



January 27, 2011

## HIGHLIGHTS

- With the economic recovery well under way, 2010 had a significant pickup in interprovincial migration. Roughly 1% of Canadians (337,000) were on the move. This was 45,000 more than in 2009 and the largest share of population since 1998. As the economy matures toward a slow expansion phase, we forecast a slight easing in gross interprovincial migration.
- Only Alberta and B.C. have been consistent net recipients since 2003, but Saskatchewan joined the club in 2007 and Newfoundland & Labrador recorded a net entry in 2009. Rarely have so many provinces been on the fence between a net inflow/outflow as over the last three years. For many provinces, it would not take much to tilt them to either side of the interprovincial migration balance over the next few years.
- This is reflective of narrowing disparities, uncertainty stemming from the recession and lingering risks to the recovery.
- Net flows should continue to favour B.C., Alberta, and Saskatchewan. Ontario and Québec will continue to lose residents to other provinces, but at a subdued pace compared to previous years. In relative terms, Manitoba and P.E.I. will continue to shed the most residents, while other Atlantic provinces hover near balanced positions.

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## INTERPROVINCIAL MIGRATION: WHERE ARE CANADIANS HEADED?

Canadians move for all sorts of reasons, and the Confederation is rich with history of internal migrations, especially since the 1950s. While interprovincial migration as a share of population is lower than it was in the 1970s and 1980s, it has kept fairly steady around a sizeable 1% since the 1990s. In a typical year, this means that over 300,000 Canadians move from one province to another. This is a noticeable churn, higher even than international immigration, which matters for a host of reasons. Yet, as we detail in our conclusion, significant barriers to genuine labour mobility remain, and more can be done to eliminate them.

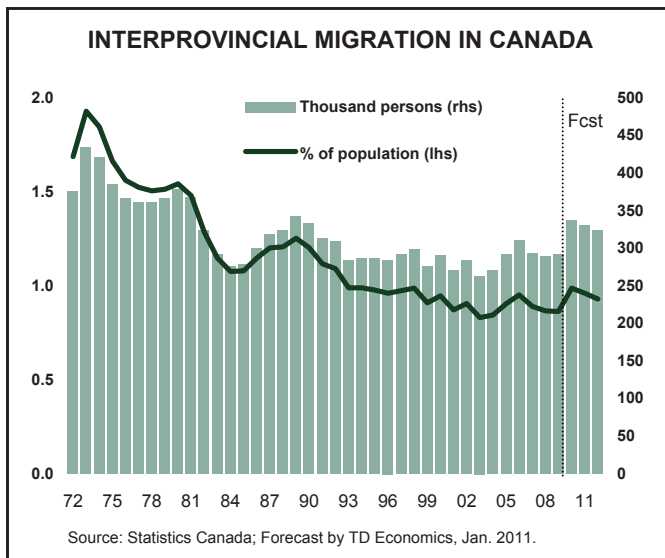
From a purely economic perspective, the first thing to note is that these migrations are not a so-called ‘zero-sum game’. As long as different regions exhibit differences in employment rates and productivity and more people flow toward higher employment and higher productivity areas than in the opposite direction, these moves will generate net output gains at a pan-Canadian level. Voluntary internal migrations are therefore a ‘positive-sum game’ that are desirable and will continue as long as sizeable regional economic disparities persist.

Interprovincial migration influences the makeup of provincial demographics. Not only does it alter a population’s size, but it also changes its composition with respect to age, income, and so on. These factors in turn influence potential (long-run) economic growth. For smaller provinces with low birth rates that struggle to attract sizeable shares of international immigration, interprovincial flows can mean the difference between economic renewal or stagnation.

The cross-provincial movement of individuals and households also has implications for public service demand and tax revenues. Compared to the populations they come from and go to, larger shares of interprovincial migrants have post-secondary education, are young (aged 15-44), and more are found at both ends of the income spectrum (low and high) than in the middle-income bracket. While an outflow of individuals dependent on government transfers may reduce some government spending pressure, many of these transfers (e.g. Employment Insurance) are federal rather than provincial. Moreover, any government saving would be more than offset by an outflow of higher-income individuals, which can seriously erode a government’s tax base over time.

DRIVERS OF INTERPROVINCIAL MIGRATION										
[ Legend: + contributes to net inflow, – contributes to net outflow ]										
2011	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Unemployment rate*	+	+	+	+	–	+	–	–	–	–
Real GDP per capita*	–	+	+	–	+	–	+	–	–	+
Residual factors^	+	+	–	–	–	–	+	–	–	–
<b>Balance</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>+</b>	<b>–</b>	<b>–</b>	<b>–</b>
2012	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Unemployment rate*	+	+	+	+	–	–	–	–	–	–
Real GDP per capita*	–	+	+	–	+	–	–	–	–	+
Residual factors^	+	+	–	–	–	–	+	–	–	–
<b>Balance</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

\*Evolution and difference to rest of Canada; Forecast by TD Economics, Jan. 2011.  
^Mostly structural factors such as geography/location, language, and demographics.



From a business perspective, population growth and composition are crucial to location decisions and marketing strategies. Big-ticket purchases often occur when people relocate. Migrations can have a significant impact on local housing and retail markets, boosting regions that are on the receiving end and depressing markets that tend to consistently lose out. It follows that understanding and predicting interprovincial migration patterns can be of great use.

**Powers of attraction**

The chief incentives for interprovincial migrations are economic, as individuals and households look to improve their standard of living. As previous studies have shown, differences in income per capita and unemployment rates across provinces are particularly potent drivers of interprovincial moves. Higher income and better employment prospects are natural migration magnets. Other factors such as geography/location, language, age structure, and others may also influence migration decisions, but a focus on the key drivers that are labour market and income disparities simplifies the analysis. While research shows that economic factors drive migration flows, the two variables are closely related, especially in the short-term. Indeed, migrations tend to amplify economic cycles.

**Ebbs and flows**

Generalized economic slowdowns and recessions tend to cause dips in interprovincial migration as jobs become harder to come by. This is evident from migration activity following the most recent episode of strong economic expansion that lasted until 2006-07. After peaking at 310,000 interprovincial migrants in 2006, or 0.95% of the population, flows slowed down to around 290,000 persons by 2008-09, or 0.86% of population.

On the flip side, however, two of the last three economic recoveries, including the one currently unfolding, have been associated with a sizeable rebound in cross-provincial moves. This is because labour markets brighten unequally across the nation. Indeed, with the economic recovery well under way and employment prospects markedly improving, 2010 recorded a significant pickup in interprovincial migration. Roughly 1% of Canadians, or 337,000, were on the move. This is 45,000 more than in 2009, the most since the late 1980s and the largest share of population since 1998.

As the economic recovery matures and the pace of growth slows, we forecast a slight easing, close to the decade average, in interprovincial migration as a share of Canadian population. At the provincial level, however, we expect a slight widening in unemployment and income disparities to favour those that are already net recipients (British Columbia, Alberta, and Saskatchewan) at the expense of other provinces over the next couple of years.

**Provincial patterns**

While only Alberta and British Columbia have been consistent net recipients since 2003, Saskatchewan joined the club in 2007. In addition, Newfoundland & Labrador briefly moved into net recipient territory in 2009. Interestingly, rarely have so many provinces been on the fence between a net inflow and net outflow as over the last three years.

This likely reflects generally narrowing labour market and income disparities between any given province and the rest of the nation, as seen in the data in the accompanying tables. Seven of ten provinces registered a smaller spread to the rest of the country's unemployment rate in 2010 than in 2007. The exceptions were Ontario, Manitoba, and Saskatchewan. Likewise, with the exception of two provinces (British Columbia and Newfoundland & Labrador), all jurisdictions posted smaller income per person gaps

UNEMPLOYMENT RATE DIFFERENTIALS*						
Percentage points						
	2007	2008	2009	2010	2011F	2012F
BC	2.1	1.8	0.8	0.5	0.6	0.7
AB	2.8	2.9	1.9	1.7	1.9	2.3
SK	1.9	2.1	3.6	2.9	3.3	3.2
MB	1.7	2.1	3.2	2.8	2.7	2.3
ON	-0.6	-0.6	-1.2	-1.1	-1.2	-1.2
QC	-1.5	-1.4	-0.2	0.1	0.1	-0.2
NB	-1.6	-2.5	-0.6	-1.3	-1.1	-1.2
NS	-2.1	-1.6	-1.0	-1.4	-1.4	-1.4
PE	-4.4	-4.7	-3.8	-3.3	-3.5	-3.3
NL	-7.7	-7.2	-7.3	-6.4	-6.4	-6.1

\* Rest of country - province of reference.

F: Forecast by TD Economics, Jan. 2011. Source: Statistics Canada.

INCOME PER CAPITA DIFFERENTIALS*						
Percentage points						
	2007	2008	2009	2010	2011F	2012F
BC	-4.7	-5.6	-5.5	-5.5	-5.6	-5.9
AB	36.7	36.4	31.8	31.2	32.7	34.1
SK	-0.5	3.4	1.5	0.1	1.2	1.7
MB	-13.6	-12.2	-9.8	-10.1	-9.6	-9.3
ON	7.9	5.5	3.8	3.9	3.7	3.3
QC	-16.6	-15.7	-13.1	-13.2	-13.7	-14.0
NB	-21.4	-21.2	-18.7	-18.5	-19.1	-19.2
NS	-23.7	-22.3	-19.6	-19.6	-20.1	-20.5
PE	-24.7	-24.6	-22.7	-23.1	-23.3	-23.8
NL	-1.9	0.8	-6.6	-3.9	-2.8	-2.0

\* Province of reference - Rest of the country.  
 F: Forecast by TD Economics, Jan. 2011. Source: Statistics Canada.

against the rest of the nation in 2010 than three years prior. In general, these performances likely contributed to lowering the attractiveness of higher income/employment provinces, while simultaneously improving the retention rates of lower income/employment provinces.

Another contributing factor as to why more provinces have been flirting with a zero net interprovincial migration balance could well have been the uncertainty stemming from the global recession, and lingering risks surrounding the recovery. Indeed, it would not take much to tilt several provinces to either side of the interprovincial migration balance over the next few years.

All said, given our forecasts for provincial real GDP per capita and unemployment rates (available [here](#)), we expect net flows to continue favouring British Columbia, Alberta, and Saskatchewan. By the same token, given significant headwinds and the subdued pace of economic growth expected over the next two years, we do not envisage a return to the peak interprovincial migration levels when Alberta was a massive draw for the rest of the country – with a net migration balance near +1.5% of its population in 2005-06.

At the same time, we expect that net losses for Ontario, Québec, and Atlantic Canada will represent small shares of their respective populations. So while Ontario and Québec will continue to lose residents to other provinces on a net basis, they will do so at a more subdued pace compared with previous years. Of note is that despite Québec's sizeable income gap, its unemployment rate nearly matched the rest of the country since 2007, and in 2011-12 is expected to remain about one percentage point lower than in Ontario – historically the favoured destination.

Elsewhere, Newfoundland & Labrador, New Brunswick, and to a lesser extent Nova Scotia are also forecast to hover close to a balanced position over the next two years. Mean-

while, Manitoba and Prince Edward Island will be the sole provinces still shedding a sizeable share of residents over the forecast horizon. Even though Manitoba's unemployment rate has been consistently lower than that of the rest of the nation since the 1990s, this has not proved sufficient to offset the structural pull from higher incomes in neighbouring provinces.

### Don't fence me in

While economic conditions are the key driver of migration trends in the short-term, structural impediments can put a significant damper on aggregate flows over the long-term. Since the benefit of labour mobility is that it allows Canadians to better deploy their skills, steps taken to enhance and facilitate their mobility would undoubtedly enhance Canadians' welfare. As such, eliminating artificial barriers in a spirit of reciprocity (mutual recognition) and easing cross-provincial moves should be a priority for governments.

Unfortunately, there are still many interprovincial barriers. Specifically, mobility in regulated professions and skilled trades, which comprise over 10% of the workforce or roughly 2 million workers, remain a problem. This matters because many regulated professions, such as health and legal occupations, teaching, and engineering, will continue to be in high demand in years ahead.

In the hope of mitigating these barriers, first ministers met in January 2009 to make amendments to Chapter 7 (Labour Mobility) of the Agreement on Internal Trade (AIT, signed in 1994). As a result, each professional association is now attempting to simplify its application process to allow easier interprovincial labour mobility. While this is a step in the right direction, it is imperfect, as occupational requirements still fall under provincial jurisdiction.

For example, prior to 2009, a K-12 teacher from Ontario wishing to teach in B.C. would be required to take course-

NET INTERPROVINCIAL MIGRATION						
Persons [ + is net inflow, - is net outflow ]						
	2007	2008	2009	2010	2011F	2012F
BC	16,776	10,849	10,351	5,592	6,413	7,410
AB	13,642	17,845	1,101	1,224	7,148	11,029
SK	5,245	3,209	2,403	3,536	4,228	3,206
MB	-3,449	-3,931	-2,373	-2,902	-3,372	-3,788
ON	-13,426	-15,141	-9,880	-1,642	-8,014	-9,452
QC	-12,675	-9,707	-3,740	-2,774	-3,597	-5,011
NB	-780	-867	253	656	380	-384
NS	-2,574	-1,189	367	-1,244	-1,429	-1,927
PE	-699	-294	-856	-1,121	-863	-582
NL	-2,054	-57	2,530	-1,078	-515	-208

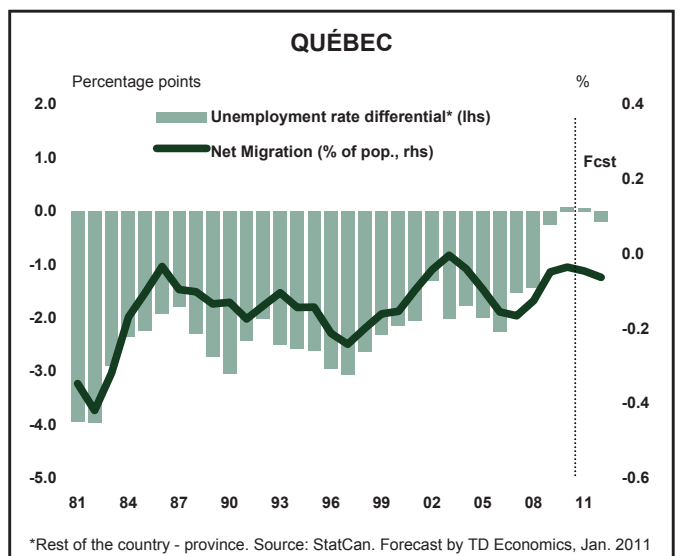
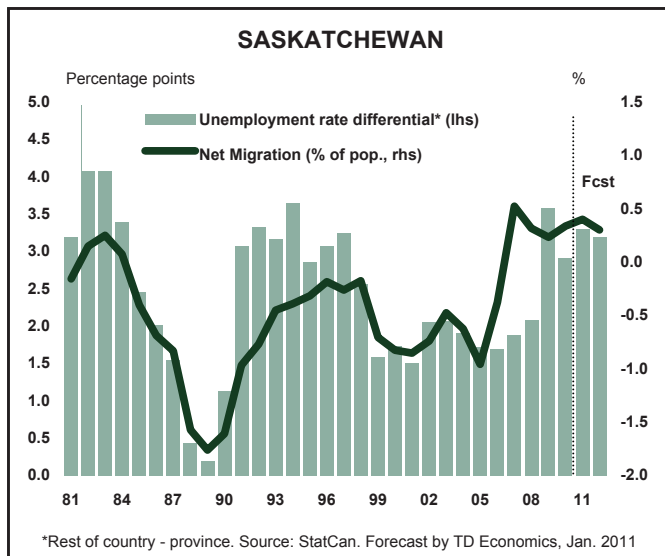
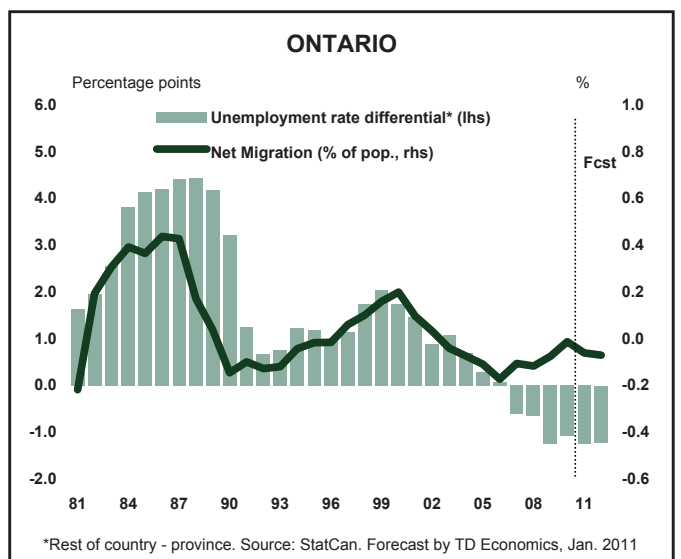
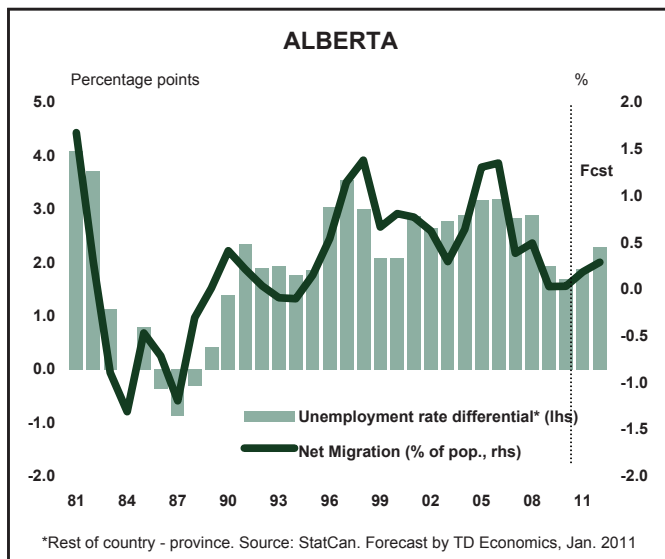
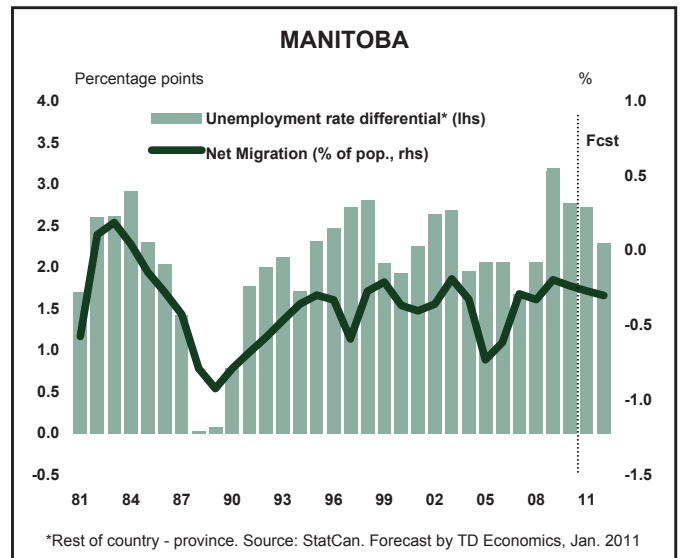
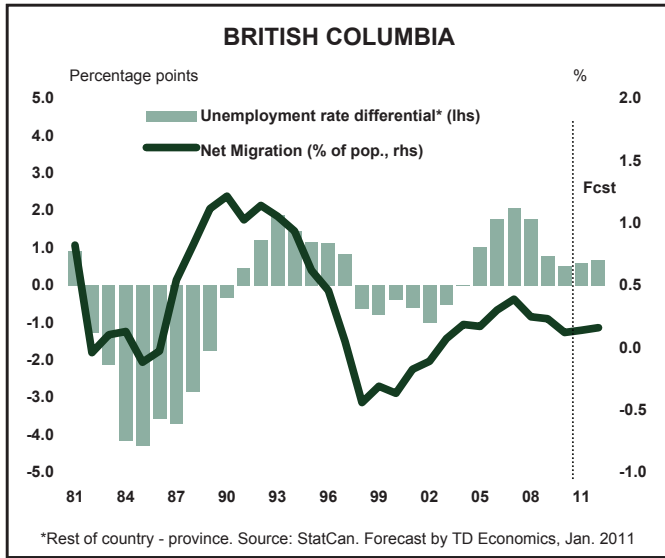
F: Forecast by TD Economics, Jan. 2011. Source: Statistics Canada.

work and write B.C. certification tests. After the amendment, a K-12 teacher from Ontario in good standing with the Ontario College of Teachers can now apply and receive a 'basic certification' from the B.C. College of Teachers, but would still be required to take another certification test to receive professional certification. This coursework is technically optional, and there is little information about the differences between the basic and professional certificates.

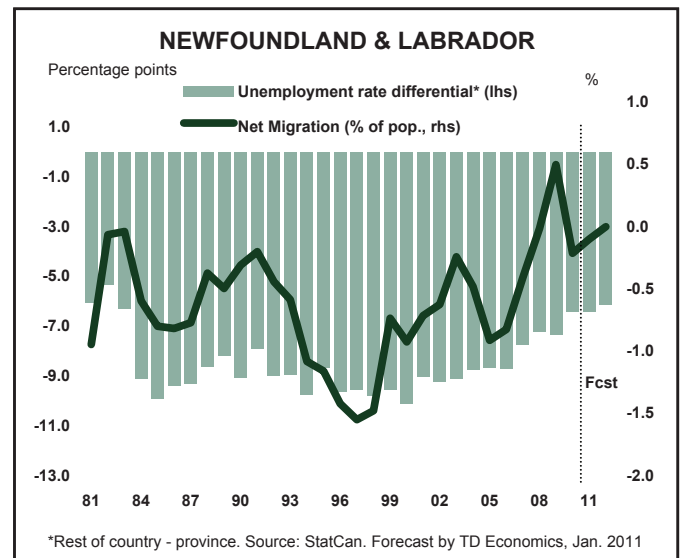
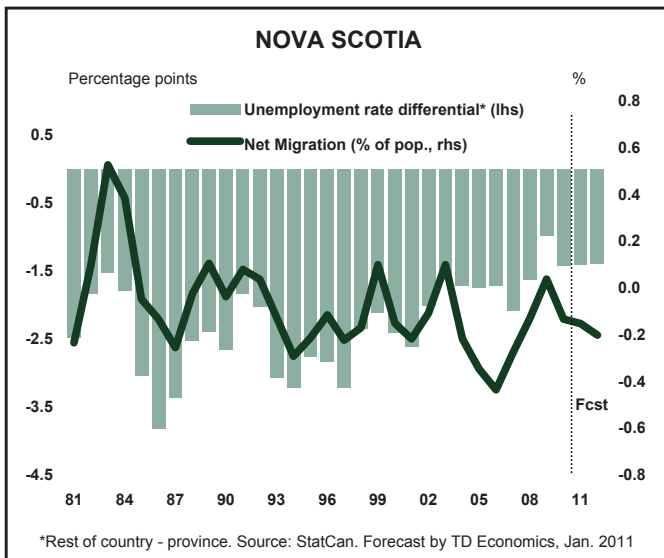
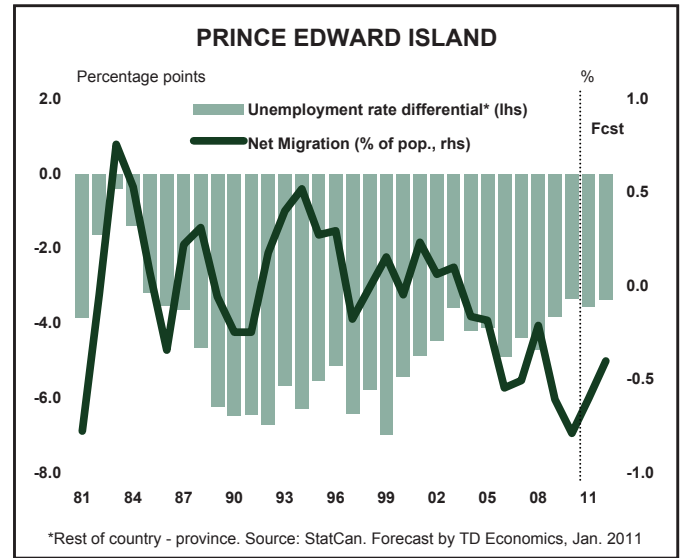
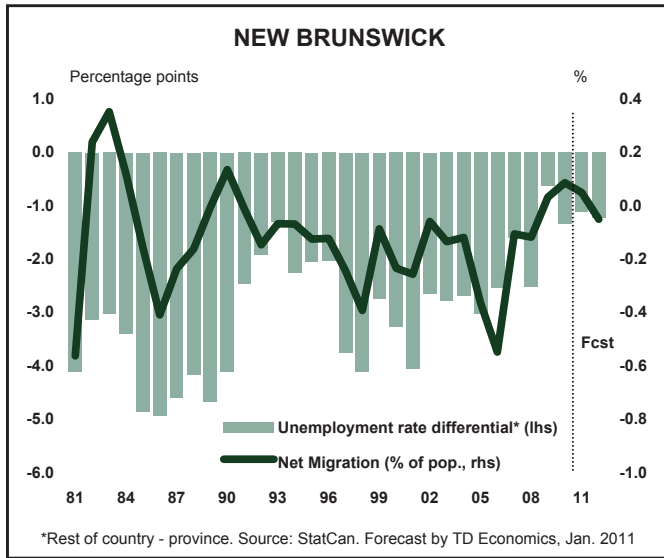
Moreover, even after the AIT amendments, provinces can still unilaterally require certain professionals to receive additional training should they deem the occupation an 'exception'. Lawyers and registered nurses are exceptions in most provinces given the varying standards these occupations fall under. Meanwhile, employers in any given province may favour skilled trade certifications from their own jurisdictions. Fortunately, there are roughly 50 occupations covered by what is referred to as a Red Seal, allowing qualified tradespeople to practise their trade in any province without having to write additional examinations.

### **Do as we would be done by**

In years ahead, the key will lie in the development and implementation of these genuine mobility measures. While Canada presses ahead with free trade and labour mobility negotiations with other nations, and particularly with the European Union, it should simultaneously seek to improve mobility within its own domestic market. In view of the benefits that accrue to labour mobility and the demographic and labour force crunch looming over the horizon, this issue should be upgraded from the 'wish list' to the 'must do list'. The successful Trade, Investment and Labour Mobility Agreement (TILMA) between Alberta and B.C. has now been expanded to include Saskatchewan and renamed the New West Partnership Trade Agreement (NWPTA). It is scheduled to be fully implemented by mid-2013. Over time, reconciliation of all occupations should create full labour mobility for all occupations across these provinces. Other provinces should join or press ahead with similar measures.







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