

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
May 9, 2019

Report of the Commissioner of Corporate Services and Chief Planner

Planning for Employment Background Report

1. Recommendations

1. Council direct staff to proceed with consultation on the draft employment framework as outlined in this report and attachments as part of the Municipal Comprehensive Review.
2. The Regional Clerk forward this report and attachments to the Ministry of Municipal Affairs and Housing and the Clerks of the local municipalities.

2. Summary

The Growth Plan for the Greater Golden Horseshoe (Growth Plan) requires municipalities to plan for employment by ensuring availability of land in appropriate locations to accommodate the employment forecast and by designating and setting density targets for employment areas in the Regional Official Plan. This report along with attachments provides background analysis and forms the basis for consultation on a proposed employment framework as part of the Municipal Comprehensive Review (MCR).

Key Points:

- York Region has become a top destination for business across a number of economic sectors. The employment growth outlook is for stable growth in manufacturing and rapid growth in services including jobs in knowledge and creative industries.
- Despite 24% of the Region's labour force being at risk of automation, York Region is well positioned to withstand the impacts of automation and Artificial Intelligence (AI) with an economy increasingly focused on higher skilled activities. The impacts are anticipated to be gradual, with automation likely to create more jobs in the long run.
- Amenity rich and transit accessible work environments are increasingly important to employers to attract talent. Regional Centres and Corridors are well positioned to attract highly skilled, knowledge-based jobs.
- Maintaining an appropriate supply of employment areas will be critical for providing flexibility for employers in high quality locations over the long term.
- Staff will continue to consult with local municipalities, the public, and other stakeholders in developing the Employment Strategy as part of the MCR.

3. Background

Business and job growth are fundamental to the economic vitality and long term livability of York Region

York Region is in competition with municipalities around the world to retain and grow existing businesses, attract new employers, skilled employees, and good paying jobs. The attraction of new businesses and growth or expansion of existing business operations are the generators of wealth and job creation. A region that can attract and keep high quality jobs across a range of sectors will increase economic stability for the entire community, improve resiliency, and raise the overall standard of living.

Providing residents with access to a full range of employment opportunities contributes toward the overarching goal of the Growth Plan of building complete communities. Complete communities provide opportunities for residents to work close to where they live, reducing impacts on the environment and reliance on the automobile. Communities that offer a mix of land uses and a range of commuting alternatives offer optimal conditions to support knowledge based employment growth and to attract highly skilled and talented employees.

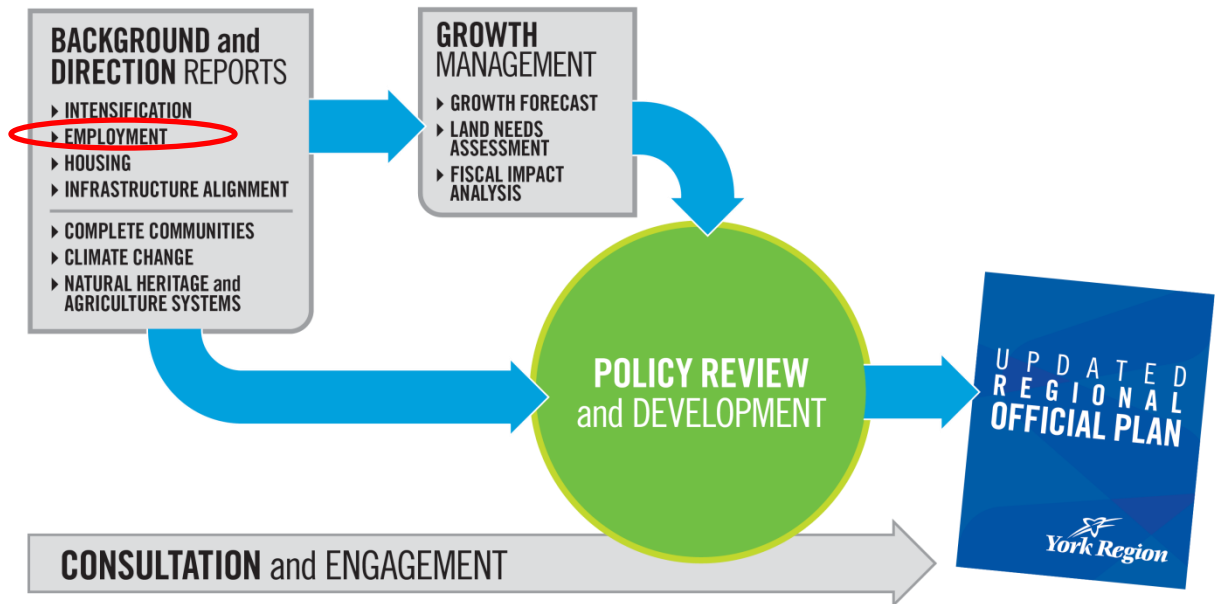
This is one of a series of reports to support planning for employment through the Regional Municipal Comprehensive Review

Through the MCR, York Region will be updating employment policies and the employment forecast in the Regional Official Plan (ROP). The Region is forecast to grow to 900,000 jobs by 2041, growth of approximately 264,000 jobs from 2018. To plan for this employment growth, a number of employment related reports are being presented to Council:

1. [Proposed Employment Area Conversion Criteria](#) and [York Region 2018 Employment and Industry](#) reports presented to Regional Council in March 2019
2. Planning for Employment Background Report
3. Employment forecast (by employment type) and land needs assessment to 2041, incorporating staff recommendations on employment area conversions
4. Draft policies and mapping of employment areas for the York Region Official Plan

These reports will form part of a broader series of reports and studies summarized in Figure 1 associated with the Region's Municipal Comprehensive Review.

Figure 1
Municipal Comprehensive Review Components



Source: York Region Planning and Economic Development

The report provides an overview of recent and anticipated employment trends and key findings from a global jurisdictional scan on planning for employment

For forecasting and land needs assessment purposes, employment is categorized into four types:

1. Employment area: employment within designated employment areas, excluding major office, and typically including manufacturing, warehousing, and ancillary retail uses
2. Major office: employment in free standing office buildings of 20,000 square feet or greater
3. Population-related: jobs serving the local population such as retail and services, including those working from home
4. Rural: primary and agricultural jobs dispersed throughout rural areas

This report is a summary of the content contained in Attachment 1 and provides an overview of recent and anticipated employment trends in the Region as well as key themes from a global jurisdictional scan of municipalities planning for the changing nature of employment. To inform the analysis on anticipated employment trends, York Region retained Hemson Consulting to prepare a [York Region Future Employment Trends Study](#).

Understanding employment trends will be a critical input to the Region’s employment forecast and policy update as well as the designation of employment areas in the Regional Official Plan, a responsibility that was uploaded to the Region by the 2017 Growth Plan.

Local municipalities, Regional programs, and a number of industry partners play important roles in achieving the Region’s long term employment goals

Through its updated forecast to 2041, York Region will be responsible for distributing employment growth to each of the nine local municipalities. Local municipalities will then be required to update their official plans to conform to the Regional Official Plan and plan to achieve the employment forecast. While the trends work presented in this report is important to inform the forecast, close collaboration between regional and local municipal staff will continue in order to ensure that regional policy directions align with local municipal planning objectives. Regional staff have been meeting with local municipal staff on a regular basis to discuss specific local issues.

Business attraction and economic growth in the Region is highly dependent on Regional plans, studies, and programs that recognize the importance of economic vitality as well as collaborative efforts of a number of public and private partners such as the Building Industry, local Chambers of Commerce, Boards of Trade, and institutions such as colleges, universities, and hospitals. Planning for employment through the MCR is also being coordinated with the update of York Region’s Economic Development Action Plan, which sets out a strategic course of action for the economic growth and prosperity of the Region over the four year Council term.

4. Analysis

TRENDS ANALYSIS

The globalization of markets, automation, and the ‘digital economy’ are key drivers reshaping the Greater Golden Horseshoe economy

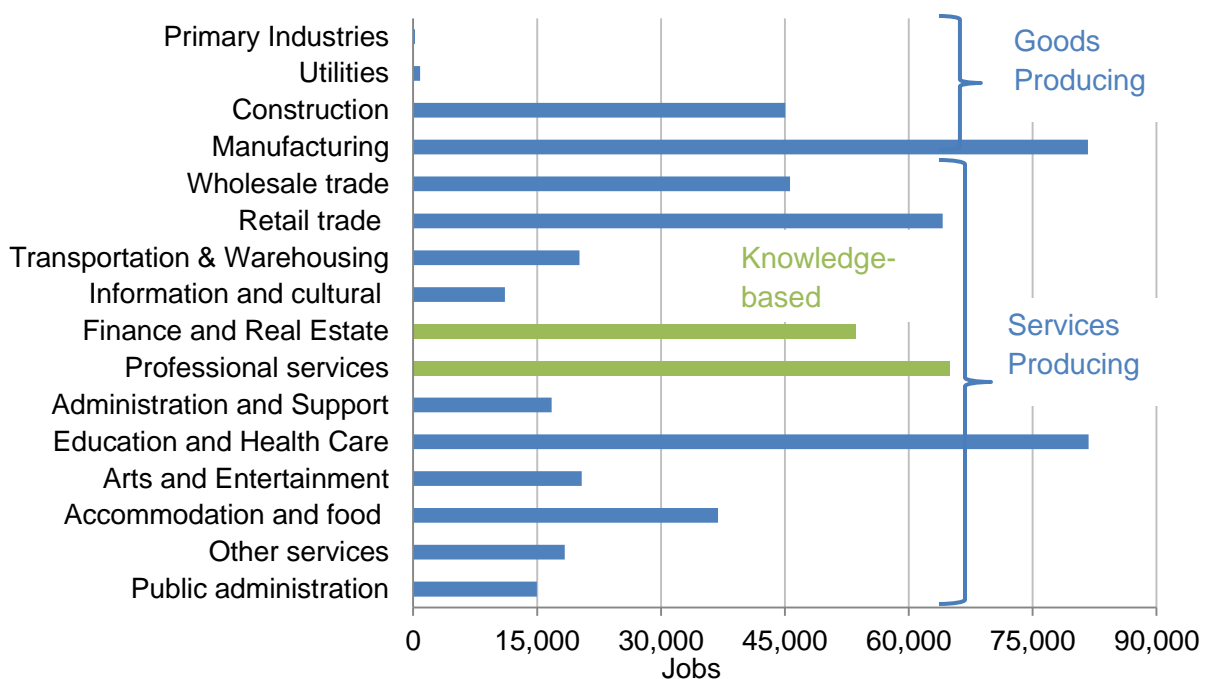
The economic landscape of the Greater Golden Horseshoe (GGH) has undergone economic transformation over the past several decades. According to recent studies, innovation, automation, and globalization are the main drivers of this economic change. The shift towards automation is resulting in less demand for lower skill and routine-based work and fostering growth in high skilled and knowledge-intensive industries such as business services, professional, scientific and technical services, finance, and insurance. Office space is being re-defined as a result of computer and digital technologies, and the emergence of e-Commerce has resulted in significant growth in the distribution and logistics sector and impacted traditional retail operations.

This shift is having an impact on locational preferences and the nature of work. There has been a growing concentration of employment in Downtown Toronto due to a number of factors including employee preferences of the millennial workforce, downtown transit connections, and access to a range of amenities. There has also been an increase in self-employment and the number of people working at home or with no fixed workplace address, and in contract or part-time capacity.

The outlook for employment growth in York Region remains favourable, driven by rapid growth in higher skilled and knowledge-based jobs

Within broader economic trends, the growth outlook for the GTHA and York Region remains positive. Since 1971, employment growth in the Region has outpaced population growth, growing at an average rate of 5.8 per cent per year, compared to population growth of 4.3 per cent. York Region has evolved into a top destination in the GGH and Canada for businesses across a number of industries and key economic clusters. As shown in Figure 2, the diversity of the Region’s employment base promotes resiliency in the face of potential disruptions. The Region is home to the highest technology sector concentration in Canada relative to population and the second largest financial services cluster in Ontario. Some of the world’s biggest companies are located in the Region, many of which are leaders in their industries. A sample of these companies includes IBM, Allstate, Honda, Johnson & Johnson, Oracle, FedEx, and General Motors.

Figure 2
Distribution of York Region Employment by Sector, 2018



Source: York Region Planning and Economic Development, 2018

The outlook for employment growth in York Region is for relative stability in the manufacturing sector with continued rapid growth in professional and service-based industries. With an economy increasingly focused on higher-skilled activities, including knowledge-based and creative industries, York Region is well positioned to compete for new business investment in the years to come. Over the past decade, employment in knowledge-based sectors (industries premised on their intensive use of technology and/or human capital) grew by 40 per cent compared to employment Region-wide at 32 per cent. Investment from Regional Council in key business supportive initiatives such as the recent introduction of Region-wide bandwidth (YorkNet) and commitment to a York Region

University Campus in Markham is important in supporting existing and new businesses in these rapidly growing sectors.

York Region is well positioned to withstand impacts of automation

The impacts of automation and AI by economic sector are related to several factors including overall susceptibility to automation, level of employment, and concentration of certain industries within the economy as well as the ability for displaced workers to transition to comparable jobs. According to Hemson, the impacts of automation and AI will occur gradually and likely create more jobs in the long run. This is consistent with broader historical trends that have seen technological advancements create jobs that did not exist in the past.

As shown in Table 1, based on the analytical framework developed by the Brookfield Institute and analysis from Hemson, an estimated 24 per cent of York Region’s 2016 employed labour force, or 133,200 jobs, is at risk of automation over the next 10-20 years. A similar analysis for jobs located within the Region indicates that 143,000 jobs, or 25 per cent of 2018 surveyed employment, are at risk of being automated. Automation has the potential to impact all economic sectors; however, relatively lower-skilled and routine-based occupations such as manufacturing are particularly susceptible. Compared to the national average of 42 per cent, the share of occupations at risk is much lower in York Region as a result of its diverse economy and strength in high-skilled knowledge based sectors less susceptible to automation.

Table 1
Jobs at risk of Automation in the York Region Employed Labour Force

Occupation	Potential for Automation	Potential Jobs Lost
Manufacturing and Utilities	62%	12,800
Trades and Transport	39%	22,400
Business, Finance, and Admin	39%	41,600
Sales and Service	35%	43,300
Natural Resources and Agriculture	16%	800
Health Occupations	7%	2,300
Arts, Culture, Recreation & Sport	5%	900
Natural and Applied Sciences	7%	3,800
Management Occupations	4%	3,000
Education, Law, & Government	4%	2,300
York Region Total	24%	133,200

Note: Reflects jobs held by York Region residents, does not represent actual jobs in the Region.

Source: Hemson Consulting based on methodology from Brookfield

Automation has the potential to increase demand or create jobs in higher-skilled industries

Automation and other technologies have the potential not only to replace existing jobs, but to result in increased demand in others, or create entirely new ones. The adoption of technology has led to increased productivity and demand for human skills, judgement, cognitive, and interactive tasks. Many significant sectors in the economy such as website and application designers did not exist a few decades ago. As computer and information technologies continue to expand and evolve, knowledge-based industries such as software engineering and data analysis are likely to grow and compensate for losses in other industries.

The Region's urban structure supports a range of employment opportunities

As the backbone of the Region's urban structure, Regional Centres and Corridors are planned to achieve the highest population and employment densities in the Region and become mixed-use economic hubs with a range of live-work opportunities for York Region residents. The Growth Plan requires municipalities to direct major office employment to these areas. Clustering of economic activities, compact community design, and access to transit enhances the attractiveness of Centres and Corridors for businesses to cluster and gain access to a highly skilled and talented workforce.

Strategically located throughout the Region, employment areas continue to be major drivers of economic activity

Employment areas offer sites for small and large businesses at lower costs than elsewhere in the Region. Although traditionally home to industrial business uses, employment areas have evolved over time to support a wide range of business uses. Among the Region's employment areas are three key nodes (shown in Attachment 2) that play important, but distinct roles in the Regional economy:

- The high-tech node in Richmond Hill and Markham forms part of the Tor-East megazone identified by the Neptis Foundation and has been identified by Hemson as one of only three major office nodes outside of Downtown Toronto
- The node in Central and West Vaughan includes lands in the Tor-West megazone and is strategically located around major rail and highway infrastructure such as the 400 and 427 and home to a large number of traditional/industrial type jobs
- Emerging employment areas along the 404 north provide attractive vacant sites to support significant employment growth moving forward

Outside of the Region's Centres and Corridors and employment areas are community and residential areas. Driven by population growth, employment in these areas is largely population-related and includes a number of people working at home (an estimated 51,100, or 8 per cent of total employment in 2018). Local retail and personal services such as schools, hospitals, and medical clinics in these areas are key components to mixed-use

communities as they allow residents, workers, and visitors to purchase goods locally. Shopping locally promotes active lifestyles, reduces travel times and congestion, and supports the Region's economy.

There are also 14,700 jobs (or 2 per cent of total 2018 employment) in the Region's rural areas outside the urban boundary that support primary and agricultural-related employment.

Driven by rapid growth in Centres and Corridors, major office employment is anticipated to continue to outpace growth in all other employment types

As of 2018, one out of every five surveyed jobs (22 per cent) in the Region was located in Centres and Corridors, accounting for approximately 22,400 new jobs over the past decade. Approximately 72 per cent of the jobs created in Centres and Corridors since 2008 have been in the major office employment category. Region-wide, major office employment has outpaced employment growth overall, growing by over 33,400 jobs, or 48 per cent since 2008 to an estimated total of 102,300 jobs in 2018.

As the knowledge economy continues to evolve, the concentration of major office growth in Toronto is likely to continue which presents both challenges and opportunities for the Region. The challenge is that the overall demand for new office buildings outside Toronto has been reduced and is compounded by the increasing prevalence of office employment in non-office forms such as multi-unit industrial buildings. The opportunity will likely arise from the growing costs and other dis-benefits associated with Downtown Toronto such as congestion and crowding on transit which may drive employers to consider locations outside the City. Since 2010, the Region has attracted companies such as Aviva, Celestica, and Lenovo that were previously located in Toronto.

Outside of the City of Toronto, York Region is positioned better than most to compete for office development. Over the past ten years, York Region has accommodated 25 per cent of new major office jobs created in the GTHA. As of 2018, there were 21.6 million square feet of major office space in the Region with an additional 640,000 square feet (8 buildings) under construction and 3.9 million square feet (38 buildings) within proposed applications.

Amenity rich and transit accessible work environments will be critical to attract and retain talent

Key factors for knowledge and creative industries are access to talent and amenity-rich office space and work environments. The competition for talent is driving companies to locate in areas well served by transit with access to services such as restaurants and retail that cater to younger workers.

Attracting talent and business growth to York Region is supported by the Region's commitment to infrastructure investments and transportation expansion. Viva bus rapid transit and the Spadina Subway extension into Vaughan have supported significant office and residential construction. Working with the Province on the Yonge subway extension and all day two-way GO service will further support new business opportunities.

Increasing the attractiveness of Centres and Corridors for businesses and the broader GGH labour force will be dependent on prioritizing development of a high-quality, sustainable, and walkable public realm. As the urban structure evolves and Regional Centres and Corridors mature, these core attributes will promote the continued competitiveness of the Region as a top business location in the GTHA.

Protection of employment areas is essential as the demand for employment land is anticipated to remain strong

Employment areas are vital to the Regional economy. As of 2018, 53 per cent of York Region jobs were located in employment areas, including 76 per cent of the Region's largest employers. As of 2017 there were 2,600 ha of vacant employment land in the Region, protection of these areas to 2041 and beyond will be critical to ensure that choice is available to prospective businesses. More detail on each of the Region's employment areas can be found in Attachment 2.

Future demand for employment area development in York Region is anticipated to remain strong. Growth in e-Commerce has driven a surge in demand for distribution space close to major urban centres. Manufacturing will continue to play an important role with fewer workers and more automation. Mixed-use employment areas are not appropriate to support growth in these sectors because of higher land costs and because businesses in these industries often have specific location requirements that are often incompatible with sensitive uses such as residential and institutional.

Growth in employment areas will be driven by increasing demand for large sites with superior transportation access and evolving trends towards office uses in industrial flex space and older multi-unit industrial buildings. An appropriate land supply will be required for all types of industry to provide flexibility for employers over the long-term. The Region's strategically located employment areas, particularly along major highways and near intermodal facilities, will be important assets as these industries grow. While the composition of jobs is likely to shift toward more advanced forms of manufacturing, protection of employment areas will be important to accommodate employment growth in this export-based sector.

The Province is contemplating the introduction of Provincially Significant Employment Zones through proposed Amendment 1 to the Growth Plan but no amendments have been finalized at this time. It is staff's opinion that the identification of these zones, and Council's recommendations to the Province on Amendment 1, does not impact this background report. Future MCR related reports will address any applicable Growth Plan amendments once finalized.

Increasing office uses and intensification will contribute to higher densities in employment areas

While the Region encourages office development in Centres and Corridors, recent trends show that increases in employment area employment have been driven primarily by growth in service and knowledge-based sectors. These office-based sectors are being accommodated in a range of building types, specifically flex-office space and older industrial

buildings that have been re-purposed to accommodate higher density uses. The impact of this trend has been a “blurring of the lines” between traditional employment area employment such as manufacturing and industrial uses, and office employment. Approximately 54 per cent of “office type” jobs in employment areas are accommodated outside of major office buildings, a trend likely to continue as service sector and knowledge based uses are accommodated in employment areas. Flex-office and multi-unit industrial building types in employment areas will play an important role moving forward by providing space at a lower cost than other areas of the Region, particularly for small businesses and technology-related start-ups.

Intensification in employment areas is another factor contributing to increased densities. Since 2011, over 60 per cent of employment area growth has been accommodated through employment intensification of existing built parcels and buildings. Despite part of this growth being attributed to re-occupancy of vacant space following the 2008/2009 recession, considerable job growth is anticipated to be accommodated through intensification moving forward.

These trends have resulted in an overall decrease in floor space per worker and a corresponding increase in employment area density over the past five years from 65 jobs per hectare in 2013 to 70 jobs per hectare in 2018. Largely due to location and the sector makeup of employment areas, densities vary across the Region. In West Vaughan where there are a large number of warehouse and distribution facilities, densities are as low as 15 to 25 jobs per hectare compared to densities of 290 jobs per hectare in employment areas such as the Commerce Valley business park in Markham where there is a large concentration of professional service employment in office and multi-unit industrial buildings.

Retail locations remain important as their role evolves to incorporate different types of retail delivery and support online retailers

Along with growth in e-Commerce and demand for industrial distribution there has been a shift in the pattern of retail development, as evidenced by recent closures of major large North American brick and mortar stores. While this trend may continue, it is being moderated by the establishment of retail stores by major online retailers, notably Amazon, to create a physical footprint for the sale and delivery of goods. Other related trends are growth in stand-alone pick up locations and the ability to order items online and pick up in stores (“click and collect”).

The likely impact will be a reduced need for new retail space combined with the continued repurposing of existing stores to accommodate a wider range of uses. At a local scale, needs of residents still need to be met, and at a regional scale, there is still demand for space in regional malls because of the enduring appeal of the shopping experience. Most of the change will be in mid-scale developments such as community shopping centres as traditional anchor tenant’s move their business online.

These shifts are likely to result in a reduction in employment in the retail sector due to the continued automation of routine-oriented service tasks.

EMPLOYMENT AREA PLANNING

Municipalities in Canada and around the world are changing the way in which they plan employment areas

The employment trends presented in this analysis are reflective of broader national and global economic trends that relate to employment policy planning. To better understand and address these trends and plan for the changing nature of employment, municipalities worldwide have completed studies to review employment areas. In Canada, Toronto, Waterloo, Milton, Victoria, British Columbia, and Surrey, British Columbia and others such as Sydney, London, Stockholm, and Anaheim have created new policy direction to help prepare and plan for future change. Common findings from these studies are summarized below, and Attachment 3 provides additional detail on each study.

Increasing flexibility along corridors and improving built form are two common approaches to increase attractiveness of employment areas

While the overarching theme in all municipalities studied was an emphasis on protecting and preserving employment areas, there was a focus on improving the attractiveness of these areas for businesses and improving live-work relationships for residents. To accomplish this, two inter-related policy directions emerged: the need for increased flexibility in employment area designations along corridors and the need to improve built-form and the pedestrian environment.

Jurisdictions studied are amending existing policies to both limit the number of employment area designations and introduce designations that permit a broader range of employment uses in strategic locations. Locations identified include areas adjacent to major arterial roads or within broader community centres. Through the introduction of increased flexibility, municipalities are hoping to better align these targeted areas with other city building initiatives to capitalize on investments in infrastructure, better integrate employment and non-employment uses, and provide for a broader mix of employment uses and amenities. While increasing flexibility in strategic locations, municipalities are stressing the importance of protecting inner and core areas for traditional employment uses such as manufacturing and industrial uses.

Municipalities are also developing implementation plans, guidelines, programs and incentives to improve the built form of employment areas to make these areas more attractive to employers and employees. Municipalities cited use of landscape and urban design guidelines to improve pedestrian environments and encourage mobility and connectivity to support multi-modal uses in employment areas.

Municipalities are developing creative solutions to rejuvenate employment areas and stimulate economic growth

Municipalities are recognizing older employment areas that may be in transition and are developing strategies and policies to support redevelopment where appropriate. This may

include use of Community Improvement Plans and/or identification of Business Improvement Areas to revitalize sites previously occupied by heavy industry or rail yards. In some cases, financial incentives are being used to encourage office development in “innovation or creative districts”.

Analysis will inform the Region’s employment forecast and policy considerations

This report, along with Attachments, provide background analysis for the Region’s employment forecast and policy update which forms part of the Municipal Comprehensive Review and update of the Regional Official Plan. The following are examples of policy considerations that will be explored with local municipalities and the public in development of the Region’s policy framework:

- Planning for the changing nature of employment by promoting transit supportive high quality urban environments attractive to office development as the knowledge economy evolves
- Protecting employment areas over the long term for a broad range of employment uses, including growth in transportation, logistics, and warehouse facilities
- Appropriate land use flexibility in suitable employment area locations
- Developing strategies to support redevelopment and rejuvenation of employment areas

Further analysis is required to designate employment areas in the Regional Official Plan and derive employment area density targets

Preserving employment areas is an important planning tool for securing the Region’s economic future. Over the coming months, Regional staff will be working with local municipalities to ensure the unique needs of each local municipality are considered when delineating and designating employment areas in the Region Official Plan. The work will incorporate the following:

1. Findings from the historical and future trends analysis and jurisdictional scan
2. Results of the assessment of site specific conversion requests
3. A broader review of the Region’s employment areas in the context of the evolving urban structure, infrastructure investments, and the changing nature of employment

A key input to this work will be a Council Workshop which has yet to be scheduled.

5. Financial

Work related to analysis of employment data is completed by internal resources and all costs are addressed in the approved Planning and Economic Development budget. Consideration

of the findings and observations through the review and update of the Regional Official Plan will occur within the existing staff complement and necessary consultant services through the approved budget.

6. Local Impact

York Region staff have met with local municipal planning staff to discuss employment planning. Extensive consultation with local municipal staff will continue to occur when developing the Region's employment forecast, policy update and when designating employment areas in the ROP, including assessment of employment area conversion requests. Local municipalities are key partners in planning for employment in the Region.

7. Conclusion

York Region has a diverse employment base with a range of industries and key economic clusters that continue to grow and prosper. Moving forward, consistent with broader economic trends, knowledge-based sectors are expected to be among the fastest growing sectors in the Region. The Region's strengths in these industries will contribute towards a more resilient economy to withstand impacts of automation.

In planning for future employment growth through the employment forecast and policy update, protection of employment areas will continue to be important to accommodate an increasing demand for warehouse and distribution facilities as well as flex-office space uses. Increasing flexibility in strategic locations and improving built form of employment areas through creative solutions will also be an important policy consideration.

For more information on this report, please contact Paul Bottomley, Manager, Policy, Research and Forecasting at 1-877-464-9675 ext. 71530. Accessible formats or communication supports are available upon request.

Recommended by: **Paul Freeman, MCIP, RPP**
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April 25, 2019
Attachments (3)
eDOCS #: 9313516