancouver's tourism-oriented services throughout the 20-year period. Expo 86 probably contributed to the steady rise in such employment from 1981 to 1986, and the many travellers from Asia likely prevented a slowdown in subsequent years.

## Financial and commercial services

The fastest growing industry in each CMA was financial and commercial services. Financial, insurance and real estate services, and services to business management are often located in large centres and, because they are "exportable" services, they help to define a CMA's economic influence ([Polèse](#), 1990). From 1971 to 1991, employment in these fields doubled in Montreal, while in both Toronto and Vancouver, numbers almost tripled. In each CMA, growth of the financial and commercial services

group was largely attributable to services to business management, which includes legal, computer, accounting, advertising and other services.

To some extent, Toronto's gains in financial and commercial services reflected transfers of head offices and business offices from Montreal. As well, in each CMA firms were increasingly contracting or subcontracting for business management services they had previously handled themselves.

Between 1971 and 1991, financial and commercial services' share of total employment rose from 9% to 14% in Montreal and from 10% to 16% in Vancouver. However, of the three cities, Toronto had the largest share (19%) of its workforce in financial and commercial services in 1991 (up from 11% in 1971), giving it the title of Canada's financial capital ([Chart B](#)).



### **Chart B In 1991, Toronto accounted for the largest share of employment in financial and commercial services.**

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## **Distribution services**

While employment in distribution services increased in each CMA, the pace of growth was slow compared with other service industries. Thus, although distribution services accounted for a large share of workers throughout the two decades, the proportion remained at 14% in Montreal and declined slightly in both Toronto (from 13% to 12%) and Vancouver (from 17% to 15%).

Transportation, the dominant industry in distribution services, recorded significant employment losses (-5,500) in Montreal during the 1980s, primarily in rail transport. As a result, Montreal's proportion of distribution services workers in transportation fell from 44% in 1971 to 35% in 1991. On the other hand, employment in transportation increased in Toronto, thanks to expanding air cargo. Vancouver, too, experienced an overall increase in transportation workers, notably in air transport and urban transportation systems. Yet despite these gains, transportation's share of employment in distribution services fell slightly in both cities. To some degree, growth in wholesale trade and in communications compensated for these declines.

## **Social services**

Social services employment grew considerably between 1971 and 1991 in all three CMAs. Numbers doubled in Toronto and Vancouver, while Montreal had a 77% increase. The increase of this group's share of total employment resulted mainly from the rise in health (and social) services after the



implementation of universal health care. In 1971, health and education had each accounted for about 6% of employment in the three CMAs. By 1991, the education proportion was the same, while health had risen to 10% in Montreal, 7% in Toronto, and 9% in Vancouver.

## Since 1991

The 1991 Census was conducted before the full impact of the 1990-92 recession. [\(5\)](#) Labour Force Survey data for 1992 and 1993 complete the analysis. [\(6\)](#)

From 1991 to 1993, Montreal and Toronto both recorded employment losses in most industries. The recession was particularly hard on Toronto and led not only to the closing of several manufacturing firms, but also to a drop in service sector employment. Montreal, which had been hit hard by the 1981-82 recession, did not grow as quickly as Toronto during the 1980s, and therefore appeared to be affected less severely by the 1990-92 recession. Montreal's 1% drop in employment compared with a 3% decline in Toronto. In both cities, losses were greatest in manufacturing, financial and commercial services, and distribution services.

In Vancouver, the growth of recent years appears to be falling off. Gains in all industries made in 1992 were eliminated in 1993, [\(7\)](#) when the CMA recorded its first employment loss in 10 years. Most of the service industries that increased in 1992 declined in 1993, and manufacturing employment dropped in each of the 2 years.

## Summary

The shift from goods-producing to service industries that has taken place in Canada over the last two decades affected the country's three largest urban areas. However, the impact of this change depended on the extent to which each CMA's workforce was concentrated in the goods-producing sector, or more specifically, manufacturing.

In 1971, the industrial structures of Montreal and Toronto were dominated by manufacturing. Montreal, with a large proportion of workers in clothing and textiles, was hard hit by major losses in this industry over the 20-year period, particularly between 1981 and 1991. Toronto, with a more diversified industrial structure, suffered smaller losses that were spread among a wider range of industries. Vancouver's wood industry was severely affected by the 1981-82 recession. However, employment in Vancouver recovered as trade with Asia began to intensify.

By 1991, almost three-quarters of all workers in Montreal and Toronto were in the service sector, while in Vancouver, the proportion was close to 80%. Over the 20 years, the greatest growth in all three CMAs was in financial and commercial services. Consumer services increased at a slower pace, but still dominated the employment scene in each metropolitan area in 1991.

## Definition of census metropolitan area

Census metropolitan areas (CMAs) have different geographic boundaries than the municipalities of Montreal, Toronto, and Vancouver. A CMA is a large urban centre plus adjacent urban and rural areas with which it is integrated economically and socially. A CMA is delineated around an urbanized core with a population of at least 100,000 based on the previous census. This concept takes commuting patterns into consideration.

Because this definition applies to all three CMAs, statistical comparisons are possible. However, between 1971 and 1991, the geographic boundaries were changed (mainly in 1976 and 1986) because of suburban population growth. This study used the CMA boundaries in effect in each census year. The data for 1981 and 1991 were not adjusted to conform to the 1971 boundaries.

For further information, consult the *1991 Census Dictionary*, Catalogue 92-301E.

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## Industrial classification

In this study, industries are classified according to the 1970 Standard Industrial Classification.

### Goods-producing industries:

**Primary:** agriculture; fishing and trapping; forestry; mining, quarrying and oil wells.

**Manufacturing:** food and beverages; tobacco; rubber and plastics; knitting mills; leather; clothing; textiles; wood; furniture and fixtures; paper and allied; printing, publishing and allied; primary metals; metal fabricating; machinery; transportation equipment; electrical products; non-metallic mineral products; petroleum and coal products; chemicals and chemical products; and miscellaneous manufacturing industries.

**Construction:** general and special-trade contractors.

### Service-producing industries:

**Consumer services:** retail trade; personal services; accommodation and food services; amusement and recreation services; and miscellaneous services.

**Financial and commercial services:** finance, insurance and real estate; and services to business



management.

**Distribution services:** transportation; communication and other utilities (water, gas, etc.); storage; and wholesale trade.

**Social services:** education and related services; health and welfare services; and religious organizations.

**Public administration and defence:** federal administration and defence services; provincial and local administration.

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## Industries not included in this study

In addition to manufacturing, the goods-producing sector includes agriculture, other primary industries (fishing, forestry and mining), and construction. Agriculture and other primary industries account for only 1% or 2% of employment in the three metropolitan areas, and are, therefore, excluded from the analysis.

The construction industry is very sensitive to economic cycles, and construction activities are tied to project locations. Consequently, census-based measures of employment levels in construction (at a specific time every five years) can be misleading. The Labour Force Survey gives a more complete picture of employment trends in construction. Montreal's construction employment peaked around the 1976 Olympics, and did not regain these levels until 1986. Strong economic growth in the late 1980s had a positive effect on the industry until the recession began in 1990.

In Toronto and Vancouver, too, construction was strong, particularly during the latter half of the 1980s. However, Toronto's construction boom ended abruptly during the 1990-92 recession. By contrast, in Vancouver, Asian and American investment and strong population growth maintained construction employment levels in the early 1990s.

Public administration, a service industry, is also excluded from the analysis, as employment levels in this industry have changed very little over the past 20 years.

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## Notes

### *Note 1*

According to 1976 Census data.

**Note 2**

This group of industries comprises clothing, textiles, knitting mills, and leather.

**Note 3**

In 1991, metal products, electrical products and transportation equipment accounted for 6% of the labour force in Ontario. These three industries contributed 39% of the value added by manufacturing as a whole in Ontario.

**Note 4**

The Standard Industrial Classification (SIC) does not define tourism per se as an industry. Accommodation and food services is often used as a proxy.

**Note 5**

According to the Labour Force Survey, the lowest employment level during the recession was in April 1992.

**Note 6**

The Labour Force Survey codes industry according to the 1980 Standard Industrial Classification. Use of the 1980 SIC would not affect the findings in this article.

**Note 7**

Employment changes by CMA could differ from those observed in studies done by province.

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## Source

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Table 1

**Employment share by industry and census metropolitan area**

	Montreal			Toronto			Vancouver		
	1971	1981	1991	1971	1981	1991	1971	1981	1991
	‘000								
<b>All employment</b>	<b>1,007</b>	<b>1,286</b>	<b>1,455</b>	<b>1,178</b>	<b>1,598</b>	<b>2,010</b>	<b>440</b>	<b>639</b>	<b>803</b>
	%								
	100	100	100	100	100	100	100	100	100
Goods-producing industries*	30	28	23	32	29	23	26	23	19
Agriculture and other primary	1	1	1	1	1	1	3	2	2
Manufacturing	25	23	17	25	23	17	16	14	11
Construction	4	4	5	6	5	5	7	6	6
Service-producing industries*	61	69	73	61	68	73	67	74	78
Consumer	18	21	23	19	21	22	22	24	26
Financial and commercial	9	11	14	11	15	19	10	13	16
Distribution	14	15	14	13	14	12	17	17	15
Social	13	15	16	12	12	14	13	14	15
Public administration and defence	5	6	6	6	5	6	5	6	5
Unspecified	9	4	4	7	3	4	7	4	3

*Source : 1971, 1981 and 1991 Censuses of Canada*

*Note: Estimates may not add to 100% due to rounding.*

*\* See Industrial classification.*

Table 2

**Employment in manufacturing, by census metropolitan area**

	Montreal			Toronto			Vancouver		
	1971	1981	1991	1971	1981	1991	1971	1981	1991
<b>All manufacturing</b>	<b>256</b>	<b>296</b>	<b>251</b>	<b>297</b>	<b>371</b>	<b>333</b>	<b>73</b>	<b>90</b>	<b>86</b>
Food and beverages	29	32	28	31	39	38	11	13	15
Tobacco	4	3	2	1	1	--	--	--	--
Rubber and plastics	5	7	7	11	16	15	1	2	3
Clothing, textiles and related*	65	70	52	26	33	22	4	6	6
Wood	3	4	5	3	5	5	15	17	10
Furniture and fixtures	8	10	9	9	17	14	2	3	3
Paper and allied	10	11	9	15	16	14	4	5	5
Printing, publishing and allied	17	21	24	29	35	41	6	7	10
Primary metals	9	10	7	8	8	9	2	2	2
Metal fabricating	20	24	17	32	41	29	8	10	9
Machinery	8	13	9	21	24	21	3	6	4
Transportation equipment	17	27	24	25	31	40	5	6	4
Electrical products	23	21	18	32	36	26	3	4	4
Non-metallic mineral products	7	8	6	10	10	8	3	3	2
Petroleum and coal products	4	5	2	4	5	2	1	1	1
Chemicals and chemical products	16	18	19	19	24	25	2	3	3
Miscellaneous	10	12	14	22	29	23	2	3	5

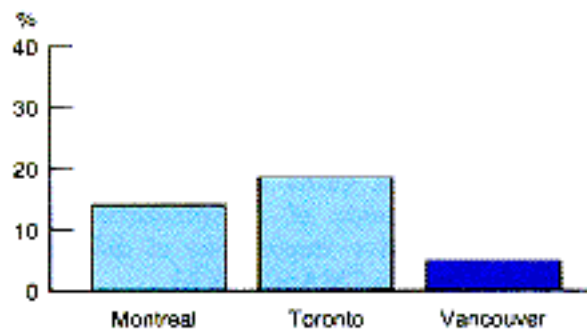
*Source : 1971, 1981 and 1991 Censuses of Canada*

*Note: Estimates may not add to totals due to rounding.*

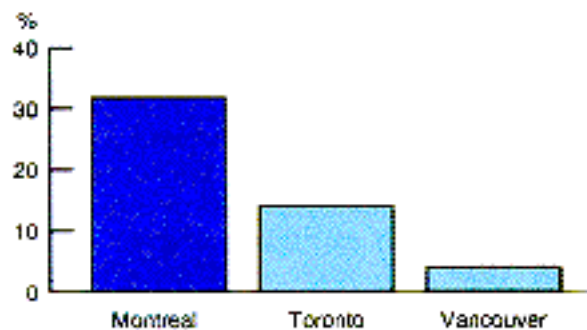
*\* Also includes knitting mills and leather.*

Chart A

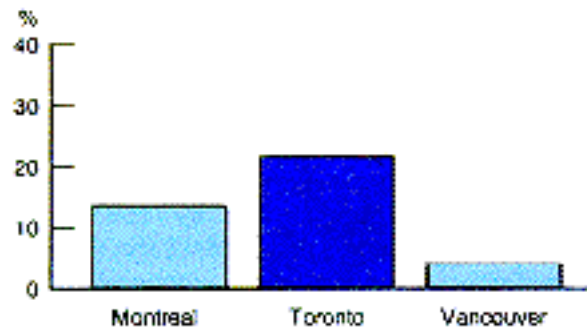
**Vancouver accounted for only 5% of employment in Canadian manufacturing in 1991.**



**Despite losses in the 1980s, Montreal had the lion's share of Canadian workers in clothing and textile\* industries ...**



**... while Toronto still dominated in metal and electrical products and transportation equipment.**



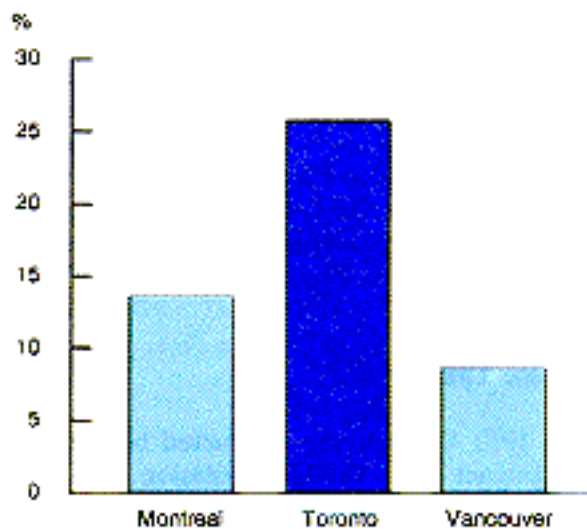
Source: Census of Canada, 1991

\* Also includes leather and knitting mills.



Chart B

**In 1991, Toronto accounted for the largest share of employment in financial and commercial services.\***



Source: Census of Canada, 1991

\* Includes finance, insurance and real estate, and services to business.