

Intelligence MEMOS



From: Brian Lewis and Damian Dupuy

To: Ontario Economy Observers

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Re: **NOSTALGIA SHOULD NOT DRIVE ONTARIO'S ECONOMIC DEVELOPMENT POLICY**

Despite bold promises and billions of dollars of support, Ontario manufacturing jobs remain around the same level as when Doug Ford's Progressive Conservatives came to power. The province needs to move past the nostalgic view of the manufacturing sector, and instead focus on an economy based on innovation and advanced technologies so it can thrive in an ever-changing global economy.

Manufacturing jobs hold a special place in Ontario's economic, social, and political mindset because of the sector's historical role in driving growth, jobs, and prosperity. Since the early days of industrialization in the 19th century, manufacturing offered opportunities for both skilled and unskilled workers, supporting families and communities, and as a pathway to upward mobility. Its importance in our economic history has embedded it firmly in our provincial identity.

Perhaps seizing on this, Doug Ford has consistently emphasized manufacturing jobs, going back to his leadership bid in 2018. "This province has lost over 300,000 manufacturing jobs," Ford said then. "And we will get them back. [I guarantee you.](#)" The theme continues, including the [2024 budget](#): "Under previous governments, over 300,000 manufacturing jobs were lost ... We were elected on a plan to rebuild Ontario's economy and bring back good-paying manufacturing jobs."

This policy imperative has led to tax incentives, grants, labour-force skills programs, and a new investment agency.

But as of last month, there were only 8,300 additional manufacturing jobs in the province as compared to June 2018. That's 312,700 jobs short of the sector's peak. Full recovery looks far-fetched.

Ontario manufacturing employment reached its historical high point in November 2002, with more than 1.1 million people working in the sector. The decline set in two years later due to the rise of newly industrialized economies – and was hastened by the accompanying global commodity boom that raised the value of the Canadian dollar, making it more challenging for Ontario's factories to be competitive in the US market.

At the same time, technology and automation meant remaining plants remaining plants hired fewer workers.

Ontario is far from unique and has done well compared to peer US states. Its manufacturing sector thrived between 1990 and 2004, supported by open access to the US market through NAFTA and the relatively favourable value of the Canadian dollar. Despite the sharp decline in manufacturing jobs since 2004, Ontario has experienced a much smaller decline than Michigan, Ohio, Illinois, Pennsylvania, and New York.

The sector's decline has unquestionably been a challenge for the families of people who lost jobs and the regions where this employment is concentrated. But from a provincewide perspective, general employment has risen by 1.6 million jobs since 2004 due to gains in virtually every other sector of the economy, including healthcare, social assistance, finance, insurance, construction, and professional, scientific, and technical services.

While manufacturing remains significant, especially in central and southwestern regions, it is just not as important as it once was. In 2023, 10 percent of Ontarians reported being employed in manufacturing, down from 24 percent in the late 1970s.

In recent months, the provincial and federal governments have made a slew of announcements in the sector, supporting more than \$15 billion in investment, largely around electric vehicles, and promising at least 6,000 new jobs.

While these and other investments, on the surface at least, may indicate the sector is showing signs of adapting to changing global economic realities, some significant challenges persist.

Productivity is particularly important to the manufacturing sector. While Canada's, productivity levels have kept pace with most G7 countries, Ontario's manufacturing productivity has grown relatively slowly.

There are reasons to be hopeful. By leveraging its talent, innovation, and infrastructure strengths, Ontario can position itself as a leader in advanced manufacturing. Realizing this vision will require collaboration between government, industry, and academia. With the right policies and investments, Ontario can have a more vibrant and sustainable manufacturing industry that drives innovation, creates jobs, and contributes to the province's economic success.

But we must not let nostalgia cloud our vision of Ontario's economic future. As the province continues to evolve and adapt to changing economic realities, the importance of promoting manufacturing jobs over those in other high-potential economic sectors — especially in pursuit of the entirely unrealistic goal of returning to past levels of employment — needs to be re-examined. Ontario should focus on areas of value-added activity it could excel at, especially around innovation with a holistic economic-development strategy to serve as a foundation for the province's economic future.

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