

Cities are not New Brunswick's growth engines, and that's a big problem

Engines of growth, innovation hubs, population magnets: these are some of the expressions often used to describe the role of cities in New Brunswick's economy.

As for most formulas bandied about reflexively, these expressions deserve to be scrutinized. This is what I do below for the idea that our cities are the province's engines of growth. My conclusion is that, for the most part, it is not the case. And that's a big problem.

When it comes to economic development, it is important to distinguish between a region's industrial and export base and economic activity that caters mostly to local needs. A city whose growth is fueled by services such as retail or health and elderly care is generally not driving the region's or the province's growth. Rather, it is simply benefiting from the growing needs of local residents.

With this distinction in mind, let's examine the recent performance of New Brunswick cities, starting with the four northern census agglomerations (CAs) of Edmundston, Campbellton, Bathurst and Miramichi.

Like the rest of the North, these four CAs are aging fast. Since 2010, they have lost 13% of their people aged between 15 and 64. According to the last census, there were 44,500 people employed in these four CAs in 2016, around 1,500 fewer than a decade before. The number of people working in education as well as health care and social assistance, however, had jumped by about 1,200 or 12%. Outside these two pillars of the public sector, the four CAs had lost a combined 2,700 jobs, a decline of 8%.

In short, if these four CAs are the North's engines of growth, then the transmission has been set in reverse gear quite some time ago.

Let's now turn to the three major southern urban centers.

The Saint John census metropolitan area (CMA) has been struggling for at least two decades. Since 2010, its population aged 15 to 64 is down more than 4,000 or 5%. Excluding the public sector, the CMA lost 6% of its jobs between 2009 and 2019.

The Fredericton CA and the Moncton CMA, for their part, are doing much better. Let's focus here on Moncton, as it is often called the province's main growth engine. Since the turn of the millennium, the CMA's population has grown by about 30%. From 2009 to 2019, employment and the labour force in the Moncton CMA were up 12% and 11% respectively. This performance puts Moncton in the middle of the pack among Canadian CMAs.

However, more worrisome trends hide beneath the surface. Three fifths of the 8,800 jobs added between 2009 and 2019 in the CMA were in the public sector, and the remainder was added in industries that cater almost exclusively to local or regional demand such as retail trade. Meanwhile, the manufacturing industry and the "business, building and other support services" industry (which contains most contact centers) lost in total more than 2,000 jobs.

So, what is going on that even our top performing cities have not managed to grow their industrial and export base?

Behind the above numbers lies a critical common denominator: population aging. As baby boomers advance in age, fewer New Brunswickers are available for work and health and elderly care needs

continue to grow. Between 2009 and 2019, the province's private sector lost 15,100 workers, bringing the total down to 271,100. Meanwhile, the number of people employed in health care and social assistance sector grew by 8,500, to 60,600.

But there's more. Aging has not only shifted labour from the private to the public sector, it has also done the same within the private sector, pushing workers away from industrial and export employment toward local goods and services. This shift, in turn, is fueled by the money spent locally by new public sector workers, as well as a torrent of "silver gold"—private and public pensions dollars—flowing into our aging province's economy.

In sum, for a decade now, New Brunswick' engine of growth was neither its cities nor its rural communities, but its aging population. In such a growth environment, the winners are cities like the Moncton and Fredericton CMAs that excel in providing public and other services catering to local and regional populations. The losers are the entire province and more industrial cities such as the Saint John CMA. Left unchecked, New Brunswick's fast population aging will continue to deindustrialize the province for at least another 15 years.

The most promising solution is one that applies to all communities, big or small: immigration. If New Brunswick is to have a realistic chance to strengthen its industrial and export base, meet the growing local demands of its aging population, and move towards greater self-sufficiency rather than greater reliance on debt and on Ottawa, it will need to welcome many more people for outside its borders.

Our first priority should be to make sure we have decent, affordable housing to welcome many more newcomers. I was asked recently by a New Brunswick city official where I'd recommend they invest their next \$1 million in economic development funds. My answer: \$999,999 on the social infrastructure needed to welcome more immigrants and the remaining \$1 on a lottery ticket.

Beyond making immigration their top priority, development officials should live by the Hippocratic principle of "First, do no harm". The economic development paradigm has shifted. For the first time in its modern history, New Brunswick's challenge is not to create jobs for the unemployed but to find workers for vacant jobs. Unless we are talking about high value-added positions, job creation should no longer be a priority.

Otherwise, our approach to economic development should feed less on technocracy and more on history. Like it or not, New Brunswick's economic position within the Canadian, North American and global economies is that of a peripheral region heavily reliant on natural resources. Despite the valiant efforts of several generations of outstanding political and business leaders, this position has not changed much in a century. Our best hope remains in continuing to "pull against gravity" by banking on our natural resources, building a world-class education system, nurturing the next generation of entrepreneurs and welcoming much more talent from abroad.

If that fails, there is always the lottery ticket!