

Chapter 2

Economic profile of rural Québec

This chapter provides a socioeconomic assessment of rural Québec. The first section presents a regional typology of the province's rural areas. Next, it focuses on the source of economic competitiveness in rural territories: the productive framework, the labour market and the sectoral contribution to the rural economy. It then focuses on the social well-being of rural Québécois, with an emphasis on service delivery. Finally, it discusses the main challenges to the sustainability of rural communities in Québec.

Key points

- **Today's rural Québec has a component of modernity and generates 20% of provincial gross domestic product (GDP).** Overall, the rural population and employment opportunities are increasing owing to the diversification of the economic base. Many rural areas have been reducing their dependence on agriculture and other primary activities while increasing their specialisation in manufacturing and, above all, service activities.
- **The rural-urban split is less intense in Québec than in the rest of Canada, because of a denser network of small and medium-sized cities.** The province has more than 1 000 municipalities, the bulk of which are located in rural areas in the southern portion of the province. This supports the social aim of occupying the territory. Many of these municipalities are functionally linked. As a result, in Québec, many rural labour markets are connected and relatively large.
- **On average, rural Québec displays good performance but, as in the rest of Canada, there are regional disparities.** Rural areas located in the peri-metropolitan fringe and in intermediate areas have a diversified economic base and attract people and businesses. Conversely, predominantly rural areas, especially those that are remote and rely on natural resources, face structural socioeconomic change. In some cases this threatens their sustainability.
- **The structural change occurring in rural areas is a multidimensional phenomenon that involves social and economic issues.** First, in predominantly rural areas, the population is ageing and declining because of low birth rates, longevity and net out-migration. Second, some rural labour markets offer fewer job opportunities because agriculture absorbs a smaller number of workers and because the comparative advantages of resource-based and traditional manufacturing are exposed to international competition. Third, in some cases, decreasing environmental quality feeds into the challenges brought about by climate change.
- **In particular, resource-based rural communities are the province's most vulnerable areas.** The forces that determine the course of these communities are often external, such as decisions made by the central government, metropolitan financial elites, or international traders. In many cases, the current global financial crisis is exacerbating the local decline.

Introduction

This report focuses on rural Québec. The choice of this province is due to a series of factors. First, Québec is the province with the largest land area and, after Ontario, Canada's second most populated province. Second, "rurality" is an important component of the character and culture of the province.¹ Although the bulk of the population has been concentrating in urban centres in the south of the province which contains three major urban regions of Montréal, Québec City and Gatineau, Québec still has a strong rural character, with a typically rural landscape and a relatively large number of rural communities, which are strongly attached to their territory. Third, the rural areas contribute significantly to the province's economy. Québec is rich in natural resources and there are communities in some remote rural areas whose existence is justified by the extraction and processing of natural resources. Fourth, for a series of historic and political reasons, the provincial government wishes to ensure the sustainability of rural communities, including those in remote areas. Finally, it has the characteristic of a large territory at the frontier of human settlements, with a wide range of challenges and opportunities. The province's effort to promote rural development represents precious experience for to feed into the OECD's collective knowledge about this issue.

Only the southern part of Québec is defined as rural by the provincial government, because the north has extremely low population density and few stable human settlements.² In most OECD countries the only categories for classifying the national territory are urban and rural; Québec additional category is the north. This is a vast region that reaches approximately from the 49th parallel almost to the polar circle. However, the rural-urban dichotomy exists in the south of the province, in the area called *écoumène*, where human settlements are contiguous. This area alone is the size of New England in the United States.³

Overall, rural Québec demonstrates good economic performance, but there are differences among predominantly, intermediate and peri-metropolitan rural areas. In particular, the rural areas closest to urban centres registered the strongest demographic and economic performance over the last 15 years (1991-2006). These areas have gained 18.5% in population, compared to the rural and urban averages of 1.6% and 9.6%, respectively. Local employment increased by 9.4% between 2001 and 2006, with a positive impact on rural GDP, which increased by some 3% a year between 1991 and 2006 (Conference Board, 2009). These peri-metropolitan areas are becoming a key economic and social space in Québec and support a process of endogenous development based on the services sector and high value-added manufacturing. Conversely, remote, predominantly rural

territories are losing population (-7.4% between 1981 and 2006) and their economic framework, specialised in primary activities, is under strain from structural change and a negative economic situation.

Rural areas face challenges that are often due to the ongoing transformation of their society and economy. Within one generation, Québec underwent a “demographic revolution”. From having the highest birth rate in Canada, Québec now has the lowest in North America. Combined with longevity and limited immigration, this has led to an ageing and, in some parts, declining rural population. The population’s longevity, in particular, requires the delivery of new public services, yet may also represent an opportunity to develop new economic activities. In any case, Québec faces two major challenges: to create employment opportunities to attract new residents and immigrants and to improve amenities to achieve a higher quality of living in rural areas.

Finally, the strong functional linkages between urban and rural territories put pressure on natural amenities, transport infrastructure and the environment. Urban sprawl and increased commuting are transferring negative urban externalities such as congestion and pollution to some rural areas. The “urbanisation” of some rural territories arises from successful rural development, but a functional approach to spatial planning is lacking.

2.1 “Rural” in Québec

Due to the extreme variation of population density, only the southern part of the province can be defined as rural in its usual sense

Because of the small number of stable human settlements and extremely low population density, a large part of Québec can be considered as a separate territorial component when applying the OECD regional typology (Du Plessis *et al.*, 2001). The province of Québec covers a territory of more than 1.5 million km² in the eastern part of Canada, more than five times the size of Texas and almost three times the territory of France, and it is home to 7.5 million people. Accordingly, the overall population density is very low: 5.1 inhabitants per km². Yet, population density varies greatly across the province. The large majority of Québécois live in the south, between the 49th parallel and the border with the United States; in the rest of the province (the administrative region of Nord-du-Québec and the northern parts of Saguenay – Lac-Saint-Jean and Côte-Nord), population density is extremely low. Part of this territory is also home to First Nation reserves (Box 2.1). Furthermore, the total territory can be divided into the *écoumène*

(188 522 km²) and territories outside of this zone (*hors écroumène*, 1 260 813 km²). The former is mainly located above the border with the United States and along the shores of the St. Lawrence River, and it is here that the majority of Québécois live. The latter is composed of internal territories which lack continuity of human settlements (Table 2.1, Figure 2.1).

Box 2.1. Indian reserves in Canada and Québec

In Canada, an Indian reserve is specified by the Indian Act as a “tract of land, the legal title to which is vested in Her Majesty, that has been set apart by Her Majesty for the use and benefit of a band.” While many communities refer to the term “First Nation”, “band” is the term used by the federal government to describe a “body of Indians” in a community. The Indian Act also specifies that land reserved for the use and benefit of a band that is not vested in the Crown is also subject to the Indian Act provisions governing reserves. A reserve is similar to a US Indian reservation, although the histories of the development of reserves and reservations are markedly different.

In 2006, there were over 600 bands in Canada residing on one or more reserves, most of them quite small in area. The Indian Act gives the Governor in Council the right to “determine whether any purpose for which lands in a reserve are used is for the use and benefit of the band”. Title to land within the reserve may only be transferred to the band or to individual band members. Reserve lands may not be seized legally, nor is the personal property of a band or a band member living on a reserve subject to “charge, pledge, mortgage, attachment, levy, seizure distress or execution in favour or at the instance of any person other than an Indian or a band” (section 89 (1) of the Indian Act).

Provinces and municipalities may expropriate reserve land only if specifically authorised by a provincial or federal law. Few reserves have any economic advantages, such as resource revenues. The revenues of those reserves are held in trust by the Minister of Indian Affairs. Reserve lands and the personal property of band members and bands situated on a reserve are exempt from all forms of taxation except local taxation. Corporations owned by members of First Nations are not exempt, however. This exemption has allowed band members operating in proprietorships or partnerships to sell heavily taxed goods such as cigarettes on their reserves at prices considerably lower than those at stores off the reserves. Some First Nations have self-government agreements with Canada while others have minimal governance structures. Many First Nations fall somewhere in between.

Source: Indian Act (R.S., 1985, c. I-5), Act current to 25 November 2009; Indian and Northern Affairs Canada, www.ainc-inac.gc.ca; “Indian Reserve” in The Canadian Encyclopedia, www.thecanadianencyclopedia.com.

Table 2.1. **Québec in figures**

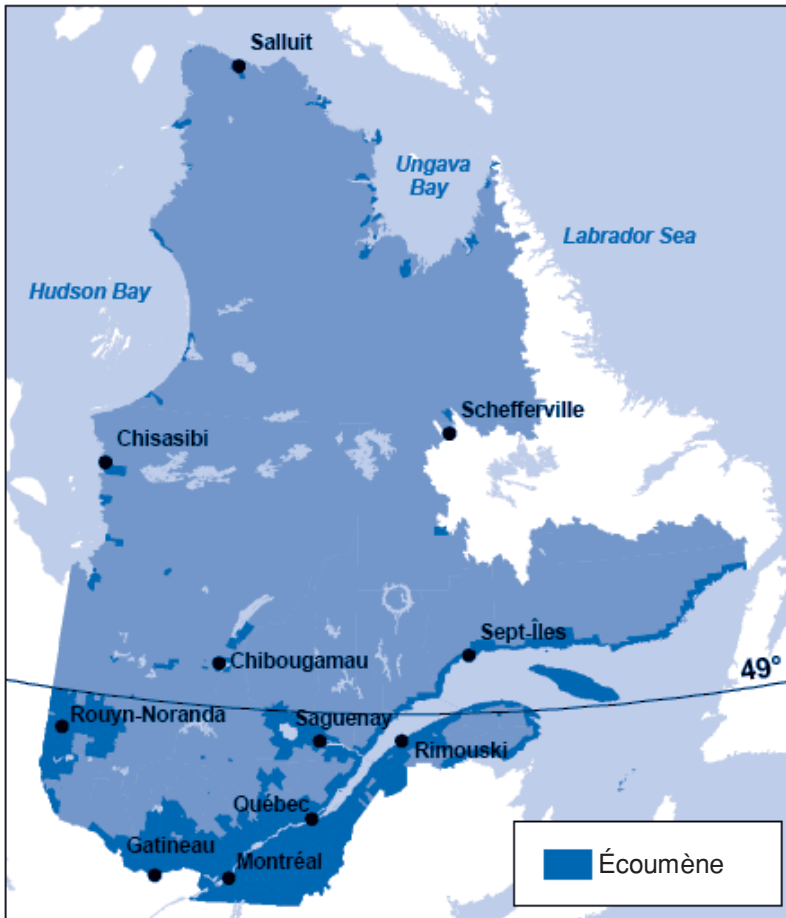
| | | |
|--|----------------------|-----------|
| Total surface | Km ² | 1 438 228 |
| Écoumène | Km ² | 188 522 |
| Hors écoumène | Km ² | 1 260 813 |
| Total population (2006) | | 7 435 805 |
| Absolute population densities | ln./ Km ² | 5.1 |
| Population density within the écoumène | ln./ Km ² | 39.4 |

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Rural Québec is home to one-quarter of the provincial population and covers two-fifths of the territory

The definition of “rural” used in this report is based on three variables: population density, the presence of an urban centre close or within the rural area, and the distance between a given rural area and the main metropolitan region.⁴ As a result, 42% of the province is rural. This area is organised in over 1 100 municipalities and unorganised territories, and 34 Indian reserves.⁵ The methodology used to define what is rural in Québec is based on municipalities or groups of municipalities called regional county municipalities (or *Municipalités régionales de comté*, MRCs) that represent the “building blocks” of the regional typology, and are Territorial Level 3 (TL3) regions in the OECD regional typology (Box 2.2). First, any area in an MRC that is part of the Census Metropolitan Area (CMA) or Census Agglomeration (CA) as defined by Statistics Canada (Statistics Canada, 2007) is not considered part of the rural area of the MRC. Second, MRCs whose population density is less than 400 inhabitants per km² are classified as predominantly rural. Third, the other MRCs and municipalities are considered rural if at least 50% of their population lives in areas whose population density is less than 400 inhabitants per km². This criterion comprises the residents of the countryside within CMAs and CAs. Fourth, for social and geographical reasons, six areas located in the region of Nord-du-Québec and six smaller cities with populations of fewer than 13 000 inhabitants are considered rural. Fifth, predominantly rural MRCs are divided into two sub-categories: those in central, or accessible, areas and those in remote areas (Figure 2.2).⁶ At the end of the iterations, rural Québec is divided into:

- 62 **predominantly rural** MRCs (divided into 31 **accessible** and 31 **remote** areas);

Figure 2.1. The *écoumène* in Québec

Source: Government of Québec.

- 21 **intermediate rural** MRCs (MRCs with low population density but with a relatively large urban centre within their territory);
- 10 rural areas within metropolitan regions, or **peri-metropolitan** regions.

Box 2.2. Regional County Municipality (MRC)

In Québec there are 86 MRCs (and 14 equivalent bodies). They are county-like administrative and geographic units. Each MRC is composed of a number of municipalities that control the MRC. The council of an MRC is composed of the mayors of the member municipalities as well as a prefect. The prefect is usually elected by and from the council by secret ballot. Universal suffrage is also used in eight cases: the local population elects the prefect, who is not necessarily a mayor. The prefect's mandate is two years when elected by council or four years when elected by universal suffrage.

The MRC's primary responsibility is spatial planning. In particular it must: manage land use by creating a "land use scheme" and revise it every five years; establish a plan for waste management, fire protection and civil protection (police); see to the proper functioning of watercourses in its territory, especially those used for agricultural drainage; prepare the evaluation rolls for local municipalities; and sell buildings for property tax default. MRCs are also responsible for local development and have to name or create, and fund, a local development centre to support regional businesses.

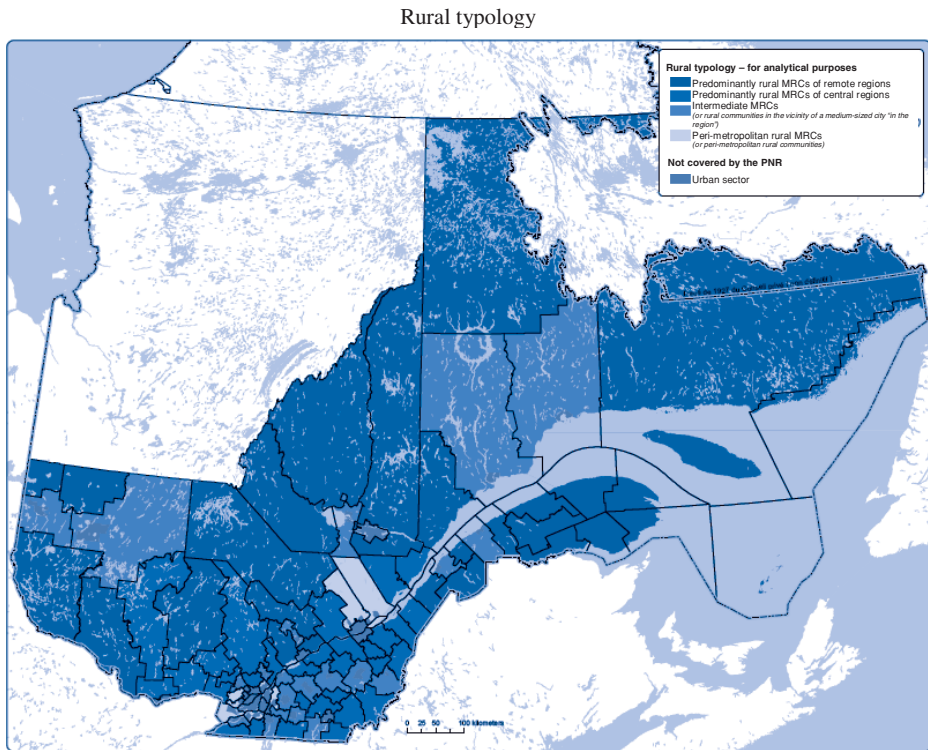
MRCs, in their definition as political units, do not cover the entire territory of Québec. The local municipalities of Québec (and equivalent aboriginal territories) not belonging to an MRC fall into two categories: *i*) all Indian reserves; and *ii*) 14 cities and urban agglomerations which do not belong to an MRC because they exercise some or all of the powers which are normally those of an MRC (a city or agglomeration in some cases exercises only some of these powers because some MRC powers are delegated to a metropolitan community).

Source: OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Population distribution in rural Québec

Rural Québec hosts one-quarter of the total provincial population, or 1.95 million people in 2006. In particular, 70% of the rural population (18.5% of the overall provincial population) lives in predominantly rural MRCs. Remote and predominantly rural MRCs are home to 566 000 people, while 811 000 people live in accessible predominantly rural MRCs. The rest of the rural population is distributed as follows: 21% (5.5% of overall population) live in intermediate MRCs and 9% (2.2% of total population) in peri-metropolitan areas (Table 2.2).

Figure 2.2. Rural classification in Québec



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

In Québec, population density is strongly related to distance from the largest metropolitan areas. Unlike Sweden, Québec has very few large communities far from main urban hubs.⁷ For the predominantly rural MRCs, the areas located within a range of 150-250 kilometres from the larger metro-regions display higher population densities (Figure 2.3)

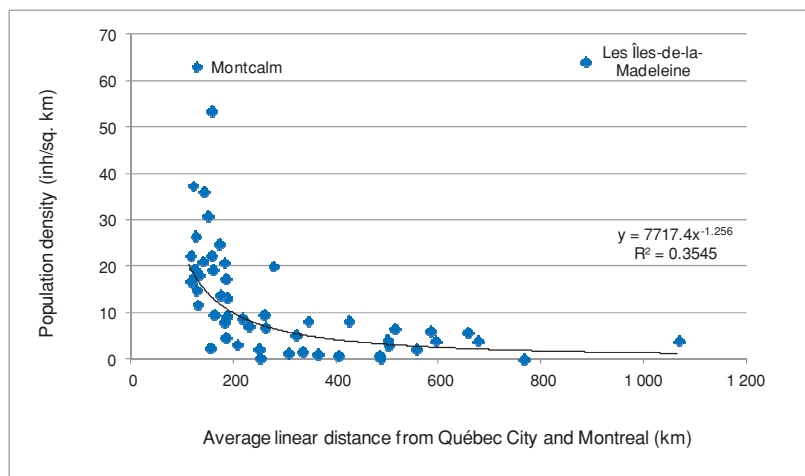
Table 2.2. Rural and urban population in Québec, 2006

| | Number of individuals | % |
|-------------------------|-----------------------|---------|
| Predominantly rural MRC | 1 377 455 | 18.5% |
| Remote | 566 320 | (41.1%) |
| Accessible | 811 135 | (58.8%) |
| Intermediate MRC | 410 920 | 5.5% |
| Peri-metropolitan MRC | 162 295 | 2.2% |
| Rural | 1 950 670 | 26.2% |
| Urban | 5 485 135 | 73.8% |
| Québec | 7 435 805 | 100.0% |

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Figure 2.3. Distribution of the population in Québec's predominantly rural MRCs

2006

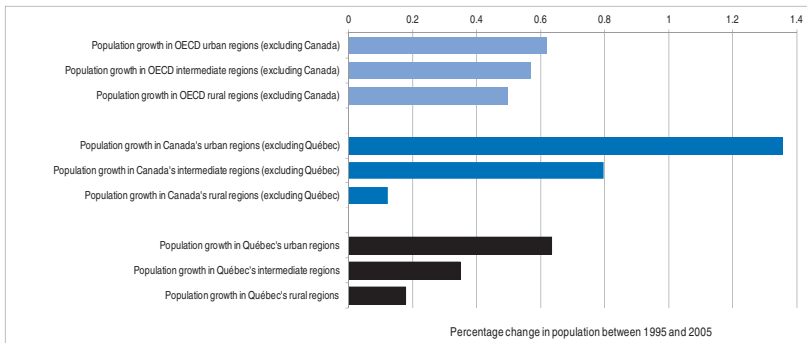


Note: Distance is the average linear distance (in kilometres) between the geographical centre of the MRC and the centre of the metropolitan areas of Montréal and Québec City.

Source: OECD Regional Database (2009); OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The demographic rural-urban split is less intense than in the rest of Canada. The spatial distribution of population in Québec tends to be closer to that of European countries and the OECD average. For instance, demographic growth in rural areas is not as slow as in the rest of Canada, and the pace of urbanisation is closer to the OECD average, while for Canada as a whole it is more than double the OECD average (Figure 2.4). This is due to the presence of relatively large networks of small and medium-sized cities in rural areas.

Figure 2.4. **Urbanisation trends in OECD, Canada and Québec between 1996 and 2005**



Source: OECD Regional Database (2009), internal database.

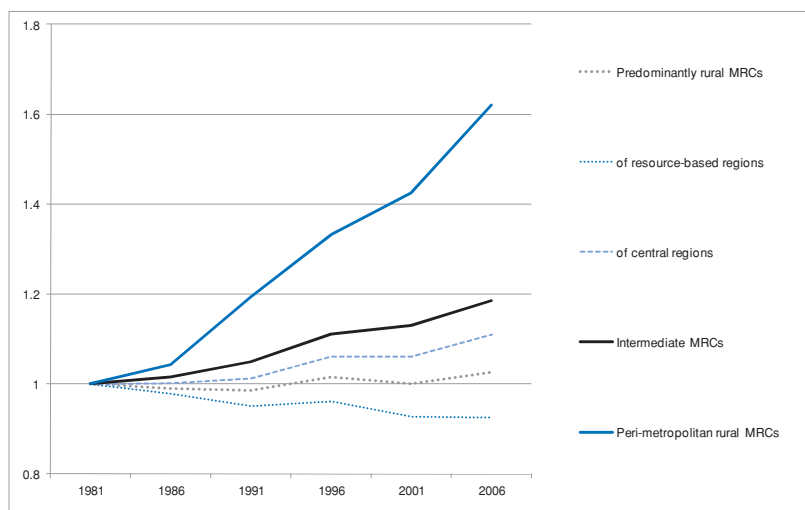
Rural areas are gaining population but the largest increases are on the urban fringe and in accessible rural areas

After a long decline, rural Québec has gained population since the mid-1990s, yet there are regional differences. Between 1981 and the mid-1990s all rural areas lost population. The modernisation of Québec's society owing to the so-called *Révolution tranquille*, which imposed a new set of values and aspirations and reduced the average size of households, favoured the concentration of the population in the main cities and particularly in the metropolitan region of Montréal, whose population skyrocketed over the period.⁸ The trend changed at the end of the 1990s, when in a reaction against urbanisation, rural territories started to attract new residents. However, this phenomenon affected mainly intermediate and peri-metropolitan rural areas. In fact, these rural areas increased their population

by 11%, while remote areas lost 7.4% (Figure 2.5). The capacity of these territories to attract new residents depends on several factors. The most important are: the possibility of piggy-backing urban services; access to a larger labour market; and the possibility of enjoying rural amenities, a choice particularly popular among baby-boomers (those born in the decade following World War II), who leave metropolitan areas after retirement. Conversely, remote areas have lost population over the last three censuses.

Figure 2.5. Demographic trends in rural and urban areas

1981-2006



Source: OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

2.2 Levels and sources of income

Income level in rural areas

Mirroring the national trend (see Chapter 1), personal income in rural areas in Québec is lower than the provincial average and the income in

urban areas.⁹ In particular, rural personal income is 11.6% lower than the provincial average. The gap is 15% if rural is benchmarked against urban. Also income per household follows a similar pattern (Table 2.3). There are, however, differences in the distribution of income with respect to the degree of “rurality”. Rural areas located within the metropolitan areas of Québec City and Montréal have income per capita higher than the provincial average. When income per household is taken into account, they have the highest level in Québec.

Table 2.3. Income distribution in Québec and gap with the national average, 2005

| | Income per capita (CAD 2005 current prices) | Income per household (CAD 2005 current prices) | Per capita income as a % of the national average (Québec = 100) | Household income as a % of the national average (Québec = 100) |
|-------------------------|--|---|--|---|
| Predominantly rural MRC | 27 550 | 51 689 | 85.9 | 87.7 |
| Remote | 26 651 | 49 868 | 83.1 | 84.6 |
| Accessible | 28 177 | 52 958 | 87.8 | 89.8 |
| Intermediate MRC | 29 294 | 56 590 | 91.3 | 95.9 |
| Peri-metropolitan MRC | 33 181 | 65 267 | 103.4 | 110.7 |
| Rural | 28 364 | 53 737 | 88.4 | 91.2 |
| Urban | 33 374 | 60 715 | 104.1 | 102.9 |
| Québec | 32 074 | 58 954 | 100.0 | 100.0 |

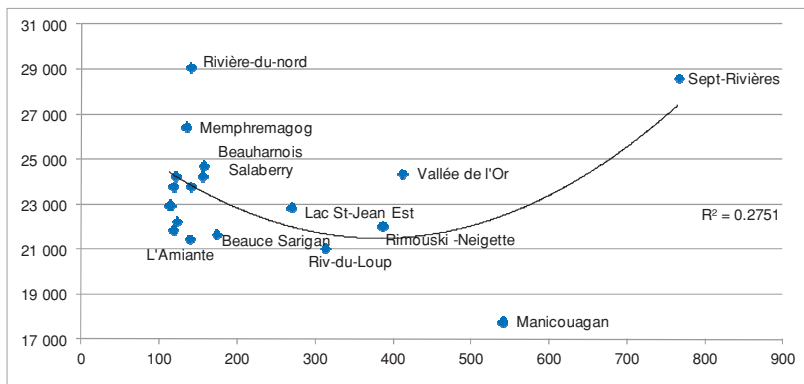
Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The impact of distance on income levels

Although regional accessibility is often considered an independent variable that shapes the performance of rural areas, Québec’s territories display a non-linear relationship between distance and economic performance. Among MRCs which, based on their population density, are classified as intermediate, some areas close to the main metro-regions have poor performance. Conversely, some remote areas have very high personal

income, such as Sept-Rivières, which is located in the central part of Côte-Nord at the extreme border of the *écoumène*.

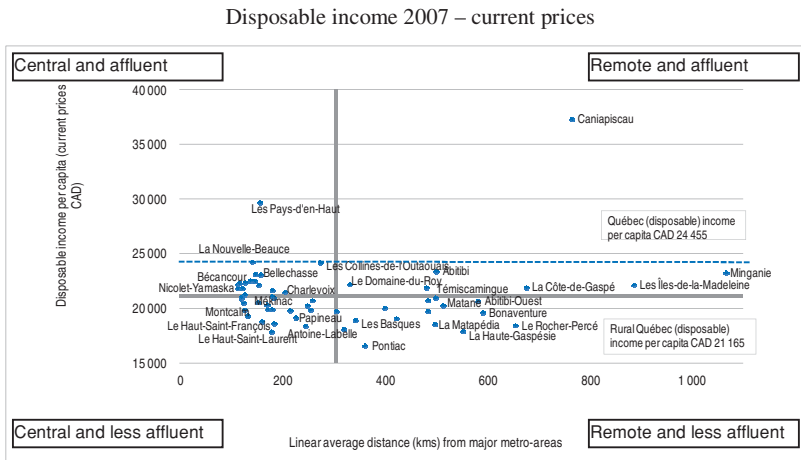
Figure 2.6. Distance (X) and income levels (Y) in intermediate rural areas
CAD 2005



Source: Based on Statistics Québec.

A similar pattern is observed in predominantly rural MRCs which display income disparities that are not related to distance. On average, predominantly rural MRCs are Québec's less affluent areas, but, as for intermediate rural areas, accessibility and distance are not the independent variables determining territorial wealth. For instance, considering average distance for the major metro-regions and average income, it is possible to cluster predominantly rural MRCs into four groups (Figure 2.7). The first consists of adjacent and relatively rich areas; 25% of the predominantly rural MRCs fall in this group. The second is that of adjacent and poor areas; with 39% they represent the largest cluster. The third and the fourth groups are, respectively, predominantly rural areas that are remote and less affluent (23%) and those that are remote but rich (11%). Hence, some remote rural areas display very high incomes, while many central areas have low incomes.

Figure 2.7. **Distance (X) and income level (Y) in predominantly rural MRCs**



Note: Distance is the average linear distance (in kilometres) between the geographical centre of the MRC and the centre of the metropolitan areas of Montréal and Québec City.

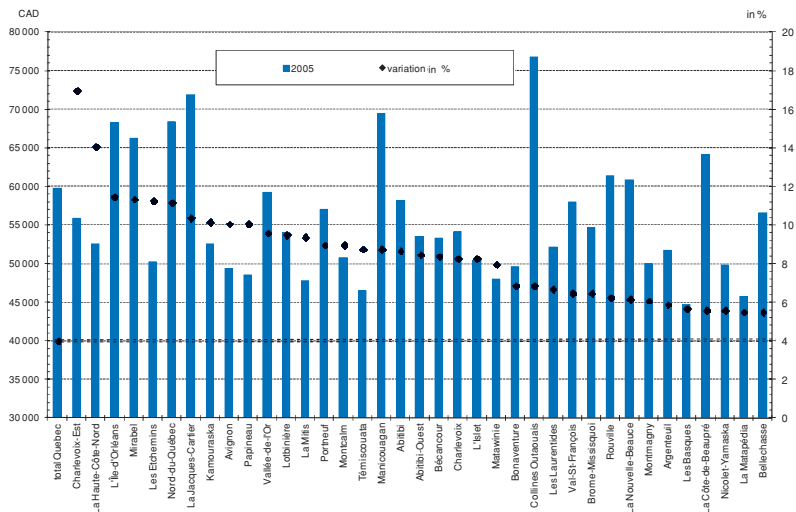
Source: OECD Regional Database (2009); OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Predominantly rural areas registered the highest increase in household income in the province, yet disparities are widening in some cases

Rural areas display the best performance in terms of growth of household income between 2000 and 2005, although regional disparities are widening.¹⁰ In particular, the median income for households living in predominantly rural areas (PRs) increased by 5.4% between 2000 and 2005. Intermediate and urban regions had an increase of 3.8% over the same period (Figure 2.8 C and D). Among PRs, a majority had increases of over 5% a year (Figure 2.8 A). The other PRs displayed slightly positive or even negative growth (Figure 2.8 B). The PRs that registered lower (or negative) performance of household income are also Québec’s least affluent areas; their income is some 10% lower than good performers. This points to significant and increasing disparities among predominantly rural MRCs.

Figure 2.8. Median income in rural, intermediate and urban areas between 2000 and 2005

A. PRs that registered the highest growth in income



B. PRs that registered a low or negative growth in income

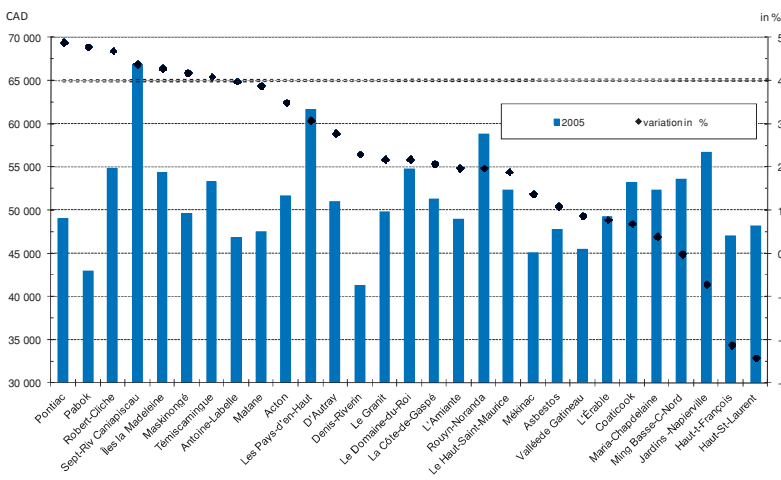
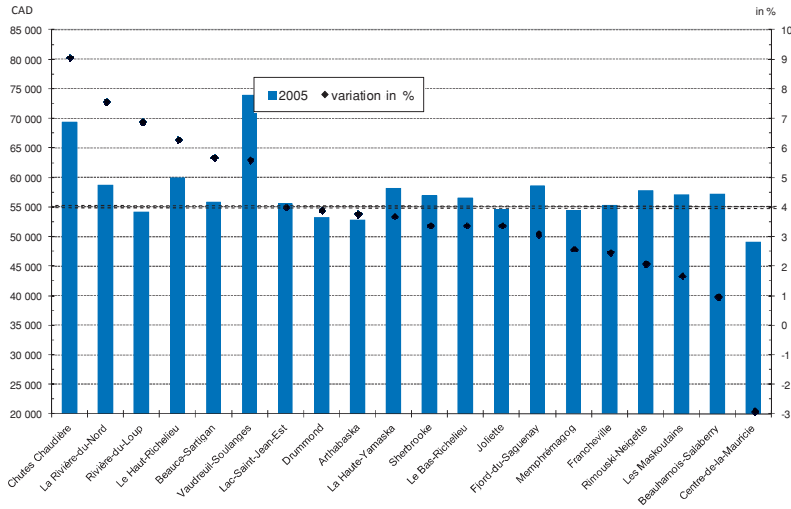
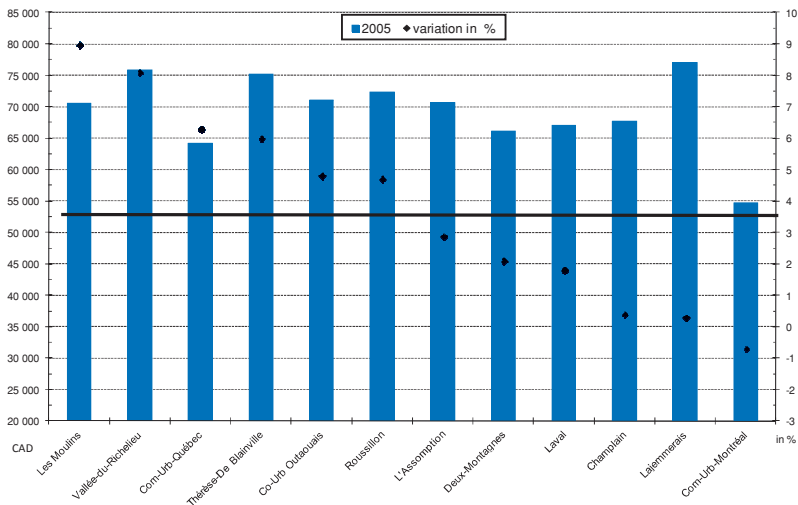


Figure 2.8. Median incomes in rural, intermediate and urban areas between 2000 and 2005 (cont.)

C. Intermediate areas' level of income and growth rate



D. Urban regions' level of income and growth rate

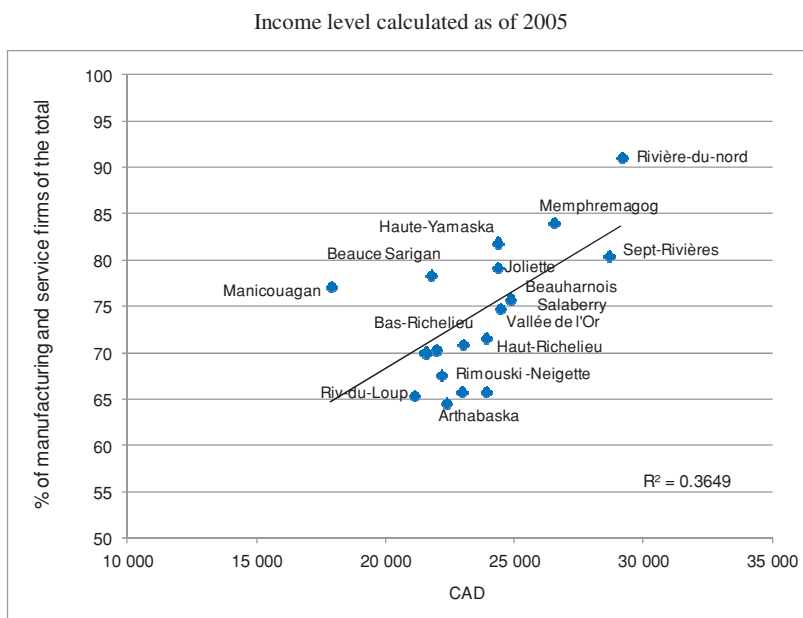


Source: Statistics Canada (Conference Board).

Rural income depends on economic diversification

Paralleling a general trend in the OECD area, the economic performance of rural economies in Québec depends on the degree of diversification of the local economic base. The correlation is strong in the case of intermediate MRCs, where local income is significantly related to the share of employment in secondary and, above all, tertiary activities. This is evident in the case of Rivière-du-Nord and Memphremagog. In these two intermediate MRCs the share of employment in manufacturing and services is above 85%, while the less diversified area of this group, Arthabaska, has a share of employment in secondary and tertiary activities close to 65% (Figure 2.9).

Figure 2.9. Level of disposable income and percentage of secondary and tertiary activities in intermediate MRCs

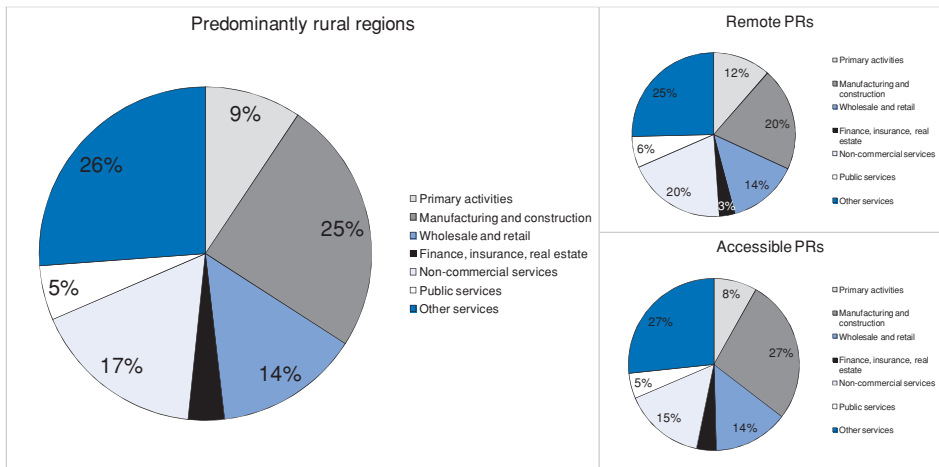


Source: Statistics Canada; OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Economic diversification can be assessed by looking at the share of employment absorbed by primary, secondary and tertiary activities at the MRC level. In the case of predominantly rural MRCs, the share of employment in primary activities in 2006 involved 9% of the local workforce. This share rises to 12% in the case of remote predominantly rural MRCs (Figure 2.10). Conversely, intermediate and peri-metropolitan rural MRCs have a more diversified economic structure. In particular, a specialisation in manufacturing predominates in intermediate areas (rural areas with a medium-sized city), where secondary activities absorb almost one-third of the regional workforce; it declines in peri-metropolitan areas where the services sector has the lion's share (Figure 2.11).

Figure 2.10. **Sectoral breakdown of the labour market in accessible and remote rural MRCs**

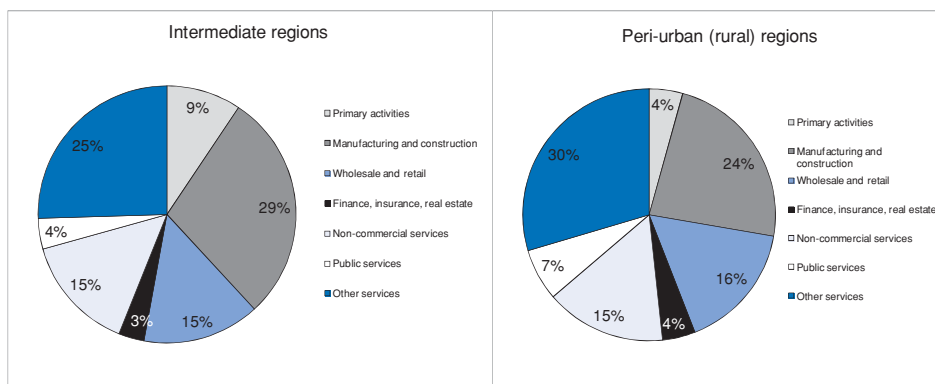
Percentage, 2006



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Figure 2.11. **Sectoral breakdown of the labour market in intermediate and peri-metropolitan rural MRCs**

Percentage, 2006



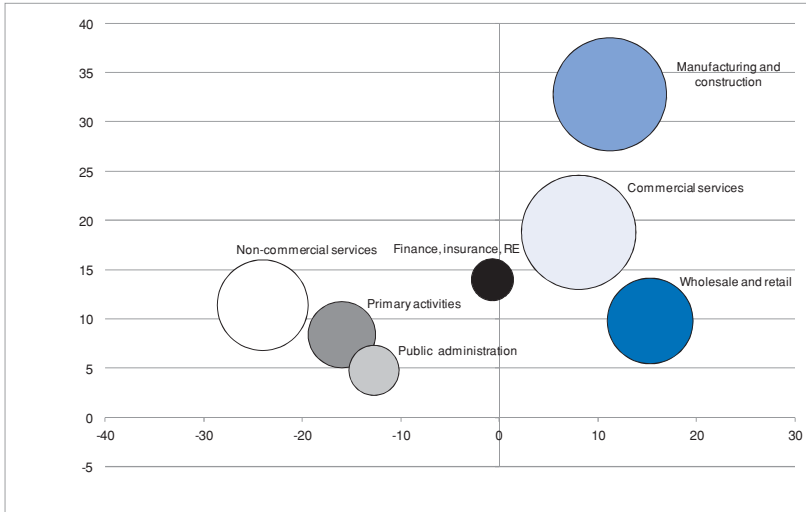
Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Between 1991 and 2006, rural Québec as a whole reduced its economic dependence on primary activities. Over this period, the weight of manufacturing and service activities (*i.e.* “commercial services” and “wholesale and retail”) increased as a percentage of Québec’s total GDP (Figure 2.12). In parallel, the relative contribution of sectors such as “non-commercial services” or “primary activities” to regional GDP declined. Manufacturing and the services sector in particular have become the largest employers in rural Québec. They absorbed some 25% and 40%, respectively, of total employment in 2006. This confirms that in Québec, as well as in Canada generally, rural areas attract secondary and tertiary activities and in some cases have enough momentum to create local dynamism owing to the location of firms (and related services) which are functionally linked (see Chapter 1).

Economic diversification has created new and better job opportunities in rural Québec. New jobs grew faster in rural MRCs than anywhere else in the province between 1991 and 2006. In terms of employment by place of residence, the number of jobs in rural Québec rose from 729 300 in 1991 to 848 600 in 2006. This 16.4% increase exceeds the 10.7% growth in urban Québec. Over the period, the percentage of jobs in tertiary activities increased the most, followed by manufacturing and construction

Figure 2.12. Evolution of the share of GDP by sector in rural Québec

1991-2006



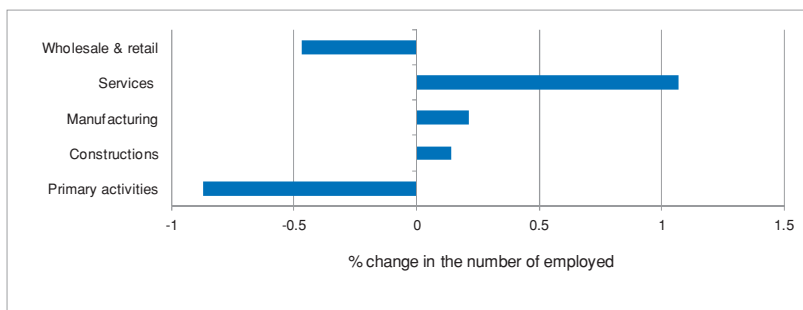
Note: The size of the circles represents the size of employment in each sector. The vertical axis corresponds to the size of GDP in percentage.

Source: OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

(Figure 2.13). Better management (organisational innovations), mechanisation, and the introduction of information and communication technology (ICT) played an important role in this result. High GDP per worker, which is a proxy for labour productivity, also indicates that rural Québec has been able to attract good jobs between 1991 and 2006. Over the period, it increased by 33.2% (from CAD 42 000 to CAD 55 900). All rural areas displayed values higher than or equal to those of urban areas (a 28.9% increase in urban areas and 27.4% in metropolitan regions). The strongest increase was in accessible predominantly rural MRCs (34.4%); the smallest was in remote predominantly rural MRCs (28.9%).

Figure 2.13. **Increase in jobs¹ in predominantly rural MRCs, by macro-sector**

1991-2006



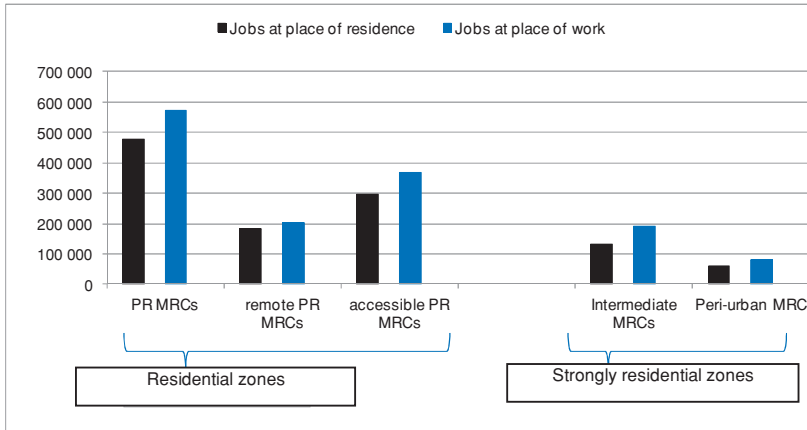
Note: 1. Jobs at place of residence.

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The number of jobs available to rural residents is also influenced by proximity to urban labour markets, as people living in rural areas close to urban centres benefit from the presence of a larger urban local labour market (LLM). The total number of workers living in rural areas is, in fact, higher than the number of jobs. Between 2001 and 2006 the percentage of workers living in rural Québec rose from 18.8% to 19.1%. In contrast, the proportion of jobs located in rural areas dropped from 16.1% to 15%. In particular, all predominantly rural MRCs (accessible and remote) can be considered “residential zones” since the number of people living there is greater than the number of local jobs. Intermediate MRCs display an even larger gap between residents and number of jobs, and can be classified as “strongly residential zones” (Figure 2.14).

Figure 2.14. **Difference between jobs at place of work and place of residence in rural Québec**

Units, 2006



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Data for predominantly rural and intermediate MRCs show that the increase in the employment rate has been higher in predominantly rural MRCs with a relative specialisation in the services sector. The rise in the number of tertiary-sector jobs has buffered the decline of industries such as manufacturing and construction (particularly in intermediate MRCs) and primary activities (in predominantly rural MRCs). Only 14 MRCs, out of 65, suffered from a net loss of local jobs. In these MRCs the reduction in employment in primary activities, manufacturing and construction has not been offset by the creation of new jobs in the tertiary sector (Figure 2.15).¹¹

Figure 2.15. **Variation in (sectoral) employment by predominantly and intermediate rural MRCs**
1991-2006, aggregate trends

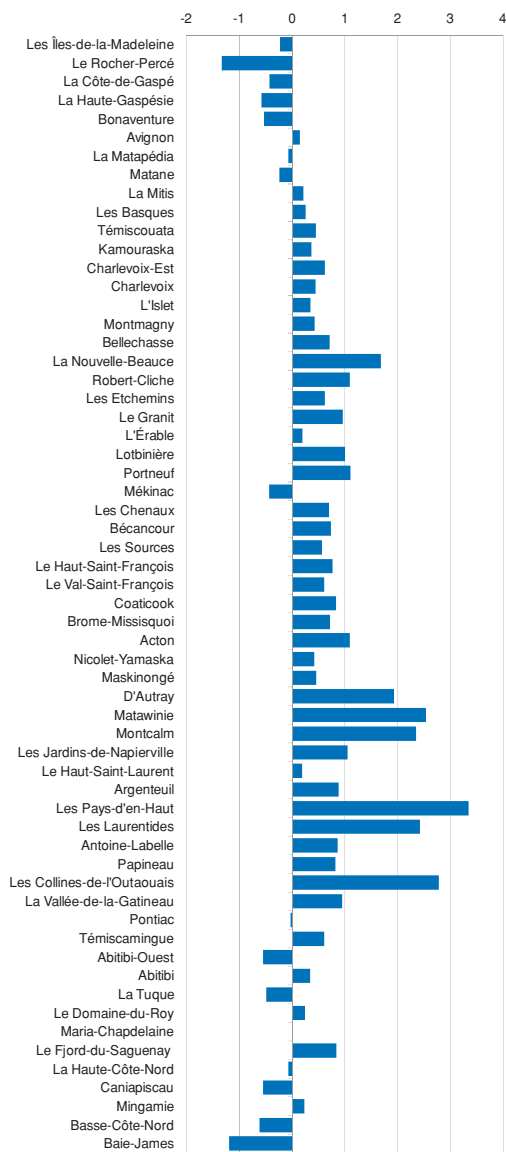
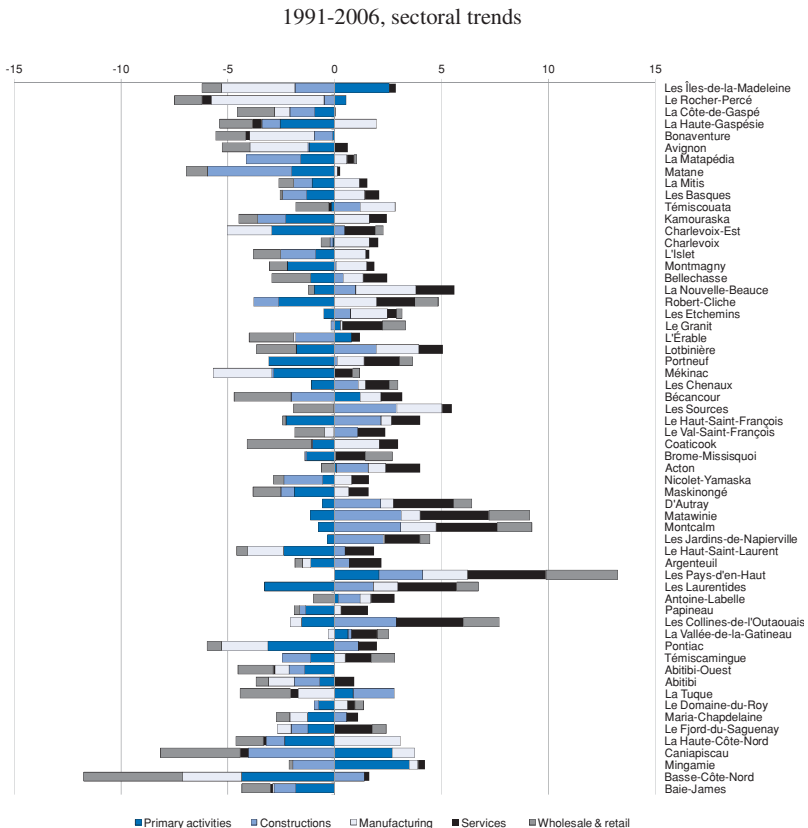


Figure 2.15. **Variation in (sectoral) employment by predominantly and intermediate rural MRCs (cont.)**



Note: Jobs at place of residence.

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The analysis demonstrates that performance (measured in terms of the change in the number of resident workers with jobs) of a given rural MRC depends on three variables: *i*) regional accessibility (which, in turn, depends on the distance from the major metropolitan areas); *ii*) soil fertility and climate; and *iii*) population density. Depending on the intensity of these three variables, rural economies display qualitative changes. Small and

remote predominantly rural MRCs, with low population densities cannot be considered a smaller-scale version of the economy that is found in an accessible predominantly rural area or in urban regions. Their economic base may have specific characteristics, such as truncated supply chains, the presence of large firms that employ the bulk of the local residents, and complete dependence on external demand. On this basis, it is possible to divide Québec's rural economies into three groups with different industrial bases and productive features.

- The first category is peri-metropolitan and intermediate MRCs. These rural economies have a diversified industrial base. They are home to agricultural activities because of the fertility of their soil and climate. They also host medium-low-technology manufacturing firms, such as textile firms, or they transform raw materials from remote territories. As they are close to metropolitan areas, residents can work outside of the area, in an urban area or in another adjacent rural labour market. Finally, the relatively high population density means that they are also home to a “residential economy”, in which proximity services, such as retail, benefit from the presence of constant local demand.¹²
- When population density and distance display more extreme values, a structural modification of rural economies appears. In Québec, a first structural change can be observed in predominantly rural areas that are located in central areas, *i.e.* in a range of 200-400 kilometres from the major metro-regions, on the northern shores of the St. Lawrence River. Because of their poor soil and high transport costs these areas have a weakly differentiated industrial base. They depend on traditional manufacturing and natural resources, especially lumber, but intense exploitation and strong international competition mean that they are not as profitable as they once were.
- Finally, in the most extreme cases, particularly in remote rural areas, the local economy is usually based on highly truncated supply chains and specialised production entirely based on local natural resources. This is where large firms specialised in mining or forestry are located, and whose presence alone justifies the existence of the local community.

Sectoral contribution to rural income

Agri-food, crop, and livestock production

In Québec the food industry is responsible for more than 6% of provincial GDP. Agri-food is also important for provincial employment. In

14 administrative regions (out of 17) this industry accounted in 2006 for more than 10% of local employment (481 000 jobs) including over 70 000 jobs in food processing plants. Agriculture alone generated a total income of CAD 1.17 billion in 2006 (1.9% of total GDP). Québec has the second largest value of agricultural production after Ontario. Its dominant agricultural products are: dairy (34%), pork (15%), crops (11%) and beef.¹³ Some primary activities have been converted into organic production, yet the proportion is still very low. The 2001 Census counted 372 Québec farms that were certified organic, just over 1.2% of the province's farms. Québec ranked third in this area, following Saskatchewan and Ontario. In Québec, 2 230 farms reported certified organic commodities. Four out of ten of these farms reported producing a certified organic "other" crop, mostly organic maple products. The second highest category was fruit, vegetable or greenhouse products.

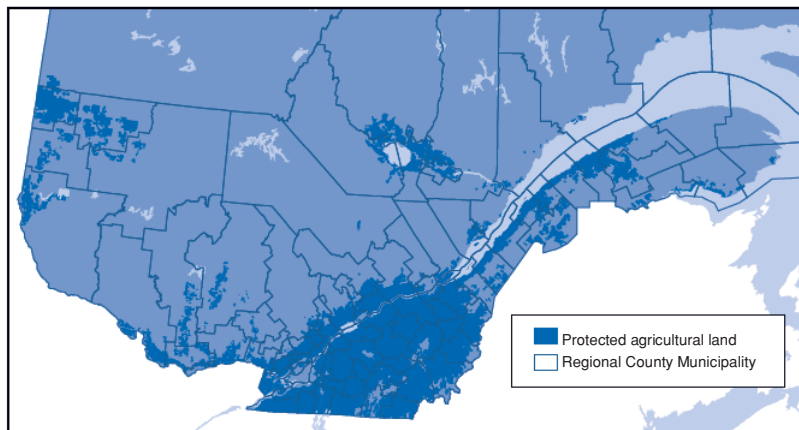
Despite their importance, agricultural activities cover a small portion of the provincial territory. What is formally considered agricultural land covers 4% of the provincial territory and represents 34% of the *écoumène*. This area is protected by the 1978 *Loi sur la protection du territoire et des activités agricoles* (law on the protection of agricultural land and agricultural activities) and cannot be used for other activities, such as urban development or forestry (Table 2.4 and Figure 2.16).

Table 2.4. Areas protected by the law on agricultural land, 2009

| | Protected agricultural land | | Total surface | | | <i>Écoumène</i> | |
|-------------------------|-----------------------------|-----------------|---------------|-----------------|----|-----------------|--|
| | km ² | km ² | % | km ² | % | | |
| Predominantly rural MRC | 43 195 | 1 312 506 | 3 | 144 455 | 30 | | |
| Remote | 17 094 | 1 245 586 | 1 | 96 190 | 18 | | |
| Accessible | 26 101 | 66 920 | 39 | 48 265 | 54 | | |
| Intermediate MRC | 13 350 | 115 535 | 12 | 28 830 | 46 | | |
| Peri-metropolitan MRC | 2 144 | 10 188 | 21 | 4 130 | 52 | | |
| Rural | 58 689 | 1 438 228 | 4 | 177 415 | 33 | | |
| Urban | 4 759 | 11 107 | 43 | 11 107 | 43 | | |
| Québec | 63 449 | 1 449 335 | 4 | 188 522 | 34 | | |

Source: OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Figure 2.16. **Agricultural zone in Québec as defined by the law on the protection of agricultural land**



Source: Government of Québec.

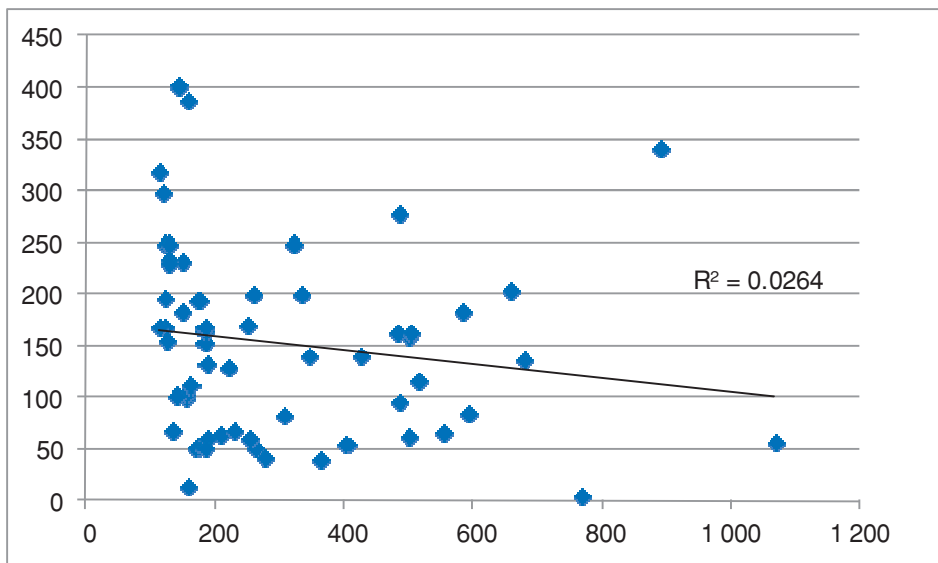
Because of climate and soil quality, primary agriculture is concentrated in the south of Québec, along the shores of the St. Lawrence River in the most urbanised area of the province. In particular, the land below 200 metres above the sea level, *i.e.* the area south of the St. Lawrence River, is the most fertile agricultural land in the province. For example, the Montérégie administrative region, located on the border with the United States and within the area below 200 metres above sea level, accounts for 24% of Québec's farms, the highest proportion in the province. The administrative region with the second highest share is Chaudière-Appalaches, which has about 19% of all Québec farms, and presents the highest specialisation in the production of maple syrup. Outside of this area, and more than 200 metres above sea level, the quality of agricultural land is lower as measured by crop heat units, which measure both climate conditions and quantity of daylight (Table 2.5).¹⁴ In these areas, agriculture represents a marginal economic activity and the area of land under production is declining constantly. In accessible predominantly rural areas, farms are concentrated within a 200-kilometre radius of the largest metro-regions (Figure 2.17).

Table 2.5. Soil fertility and altitude

| | Crop heat units | | | | | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|---------|---|
| | < 200 m | | > 200 m | Total | < 200 m | |
| | km ² | km ² | km ² | km ² | % | % |
| Predominantly rural MRC | 258 334 | 1 054 173 | 1 312 508 | 20 | 80 | |
| remote | 240 533 | 999 970 | 1 240 503 | 19 | 81 | |
| accessible | 17 801 | 54 203 | 72 005 | 25 | 75 | |
| Intermediate MRC | 14 332 | 101 203 | 115 535 | 12 | 88 | |
| Peri-metropolitan MRC | 2 481 | 7 707 | 10 188 | 24 | 76 | |
| Rural | 275 147 | 1 163 083 | 1 438 231 | 19 | 81 | |
| Urban | 8 415 | 2 692 | 11 107 | 76 | 24 | |
| Québec | 283 563 | 1 165 775 | 1 449 338 | 20 | 80 | |

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Figure 2.17. Number of farms in predominantly rural MRCs, 2006



Note: The data only refer to the number of farms. They do not take into consideration their size, which is usually larger in accessible areas.

Source: OECD Regional Database (2009); OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Farms tend to be smaller in Québec than in the rest of Canada (see Chapter 1), yet the average dimension is increasing due to concentration of property. The average size of Québec farms increased by 35.6%, from 194 acres in 1981 to 263 acres in 2001.¹⁵ Symmetrically, the number of census farms declined by 10.7% over the same period,¹⁶ and the total number of farms declined by 33.2% (the national average was 22.4%). Because of the concentration process, the number of dairy farms, still the most common type in Québec, has declined drastically over the past two decades. In 1981, dairy farms accounted for nearly half (41.3%) of total farms. By 2001, their number had declined to just over one-quarter of the total. Québec still has the largest number of dairy cows among Canadian provinces. However, farmers reported 407 206 dairy cows on their farms in 2001, down by 13.7% from 1996, the largest decline in numbers among the provinces. These changes in the productive framework of agriculture parallel structural transformations in Québec's farm society (Box 2.3).

Farm families are increasingly involved in activities outside of their farm and have additional sources of income. In the 2006 Census, about 39% of farm operators in the province of Québec reported their main occupation as non-agricultural, up from 32.6% in 2001. This suggests that more operators are working off the farm. A higher proportion of female than male operators reported a non-agricultural occupation (48.7% and 35.4%, respectively). Among non-agricultural occupations, the top occupation for Québec's male operators was transport equipment operators and related workers, excluding labourers, while for women operators, secretarial occupations predominated. As a consequence, farm families have many different sources of income.¹⁷ In 2006, 9 020 farm families in the province of Québec were involved in an incorporated farm. This is considerably fewer than the 21 915 farm families involved in an unincorporated farm in 2006, down 9.6% from 24 240 families in 2001. The median total income for Québec farm families on unincorporated farms in 2005 was CAD 51 204, compared to CAD 58 675 for census families in the province's general population.

Forestry and logging

Forestry represents 3% of the provincial economy, and in 2006 exports reached CAD 11.1 billion with a net trade balance of CAD 9.2 billion in forest products. Québec's forests account for 20% of the total Canadian forest and 2% of the world's forests. In Québec, forests cover an area of 761 000 km² (551 400 km² of continuous boreal forest, 98 600 km² of mixed forest and 111 100 km² of hardwood forest), equivalent in size to the territories of Norway and Sweden combined (Figure 2.18). Some 55% of

Box 2.3. Structural changes in Québec's farm society

Québec's farm population continues its steady decline in numbers, dropping by 6.2% to 90 940 between 2001 and 2006. In 1931, when the farm population was counted for the first time, 777 017 people were living on a farm, *i.e.* 27% of Québec's population. By 2006, farms accounted for only 1.2% of the province's population. In less than one lifetime Québec has moved from 1 in 4 inhabitants living on a farm to 1 in 83. At the same time, Québec's total population grew from 2 874 662 in 1931 to 7 546 130 in 2006. The farm population is also ageing faster than the provincial trend. In 2006 those aged 65 and older made up 7.2% of the province's farm population, up from 4.8% in 1971. Those 65 and over in 2006 made up slightly more of the province's general population, at 14.3%.

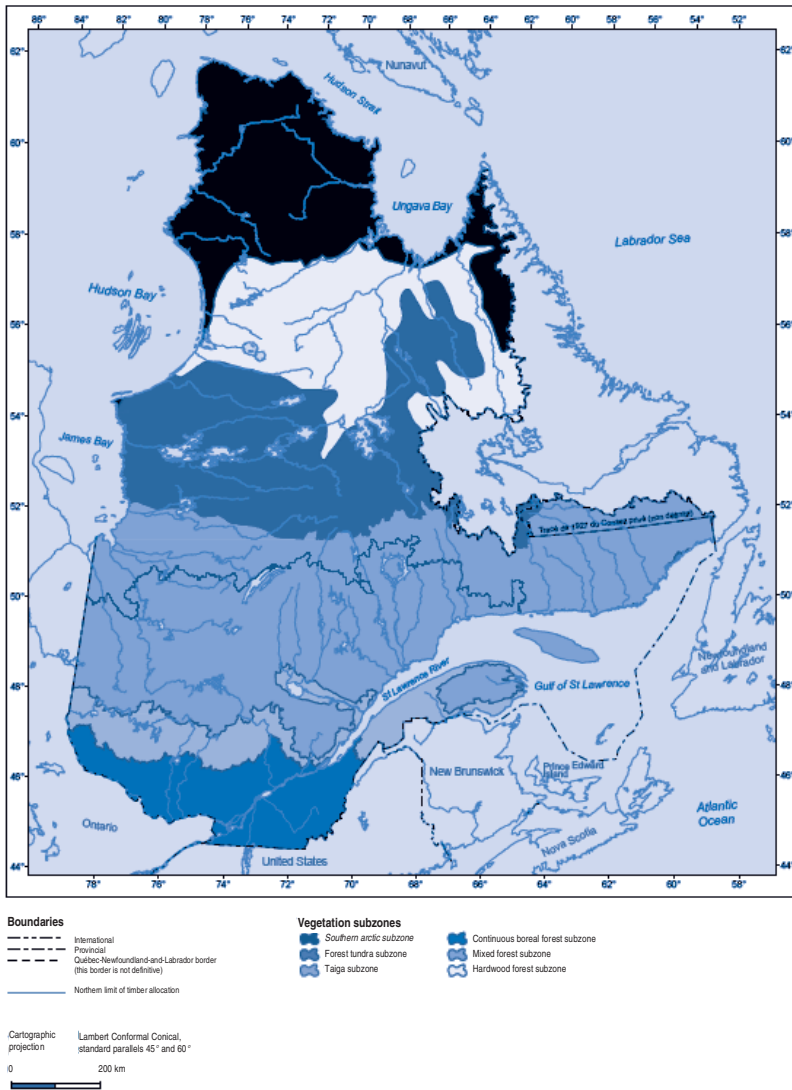
The language profile has also been evolving. Of Québec's entire farm population in 2006, 90.8% reported French as their mother tongue, 6.3% reported English, and the remainder (2.9%) reported a mother tongue other than English or French. Of those who reported another language, the largest group named German. The profile for the province's general population in 2006 differed, with 80.1% reporting French as their mother tongue, 8.6% reporting English, and the remaining 11.3% citing another language. Of the other languages spoken by the province's general population, the Italian language led, followed by Arabic and then Spanish. The 2006 Census of Population counted 2 680 immigrants to Canada in the province of Québec's farm population or 2.9% of the total provincial farm population. In 1971, immigrants made up 1.2% of the province's farm population. The Swiss were a significant proportion (32.0%) of Québec's immigrant farm population, but they made up less than 1% of immigrants in the province's general population. About 14% of the province's immigrant farm population was from France, compared to about 7% of immigrants in Québec's general population. The third most common place of birth for Québec's immigrant farm population was Belgium at 9.0%, compared to 1.1% in the province's general population.

In 2006, 7.2% of Québec farm operators had university degrees (bachelor level and above) up from 6.4% in 2001. As a point of comparison, approximately 20% of the province's total labour force had university degrees. Proportionally more Québec farm operators reported apprenticeship or trades certificates or diplomas than the overall labour force (22.2% compared with 18.1%). This may well be the result of a number of factors, including time required away from the farm and a preference for the more practical approach of college courses on animal care and field-cropping techniques.

Source: 2006 Census of Agriculture, Statistics Canada, www.statcan.gc.ca/ca-ra2006/index-eng.htm.

this area is productive (commercial) forest (Québec Ministry of Natural Resources, MRNF).¹⁸

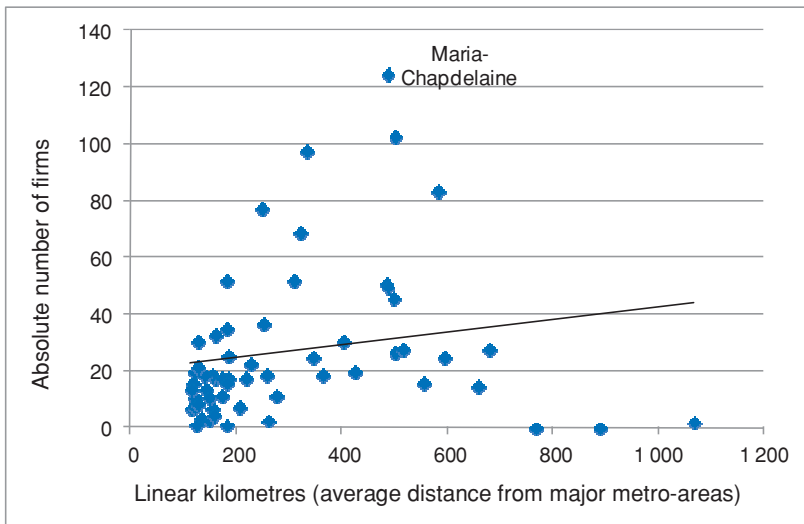
Figure 2.18. Different types of forests in Québec



Source: Rigorous and Adaptive Forest Management, Ministry of Natural Resources and Fauna, Department of Forest Inventory, Government of Québec, (www.mrnf.gouv.qc.ca/english/publications/forest/understanding/forest-management.pdf).

There are almost 6 000 firms active in Québec's forestry sector, and the majority are located in the north of the province and in remote predominantly rural MRCs in the south. In the north (mainly Nord-du-Québec) the forest is public and large enterprises exploit it under a concession regime. The rest of the forest, some 10% of the total, is located in the centre-south of the province and is private. In this area a large number of SMEs exploit the forest resources, and within the *écoumène*, forestry is also an ancillary production for more than 25 000 farmers. Activities related to forestry are located in remote rural areas, and in some cases they represent the most important economic activity. It is the case for the MRC of Maria-Chapdelaine (region of Saguenay – Lac-Saint-Jean), which, with a total population of 25 000, is home to 125 forestry firms (Figure 2.19).

Figure 2.19. **Location of forestry firms within Québec's *écoumène*, 2008**



Source: OECD Regional Database (2009); OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Québec's forestry industry presents multiple specialisations and directly generates more than 80 000 jobs.¹⁹ In the whitewood sector, 300 factories consume more than 10 000 m³ of wood a year. The sector directly generates more than 20 000 jobs. For the woodworking and hardwood exploitation sector, Québec ranks in first place among Canadian provinces with 65% of Canadian production (Québec Forestry Industry Council). The pulp and paper industry is also very important and millions of tonnes of commercial articles, newspaper, different kinds of paper and paperboard are produced annually. More than 40 000 Québec workers find employment in one of the numerous sawmills located in more than 200 municipalities, in which they are the main employer. Another emerging specialisation is in the non-timber forest products industry, which has four major sectors: agro-forest food products (*e.g.* wild fruits), ornamental products (*e.g.* Christmas trees), pharmaceutical and nutraceutical products (*e.g.* Canada yew extract) and manufactured products or materials (*e.g.* resins, alcohol, essential oils). In 2005, blueberry sales amounted to CAD 38 million and the production of Christmas trees was valued at CAD 50 million. Finally, the forest is also home to economic activities related to hunting, fishing, recreational tourism and ecotourism, which generate 32 000 jobs and had a total turnover of some CAD 450 million in 2005.

Given the importance of the forest, Québec has an integrated system to manage and protect this resource. In 1996, the provincial government introduced the Forest Act to guarantee the sustainability of the forest. Under the law Québec forest managers must respect the *Règlement sur les normes d'intervention dans les forêts du domaine de l'État* (Regulation respecting standards of forest management for forests in the domain of the State). The aim of this regulation is to ensure the maintenance or reconstitution of the forest cover, the protection of forest resources, including the quality of water and wildlife habitats, and the compatibility of forest management activities with other uses of the territory. In 2005, and again in 2008, Québec's legislation was amended to introduce the concept of ecosystem-based management. This new approach attempts to ensure that biodiversity is maintained and ecosystems remain viable while meeting socioeconomic needs and respecting social values related to the forests. To do so, new approaches to silviculture are tested and pilot projects implemented, in partnership with scientists and with the direct involvement of local communities (Box 2.4).

Box 2.4. Forest protection and participatory resource management: the experience of Québec

Forest management plans that came into effect in 2008 provide for the maintenance of mature and over-mature forests. These ecosystems have special ecological attributes (structure, woody debris and microclimates) which are often essential for certain species of birds, small mammals, mushrooms and insects. Québec is in the process of adding a vast network of biological refuges to its protected areas in which there will be no harvesting of forest products. Over the last 40 years, Québec has carried out three forest inventory programmes: the network now consists of more than 28 000 ecology observation points. These inventories have made it possible to analyse the forest ecosystems' evolution, their fragility, their productivity and their wood volume; they are also essential for locating protected areas. By drawing a line on a map above which the harvesting of wood is not allowed, the government protects the northern territories whose special characteristics may adversely affect the forest's ability to regenerate itself or grow (climate, soil, natural perturbations). The result of this northern limit is to exclude nearly 70% of the boreal vegetation zone from exploitation (including the tundra forest, the taiga and a part of the continuous boreal forest) yet allow other activities to take place. So far, nearly 170 000 km² of public and private forests are certified through a forest certification standard, which represents more than 40% of Québec's productive forest territories. In 2005 Québec enacted a first major decrease in the annual allowable cut of 20% for softwood species and 5% for hardwoods. The decrease was 25% in the north of Québec. This prudent move was made to ensure the sustainability of wood resources in public forests, and was redefined in 2008.

At the same time, to enhance the effectiveness of the strategy to protect the forest, the provincial government involves local communities in decisions that concern the use of their resource. There are different ways in which the population can express their opinions on the direction forestry management and development should take, under an information and consultation policy which is part of the Forest Act. Local and regional stakeholders (regional county municipalities, aboriginal communities, wildlife organisations, etc.) are consulted when forest management plans are prepared. Aboriginal communities also occupy an important place in the planning and conducting of forest management activities. They benefit, among other things, from special programmes to encourage their training and participation in these activities, to promote job creation in forestry and to support their communities.

Source: Government of Québec, Ministry of Natural Resources, www.mrnf.gouv.qc.ca/english/publications/forest/understanding/forest-management.pdf.

Mining and quarrying

Mining is another key primary sector for Québec's rural areas. Primary metal processing alone represents more than 6% of the provincial economy. Mining activities directly generate more than 18 000 jobs and investment approached CAD 1 billion in 2006. Québec is one of the world's ten largest producers in the mining sector.²⁰ The province has 30 mines, 158 exploration firms and 15 primary processing industries. Abitibi-Témiscamingue, in the western part of the province, was the first region to experience the mining boom. This region, mostly predominantly rural, has gold and copper. Exploration has since been carried out in the regions of Saguenay-Lac-Saint-Jean, Côte-Nord, and Nord-du-Québec. Between 2003 and 2007 exploration expenditure soared from CAD 134 million to CAD 430 million, an indication of the province's potential in this field.²¹

Production of energy (hydroelectricity and wind energy)

Québec has major renewable energy resources. As discussed in Chapter 1, Québec is strongly specialised in the production of energy, which contributed 3.2% of provincial GDP in 2006, and directly generates more than 50 000 jobs. In particular Québec is Canada's leader in hydroelectric energy production, which is generally located in remote rural areas and in the north of the province which has an abundant supply of water. It is a major exporter of hydroelectricity to other Canadian provinces and the United States and is building additional capacity. It is also installing wind turbines on the north shore of the St. Lawrence River and has a strong interest in third generation biofuels based on cellulosic processes that could use low-value wood supplies.

The principal economic actor in this sector is Hydro-Québec, the world's largest operator in the field of hydroelectricity. With 59 hydroelectric and one nuclear generating station, Hydro-Québec is Canada's largest electricity generator and one of the largest in North America. The combined capacity of its power stations was 36 429 megawatts in 2008. Hydro-Québec generates and distributes electricity within the province, to Ontario, and to the United States. The Québec government is the sole shareholder of Hydro-Québec, which directly employs 46 000 people.

Wind energy, while small compared to hydroelectricity, is a growing industry in rural areas. The province of Québec has 100 000 MW of wind energy potential within 25 kilometres of existing transmission lines that is economically viable in the short and medium term. In particular, the Gaspé Peninsula is home to the majority of Québec's wind farms. This region has some of the best wind potential in Québec and is expected to lead to the

development of a wind energy industry able to compete at national and international levels. The construction of wind farms using components manufactured on the Gaspé Peninsula is a first step towards reaching this objective.

Manufacturing

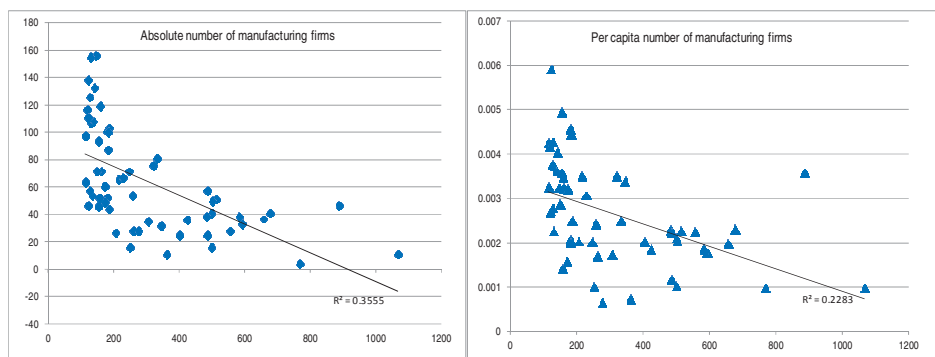
Manufacturing activities represent a traditional specialisation in rural Québec. They generated 25% of GDP in rural areas in 2006, and accounted for more than 250 000 direct jobs. Québec has the highest specialisation in manufacturing activities within Canada. This is due in part to geographical proximity to the United States, which absorbs the bulk of provincial exports. For many years rural Québec represented an ideal location for firms specialised in traditional sectors such as textile or clothing. The workforce was less expensive than in the United States because of lower wages, and was equally skilled, and Hydro-Québec provided inexpensive electricity. More recently Québec has lost many of these firms because of an inability to compete with low-wage developing countries and the reduction of tariff barriers.

There are important differences in the territorial concentration of manufacturing firms in rural areas. The location of manufacturing in Québec is strongly influenced by the availability and cost of land, the availability of a workforce, and transport costs.²² Thus, while intermediate and predominantly rural areas located in more accessible parts of the province are attractive to firms, remote areas are not and tend to host specific sectors strongly linked to the resource-based industries (Figure 2.20).

Data on the distribution of firms in predominantly rural MRCs show that SMEs tend to concentrate in accessible predominantly rural MRCs, while remote areas are more likely to host large firms. The choice of location of manufacturing SMEs is probably driven by larger local markets, lower transport costs, particularly to the United States, and access to services. Accordingly, accessible areas, well connected with urban markets or major transport infrastructure, offer SMEs some location advantages. Where these externalities are not available, as in remote rural areas, firms have to internalise their production inputs. This leads to the higher concentration of large firms in this type of rural area (Figure 2.21). Data also show that the number of micro firms (1-4 employees) located in PRs dropped between 2001 and 2006. This negative trend may be due to a change in the registration of firms adopted by Québec in 2005. However provincial data show that there is a concentration of micro-firms and small firms in the areas surrounding Montréal and a reduction in peripheral areas.²³ The reduction of firms has been more intense in sectors such as textiles and clothing, forestry, and agro-food.

Figure 2.20. **Location of manufacturing firms in predominantly rural areas – absolute number (left hand) and per capita (right hand)**

2006, distance in kilometres



Source: OECD Regional Database (2009); OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

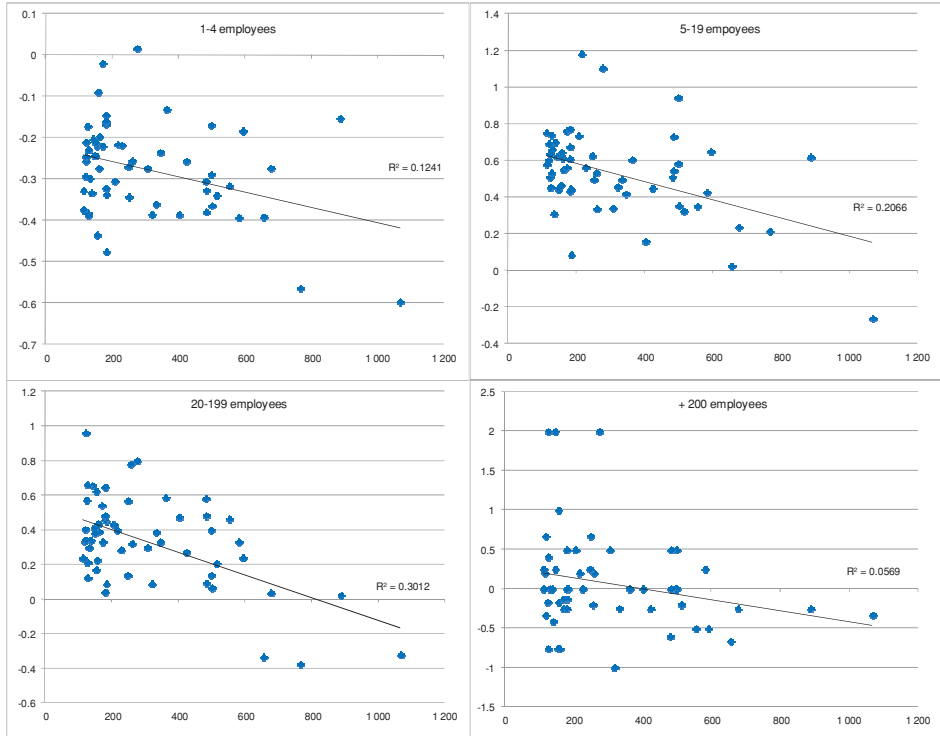
According to St-Pierre and Mathieu (2005), small firms in remote areas face structural problems relating to the availability of skilled labour and access to finance. Their study uses a different territorial classification from the one implemented in the OECD assessment and divides Québec into three main areas: metropolitan regions, urban regions and remote areas. Entrepreneurs’ answers show that the obstacles and needs of SMEs vary according to their location.²⁴ In particular, firms located in remote areas highlight the need for external (public) help for obtaining access to skilled labour, identifying new possible markets/niches, obtaining access to finance for marketing and research and development (R&D), and getting access to credit (especially if the firm is going through a crisis).

Services sector

As discussed above, a flourishing services sector is a common characteristic of competitive rural MRCs in Québec. On average, rural Québec lost service firms between 2001 and 2008 (Figure 2.22). The distribution of tertiary firms is correlated with the level of population and with demographic trends, meaning that a rural area that is losing population is also losing service firms. A very clear example is the number of education services (schools, etc.) that have been increasing strongly in intermediate MRCs and in peri-metropolitan MRCs, the two areas that displayed higher

Figure 2.21. Distance and increase in firm numbers according to size

2001-06



Note: The classification presented in this chart follows that set by Québec's ministry in charge of economic development (MDEIE). In this classification, firms with 1-4 employees are considered micro-firms, those with 5-19 as small, 20-199 as medium, and over 200 as large. This classification is different from the one adopted by the OECD in which firms with fewer than 9 employees are micro-firms, those with 10-49 are small, 50-249 are medium, and over 250 are large.

Source: Statistics Canada.

demographic growth between 2001 and 2008. There are some exceptions. Public services are more numerous in rural areas, owing to the presence of a large number of small municipalities.

Service firms are also becoming larger. The number of wholesale and retail firms has been decreasing faster than the population because of the growing concentration of activities. Large firms have squeezed small

businesses out of the market. The same dynamic of concentration has led to a decreasing number of financial firms (clustered in Figure 2.22 with insurance and real estate). In fact, the number of bank offices has been decreasing owing to branch consolidation and to the fact that Desjardins (the most important financial player in rural Québec) reduced its presence in small remote communities.

Figure 2.22. **Variation of the number of tertiary firms in rural Québec**
2001-08

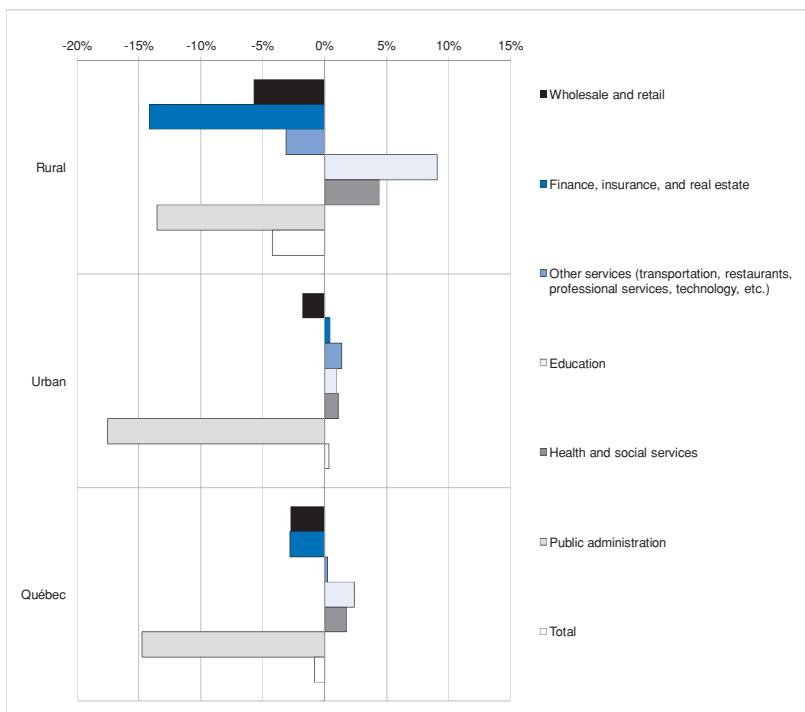
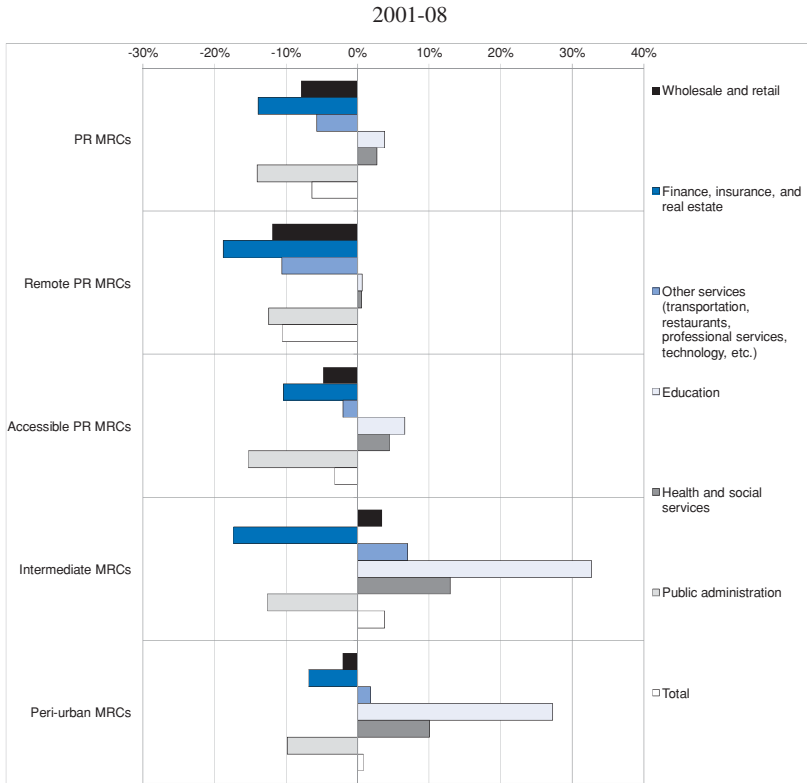


Figure 2.22. **Variation of the number of tertiary firms in rural Québec (cont.)**



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

2.3 Level of well-being of rural Québécois

The rural population’s access to key services

In Québec, as marginal costs have increased, public and private services have concentrated in urban areas. Over the past 20 years, the average distance to visit a health facility for childbirth rose from 30 to 50 kilometres,

because fewer centres offer this service. This is due both to an increase in the critical mass needed to provide appropriate quality of service and to a decline in the fertility rate and thus in demand for the service. As a result, rural Québécois have had to accept the lack of nearby services. Recent research has shown that rural dwellers perceive a service as available or accessible if the facility delivering it is located within a one-hour trip from their place of residence.²⁵ Of course, the perception may change depending on the kind of service and the characteristics of the user. For instance, the research also shows that retaining a primary school (public service) or grocery store in a small rural community is considered a priority to be satisfied through specific institutional arrangements. However, maintaining a small school or other kinds of key services is not always possible. Finding ways to rationalise service delivery (or to find alternatives) is an important issue in Québec, as it is in other OECD rural regions.

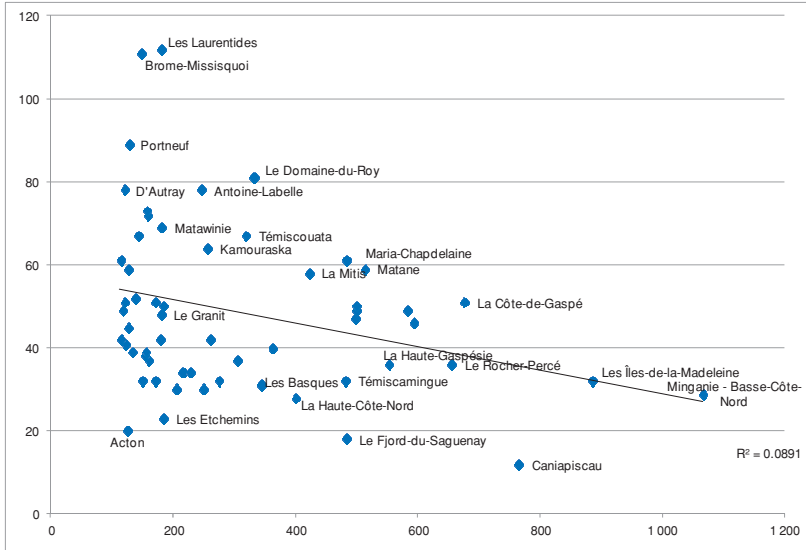
Several means of lowering the marginal cost of services are currently being implemented in Québec. First, services are delivered through hubs within a territorial network. Many OECD countries have adopted this method of delivering health care or education, for instance. The advantage is that basic services that rural residents use relatively often remain close by, while they go to urban areas for more specialised services. Territorial networks, however, are not a *panacea*. Remote rural areas that cannot be integrated in territorial networks continue to lose key services, with an impact on their socioeconomic sustainability. Second, some large service facilities (library, indoor pool, but also landfills) are established by a group of municipalities through “inter-service agreements”. This makes it possible to share the cost among a larger population pool. Municipalities involved in the use of the facility establish mechanisms to share the costs and guarantee equal access to all those living in the area. Again, this solution is not appropriate for isolated communities. A third solution is the use of ICT. In some communities services are delivered online through the Internet. But this may create problems of access for certain categories of the population (*e.g.* elderly people), and rural Québec has a relatively low rate of access to the Internet, as discussed below. Finally, some rural MRCs produce services through the voluntary sector, civic engagement and co-operatives. The basic logic of the approach is that if residents of rural and small town places wish to retain these services, they will have to find new ways to have them delivered. In this context, voluntary groups have been filling many of the emerging service gaps (Halseth and Ryser, 2007). These services, however, often address complex problems, such as unemployment, community revitalisation, community health, or recognition of volunteers’ skills. They may require information, support or assistance from a range of sources and institutions, conditions that may not be met in rural areas.²⁶

Health care and social services

The number of health-care and social-service facilities is relatively high in rural Québec, yet access to specialised services may be difficult for people living in remote areas. The number of facilities depends on distance from major metro-regions and population density. This correlation is evident in predominantly rural MRCs (Figure 2.23). However, when normalised for local population, rural areas display a higher concentration of facilities than urban centres (Table 2.6). This reflects the presence of many small general service facilities in rural areas, whereas larger and specialised facilities are usually located in urban areas. A provincial policy implemented in the early 1990s increased the number of day nurseries throughout the province and particularly in rural areas. Therefore, large numbers may not necessarily indicate good access to health care and social services across rural Québec. The territorial organisation of health care in Québec is done at the scale of the 17 administrative regions; thus, each health district covers a very large portion of territory.

Figure 2.23. **Number of health-care facilities in predominantly rural MRCs (X) and distance from major metropolitan areas (Y)**

Distance in kilometres, 2006



Source: OECD Regional Database (2009); OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Table 2.6. **Number of public health-care and social-service facilities in rural Québec**

| | 1996-2008 | | | |
|------------------------|-----------|-------|---------------|-----------|
| | 1996 | 2008 | | 2008/1996 |
| | n | n | n / 10 000 h. | n |
| PR MRCs | 399 | 518 | 3.8 | 119 |
| Intermediate MRCs | 52 | 68 | 1.7 | 16 |
| Peri-metropolitan MRCs | 15 | 26 | 1.6 | 11 |
| Rural | 466 | 612 | 3.1 | 146 |
| Urban | 814 | 1 129 | 2.1 | 315 |
| Québec | 1 280 | 1 741 | 2.3 | 461 |

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

A main limit, especially in the case of health-care services, is the lack of qualified personnel at the local level. This is a broader Canadian issue as well. For instance, recruitment of medical specialists and nursing staff for public health institutions is particularly difficult in rural and remote northern areas throughout Canada. Remote northern areas have the unique challenge of extreme social isolation, although turnover in rural and northern areas is reportedly low. Remote areas that have retained experienced public health medical staff for long periods now face the problems associated with an ageing workforce. Medical staff new to the north need the opportunity to develop the breadth of skills and depth of knowledge needed to practice independently. Funds and mechanisms for continuing education are therefore an important part of retention and career development for public health staff in remote areas.

Education

As birth rates have declined, rural populations have seen school accessibility decrease because there are too few students to justify keeping a local school open. Between 1996 and 2008, some 270 of the province’s primary and secondary schools were closed. A large share were located in rural MRCs, where an average of ten schools a year were closed. In 2008, there were six schools per 10 000 inhabitants in rural areas. The figure is slightly higher in predominantly rural MRCs, which have 11 schools per 10 000 inhabitants (Table 2.7). The higher concentration is due to the presence of very small schools in remote rural communities. Tertiary education is mainly located in urban areas (88% of total facilities), but many

of the 48 CEGEPs (*Collèges d'enseignement général et professionnel*) in Québec are in rural areas. CEGEPs are comparable to a community college. A CEGEP diploma is a university entrance requirement. The purpose of CEGEPs is to make postsecondary education more accessible, as well as to provide proper academic preparation for university.²⁷

Table 2.7. **Number¹ of education facilities in rural Québec**

1996-2008

| | Primary and secondary schools | | | University and CEGEP | |
|------------------------|-------------------------------|-------|---------------|----------------------|-------|
| | 1996 | 2008 | 2008/1996 | 2008 | |
| | n | n | i / 10 000 h. | n | % |
| PR MRCs | 1 581 | 1 502 | 10.9 | -79 | 9.7 |
| Intermediate MRCs | 326 | 271 | 6.6 | -36 | 1.1 |
| Peri-metropolitan MRCs | 151 | 146 | 9.0 | -5 | 0.4 |
| Rural | 2 058 | 1 919 | 9.8 | -120 | 11.2 |
| Urban | 2 658 | 2 509 | 4.6 | -149 | 88.8 |
| Québec | 4 716 | 4 428 | 6.0 | -269 | 100.0 |

Note: 1. We refer here to the unit of evaluation and not to the number of higher education institutes or primary or secondary schools. A unit of evaluation comprises one property or a group of properties belonging to a single owner. A higher education institute or a primary or secondary school can be the owner of more than one unit of evaluation (property) with one building, several buildings or no buildings.

Source: OECD (2009), "Questionnaire for the Integration of the Background Report", internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Reduced access to education and high wages in resource-based industries may also play a significant role in dropout rates and student performance. In rural Québec, around 70% of students complete secondary school. This is 5 and 7 percentage points lower than the provincial and urban average, respectively (Table 2.8). Within rural areas, predominantly rural MRCs have the lowest performance (69%). This may be because the lack of local secondary schools forces pupils to commute long distances. The presence of high-wage jobs in resource-based industries is generally considered another factor influencing the number of dropouts (especially males) in rural areas, particularly in the remote ones.²⁸

Table 2.8. **Annual rate of graduates and dropouts in secondary schools in rural Québec**

Cumulated values, 2004/05, 2005/06, 2006/07

| | Total | Graduates | | Dropouts | |
|------------------------|---------|-----------|----|----------|----|
| | n | n | % | n | % |
| PR MRCs | 44 381 | 31 335 | 71 | 13 044 | 29 |
| Remote PR MRCs | 17 474 | 11 976 | 69 | 5 496 | 31 |
| Accessible PR MRCs | 26 907 | 19 359 | 72 | 7 548 | 28 |
| Intermediate MRCs | 12 460 | 8 558 | 69 | 3 902 | 31 |
| Peri-metropolitan MRCs | 4 810 | 3 489 | 73 | 1 321 | 27 |
| Rural | 61 651 | 43 382 | 70 | 18 267 | 30 |
| Urban | 170 259 | 131 639 | 77 | 38 620 | 23 |
| Québec | 231 908 | 175 021 | 75 | 56 887 | 25 |

Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Internet

Québec displays a significant rural-urban split in terms of household access to the Internet. In general Québec has a relatively high level of Internet access. According to CEFRIO (*Centre francophone d’informatisation des organisations*), in 2008 74.6% of households were connected to the Internet in Québec and 61.8% had intermediate- or high-speed access, a situation similar to that of Norway and the Netherlands, the OECD countries with the highest percentage of households connected to the Internet. However, access is lower in rural areas, where 57% of households have an Internet connection and only 44% have intermediate or high-speed access.

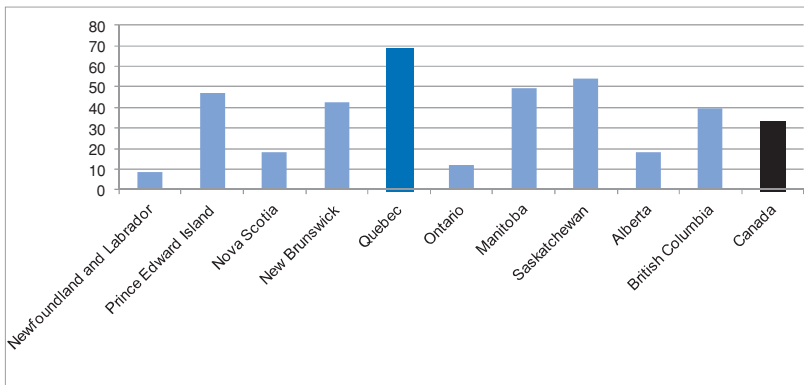
Financial and banking services

In Québec, rural dwellers access credit and banking services mainly through co-operative financial institutions. Québécois use co-operative financial institutions more than other Canadians (Figure 2.24). These organisations, which also exist in other sectors to provide services in rural areas, were mostly the result of spontaneous efforts by people to help themselves and have played a key role in supporting the development of

rural Québec. Each financial co-operative (*caisse populaire*) is presently required to belong to one of 11 federations, which in turn belong to the province-wide confederation, the *Confédération des caisses populaires et d'économie Desjardins du Québec* (Desjardins). The Desjardins Group is the largest association of credit unions in North America.²⁹ Founded in 1900, it is located mostly in Québec but also in Ontario, Manitoba, and New Brunswick. It is composed of 536 local *caisses*, which serve 5.8 million members. In Québec Desjardins serves 80% of the population including children who are members of the co-operative network.

Figure 2.24. **Percentage of Canadians using a credit-union or *caisse populaire* as their primary financial institution**

1997



Source: Department of Finance Canada, www.fin.gc.ca/toc/2000/ccu_-eng.asp.

Due to the increasing complexity achieved by the Desjardins network, individual *caisses* have been integrated in a single structure, while the number of branches in rural areas has been declining. Technological changes continue to push the credit union movement to re-evaluate the most appropriate method of delivering services to members. Many credit unions and *caisses populaires* now offer services over the Internet (Sriram, 1999). Credit decisions are taken using a centrally developed credit scoring model. However, centralisation and automation have changed the relation between members and *caisses*. The personal knowledge that credit committee members used to have of members' finances is being replaced by computers and credit scoring models. At the same time, the number of *caisses* has been

reduced, and many branches located in remote rural areas have been closed. This process started in the late 1990s. For instance, in 1998, the number of branches dropped from 1 275 to 1 222. It must be said that the process of consolidation and amalgamation takes a consultative and collaborative approach to limit the impact on rural communities (Sriram, 1999).

2.4 Challenges and opportunities

There are increasing socioeconomic disparities among rural MRCs

A large rural-urban split...

Although the rural-urban split is less intense in Québec than in the rest of Canada, some 80% of the provincial population is concentrated in urban areas. As a result of the uneven distribution of the population, there are large differences between the economic performance of urban and rural areas. The comparison may be unfair, however. Large differences in the scale (both of the population and the productive framework) may also have qualitative impacts that are worth considering when comparing the rural economy with the urban one. The rural economy, in fact, may produce different kinds of goods and services and local production chains may have particular characteristics which should be carefully considered when benchmarking rural against urban (Box 2.5).

...but also large disparities among rural territories

Besides the rural-urban economic divide, Québec also displays intra-rural disparities. GDP differences among predominantly rural MRCs are comparable to the OECD average, and there are fewer internal disparities than in countries with an internal economic divide such as Italy and Germany. However, Québec is less “equal” than Spain and France in terms of rural performance, and, above all, Québec’s predominantly rural areas display a much higher gap (standard deviation) from the average GDP per capita than the Scandinavian countries, which share with Québec many geographic and socioeconomic characteristics (Figure 2.25). As noted above, the level of GDP is not related to the distance from main metropolitan regions, although the richest areas are located relatively close to large cities. Differences in growth of GDP are also persistent and in many predominantly rural areas annual GDP growth is systematically lower than the average performance of rural Québec as a whole (Figure 2.26).

Box 2.5. Structural differences between rural and urban economies

In broad terms the economic structure of rural areas has become very similar to that of urban areas. Public and private services are the primary source of employment, while manufacturing plays a significant but shrinking role. Primary industries are typically only found in rural areas, but their contribution to income and employment has declined in the vast majority of rural areas, so that it is no longer possible to define a distinct rural economy driven by resource-based activities. However, a more detailed comparison suggests that their economic functions are less similar to those of urban areas than aggregate indicators suggest. In a few key sectors, such as tourism and hospitality, manufacturing, health care, education and public administration, there are significant differences in terms of the types of activity, the skill mix of the labour force and the wage structure.

Tourism and hospitality is a growing sector in many rural areas and appears to have much opportunity for expansion. A closer comparison with the same broad category in urban areas suggests first that tourism in rural areas is most likely to be outdoor-based (camping, water sports, hiking etc.) while in urban areas it involves indoor activities (theatre, museums, art galleries). This makes urban tourism a year-round activity while most rural activities are seasonal. Second, tourism in many rural areas has a critical mass of activities and providers, so each city serves as a self-contained magnet for visitors and can provide sufficient opportunities to make itself attractive. By contrast, in all but the largest parks, tourism tends to be small-scale and comprised of spatially dispersed opportunities that provide only a limited range of activities. Third, while there are some skilled positions in rural tourism (managers, instructors etc.), there are more opportunities for skilled employment in urban tourism (managers, chefs, actors, museum curator, etc.). In both types of places the majority of the labour force only needs limited skills.

Manufacturing now makes a larger contribution to rural economies than urban economies in many OECD countries. In both urban and rural areas the composition of manufacturing has changed as firms producing routine items that require only low worker skills and that are not sensitive to market conditions have largely relocated to countries with low labour costs outside the OECD area. But here too urban rural differences remain. First, large manufacturing firms are less likely to be found in rural areas because of their smaller labour markets and because of the reduced range of worker skills. This means that there are fewer opportunities for high pay and high-skill jobs in rural manufacturing. Second, manufacturing that is tightly coupled to its markets has a tendency to be in more urban locations because of the benefits of proximity. Typically this type of manufacturing has higher value added and employs more skilled workers at higher wages. Third, large manufacturing firms almost always have their corporate, marketing, and R&D functions in urban areas, and the high-paying jobs associated with these functions are almost strictly urban. Rural branch plants tend to focus on the production of specific products and consequently have limited scope for higher levels of management.

There are clear differences between urban and rural **health care**. First, in rural areas the majority of health-care facilities and workers offer primary care and emergency care. By contrast urban areas also have secondary and tertiary care facilities. Second, virtually no medical research takes place in rural areas. Third, the mix of occupations in rural areas tends to lead to a higher incidence of work-related accidents that are either life-threatening or can lead to physical disabilities. Given the distance between where accidents take place and care facilities, rural areas place a higher premium on a distributed network of emergency care facilities and emergency response vehicles than urban areas.

Box 2.5. Structural differences between rural and urban economies (*cont.*)

In both urban and rural areas there are ongoing efforts to enhance the quality of **education** and provide better opportunities for students of all ages. As a result the relative role of education in urban and rural economies is converging in terms of broad indicators. But differences still exist. In rural areas there may be equivalent access to basic primary and secondary education on a per person basis or in terms of students per teacher, but there is far less access to higher education (college, university, technical schools). In rural schools the range of course offerings is generally smaller, and tends not to include more advanced courses at any given age level because there are too few students to make offering these courses practical. In many rural areas a large share of education expenditure is for student transport, which obviously conveys no direct education benefits.

Public administration is a growing share of both urban and rural economies. However here too there are significant urban and rural differences. In urban regions, for a given population, a relatively small number of local government units provide a broad range of services and employ a labour force with an equally broad range of skills. Conversely in a rural area with a population of similar size there will be far more individual local governments but each will tend to provide only a limited set of functions and most will not require high levels of skill. Perhaps more importantly for local development, an urban area may have more opportunity to integrate different public service activities. This reflects the presence of a critical mass of skills in an urban government; many rural areas do not have equivalent skills.

Similar observations hold for other broad sectors, such as finance, construction and retail. If the focus is on broad levels of employment, the sectoral composition of urban and rural areas almost always looks similar. However, a more detailed examination of specific functions reveals fairly major differences in the skill mix of the labour force and the level of compensation. It thus appears that because of differences in density, size and distance, rural areas perform different functions from urban places. This was well understood when there were obvious differences between the broad types of urban and rural economic activity. Today this is no longer the case. But just as developed countries appear to exchange the same types of goods with each other, in seeming contradiction to the principles of trade, rural and urban economies appear similar but actually engage largely in complementary functions. Consequently it is unlikely that they will eventually converge to a uniform economic structure that differs only by size. This point has clear policy implications. To the extent that a rural economy is different from an urban economy, care must be taken in determining the extent to which a government can adopt the same policy framework for both.

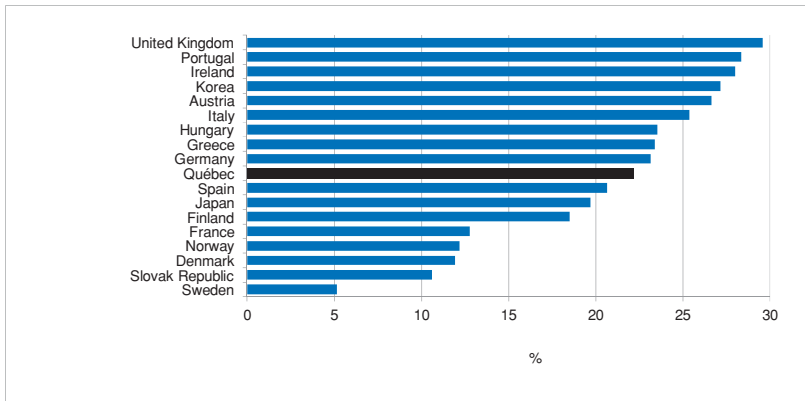
Source: Freshwater, D. (2009), “Rural Urban Interaction NL: Understanding and Managing Functional Regions”, unpublished paper.

Predominantly rural regions suffer from strong depopulation and ageing

Loss of population is the main result of rural areas’ inability to generate economic growth. If people persistently have problems finding employment

Figure 2.25. **Regional disparities among predominantly rural areas in selected OECD countries**

Standard deviation, 2006 or latest available year



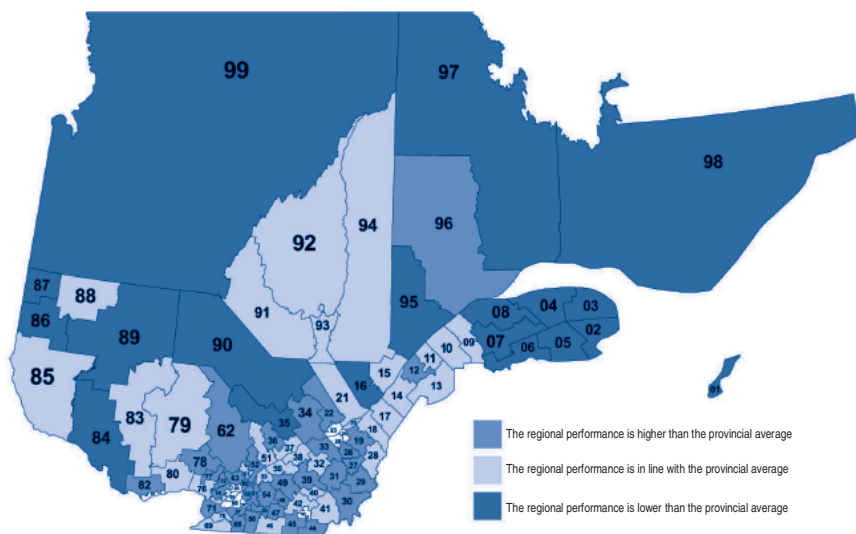
Note: The graph displays the standard deviation of GDP per capita within PRs. Data are calculated at the MRC level.

Source: OECD Regional Database (2009); Le Conference Board du Canada (2009), *Les communautés rurales: l'autre moteur économique du Québec*, prepared for the Groupe de travail sur la complémentarité rurale urbaine, June.

they go to areas with higher growth. As described above, demographic trends differ depending on the location of the rural areas. Those close to a large urban centre have seen their population increase over the last three censuses. In particular, peri-metropolitan MRCs improved their population by 60% between 1981 and 2006, while intermediate MRCs registered an increased of close to 20%. Predominantly rural areas, and particularly those located in remote areas, have suffered a net loss of population.

Ageing is a widespread problem in Québec, the territory with the lowest birth rate in North America. According to the Ministry of Health and Social Services (MSSS), the share of the age cohort 65 years and older in Québec will rise from 12% in 1995 to 27% in 2030, a period of 35 years. A comparable rise in the elderly population spanned over 45 years in Canada and over 65 to 75 years in Germany, France and the United Kingdom. If one considers the two broad categories “urban” and “rural” there is not much difference in the concentration of elderly people. However, following the classification used here, the variations among different types of rural areas can be important. Owing in part to depopulation, the share of elderly

Figure 2.26. Aggregate GDP growth rate in rural Québec, 1991-2006

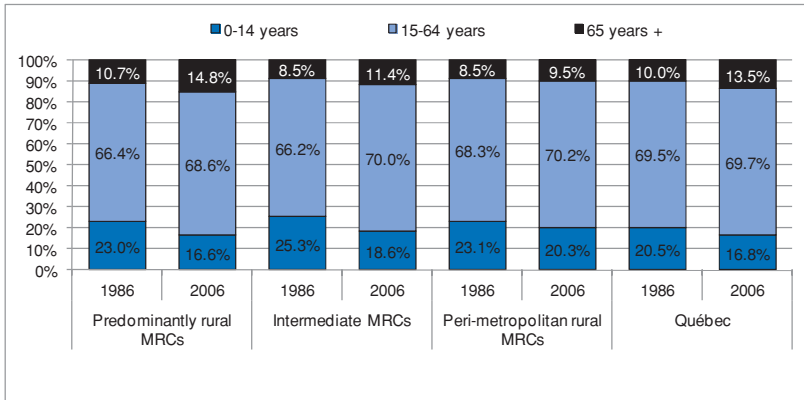


Source: Le Conference Board du Canada (2009), *Les communautés rurales: l'autre moteur économique du Québec*, prepared for the Groupe de travail sur la complémentarité rurale urbaine, June.

population in Québec's remote rural areas increased sharply from 10.7% in 1986 to almost 15% in 2006. also in the remote areas the population belonging to the age bracket 0-14 years dropped from 23% of total population in 1986 to 17% in 2006 (Figure 2.27).

Projections show that the ageing of the population in rural areas will increase exponentially in the near future. For instance, in the administrative region of Abitibi-Témiscamingue the share of elderly people (more than 65 years old) in 2000 was around 5%, significantly below the provincial average (Figure 2.28). According to projections calculated by Québec's MSSS, Abitibi-Témiscamingue will equal the national average in 2016-17. After this period Abitibi-Témiscamingue will age faster than Québec, reaching a share of elderly people close to 30% after 2026. It is easy to see that a high share of elderly population will not only affect the regional capacity to generate endogenous development but will also affect the sustainability of some basic services, such as health care and primary education.³⁰

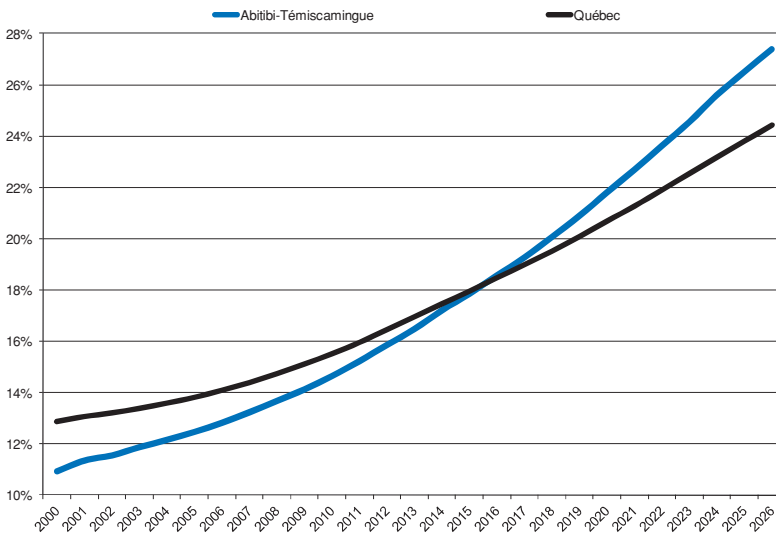
Figure 2.27. Population of Québec by age group



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

Figure 2.28. Projection of ageing trends in Abitibi-Témiscamingue and Québec

Percentage of persons aged 65 or more in the total population, 2000-26



Source: MSSS (2005).

Ageing and depopulation are not offset by immigration. The influx of foreign workers in rural Québec remains very low. Immigration to Québec has traditionally concentrated in Montréal and, to a lesser extent, in Québec City. Since the 1990s, however, the provincial government has adopted specific initiatives to increase the number of foreign workers going to rural territories. The impact of such initiatives is still relatively small as immigration remains concentrated in urban areas. Furthermore, the integration of foreign workers in rural areas poses challenges for the cultural homogeneity of the local communities and the lack of the needed social infrastructure to facilitate the integration process.

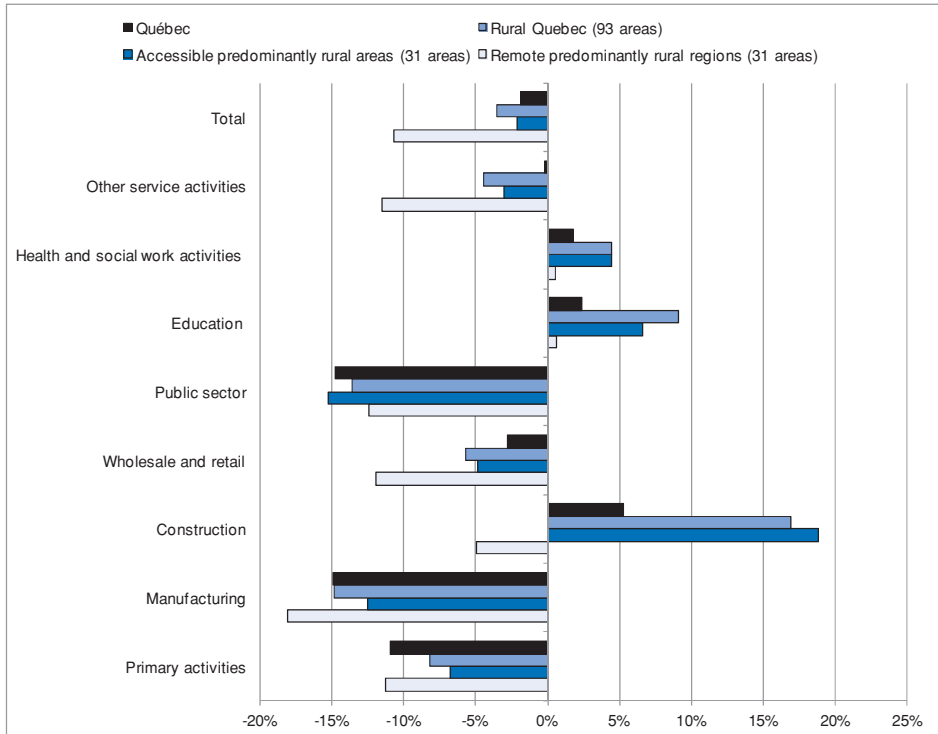
Rural jobs are vulnerable to external shocks

Another factor impinging upon rural areas' capacity to generate endogenous growth is the loss of comparative advantage in manufacturing activities, due to international competition. As discussed above, the industrialisation of the Québec countryside partially freed the province from dependence on a resource-based economy. Of course, a large share of manufacturing in Québec is tightly linked to primary activities (transformation of raw materials). It is also true, however, that the province exploited its proximity to the United States and relatively low wages in rural areas, to develop a productive framework specialised in traditional manufacturing such as textile and clothing.

The internationalisation of markets has challenged this pattern of industrial development, causing a reduction in jobs and in the number of secondary firms located in rural areas. As Baldwin and Lileeva (2008) have found, Canadian manufactures (and particularly Québec, owing to its specialisation in mature activities) shifted away from the production of peripheral goods used as inputs in the production of their core product and instead concentrated on manufacturing the latter. Goods once produced locally are now substituted with imports from low-cost countries. This cannot be considered a negative impact in itself, since imports can provide the population higher well-being and firms can lower the total costs of their core product, which therefore should gain in competitiveness. Nevertheless, globalisation has destroyed many jobs in Québec, especially in rural areas. Manufacturing lost the largest number of jobs, and because of concentration/rationalisation some services (and especially public administration) also suffered from large reductions (Figure 2.29).

Figure 2.29. **Percentage change in the number of firms in rural Québec between 2001 and 2008**

NAICS and ISIC denomination of sectors



Source: OECD (2009), “Questionnaire for the Integration of the Background Report”, internal working document with information provided by MAMROT, Directorate for Public Governance and Territorial Development, OECD.

The impact of these job losses is more pronounced in rural than in urban areas owing to the smaller size and lesser diversity of rural labour markets. Often, urban economies are less susceptible to such shocks because of their larger and diversified local labour markets. Sectors confronted with the crisis adjust their production and lay off some workers. Some of these are eventually absorbed by other sectors in which production is expanding.³¹ In rural areas, due the small size of LLMs, a worker is considerably less likely to be absorbed by another industry, simply because firms whose production is growing may be located far from the affected rural area

(Freshwater, 2008). Such workers may therefore leave the rural area and relocate where there are job opportunities. This migration enhances the crisis of the LLMs because it reduces it further, making it more vulnerable to fluctuations.

Gentrification and urban sprawl affect the rural milieu causing increasing cost of living, congestion and pollution

While gentrification helps enhance community facilities and purchasing power in peri-metropolitan and intermediate rural areas, it has also altered the social framework and put pressure on the environment. Due to the inflows of former urban dwellers in rural areas, many communities have registered an increase in the quality and quantity of services provided locally. Local labour markets have become larger and have a larger range of skills. This creates the basis for a gradual process of regional development. Retirees relocating in rural areas spurred the development of a residential economy (proximity services such as local stores, personal services, and tourism services). Inflows of new residents raise housing prices and property taxes, the main source of revenues for municipalities in Québec. However, the concentration of Québec's population on urban fringes and other "attractive" rural areas also has some shortcomings.

First, newcomers cause housing prices to increase as well as property taxes. In some cases, the increase in taxes is so high that long-established owners are unable to pay more taxes and decide to sell their higher-valued property and leave. Likewise, the less affluent younger local population, or even young newcomers, may be unable to buy property. Gentrification is particularly intense on the urban fringe and in rural areas that are attractive for tourism (those located close to a watercourse or a lake). The risk is that rural areas will become locations for second homes or will change radically the kind of population living there.

Second, urban sprawl and intense commuting are increasing congestion and pollution on the urban fringe. As highlighted by the OECD in a report assessing Montréal's competitiveness (OECD, 2004), transport congestion represents an important challenge for Québec's metropolitan areas (which include both rural areas and an urban fringe). In Québec, because of the dimensions of the province, space is perceived as abundant, and people tend to spread out over a considerable part of the territory. At the same time, Québec has relatively few places that are suitable for human settlement. For instance, as discussed above, a very small part of the landbase is suitable for agriculture. As a result, the (social) impact of population sprawl is negative because it causes congestion and the net loss of good agricultural land, but also because of the increasing energy needed to compensate for distance and

people's way of life.³² Finally, although Québec is the smallest producer, on a per capita basis, of GHG in Canada (see Chapter 1) the provincial population is particularly exposed to the effects of climate change. More than a third of its inhabitants are estimated to live less than 500 metres from the banks of the St. Lawrence River, and more than 90% less than 5 kilometres away. Therefore, a change in the water level will endanger communities' critical infrastructure (Lemmen *et al.*, 2008).³³

Notes

1. The term “rurality” is used in this report in the sense of the degree of being rural. Thus, the degree of rurality would be greater for individuals living in a place with lower population density or in a place further from an urban centre.
2. The northern part of Québec is also home to aboriginal communities that have a special status (First Nations) *vis-à-vis* the provincial government.
3. *Écoumène* is the French word indicating the continuously inhabited territory, organised in 1 100 municipalities, in the southern part of Québec, mostly south and along a smaller strip north and northwest of the St. Lawrence River basin, where the large majority of the provincial population resides.
4. The regional typology used in this report was elaborated jointly by the OECD and the *Ministère des Affaires municipales des Régions et de l’Occupation du Territoire* (MAMROT).
5. In Canada, an unorganised territory is a region of land, generally with less self-governmental power than other regions, which is controlled by a specific government. The term has several meanings depending on the exact usage and context. In particular, in Québec a given territory is “unorganised” if it does not have a local government and is managed by MRCs and the provincial government.
6. This report considers “remote” those rural regions classified as “resource regions and MRC” in the “Strategy of Economic Development of Resources Regions”, published by the Québec government in 2001. This strategy aimed at reducing regional disparities and focused on resource-based regions, which are located in sparsely populated areas and are not home to major urban centres. According to this definition, all MRCs in the regions of Gaspésie–Îles-de-la-Madeleine, Bas-Saint-Laurent, Mauricie, Abitibi-Témiscamingue, Saguenay-Lac-Saint-Jean, Cote Nord, and Nord-du-Québec are remote. Conversely, the MRCs that are in the regions of Chaudière-Appalaches, Estrie, Montérégie, Outaouais, Laurentides, Lanaudière and Capitale-Nationale are central or accessible.

7. Like Québec, Sweden is characterised by a large metropolitan system in the south and smaller urban centres in the rest of the country. However, Sweden has large cities in remote areas such as Umea, Lulea, Östersund or Piteau (*OECD Territorial Review of Sweden*, forthcoming).
8. The term *Révolution tranquille* or “quiet revolution” describes a multitude of social, political, economic and religious transformations which took place in Québec in the 1960s and 1970s. They accompanied a shift in the province of Québec's priorities from the defence of Catholicism, traditional rural life and economic conservatism to the affirmation of a modern, secular, French-speaking but pluralistic society. It was a period of intense change characterised by the rapid and effective secularisation of society, the creation of a welfare state (État-providence) and a re-alignment of Québec's politics into federalist and separatist factions. The provincial government took over the fields of health care and education, which had been in the hands of the Roman Catholic Church. It created Ministries of Education and Health, expanded the public service, and made massive investments in the public education system and provincial infrastructure. The government allowed unionisation of the civil service. It took measures to increase Québécois control over the province's economy and nationalised electricity production and distribution.
9. The lower income is partly due to differences in the make-up of the labour force in terms of skills and occupations in rural and urban areas.
10. According to Alasia (2003), this is also a common trend in the rest of Canada.
11. There is evidence that in OECD countries the rise in employment rates in rural regions has a direct impact on their overall economic performance and competitiveness (OECD, 2009).
12. “Residential economy covers all the activities generated on the local level by the consumption of the population living on the territory considered.” *Cohesion Serving the Regions* (press kit), Informal Meeting of Ministers for Spatial Planning and Cohesion Policy, 26 November 2008, Marseilles, France, www.eu2008.fr. The term is usually used as the opposite of “productive economy”.
13. Québec is still a modest player for beef on the Canadian scale, with less than 5% of the national total. However, the Québec veal sector is the unchallenged leader in Canada, with over 80% of overall production. Québec also produces more than 10% of commercial beef from cull cattle. The bovine spongiform encephalopathy (BSE) crisis slowed the growth rate of this production. However, thanks to its abundant pasture and forage, Québec has strong development potential. Beef production ranks third in Québec livestock production, after dairy and hog production. In

Québec, there are currently more than 14 000 farm operations partially or totally dedicated to cattle production. At present throughout Québec, cattle production generates more than 11 000 direct and indirect jobs. Over 910 000 cattle are marketed each year, for a farm-gate value of more than CAD 618 million (2007).

14. “Crop Heat Units (CHU) are temperature-based units that are related to the rate of development of corn and soybeans. CHU are used to help farmers select the hybrids and varieties that are best suited to their climatic region.” Government of Canada (2009), Natural Resources Canada, <http://cfs.nrcan.gc.ca/subsite/glfc-climate/maritimecropheatunits>.
15. Average farm average size was considerably smaller in Québec than the national average of 676 acres. Saskatchewan, which has mainly a field-crop-based agriculture, has the largest average size, at 1 283 acres.
16. Statistics Canada defines census farm as an agricultural operation that produces at least one of the following products intended for sale: crops (hay, field crops, tree fruits or nuts, berries or grapes, vegetables, seed); livestock (cattle, pigs, sheep, horses, game animals, other livestock); poultry (hens, chickens, turkeys, chicks, game birds, other poultry); animal products (milk or cream, eggs, wool, furs, meat); or other agricultural or agro-forest products (Christmas trees, greenhouse or nursery products, mushrooms, sod, honey, maple syrup products) (www.statcan.gc.ca/pub/95f0301x/notes/4064749-eng.htm).
17. The total income of a census family is the sum of all incomes received during the calendar year preceding the census by all members of that family aged 15 years of age and over. Income includes wages and salaries, net farm income, net non-farm self-employment income, government transfer payments, investment income, retirement pensions and other money income.
18. Québec’s boreal forest covers an area of roughly 551 400 km². Less than 36% of this area has been set aside for forest production.
19. Both forestry and wood processing and including urban centres.
20. Québec is Canada’s second largest producer of gold and iron, second largest producer of metallic substances, and second largest producer of industrial minerals and construction materials, as well as the world’s second largest producer of niobium.
21. The claim is the only valid exploration right in Québec. The claim gives the holder an exclusive right to search for mineral substances in the public domain except sand, gravel, clay and other loose deposits, on the land subjected to the claim.

22. In certain rural areas the land available for manufacturing activities is extremely constrained owing to the provincial law that protects agricultural land, even when it lies idle.
23. Data referring to the 17 administrative regions within Québec show that the increase in the number of SMEs (and especially micro-firms of 1 to 4 employees) is higher in accessible rural and urban regions. Between 2002 and 2006, in a period of economic growth for the province, the highest increase in number of firms was registered in the regions of Lanaudiere, Laval, Laurentides and Monteregie, which surround the metro-region of Montréal. Outside of the direct influence of Montréal, the only regions that had positive values were *Centre-du-Québec* and *Nord-du-Québec* (Figure 2.21).
24. These results confirm those of Boter and Lundström (2005) who show a regional effect as well as the influence of enterprise size on the extent of firms' use of public services.
25. This research on the new rural economy was co-ordinated by University of Concordia. The project assessed the entire country (32 rural communities) in collaboration with the Canadian Rural Revitalization Foundation (CRRF), http://nre.concordia.ca/nre_reports.htm.
26. The provincial and federal governments have been encouraging voluntary organisations to develop partnerships with government departments, the private sector, service providers and other voluntary organisations in order to qualify for funding programmes (Borgen, 2000; Bradford, 2003; Osborne and Flynn, 1997; O'Toole and Burdess, 2004; Zahner, 2005). Collaboration (see Schaeffer and Loveridge, 2000, for a classification of co-operative/collaborative efforts) with local government or other local service providers was encouraged to demonstrate that voluntary organisations propose activities with wide appeal and legitimacy in the community (Radin and Romzek, 1996; Wall and Gordon, 1999). Such partnerships can be an important asset for voluntary organisations that seek to develop and maintain services.
27. There are both public and private subsidised CEGEPs. The public CEGEPs have little or no tuition fee. The CEGEP system was started in 1967 by the Québec government.
28. Alasia (2005) summarises the "Catch-22" situation of rural communities. Both individuals and communities would appear to face a lower rate of return from investing in higher education than urban individuals and communities. Individuals in rural communities have less incentive to pursue higher education because it means that they will have to leave their home community. Rural communities have less incentive to offer high-level training and education to their residents as the individual will leave the community.

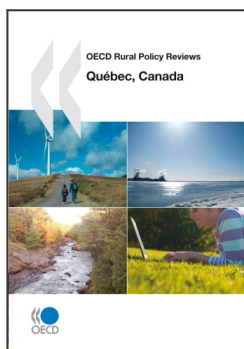
29. In 1988, the Québec government passed new legislation governing the province's banking co-operatives. The Savings and Credit Union Act of that year enabled Desjardins to restructure its operations, grouping together its growing number of subsidiaries under holding companies that provide central direction to each specific area of operation.
30. It is important to note however that ageing can be looked at in two ways. An increase in the ratio of older persons to persons 15 to 64 years of age is a relative “dependency” measure, which might be interpreted as “demand for transport to a clinic per person able to provide transport”. Alternatively, ageing might be considered in terms of the rise in the number of older persons and thus increasing demand for services by older persons. Many rural areas in Canada may be ageing in the first way but not in the second. There is no increase in the number of older persons because when this cohort was younger, a large share migrated to the city (Dandy and Bollman, 2008).
31. At the regional level, the probability of an unemployed person being absorbed by another local sector depends on a series of factors. For instance, if a worker is geographically close to a firm that is experiencing a surge in demand for its output, he/she is more likely to be hired. Also, a worker who has skills that are compatible with the sector that is experiencing growth is more likely to be hired (and may also move up within a given supply chain) (Marino and Trapasso, 2009).
32. Québec’s economy is associated with high energy consumption because of its industrial base, climate, size and way of life. In 2002, the industrial sector accounted for 39% of energy demand, transport for nearly 25% and the commercial, institutional and residential sectors for 37% (Lemmen *et al.*, 2008).
33. In the north, global warming severely curtails winter transport. All northern communities depend upon ice roads to transport supplies to their community for the whole year. A shorter period of safe ice roads dramatically increases transport costs.

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