

# Economic Development Framework of Small Communities in Canada

## Phase One: An Inventory of "Small" Communities

Prepared by:

David Bruce, Rural and Small Town Programme, Mt. Allison University  
Greg Halseth, Geography, University of Northern British Columbia  
and Kelly Giesbrecht, Geography, University of Northern British Columbia

Prepared for:

Jessica Yen  
Canada Mortgage and Housing Corporation  
Ottawa

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## Introduction

The purpose of this report is to provide the context and background of how small communities are defined in the literature, and to develop an inventory of "small" communities in Canada for the purpose of further analytical work in future phases of this project. More specifically, the purposes as defined in the terms of reference include:

- 1) Conduct a literature review to provide a definition of "small" and explain if there is a universal definition of "small" communities that would be applicable in all provinces and territories; if not, then provide alternative definitions of "small".
- 2) Indicate the parameters (population density, population size, influence by and distance from an urban area, distance to an essential service) within the above definitions used in classifying the boundaries of the inventory of small communities.
- 3) Discuss the rationale for the parameters and explain whether or not they can be applied to all provinces and territories and why.
- 4) Weigh the pros and cons of restricting small places to just municipalities, to Census Subdivisions (or including non-municipal units), or to some other elements and make a recommendation.
- 5) Based on the above recommendation, compile a list of relevant small communities in Canada.
- 6) It is expected that the list of small communities will emerge mainly from low to moderate Metropolitan Influenced Zones (MIZ), or non metro-adjacent communities.

This report begins with a brief discussion of the methodology employed to conduct the literature review and to develop the inventory of small communities. This is followed by a brief summary of the main findings from the literature review and inventory development, as they relate to the items identified above. Appendix One provides a detailed literature review on the topic of defining small communities, including a comparison of and discussion about approaches developed by Statistics Canada and the United States Department of Agriculture, Economic Research Service (USDA-ERS). Appendix Two provides the inventory of small communities to be used in future phases of this project, including the categorization of different types of small communities based on population size, metropolitan influence, and municipal status.

## Methodology

For the purpose of conducting the literature review, a focus was placed on searching for analytical reports and working papers prepared by the primary national statistical agencies in both Canada (Statistics Canada) and the United States (USDA-ERS). Both agencies have worked extensively over the past 15 years to develop more appropriate ways to differentiate the broad range of small and rural communities within each of their national contexts. In addition, the work of the Organization for Economic Cooperation and Development (OECD) to develop a set of indicators or measures of rural that would be applicable internationally was consulted. To supplement these, a search was also conducted for scholarly work on the issue of defining small communities or defining rural places, with a particular emphasis on examining scholarly work which employed or “tested” the models, approaches and ideas developed by the two statistical agencies.

For the purpose of developing the inventory of small communities based on the recommendations emerging from the literature review, the electronic version (spreadsheet) of the 1996 Census developed by Rambeau and Todd, which coded all Census Subdivisions (CSDs) by their population and “zone of metropolitan influence” (MIZ) was used to sort the CSDs into appropriate clusters based on the parameters identified in the literature review. The final inventory of small communities, based on the 1996 Census population emerged from this file.

## Defining Small

The adoption of a place-based policy or regulation approach has been advocated by the Organization for Economic Cooperation and Development (OECD, 1996) as one way to provide flexible responses to the complex range of rural and small town places being impacted by the changes brought on through social, political, and economic restructuring. We know that the outcomes of change and restructuring vary tremendously across rural Canada. To address this, it is necessary to have a definitional framework which effectively differentiates rural places by criteria important to the public policy issues at hand. To date, however, efforts at defining rural and small town Canada within a place-based public policy approach have been limited.

When moving to consider choices in the definitional framework to be employed in a place-based policy process, it is worth revisiting the argument by du Plessis et al. (2004) that it is important to know **why you need to know** about rural places and then to select a definitional framework that provides data appropriate to informing that need. Appendix Two outlines various options and frameworks for defining rural and small town places and discusses their relative usefulness, especially for addressing economic development and housing issues. Key context issues can be considered to include:

- sufficient population size so as to have a robust economy or a developed housing market;
- local government organized territory (CSDs) in order to provide a foundation for basic data collection and linkages to the building blocks used by Statistics Canada definitions; and
- a regional context to capture a functioning economy or housing market through the pressures organized within commuter influenced labour markets.

The definitions used to describe rural and small town communities outlined in the literature review employ a range of parameters in order to draw together various geographical boundaries and relationships. The common goal among these diverse approaches is to provide ways of building a better understanding of rural areas, their diversity, characteristics, and conditions. For the most part, the definitions use similar types of parameters, but employ differing thresholds or levels for each of these parameters depending on the country context. For example, many of the definitions use population counts as a parameter, with different choices for the boundaries of what is considered metropolitan or non-metropolitan.

Statistics Canada uses a set of general building blocks in order to facilitate nationally comparable data for both administrative and statistical territorial areas. While some of these are very small (the area a census enumerator walks on a route) these building blocks must be of sufficient size as to usefully capture housing market dynamics. Using CSDs as the building block within the “rural and small town” (RST) definition (of any CSD less than 10,000 population) provides a solid foundation for capturing functional housing markets. The emphasis within the RST definition on labour market commuting equates well with the regional structure of housing markets, which also fluctuate with the relative health of that labour market. A third key element comes with the addition of the MIZ classification. Analysts in both Canada and the US have long struggled with the vast size of their countries and the need to differentiate the relative level of influences rural areas receive from large metropolitan areas. The 4 tier MIZ system provides a way to differentiate RST units across this metro-adjacent to remote continuum. Much progress has been made from the starting point where rural places were defined simply as the residual not counted within urban Canada.

In the US, population analysts have also struggled with most of the same issues confronting Canada. The USDA-ERS, for example, has worked on ways to provide more detailed information about rural and urban places, to better illustrate the relationships and integration of rural and urban places, and to provide more ways to describe the complexity within and between those rural and urban places. The adoption of counties as one of the basic statistical building blocks provides a relatively stable structure for comparison over time. This is similar to the use of CSDs in the Canadian context. Experiments with ways to recognize the degree of economic and social integration within regions, and the degree of influences rural regions receive from Urban Areas / Metropolitan Areas / Metropolitan Statistical Areas, has led to the creation of mechanisms such as the Beale Codes. In turn, these have been adapted to Canada by researchers such as Ehrensaft. Together, these US and Canadian experiments formed the impetus for creation of Canada's MIZ classification system. The need for a nationwide system, which builds upon

regionally integrated economic units, and which recognizes the diversity that ranges from metro-adjacent to remote rural locales, all match the types of census geography challenges faced in Canada. Rationales for public policy choices in the US also match those argued in this report as important in the selection of a statistical framework suited to place-based policy analysis and tracking.

In addition to the US, the OECD has been very active in the identification of territorial based data frameworks and sets of indicators that will:

- facilitate international communication and comparison of rural conditions and trends; and
- support place-based policy, regulation, and program development and monitoring.

The OCED also recognizes that:

- rural development is complex and multi-sectoral;
- rural indicators are needed not just to increase understanding of rural conditions but also to evaluate change over time; and
- common definitional frameworks can assist with knowledge transfer between member states on questions of rural change and development.

As a result, they have spent considerable time developing definitional frameworks to meet these objectives. Their rural classification system recognized the need for stable building blocks, grouped into functional regional relationships, and set within contexts ranging from near-metropolitan territories to very remote territories. This matches well with the suggestions noted above about the use of CSDs within RST Canada differentiated by the MIZ classification system.

With a view to developing an inventory of small communities for the purpose of analyzing their characteristics to better understand their economic trajectories, and to better inform debates about place-based information and decision-making, we can make five recommendations:

- First, that CSDs (or their territorial equivalents in unorganized areas) form the building blocks for data collection mechanisms aimed at housing issues. These units provide relative stability to facilitate comparison over time and are large enough to escape the idiosyncrasies that may crop up in very small housing “markets”. They also address the challenge of finding a data unit that bridges administrative (municipal incorporated versus unincorporated places) and territorial units.
- Second, it is also recommended that these individual CSDs be considered within the context of their respective Census Divisions (CDs). As noted above, Canada, the US, and the OECD recognize the need to situate individual places within functional regional contexts. Comparison of local economic trajectories relative to those recorded for the larger CDs does this. Its focus on integrated regional labour markets also links well to the organization of

housing markets. As noted by both the US Census Bureau and the USDA, a local economy and its labor market is not delimited by a county line, but by interrelationships between buyers and sellers of labour. To understand the diversity of nonmetropolitan places, we need a geographic framework that better captures local and regional economic and labor force activities.

- Third, it is recommended that CSDs (and equivalents) be further differentiated according to the MIZ classification system. In Canada, the US, and the OECD, attempts have been made to address the diversity and regional context of rural areas through estimating levels of urban or metropolitan influence. Adding MIZ information provides a way of capturing size and regional context diversity. We recommend that the universe of small communities be confined to those within the “no: and “weak” MIZ categories to identify economic trajectories for rural and small town places well removed from metropolitan influence.
- Fourth, that all data units comprised of Indian reserve and similar federal reserve lands be excluded on the basis that they have unique property tenure and housing market characteristics that limit comparisons.
- Fifth, that a lower population threshold of 50 be imposed on the data to exclude all places too small to have a functional housing market. Also, that two upper population thresholds be imposed. The first is 2,500, and will be used for analyzing the primary cluster of small communities. The second is 5,000, and will be used for analyzing a smaller number of “small” communities for the purpose of comparing with the primary group. This will help test the use of various variables or indicators related to understanding the economic trajectory of small places. The US Census Bureau and the USDA both use the 2,500 cut off as important for delimiting small towns, while Statistics Canada uses 5,000 as a low end cut off for reporting data on urban places. By using these two cut off points, we will be able to distinguish two community clusters based on population size, and validate the usefulness of particular indicators or parameters.

## **Inventory of Small Communities**

A complete list of relevant small communities in Canada, based on the parameters is provided in Appendix Two. Table 1 shows the distribution of communities which meet the criteria of less than 5,000 population and being an incorporated or unincorporated community, within the Weak and No MIZ designations. Slightly more than half of the communities are within the Weak MIZ designation. Most of the larger communities are within the Weak MIZ designation.

Table 1  
Distribution of Communities by MIZ Designation and Population Group, Less than 5,000 Population, Incorporated and Unincorporated Communities, Canada

Population Group	MIZ Code		Total
	No MIZ	Weak MIZ	
2,500 - 4,999			
Count	4	138	142
% within population group	2.8%	97.2%	100.0%
% within MIZ code	0.6%	15.5%	9.0%
50-2,499			
Count	678	753	1431
% within population group	47.3%	52.7%	100.0%
% within MIZ code	99.4%	84.5%	91.0%
Total			
Count	682	893	1573
% within population group	43.3%	56.7%	100.0%
% within MIZ code	100.0%	10.7%	100.0%

Source: Derived from Table 35 in Rambeau, S. and K. Todd. (2000). Census metropolitan area and census agglomeration influenced zones (MIZ) with census data. Ottawa: Statistics Canada.

Table 12 (in Appendix Two) provides the list of all communities in Canada which have less than 2,500 population, have a Weak or No MIZ designation, and are not First Nation communities. The table is sorted first by province / territory, then by population size, then by municipal status (incorporated communities listed first for each province / territory, followed by the unincorporated communities). There are 1,431 such communities.

Table 13 (in Appendix Two) provides the list of communities in our “comparison group”. It includes all communities in Canada which have 2,500 to 4,999 population, have a Weak or No MIZ designation, and are not First Nation communities. The table is sorted first by province / territory, then by population size, then by municipal status (incorporated communities listed first for each province / territory, followed by the unincorporated communities). There are 142 such communities.