



**ACCORDING TO ATLANTIC  
EMPLOYERS SERIES**

**#1**

# Business & Employment Growth

**JANUARY 2021**



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- Conducting research on critical issues
- Convening candid dialogues on research subjects
- Recognizing exceptional leaders

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## ABOUT THE PROJECT

As Atlantic Canada faces demographic and labour market changes, retention is on everyone's minds. Keeping workers, immigrants, skills and talent in the four provinces over the medium and longer term is a complex and priority issue for economic growth and regional prosperity. [Atlantic Revitalization](#) is the Public Policy Forum's three-year project (2017-2020) addressing the challenge of retention and economic growth, with a focus on boosting long-term immigrant retention, deepening labour pools and improving employers' access to the skills they need. Through research reports, surveys, qualitative stories, provincial roundtables and regional summits, PPF is advancing regional and Canadian understanding and cross-sector networks around Atlantic Canada's most pressing immigration and economic policy priorities.

### ACCORDING TO ATLANTIC EMPLOYERS SERIES

Perceptions on Hiring, Retention, Immigration and Growth

Employer projections and perceptions of issues affecting their business activities can represent a significant indicator of where these broader social and economic trends will go. Keeping the pulse of employers across industries in Atlantic Canada supports positive feedback loops with effective policymaking around economic growth priorities like retention, skills, hiring and immigrant integration. As part of the [Atlantic Revitalization](#) project, PPF partnered with Memorial University to survey over 800 Atlantic employers on their insights into the unique economic and labour market dynamics in Atlantic Canada and develop deeper understanding of how their perceptions of the economic climate impact the region's economic growth. The resulting According to Atlantic Employers series mobilizes these findings for wider discussion in five thematic reports:

- #1 Business and employment growth
- #2 Skills shortages and hiring challenges
- #3 Attitudes towards immigrants and international students
- #4 Immigration policy effectiveness
- #5 Retention of skilled workers

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# INTRODUCTION

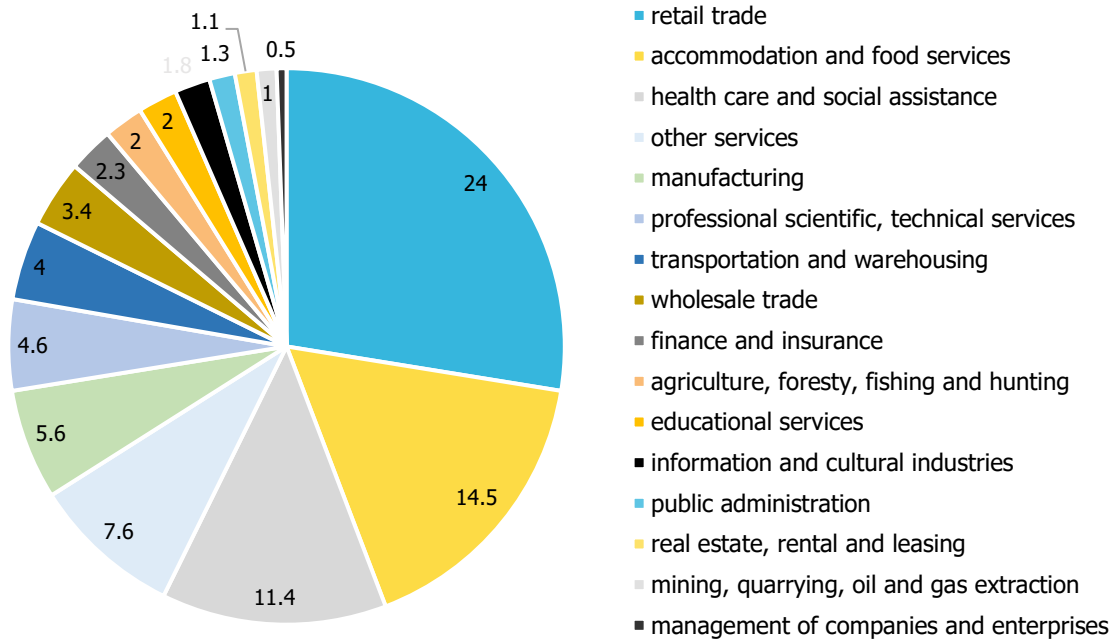
How do Atlantic employers see the regional economy and their businesses growing over the medium-term? This paper is the first in a series of five reports on the results of a survey of 801 employers across Atlantic Canada on hiring, retention, immigration and economic growth. This report focuses on Atlantic employers' perceptions and outlook related to economic and business growth.

## METHODS

In Fall 2019, Memorial University commissioned a telephone survey with over 800 employers across Atlantic Canada to understand their perceptions on the state of the economy and labour market, their projections for the next three years and how it impacts their business growth and activity. The 15-minute qualitative semi-structured telephone survey was conducted by Narrative Research (formerly Corporate Research Associates) between September and October 2019. The survey is based on business register information of Statistics Canada (2018). The target number of responses for each province was: 301 samples in NL; 100 samples in PEI; 200 samples in NS; and 200 in NB. It applied a stratified random sampling to employers by region, industry (North American Industry Classification System) and organizational size. Target respondents were owners/senior executives or Human Resources Managers where possible. The survey data was analyzed using descriptive statistics as well as the logistic regression model and the ordinary least squares (OLS) regression model.

This report outlines the results from statistical analysis of this survey data pertaining to economic and business growth and the policy implications for supporting immigration and economic growth in the four Atlantic provinces.

Figure 1: Distribution of survey participants by industry



Employers who participated in the survey reflected a diversity of Atlantic Canada’s key industries (Figure 1) and were divided into three size classifications for the analysis: small (5 to 9 employees), medium (10 to 49 employees) and large (50+ employees). Of those interviewed, 84.4% represented private sector employers, 13.5% represented non-profit organizations and 2.1% represented government employers.

## ANALYSIS AND KEY FINDINGS

Economic growth is a useful predictive tool for employment growth.<sup>1</sup> According to the World Economic Forum and the International Monetary Fund, a 1% increase in GDP in Canada is associated with an increase in employment of 0.6% or higher.<sup>2</sup> Employers tend to hire more workers when their perception of the economy is positive.<sup>3</sup> However, shortfall in the number of available qualified workers can constrain employers’ efforts to expand their workforce. Growth in some industries tends to absorb more labour than other industries, especially in industries that involve more innovation and knowledge creation.

### ECONOMIC GROWTH

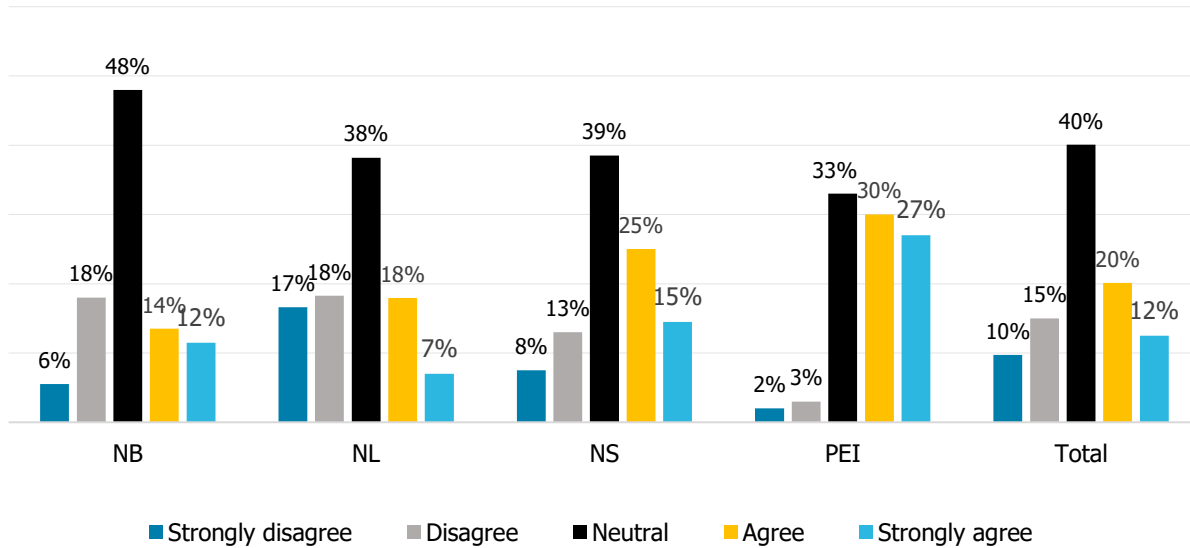
How employers in each province project 3-year economic growth

Employers’ perceptions of the current and potential near-term performance of the economy may provide a leading indicator of possible hiring trends, which can be useful in formulating regional policies and



practices to alleviate skill and labour shortages. Figure 2 (below) illustrates overall employer confidence in economic growth over the next three years.

Figure 2: Employer perceptions of whether the provincial economy will grow in the next three years (% of employers)



Overall, 40% of respondents were unsure about whether the economy will grow (with the remaining evenly divided over whether the economy would or would not grow). At a provincial level, however, differences appeared. Employers in PEI were optimistic about the provincial economy. In PEI, 57% of employers agreed to some degree that the economy will grow in the next three years, compared to the 33% who held neutral opinions and the 5% who disagreed. PEI is currently benefitting from steady immigration and a booming tourism industry.<sup>4</sup> Economic migration has driven PEI’s healthy population growth, which supports economic activities and hiring. While PEI has had trouble retaining newcomers, this is improving as more immigrants choose to stay in the province.<sup>5</sup> This and other developments suggest an above-average growth trajectory for PEI’s economy.

In Nova Scotia, 40% of respondents agreed or strongly agreed that the economy will grow in the next three years, 38% held neutral views, and 21% disagreed or strongly disagreed. The province’s job growth and housing market is still robust; both are fueled by strong population growth because of international migration. Rising immigration targets, especially under the Atlantic Immigration Pilot program, will likely attract more economic immigrants. This should support labour market activities and household income, which in turn supports consumer spending and investment in the housing market.

New Brunswick respondents were more muted in their expectations of economic growth. This may be due to subdued non-residential investment, weakness in manufacturing, and struggling export-oriented

industries. About 26% of employers agreed to some degree that the provincial economy will grow in the next three years, while 48% responded neutrally and 24% disagreed to some degree. Domestic indicators, however, are more optimistic. Rising employment through broad-based hiring is a strong supporter of consumer spending and household activities, boosted by a rising population and again driven by international migration. Both the private sector and government of New Brunswick have been aggressive in attracting and retaining immigrants to the province.

Respondents in Newfoundland and Labrador were the least optimistic about economic prospects over the next three years. Just 25% of surveyed organizations agreed to some degree that the provincial economy will grow in the next three years, while 38% were neutral and 35% disagreed to some degree. Despite this subdued outlook, the province went from having the weakest provincial economy to one of the strongest in 2019, mostly due to the operations at the Hebron off-shore oil drilling platform and the resumption of normal activity at the Hibernia platform. However, most other industries in Newfoundland and Labrador are not as prosperous. The province is also facing significant headwinds in terms of demographic challenges, being the only province to see its population decline in 2019 even after a significant increase in immigration.<sup>6</sup>

Newfoundland and Labrador's oil and gas industry contributed more to the province's GDP than its employment growth (14.4% versus 2.3%).<sup>7</sup> Despite this difference, the industry has a large impact on business confidence and this trend indirectly affects hiring as a result. Improved business confidence can either bolster employment growth or pose an obstacle, as employers may put their hiring plans on hold for fear of laying off new employees when the economy turns sour.

#### How employers in different industries project 3-year economic growth

Optimism about the economy over the next three years varied across industries — some were more optimistic, some less so. Survey respondents anticipated positive revenue growth in most industries. Of the 16 industries represented in the survey, employers in 12 of these industries reported a positive outlook on future revenue growth, notably transportation and warehousing, arts, entertainment and recreation, and public administration (Figure 3), compared to the 4 industries that reported a negative outlook, especially agriculture, forestry, fishing and hunting, real estate rental and leasing (Figure 4).

Figure 3: Employer expectations of economic growth in the next three years (industries with net positive outlooks)

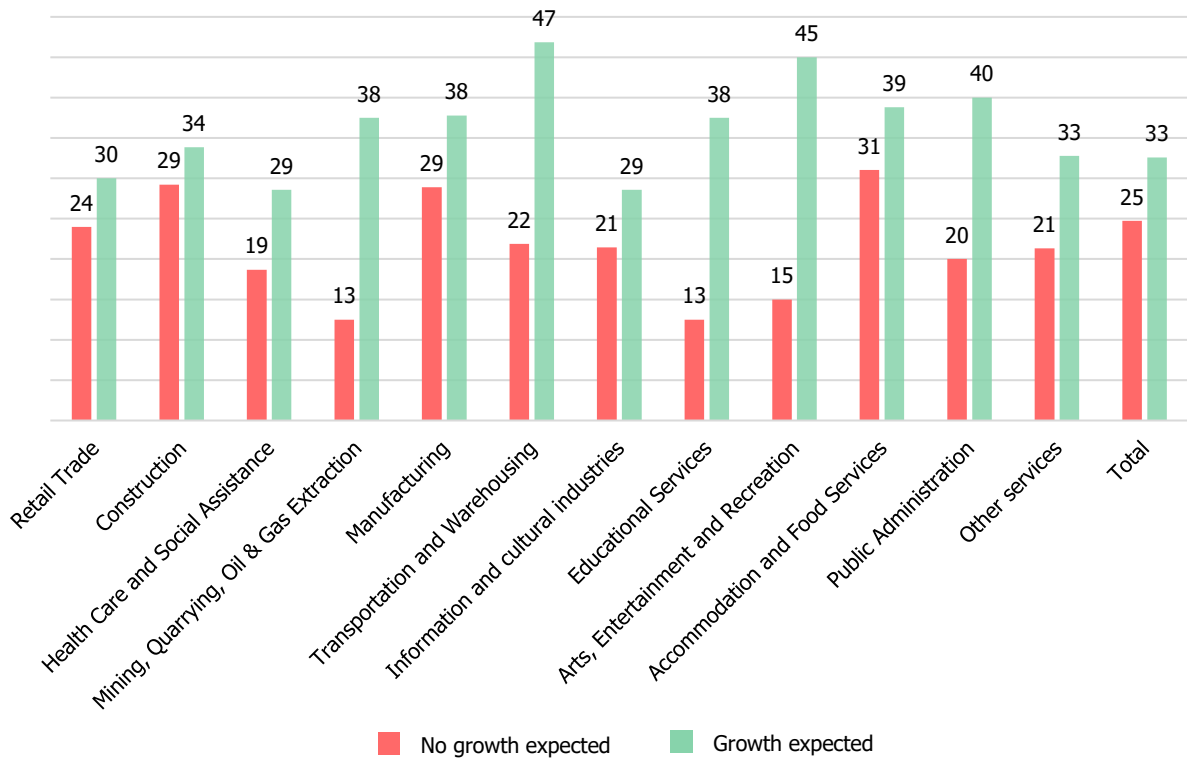
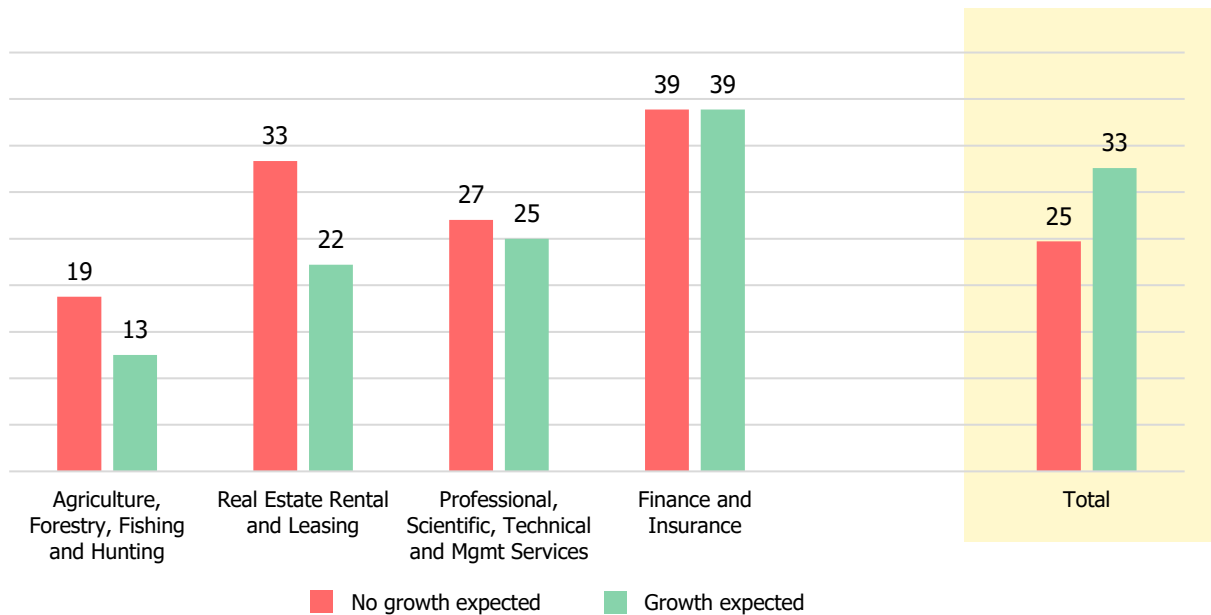


Figure 4: Employer expectations of economic growth in the next three years (industries with neutral or net negative outlooks)

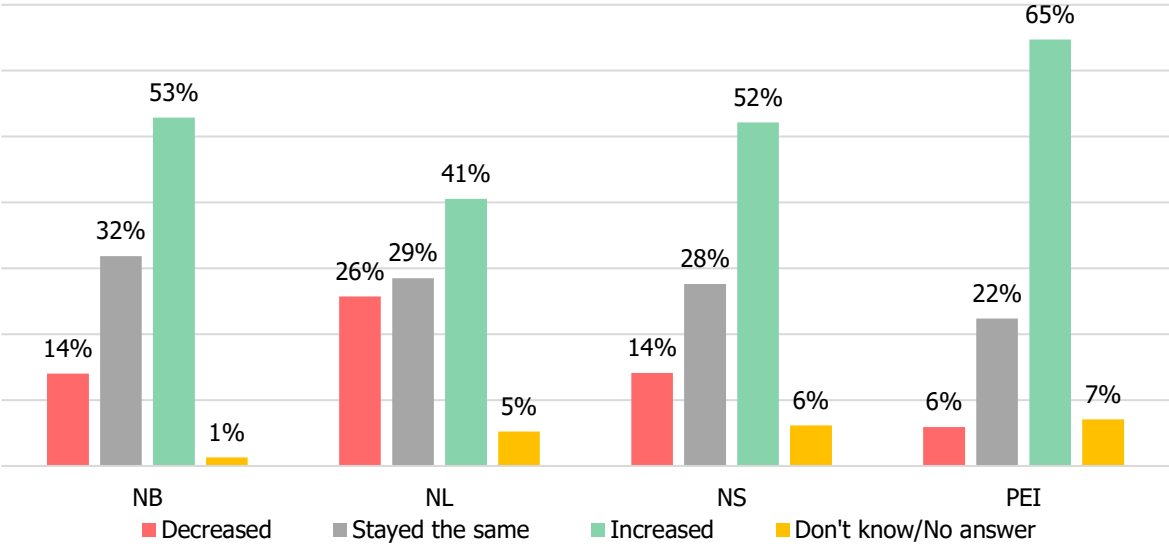


# BUSINESS & EMPLOYMENT GROWTH

## Current sales and hiring growth

Respondents in the private sector expected growth in both sales and hiring over the next three years. There were provincial differences in growth over the past three years, however, as 65% of firms in PEI, 53% in New Brunswick, 52% in Nova Scotia and 41% in Newfoundland and Labrador reported growth in their sales (Figure 5). PEI had the largest number of respondents reporting sales growth, and Newfoundland and Labrador had the largest number of respondents reporting that sales fell (26%).

Figure 5: Change in sales over the past three years (by province)



Increasing sales revenue has a strong positive correlation with an increase in employment. Most respondents increased or maintained staffing levels (Figure 6). 49% of respondents in PEI, 45% in Nova Scotia, 40% in New Brunswick and 31% in Newfoundland and Labrador said they had increased staffing levels. Most respondents who did not increase staff reported unchanged staffing levels, with a minority of respondents reducing staffing levels (15% in NL, 11% in both NS and NB, and 9% in PEI).

Figure 6: Change in number of employees over the past three years (by province)

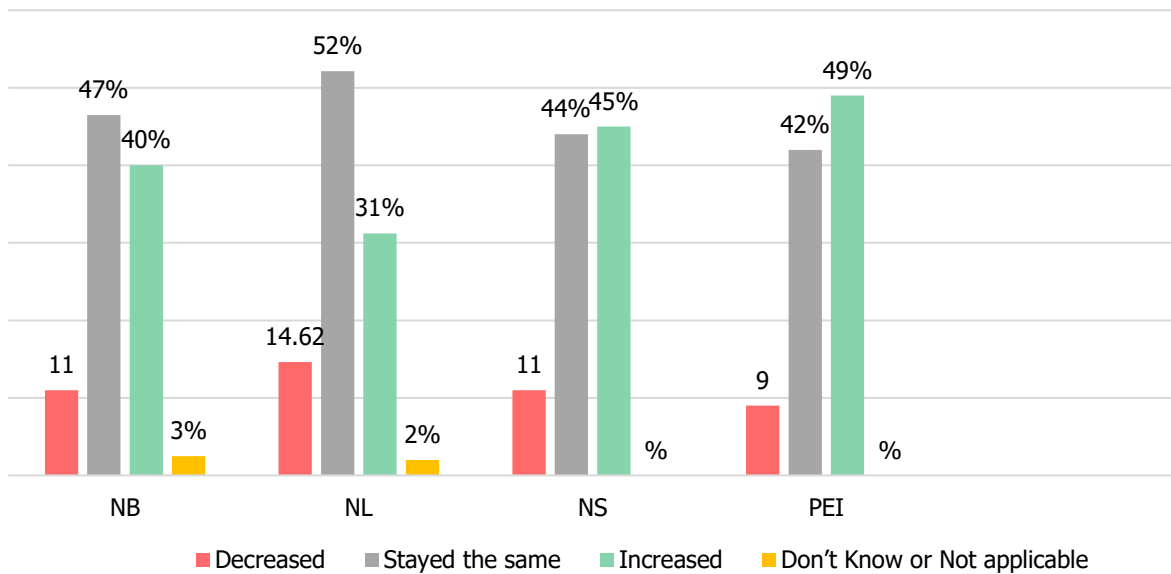
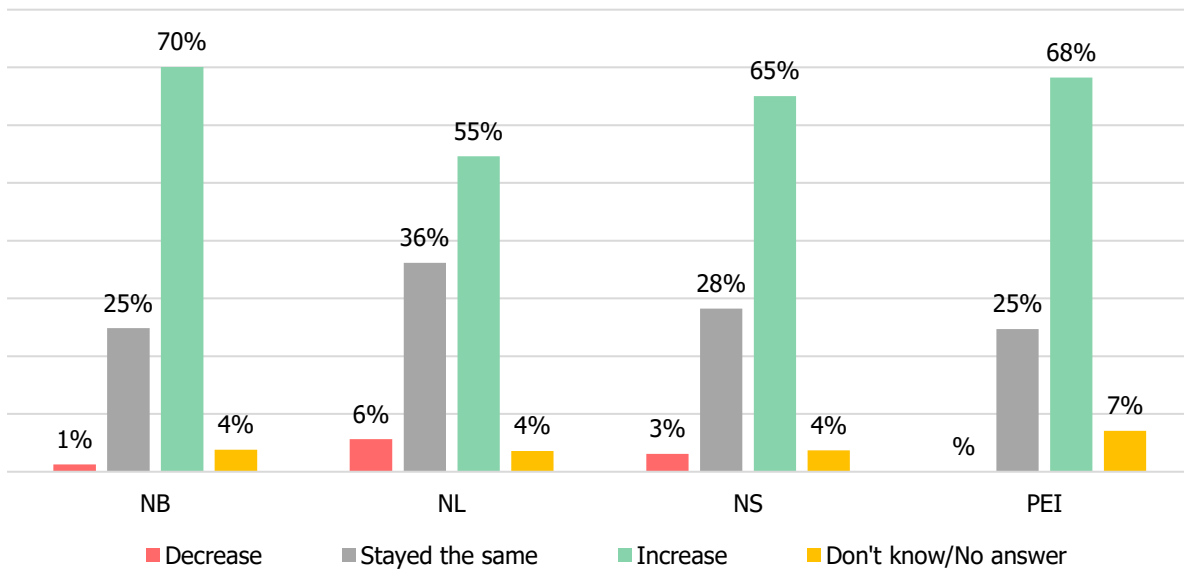


Figure 7: Expected change in sales over the next three years (by province)



### Projected sales and hiring growth

Looking forward to the next three years, employers were quite optimistic. 70% of respondents in New Brunswick, 68% in PEI, 65% in Nova Scotia and 55% in Newfoundland and Labrador expected sales to grow in their business (Figure 7). Very few respondents expected sales to shrink: only 6% in Newfoundland, 3% in Nova Scotia, 1% in New Brunswick and none in PEI. This optimism carries over to

expected hiring. While many respondents expect to keep staffing levels the same, a substantial minority expect to grow and a small proportion expect to have to shrink staffing levels (Figure 8).

Figure 8: Expected change in number of employees over the next three years (by province)

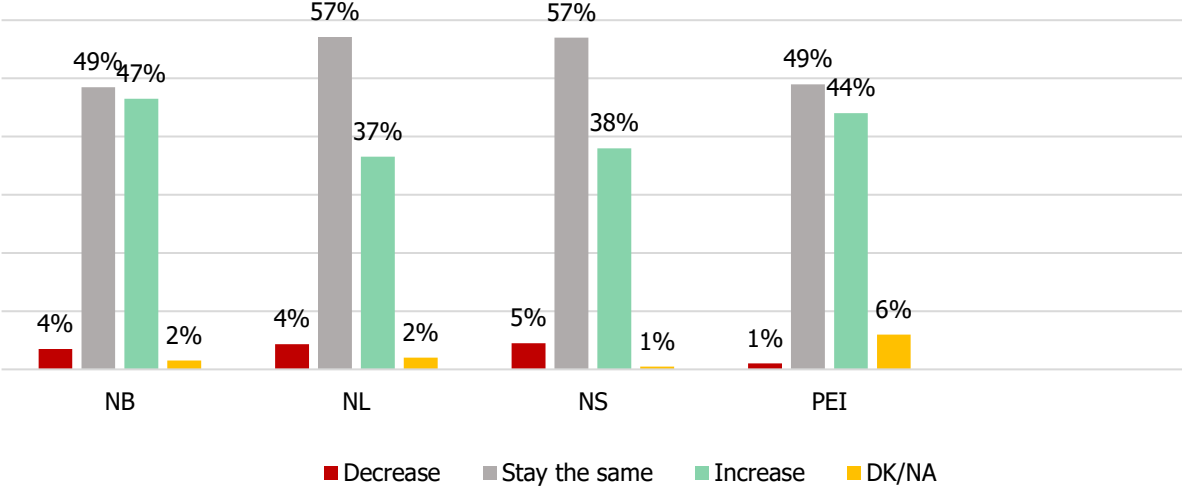
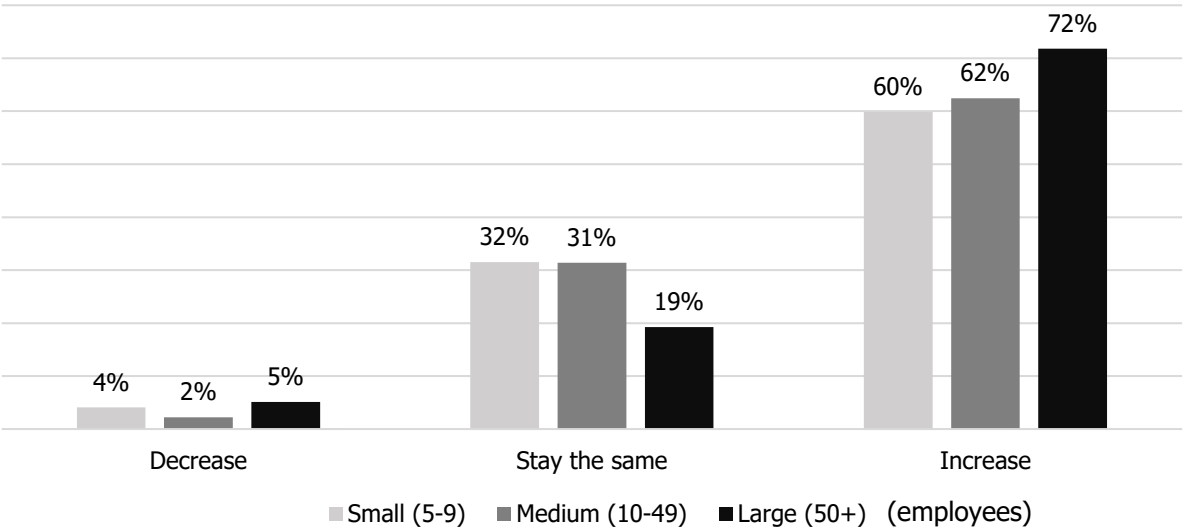


Figure 9: Expected change in sales over the next three years (by firm size)



Perspectives on anticipated sales and employment growth differed by organizational size (Figure 9) but significant differences were not identified between urban and rural firms (Figure 10). 72% of employers with 50+ employees reported that they expect to grow sales in the next three years, slightly more than medium sized employers of 10-49 employees (62%) and small employers of 5 to 9 employees (60%).



Figure 9 demonstrates the effect of an organization’s size on the employer’s future outlook. The relative optimism of larger organizations may reflect the relative strength of being more established and having access to more resources than smaller businesses. Employers in urban and rural areas expected significant increase in sales and hiring in the next three years. It is not unusual that there is more optimism in the urban areas as opposed to the rural areas (Figure 10).

Figure 10: Expected change in number of employees over the next three years (by firm size)

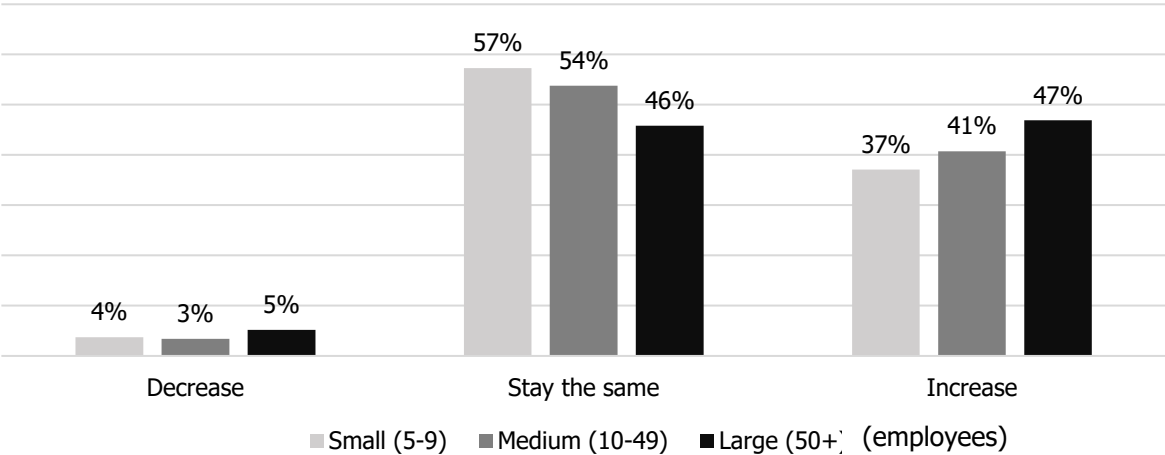


Figure 11: Expected change in sales over the next three years (by urban or rural location)

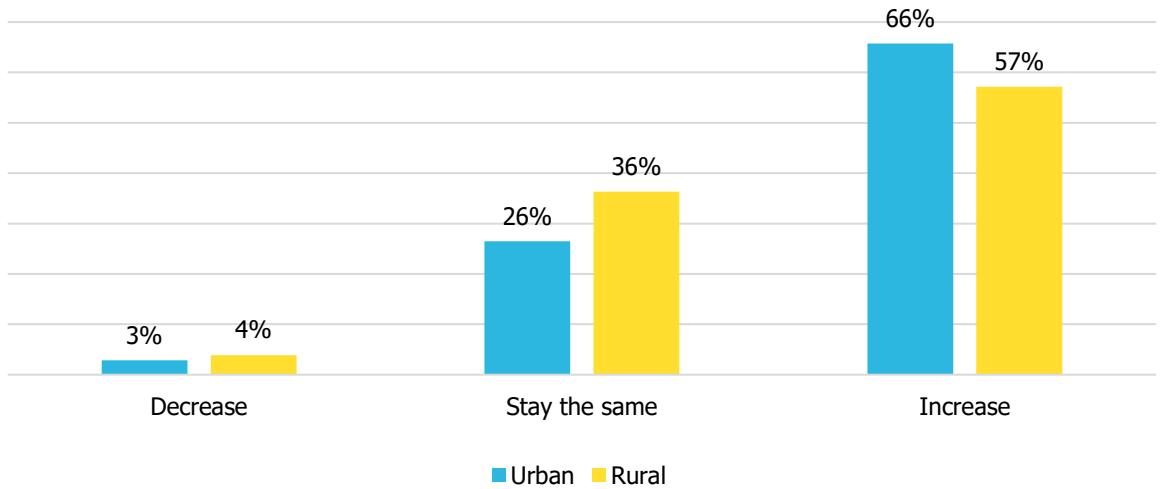
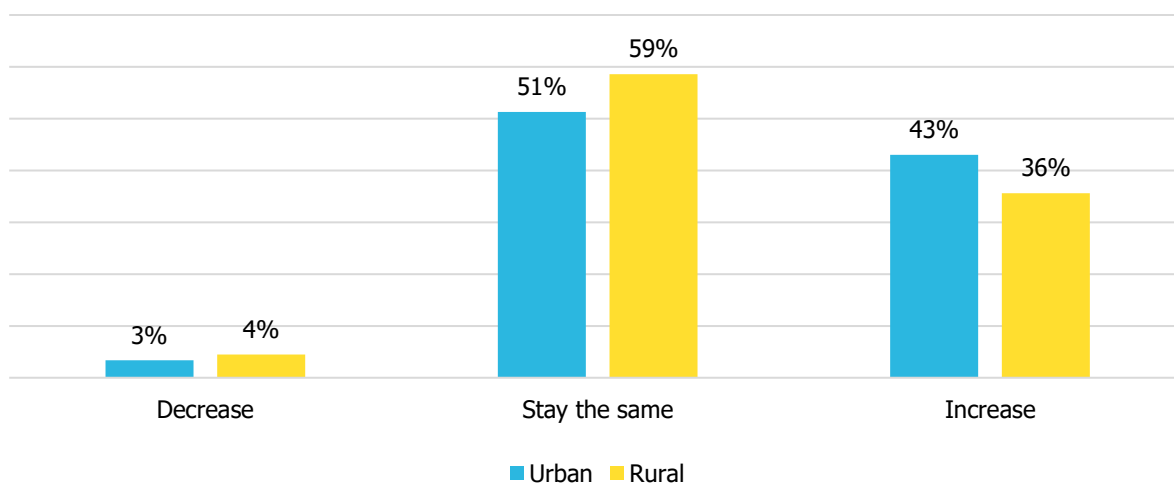


Figure 12: Expected change in number of employees over the next three years (by urban or rural location)



## CONCLUSION

According to a survey of 801 employers across Atlantic Canada, employers expect continued strong hiring and business activity over the next three years. Of all the Atlantic provinces, employers in PEI are the most optimistic about sales and employment growth. They were also the most optimistic regarding the current state of the provincial economy. Newfoundland and Labrador, on the other hand, had the most pessimistic outlook on sales and employment growth.

Employers in larger organizations demonstrated a more positive economic outlook for their province. Those in transportation and warehousing, arts, entertainment and recreation, public administration, and education services were relatively more optimistic. Employers in real estate rental and leasing, agriculture, forestry, fishing, professional, scientific, technical services, administrative and support and waste management and remediation services had a more pessimistic outlook. Perception by industry may vary across province and region as well.

The Atlantic employers surveyed were found to be generally consistent in their impressions of the current and near-term state of the provincial economy, potential for business growth and anticipated hiring. The survey also shows that an increase in revenue has a strong and positive correlation with an increase in employment. Immigration programs appear to play an important role in the region's population growth and economic growth, a topic that will be explored in subsequent reports.

## ENDNOTES

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<sup>1</sup> Günther, S. (2008). Full employment in Europe: Managing labour market transitions and risks. Edward Elgar Publishing.

<sup>2</sup> World Economic Forum & International Monetary Fund. (2016). [A new look at an old relationship: Jobs and economic growth.](#)

<sup>3</sup> Bank of Canada. (2019). [Business outlook survey - Summer 2019.](#)

<sup>4</sup> Conference Board of Canada. (2019). [Uneven economic outlook for Canadian provinces in 2019.](#)

<sup>5</sup> Conference Board of Canada. (2017). [Immigration to Atlantic Canada – Toward a prosperous future.](#)

<sup>6</sup> Statistics Canada. (2019). [Population estimates on July 1<sup>st</sup>, by age and sex.](#)

<sup>7</sup> Government of Newfoundland and Labrador. (2019). [Selected economic indicators, Newfoundland and Labrador.](#)

