



Sectoral Outlook

2007-2009

Chaudière-Appalaches

CLICK servicecanada.ca

CALL 1 800 O-Canada / 1 800 622-6232
ATS 1 800 925-9105

VISIT Service Canada Centres

Sectoral Outlook

2007-2009

Chaudière-Appalaches



Authors

Denis Gagnon and Daniel Marois, Economists
Service Canada
Chaudière-Appalaches Region
Telephone: (418) 681-2599 • 1-866-299-5650
E-mail: denis.gagnon@servicecanada.gc.ca • daniel.marois@servicecanada.gc.ca

Translation to English

Translation Bureau
Public Works and Government Services Canada
Québec Region

With the Collaboration of

Corporate Communications and Services Branch
Service Canada
Québec Region

Graphic Design

Josée Gaudreault, graphic artist

Pictures

Modified picture, Hélène S. Dubois, © Le Québec en images, CCDMD
Modified picture, Denis Chabot, © Le Québec en images, CCDMD
Modified picture, Ginette Lavertu, © Le Québec en images, CCDMD

March 2007

This publication is also available at the following Internet address: www150.hrdc-drhc.gc.ca/asp/ww-mt/Accueil.asp

Cette publication est aussi disponible en français.

The contents of this document derive from analyses made by the author and do not necessarily reflect the views of the Government of Canada.

Cat. No.: SG2-1/5-2007E-PDF

ISBN: 978-0-662-45575-2

© Her Majesty the Queen in Right of Canada, 2007

Table of Contents

Summary	4
Introduction	6
Notes on Methodology	7
Part 1: Overview	9
Description of the Area	9
Economic Environment	9
Labour Market Indicators	11
Part 2: Sectoral Outlook	12
Overview	12
Industrial Structure	12
Outlook	13
Goods-producing sector	14
Services	14
Primary Sector	15
Manufacturing Sector	17
Consumer-Related Manufacturing	19
Resource-Related Manufacturing	21
Investment-Related Manufacturing	22
Construction Industry	23
Consumer Services	24
Production Services	25
Public and Parapublic Services	27
List of Tables	
1 Main Labour Market Indicators - 2004-2006	10
2 Breakdown of Employment for Selected Industry Groups	12
3 Breakdown and Employment Outlook in the Primary Sector	15
4 Breakdown and Employment Outlook in the Manufacturing Sector	18
5 Breakdown and Employment Outlook in Consumer Services	24
6 Breakdown and Employment Outlook in Production Services	26
7 Breakdown and Employment Outlook in Public and Parapublic Services	28

Summary

Economic outlook

The economy of the Chaudière–Appalaches region is based on a highly diversified industrial structure. Since the end of the 1990s, Chaudière–Appalaches has performed well, thanks to favourable economic conditions, the vitality of the region's SMEs, the entrepreneurial spirit of its industries and a dynamic social and economic environment. Economic indicators for the region, when compared with those for Quebec as a whole, are positive, be it in terms of production, shipments of manufactured goods, exports, capital expenditures or labour force participation, employment and unemployment rates. However, the region is also highly dependant on labour-intensive industries related to the development and primary processing of natural resources.

The region has gone through a period of particularly advantageous employment growth over the last seven years. Employment rose at an average rate of 2.1% a year between 1999 and 2006, resulting in the creation of more than 27,000 jobs. The most dynamic manufacturing industries were plastic and composite materials products, metal products and machinery and food processing. In the service sector, health care and social assistance, wholesale and retail trade and business support services also experienced buoyant job growth. The unemployment situation also looked bright, despite job losses in several segments of the goods-producing sector (primary, manufacturing and construction) in the last two years. In 2006, the unemployment rate, estimated at 5.8%, was at its lowest mark in the region in 17 years. Chaudière–Appalaches had the third-lowest unemployment rate of all regions in the province, after Québec (5.6%) and Lanaudière (5.7%). Between now and 2009, the regional labour market will see only modest rises in participation and employment, but the unemployment situation will be far from alarming. In the next three years, the average annual employment growth rate should be 0.9% for the region as 5,500 new jobs are created, compared with average growth of 1.0% a year for a total of 117,000 new jobs in Quebec as a whole.

Sectoral outlooks

The economy in Chaudière–Appalaches is based on the development and processing of natural resources, and the primary (6%) and manufacturing (25%) sectors employ a much bigger share of workers in this region than they do in Quebec as a whole (2.6% and 16.4% respectively). However, services account for 76% of employment at the provincial level, while in our region, barely 64% of all jobs are directly related to the tertiary sector.

Primary sector

In Chaudière–Appalaches, the proportion of jobs generated by primary industries (5.6%) is twice as big as it is in Quebec as a whole (2.6%). Since the mid-1990s, primary industries in Chaudière–Appalaches have shed hundreds of jobs, and this situation should continue in the medium term as employment falls an estimated 0.8% a year between now and 2009. The main factors driving down job growth include the gains in agricultural productivity associated with the consolidation and concentration of farms, the reduction in allowable cut on public lands and the uncertain future of the asbestos industry.

Secondary sector

Manufacturing industries in Chaudière–Appalaches account for nearly a quarter of all employment in the region, compared with only 16.4% for Quebec. Chaudière–Appalaches is the number two manufacturing region in Quebec. Its industries put in a solid performance in the 1990s, but growth slowed down considerably from 2000 on, and a net loss of jobs was reported in 2002. The sector is facing numerous challenges at the moment, including the rapidly rising Canadian dollar, which is forcing exporters to cut costs and boost productivity; high energy costs; stiff competition from developing countries, as a result of low labour costs and the elimination of tariff barriers in labour-intensive industries; and a cooling North American economy. Employment growth in this sector will be 0.5% a year between now and 2009, compared with

0.9% for all industries in the region. Investment-related manufacturing alone will account for the entire increase in employment in manufacturing, while employment will remain stable in consumer-related manufacturing and fall in resource-related manufacturing.

The construction industry, which employs nearly 12,000 workers, experienced strong growth in the early 2000s, as the value of building permits jumped by more than 130% between 1998 and 2005 before declining by 10% in 2006. Meanwhile, employment in construction also experienced vigorous growth in the same period, rising approximately 50%, thanks to the strength of the residential and commercial sectors. In 2007–2009, employment in construction is expected to decline (-0.5%), given the expected drop in residential housing starts.

Tertiary sector

The service sector, which accounts for approximately 132,000 employed persons—or less than 64% of total employment in the region, compared with 76% for Quebec—has experienced strong growth since the year 2000, cornering more than 80% of all new jobs in the region in this period. This upward trend will become more pronounced in coming years, this sector being the driving force behind employment growth, accounting for more than 95% of all new jobs to be created (+1.3%) between now and 2009. Consumer services, the most imposing group of services, have a much less significant presence in this region than in the province as a whole. For five years, employment in these services has grown faster than the average for all industries in the region, and this growth will continue between now and 2009 (+1.4%). Since the early 2000s, employment growth in producer services has more or less kept pace with the average for all industries. In coming years, growth in this segment is expected to be twice as high (+1.9%) as the average, making producer services the most dynamic segment in the tertiary sector. Public and parapublic services

employ a smaller proportion of workers in this region than in the province as a whole, despite the close proximity to the provincial capital. Since 2000, employment has increased significantly in this group, and growth is expected to be slightly slower (+0.7%) than the regional average between now and 2009, despite a rather marked increase in the health care and social services system.

Introduction

Each year, Service Canada develops medium-term employment forecasts both by industry and by occupation for Quebec as a whole and for each of its economic regions. The results of these analyses are published in the form of a series of studies intended to provide a comprehensive overview of recent labour market developments and outlooks in Quebec and its various regions.

This document deals with sectoral outlooks. A second document, to be published at a later date, will provide occupational outlooks.

We hope this series of documents will interest people who are seeking labour market guidance and those who help them, including parents, educational staff and employment assistance services. It should also interest businesses and employer associations that want to identify human resources management issues in their industries.

This document is made up of two sections. The first part provides a synopsis of the labour market in the region, including an overview of economic developments and key labour market indicators. The second part presents sectoral outlooks by industrial groups catalogued according to the North American Industry Classification System (NAICS).

Notes on methodology

Estimated employment levels

The employment estimates by industry are based on Statistics Canada's Labour Force Survey (LFS), as this tool is the only reliable source that follows employment developments in both Quebec and the regions. Since the employment level in some industries is very low in a number of economic regions, other sources of data—mainly of an administrative nature—have sometimes been used because LFS figures in these industries are unreliable. In addition, three-year (2004-2005-2006) averages are included in the statistical tables to provide a more reliable indication of employment levels.

The employment outlooks have been established for a three-year period, from 2007 to 2009. They were developed in winter 2006–2007 in co-operation with Service Canada economists working in Quebec's regions and with the help of the Canadian Occupational Projection System (COPS), without which we would not have had access to the many analysis and forecasting tools that were used to carry out this study.

Industrial groups

The industrial analysis presented in this study is based on an aggregation using the North American Industry Classification System (NAICS). Here, we provide a brief overview of the composition of each of these groups. Precise definitions of the industries are available in the NAICS published by Statistics Canada.

Primary sector

- 11 Agriculture, Forestry, Fishing and Hunting
- 21 Mining and Oil and Gas Extraction

Manufacturing sector

- 31-33 Manufacturing

When relevant, following groups are also presented.

Consumer-related manufacturing

- 311 Food Manufacturing
- 312 Beverage and Tobacco Product Manufacturing
- 313 Textile Mills
- 314 Textile Product Mills
- 315 Clothing Manufacturing
- 316 Leather and Allied Product Manufacturing
- 323 Printing and Related Support Activities
- 337 Furniture and Related Product Manufacturing
- 339 Miscellaneous Manufacturing

Resource-related manufacturing
321 Wood Product Manufacturing
322 Paper Manufacturing
324 Petroleum and Coal Products Manufacturing
327 Non-Metallic Mineral Product Manufacturing
331 Primary Metal Manufacturing

Investment-related manufacturing
325 Chemical Manufacturing
326 Plastics and Rubber Products Manufacturing
332 Fabricated Metal Product Manufacturing
333 Machinery Manufacturing
334 Computer and Electronic Product Manufacturing
335 Electrical Equipment, Appliance and Component Manufacturing
336 Transportation Equipment Manufacturing

Construction
23 Construction

Consumer services
44-45 Retail Trade
51 Information and Cultural Industries
71 Arts, Entertainment and Recreation
72 Accommodation and Food Services
81 Other Services (except Public Administration)

Production services
22 Utilities
41 Wholesale Trade
48-49 Transportation and Warehousing
52 Finance and Insurance
53 Real Estate and Rental and Leasing
54 Professional, Scientific and Technical Services
55 Management of Companies and Enterprises
56 Administrative and Support, Waste Management and Remediation Services

Public and Parapublic Services
61 Educational Services
62 Health Care and Social Assistance
91 Public Administration

Part 1: Overview

Description of the area

This document concerns the Chaudière–Appalaches region. This area, which corresponds to administrative region 12, consists of the city of Lévis and the regional county municipalities (MRCs) of L'Islet, Montmagny, Bellechasse, La Nouvelle Beauce, Robert Cliche, Les Etchemins, Beauce–Sartigan, L'Amiante and Lotbinière. The total population of this area was 383,400 in 2001, an increase of approximately 2,900 (+0.8%) compared with the 1996 census, making this the smallest five-year increase in 30 years. Forecasts show that population growth in the region will slow down in coming years. This will have a significant impact on how the region's economy changes and develops.

Economic environment

Since the late 1990s, changes in the economic environment of Chaudière–Appalaches have been favourable

The economy of the Chaudière–Appalaches region is based on a highly diversified industrial structure. Since the end of the 1990s, Chaudière–Appalaches has performed well, thanks to favourable economic conditions, the vitality of the region's SMEs, the entrepreneurial spirit of its industries and a dynamic social and economic environment. Economic indicators for the region, when compared with those for Quebec as a whole, are positive, be it in terms of production, shipments of manufactured goods, exports, capital expenditures or labour force participation, employment and unemployment rates. However, the region is also highly dependant on labour-intensive industries related to the development and primary processing of natural resources.

Chaudière–Appalaches is one of Quebec's top exporting regions

According to the Institut de la statistique du Québec (Quebec institute for statistics, or ISQ), the region's gross domestic product (GDP)¹, estimated at nearly \$12 billion in 2005, accounted for 4.6% of Quebec's total production, placing Chaudière–Appalaches fifth out of all of Quebec's regions in terms of GDP. Between 2000 and 2005, the region's GDP grew 4.5% a year on average, compared with 4.2% for Quebec. Chaudière–Appalaches ranks third in Quebec in terms of the value of shipments of manufactured goods. It also accounts for 8.9% of all shipments of manufactured goods in Quebec.² Capital expenditures reached \$2.4 billion in 2005, rising 11.8% a year on average between 2001 and 2005, compared with 7.5% in Quebec as a whole.³

Chaudière–Appalaches is also recognized as one of the top exporting regions in Quebec.⁴ It places third among the 17 regions in terms of the volume of exports and sixth with respect to the value of exports, which reached over \$2.6 billion in 2004. Between 1998 and 2004, the value of exports climbed 24.1% in Chaudière–Appalaches, compared with 15.2% in Quebec. Chaudière–Appalaches is also very dependent on the US economy, as 93% of the region's goods are destined for that market, compared with 81% for exports from Quebec as a whole.

¹ Regional base-price gross domestic product (GDP), as estimated by the Institut de la statistique du Québec. September 2006.

² Institut de la statistique du Québec. Direction des statistiques économiques et sociales. *Bulletin statistique régional – Chaudière-Appalaches*. 2006. p.1.

³ Institut de la statistique du Québec, op. cit. p.2

⁴ Institut de la statistique du Québec. Direction des statistiques économiques et sociales. *Les régions exportatrices du Québec*. 2006. 4 pages.

Given the region's industrial structure, there is no question that the globalization of markets, the rising Canadian dollar, higher energy and oil prices, stronger foreign competition, particularly from Asian countries, economic conditions in North America and the softwood lumber crisis have had a decisive impact on the development of countless businesses in key industry sectors in Chaudière-Appalaches.

Nevertheless, numerous economic diversification initiatives have fostered the emergence of new industry niches and the growth of high-tech, higher value-added sectors (biotechnologies, information technologies (IT), plastics and composite materials, agri-food, etc), thereby contributing to employment growth in the region.

In sum, Chaudière-Appalaches is a dynamic region with a buoyant economy. Moreover, the region's economy is very open to the outside world, making Chaudière-Appalaches one of the leading exporting regions in Quebec.

Labour market indicators

With an unemployment rate of 5.8% in 2006, Chaudière-Appalaches posted its best performance in the last 17 years

Despite a slight drop in participation in 2006 after six consecutive rises, the labour market in Chaudière-Appalaches has been yielding positive results for many years. In 2006, employment was up for the seventh year in a row, but the rate of growth was significantly less than in previous years. Employment grew by 4.5% in 2002, 2.8% in 2003, 1% in 2004, 0.3% in 2005 and 0.4% in 2006.

Table 1
Main Labour Market Indicators - 2004-2006
Chaudière-Appalaches Region

	2004	2005	2006	2004-2006
Population 15+ ('000)	319.9	322.2	325.0	322.4
Labour force ('000)	219.9	220.4	219.8	220.0
Employed ('000)	205.6	206.2	207.0	206.3
Unemployed ('000)	14.3	14.2	12.8	13.8
Unemployment rate (%)	6.5%	6.4%	5.8%	6.3%
Participation rate (%)	68.7%	68.4%	67.6%	68.3%
Employment rate (%)	64.3%	64.0%	63.7%	64.0%

Source: Statistics Canada, Labour Force Survey
Compilations by Service Canada

In 2006, the number of unemployed fell by 1,400, bringing the unemployment rate down from 6.4% in 2005 to 5.8% in 2006

The unemployment situation in the region improved over the last ten years, despite numerous job losses in the goods-producing sector (primary, manufacturing and construction) in the last two years. In 2006, the number of unemployed fell by 1,400, bringing the unemployment rate down from 6.4% in 2005 to 5.8% in 2006, making this the region's best performance in the last 17 years and placing Chaudière–Appalaches third among Quebec's regions, after Québec (5.6%) and Lanaudière (5.7%).

Between 2007 and 2009, the regional labour market will experience modest growth in participation and employment, while the unemployment situation will remain no cause for great concern, for the most part. It should also be noted that in coming years we will see a growing number of persons not in the labour force as the baby boomers retire.

Part 2: Sectoral outlooks

Overview

Industrial structure

Of the 206,300 employed persons in Chaudière–Appalaches, more than 75,000 (36.6%) are concentrated in the goods-producing sector, the second highest percentage of all of Quebec's regions, after Centre-du-Québec (40%), compared with the Quebec average of 24.5%. Although they have experienced their share of difficulties in recent years, manufacturing industries employ more than two thirds (67.8%) of the local labour force. Construction, a sector where activity has been increasing sharply since 2000, and primary industries, which have been shedding jobs constantly for decades, respectively employed 5.7% and 5.6% of the region's workers.

Table 2

Breakdown of Employment for Selected Industry Groups Chaudière–Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
All Industries	206.3	100.0%	100.0%	0.9%	1.0%
Primary	11.6	5.6%	2.6%	-0.8%	-0.3%
Manufacturing	51.1	24.8%	16.4%	0.5%	0.6%
Construction	11.8	5.7%	4.7%	-0.5%	-0.6%
Services	131.7	63.9%	76.3%	1.3%	1.3%
Consumer Services	48.7	23.6%	27.4%	1.4%	1.1%
Production Services	38.9	18.9%	24.5%	1.9%	1.9%
Public and Parapublic Services	44.1	21.4%	24.4%	0.7%	0.8%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

The services sector, which employs a total of approximately 132,000 people (63.9%), and which since the late 1990s has recorded slightly stronger growth than the average for all industries, accounts for much smaller portion of the region's economy than it does in Quebec as a whole (76.3%). The consumer services group has the highest number of employed in the sector in the region, with 23.6% of all employed persons, compared with 27.4% for Quebec. In government and parapublic services, meanwhile, there is a three-point gap between the percentage for Chaudière–Appalaches (21.4%) and that of Quebec (24.4%). Producer services, too, are much less prominent in the region.

Outlook

Chaudière–Appalaches will generate 5,500 new jobs by 2009, slightly less than 5% of all jobs to be created in Quebec

They account for less than 19% of regional employment, compared with 24.5% for Quebec. Most industrial branches in producer services lag behind considerably when compared with the industrial structure of Quebec as a whole, the sole exception being the finance and insurance sub-sector.

The Chaudière–Appalaches region has experienced a boom in job creation over the last seven years. The average annual employment growth rate was an estimated 2.1% between 2000 and 2006, as employment reached a record 207,000 persons at the end of this period. This growth rate, which is quite similar to the rate for the province as a whole, was particularly attributable to the high rates recorded from 2000 to 2003, when employment grew 3.2% on average.

Since 2004, the economic environment in Chaudière–Appalaches has become increasingly fragile, and this trend will continue in 2007, with the creation of fewer than a thousand jobs (+0.4%), a rate similar to those seen in the last two years. However, the situation should improve in 2008 and 2009, with expected growth for those two years climbing back to 1.2% in 2008 and 1.1% in 2009 for net increases of 2,400 and 2,300 jobs respectively.

Throughout 2007–2009, the average employment growth rate should be 0.9% per year in our region, for a total of 5,500 new jobs. In Quebec as a whole, projections indicate a slowing growth rate in the neighbourhood of 1.0% for 2007–2009, resulting in the creation of more than 117,000 new jobs.

It should be noted that Chaudière–Appalaches has experienced a pronounced slowdown in population growth over the last 15 years, and the number of 22–44 year-olds, the group with the highest labour market participation rate, has declined around 20% since the beginning of the 1990s. Since growth in the working-age (15–64 years) population is likely to continue its slowdown, there will have to be a substantial increase in participation and employment rates to maintain job gains in the longer term, especially since we will be able to draw less and less from the pool of unemployed as we approach a situation of full employment.

Goods-producing sector

The outlook for the goods-producing sector is mixed

The employment outlook between now and 2009 will be rather mixed for the goods-producing sector. This sector is currently facing a number of challenges, including the decline in farm employment brought about by bigger and more productive farms, a reduced allowable cut in the forestry industry, the uncertain future of the asbestos industry, a strong Canadian dollar, rising energy costs, fierce competition from countries where labour is cheaper, and difficulties in replenishing aging workforces in certain industries.

We forecast a continued decline in employment in primary industries, with an average 0.8% per year loss of employment in all industry segments (agriculture, forestry and mining).

Expansion of the manufacturing sector, where employment has increased at twice the average rate for all industries (+1.2%) in the region over the last 15 years, will be halted, hovering in the neighbourhood of 0.5% per year between now and 2009 and even experiencing a loss in 2007. However, stakeholders in this sector could stimulate the regional economy by opting to diversify production in favour of secondary and tertiary processing and developing new production niches. Low-tech manufacturers will have to innovate if they are to stay competitive and survive. Innovation has become a factor that is essential to the ability of businesses to grow and improve their competitiveness.

Negative growth will also be seen in the construction industry throughout the outlook period, both in the region (-0.5%) and in Quebec as a whole (-0.6%). This downward trend, brought on by a decline in residential construction, nevertheless masks a relatively high level of activity.

In light of the preceding, the goods-producing sector on the whole will grow by a mere 0.1% a year on average between now and 2009.

Services

The service sector will drive job creation in the region

According to our predictions, the service sector will be the driving force behind job creation over the next three years, cornering over 95% of all new jobs created. Our scenario indicates that employment in this sector will grow 1.3% a year on average, significantly outpacing the goods-producing sector (+0.1%).

Producer services will experience the highest growth rate (+1.9%), thanks especially to professional, scientific and technical services and management and business support services. Projected employment growth in consumer services will average 1.4% a year between now and 2009, given the appreciable improvements in commercial infrastructure in recent years. However, this growth will be reined in by weak population growth, a small increase in new households and a modest rise in personal income.

Meanwhile, public and parapublic services in the region will grow 0.7% over the next three years, very nearly keeping pace with Quebec as a whole (+0.8%). This growth will essentially be fuelled by health care and social assistance, while employment will fall in educational services and public administration.

Table 3
Breakdown and Employment Outlook in the Primary Sector
 Chaudière-Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Primary Sector	11.6	5.6%	2.6%	-0.8%	-0.3%
Agriculture	9.0	4.4%	1.6%	-0.6%	-0.5%
Forestry and Logging	1.9	0.9%	0.5%	-1.6%	-2.7%
Fishing, Hunting and Trapping	0.0	0.0%	0.1%	-	0.4%
Mining	0.6	0.3%	0.4%	-2.6%	2.1%

Source: Service Canada Quebec region
 Historical estimates based on Statistics Canada's Labour Force Survey

Primary sector

Chaudière-Appalaches is the number two agricultural region in Quebec

In Chaudière-Appalaches, primary industries generate nearly 12,000 jobs, or 5.6% of all jobs in the region, a proportion twice that of Quebec as a whole (2.6%). Approximately 12% of primary sector jobs in Quebec are concentrated in our region. Since the mid 1990s, primary industries in Chaudière-Appalaches have lost hundreds of jobs, and this situation should continue in the medium term as employment falls an estimated 0.8% a year between now and 2009.

Chaudière-Appalaches is the second leading agricultural region in Quebec, after Montérégie. The region's agricultural industry, with its 9,000 workers and an estimated production (GDP) of \$430 million, accounts for 18% of farms and 16% of agricultural jobs in Quebec, as well as 17% of the GDP and 18% of revenues derived from the Quebec agricultural industry.⁵ This means that this industry is three times bigger than its demographic weight in Quebec as a whole.

⁵ MAPAQ, Direction des études économiques et d'appui aux filières. *Profil régional de l'industrie bioalimentaire au Québec, estimation pour 2005*. 2006. p. 25.

Forestry generates significant economic activity in the region

The agricultural sector is gradually losing ground, however, having shed 15% of its jobs in the last ten years. In recent years, the region has been seriously affected by the concentration and reduction in the number of farms, price fluctuations caused by the mad cow crisis, productivity gains linked to the automation of production, diversification of production, new international trade rules and issues related to the environment and sustainable development, as well as the problems of the next generation of farmers and business takeovers. Agriculture no longer has the same importance that it used to have, but is still deeply entrenched in the region's countryside. Employment will continue to decline slowly (-0.6%) over the next few years.

Forests provide employment for more than a thousand workers in wood harvesting and production, not counting the 10,000 people in the wood processing industry. More than 85% of the region's forest land is held by small private owners. Forests generate more than \$500 million in economic activity in the region (wood processing, maple syrup production, wood harvesting, forest and wildlife resource management and recreational and tourist activities).

Canadian asbestos production has fallen dramatically since 1995

However, the forestry sector has been badly shaken over the last few years by the softwood lumber crisis, a dying pulp and paper industry, wood supply problems and the consequences of the Coulombe Report. In spite of everything, the region has been spared to an extent by these precarious conditions, given the importance of the private sector. Employment in this industry should continue to fall (-1.6%) over the next few years, especially with the reduction in allowable cut on public lands.⁶

Chrysotile mining is the main type of mining activity in Chaudière–Appalaches. Canadian asbestos production has declined sharply in recent years, falling 60% since 1995.⁷ Most developed countries now impose tight restrictions on the use of asbestos or prohibit its use entirely because of health concerns. Canada is the world's number three producer of chrysotile, after Russia and China. The situation surrounding its use will remain uncertain in the years to come, given the movement to ban asbestos in Europe and elsewhere in the world, combined with stiff competition from Brazil, China and Russia.

However, the region's asbestos industry received some good news from the meeting of the Rotterdam Convention, held in October 2006 in Geneva. Chrysotile was not included on the watch list for the international trade of hazardous substances.

Mining, which employs 600 workers in the region on average, will continue its downward spiral over the next few years, with repeated work stoppages and the elimination of dozens of jobs.

⁶ Office of Chief Forester. *Possibilité forestière 2008 – 2013. Résultats pour la région Capitale-Nationale-Chaudières-Appalaches-Estrie / Région 03. Des gestes concrets vers un aménagement forestier durable*. December 2006.

⁷ Natural Resources Canada. *Mineral Production of Canada, by Province and Territory, 1995–2005*. Internet address: http://mmsd1.mms.nrcan.gc.ca/mmsd/production/production_e.asp.

Manufacturing sector

Chaudière–Appalaches
is the number two
manufacturing region
in Quebec

Economic activity in the region is sustained by primary activities on the one hand and a strong manufacturing base on the other, Chaudière–Appalaches being recognized as the realm of the SME. However, the manufacturing sector is still characterized by a multitude of SMEs working in traditional sectors associated with the extraction and primary processing of natural resources and by a lack of emerging activities in secondary and tertiary processing and high value-added activities. Despite a few advances in manufacturing technologies, the new cycle of the regional economy, one based more on high-tech production, appears to be still in its start-up phase.

Manufacturing industries in Chaudière–Appalaches employ more than 51,000 people, which represents nearly a quarter (24.8%) of total employment in the region, compared with 16.4% for Quebec. Chaudière–Appalaches ranks second among Quebec’s manufacturing regions, tied with Estrie and behind Centre-du-Québec (29.6%).

The rapid appreciation of the Canadian dollar over the last four years, combined with rising and volatile energy prices and stiff competition from emerging economies such as China and India has hurt the profitability of many segments of the manufacturing sector. The sub-sectors worst affected by these economic shocks are the ones most open to trade and most exposed to international competition: forest products, textiles, clothing, transportation equipment, furniture and food processing. Other industries performed much better.

A 1.1% drop in employment is foreseen in the manufacturing sector in 2007 before the trend reverses in the two years after that, with employment expected to rise by 0.8% in 2008 and 1.7% in 2009.

In total, employment in manufacturing will rise 0.5% a year on average between now and 2009, compared with 0.9% for the entire regional economy. Manufacturing related to investments, which will grow 1.6% a year on average, will account for almost the entire increase in employment in this sector between now and 2009, while consumer goods industries will remain stable (+0.1%) and resource-related ones will face losses of 0.4%.

Table 4

Breakdown and Employment Outlook in the Manufacturing Sector
Chaudière-Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Manufacturing Sector	51.1	24.8%	16.4%	0.5%	0.6%
Consumer-Related Manufacturing	20.4	9.9%	6.2%	0.1%	0.0%
Food, Beverages and Tobacco	6.6	3.2%	2.1%	0.8%	0.6%
Textile Mills and Textile Product Mills	1.8	0.9%	0.5%	-0.3%	-1.5%
Leather Clothing and Products	2.4	1.1%	1.0%	-2.9%	-2.0%
Printing and Related Activities	2.2	1.1%	0.9%	0.8%	0.6%
Furniture and Related Products	6.5	3.2%	1.0%	-0.3%	-0.4%
Miscellaneous Manufacturing	0.9	0.5%	0.7%	1.1%	1.6%
Resource-Related Manufacturing	13.7	6.7%	3.9%	-0.4%	-0.7%
Wood Product Manufacturing	10.4	5.0%	1.5%	-0.7%	-1.5%
Paper Manufacturing	0.5	0.3%	1.0%	-0.4%	-1.2%
Petroleum/Coal Products Manufacturing	0.4	0.2%	0.1%	1.1%	1.6%
Non-Metallic Mineral Product Manufacturing	1.1	0.5%	0.5%	0.6%	0.4%
Primary Metal Manufacturing	1.3	0.6%	0.9%	0.5%	0.5%
Investment-Related Manufacturing	17.0	8.2%	6.3%	1.6%	1.8%
Chemical Products	0.8	0.4%	0.9%	0.8%	0.8%
Plastics and Rubber Prod.	5.6	2.7%	1.0%	1.3%	0.7%
Fabricated Metal Product Manufacturing	3.6	1.7%	1.1%	2.4%	2.1%
Machinery Manufact.	2.5	1.2%	0.8%	2.1%	2.1%
Computer and Electronic Product Manufacturing	0.5	0.3%	0.6%	1.3%	2.7%
Electr. Equip., Appliance and Comp. Manufact.	0.4	0.2%	0.4%	0.7%	1.1%
Transportation Equipment Manufacturing	3.7	1.8%	1.4%	1.6%	2.7%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

Consumer-related manufacturing

Employment in the furniture industry will decline slightly between now and 2009

The animal slaughtering sub-sector is currently experiencing difficulties

There are approximately 20,300 people working in consumer-related manufacturing. Nearly 85% of these workers hold jobs in furniture (32%), food and beverage (32%) and clothing and textile (20%) manufacturing.

This industrial group, which is the largest in the manufacturing sector, with 40% of all manufacturing jobs and nearly 10% of all jobs in the region, experienced vigorous growth in the 1990s, thanks to a number of businesses that benefited from the weak value of the Canadian dollar.

However, since 2000, employment in this group has fallen 10% with the loss of approximately 2,400 jobs. For 2007–2009, it is anticipated that employment will remain relatively unchanged (+0.1%) from current levels in this industrial group.

In Chaudière–Appalaches, the furniture industry counts more than 150 businesses employing more than 6,500 people. The region's furniture industry has experienced strong growth in production and exports in recent years. In terms of employment, the number of employed climbed approximately 60% in 10 years.

However, since this sector is heavily dependant on the American market, a strong Canadian dollar and increased imports of Chinese goods into the US have a decisive impact on the region's businesses. Employment will decreased slightly between now and 2009, falling approximately 0.3% a year as dozens of jobs are eliminated.

Food processing occupies a leading position in the region's economy, employing about 6,600 people and generating an estimated \$500 million in production (GDP). In this industry segment, our region accounts for 10% of the businesses, 8% of the jobs and 10% of the GDP in Quebec.⁸

The food processing industry in Chaudière–Appalaches is characterized by the presence of international-scale businesses and a network of SMEs with good potential for development. Local businesses face increased competition from foreign companies, which are not always subject to the same economic, environmental and social conditions as here. They also are at a disadvantage in the US market in terms of production subsidies.

The meat and poultry slaughtering and processing sub-sector, which is dealing with a movement toward rationalization and consolidation, has been experiencing difficulties for some time now, given that businesses are facing an increasingly competitive market and are feeling the effects of the recent rise in value of the Canadian dollar.

⁸ MAPAQ, op. cit. p. 27.

The clothing industry
is being hit hard
by international
competition

However, other sub-sectors have picked up the slack, such as flour milling, prepared meals, health foods and natural products, nutraceuticals/functional foods and traditional regional specialties. Recent growth in the industry stems from changing food consumption habits. These developments were essentially spurred by changes in demographics, food prices, net income, tastes and preferences, and health concerns.

In the last ten years, the industry has succeeded in raising its level of employment by about 30%. After a slight setback in 2007, the upward trend in employment growth is expected to return at an annual pace of 0.8%, thanks to the addition of over 150 new jobs between 2007 and 2009.

The year 2006 was marked by another series of closures and lay-offs in the clothing and textile industries, long considered to be key sectors in the regional economy. With the liberalization of global markets in recent years, the region's clothing industry, which employs 2,400 people, is currently being hit hard by international competition.

Some plants have closed their doors, and others have decided to move to other parts of the world where production costs are lower. Those that have remained here are under tremendous pressure to reduce production costs. Often relying on subcontracted work, local manufacturers are also at the mercy of larger corporations that are delocalizing their lowest cost production in developing countries.

Meanwhile, the textile industry, with its 1,800 workers, is an important component of the regional economy. It is a sector renowned for its innovation. This industry is faring better, especially in the technical textiles sub-sector, which is less affected by the new globalized environment, thanks its focus on producing higher value-added goods for specialized market niches.

The clothing and textile sector will continue to feel the effects of plant closures, which will result in the disappearance of over 150 jobs (-1.8%), particularly in clothing businesses that do not design their own products and in textile companies that produce more traditional fabrics.

For many years, the printing sector, which accounts for approximately 2,200 jobs, has had to deal with new technologies, constantly changing customer demand and, more recently, a price war in a highly competitive market.

Productivity gains limit
employment growth
in printing

Resource-related manufacturing

The wood industry will continue to experience work stoppages and plant closures

The printing industry is highly fragmented and is now facing a move toward consolidation that is causing many smaller print shops to disappear, all while sustaining productivity gains without creating a significant number of jobs. Productivity gains associated with the introduction of new technologies and the trend toward consolidation will continue to limit employment, which is expected to grow an estimated 0.8% a year between now and 2009. This represents an additional 50 new jobs over the next three years.

The level of employment in this industrial group is estimated at 13,800 jobs in Chaudière–Appalaches, three quarters of which are concentrated in wood products manufacturing. This group employs approximately 27% of manufacturing workers and 6.7% of all workers in the region, compared with 4% for Quebec.

After a period of strong growth in the early 2000s, employment then fell again, mainly because of the troubles in the wood industry. Between now and 2009, 100 jobs are expected to be lost as employment drops 0.4% a year.

In Chaudière–Appalaches, approximately 10,400 people work in the 200 plants making up the wood processing industry. Wood is the leading industry in the manufacturing sector in the region. As an indication of how important this industry is to the region, it should be noted that there are 30 municipalities in Chaudière–Appalaches where more than 20% of the jobs are in this industry segment, and 12 where the wood industry accounts for more than half the jobs.

In 2006, there were numerous production stoppages and plant closures in the region, resulting in hundreds of lay-offs. Currently, the strength of the Canadian dollar and a fall in demand from the US is hurting this industry. Nevertheless, the recent resolution of the softwood lumber dispute should take some of the pressure off wood industry businesses.

Regional stakeholders are also counting on secondary and tertiary wood processing to put the industry back on track. However, a slowdown in the construction industry, particularly in residential construction, will have a negative effect on building-related businesses (doors and windows, wood structures for walls and beams, houses, etc).

Employment in the wood industry is expected to fall in 2007, with only a portion of those lost jobs being gained back in 2009. Wood industry businesses will have to deal with the same climate of crisis as the rest of the forestry sector, where the trend is toward rationalization and consolidation. Between now and 2009, employment will decrease by about 200 jobs, falling an average of 0.7% a year.

Finally, the Ultramar refinery, which now accounts for approximately 50% of petroleum production in Quebec, has injected more than \$1 billion into its Lévis refinery over the last five years to meet new environmental standards, increase production and modernize its facilities. The company also plans to build a pipeline linking its refinery to its Montreal distribution centre at an estimated cost of \$200 million. These projects will create dozens of jobs once they are under way.

Investment-related manufacturing

Investment-related manufacturing industries are the most energetic segment of the manufacturing sector

Investment-related manufacturers provide jobs for approximately 17,000 people in Chaudière-Appalaches, accounting for about 8.2% of employment in the region, compared with 6.3% for Quebec, and a third of all workers in the manufacturing sector, compared with 38.4% for Quebec. Since the end of the 1990s, this group has maintained an average annual growth rate of 2.1%. This growth is expected to continue in the years to come, rising 1.6% a year on average between now and 2009 and creating 800 jobs.

Plastic and composite material product manufacturing is one of the region's niches of excellence. Chaudière-Appalaches plays a leading role in this sector thanks to a network of closely associated businesses, research centres and training institutions.

Plastic and composite material product manufacturing is one of the region's niches of excellence

There are about a hundred businesses employing approximately 5,400 people in this industry in the region, which has earned the moniker "Plastics Valley." The sector, which has strong growth potential and relies on dynamic and innovative industry leaders in both plastics and composite materials, is making its mark in goods and parts intended for transportation equipment and construction. In terms of employment, growth has been nearly three times higher than the regional total over the last 10 years. Between now and 2009, employment should continue to climb (+1.6%) at a faster rate than the average for all industries (+0.9%).

In the transportation equipment industry, the Davie Québec shipyard was awarded two contracts totalling US\$265 million for the construction of two ships. At their peak, more than 600 workers will be needed to perform these contracts, which will extend over two years, ending in August 2009.

Meanwhile, at motor coach manufacturer Prévost Car, operations returned to normal in summer 2006 following the lay-off of 250 of its 800 workers a few months previously at its Sainte-Claire plant. Management noted that the strength of the Canadian dollar had caused problems for the company, which sells 80% of its product to the United States.

Groupe Environnemental Labrie, a company that specializes in solid waste collection equipment, has the wind in its sails thanks to its innovative products and a vast distribution network in North America. Manac, Canada's leading manufacturer of semi-trailers, is still expanding thanks to its use of a cutting-edge technology that allows it to lower production costs and win contracts across Canada and the world.

After experiencing more lows than highs in recent years, the transportation equipment industry, which employs approximately 3,700 workers, should start seeing moderate employment growth (+1.6% a year) between now and 2009.

The metal product and machinery manufacturing industries, which provide work for approximately 3,600 and 2,500 people respectively, grow in pace with economic activity. After being shaken by the sluggishness of the North American economy and a soaring Canadian dollar, these industries will be stimulated in coming years by relatively intense activity in non-residential construction, an upswing in the transportation industry and companies making major investments in machinery and equipment. Employment is expected to increase at a relatively high rate of 2.4% a year between now and 2009 for metal products and 2.1% for machinery.

Construction industry

After a period of feverish activity, residential construction is cooling off fast

The construction industry, which employs approximately 12,000 workers, or nearly 6% of all workers in the region, experienced strong growth in the early 2000s. The value of construction permits jumped by more than 130% between 1998 and 2005, reaching a value of \$537 million in 2005 before slipping almost 10% in 2006.⁹ Employment growth in construction was also particularly strong, with employment rising approximately 50% since 1998, thanks especially to the vitality of the residential and commercial sectors.

Following a 35% drop in the number of building permits over the last two years, residential construction is currently experiencing a net slowdown. The flourishing renovation sector and sustained activity in the commercial and industrial sectors will partially offset this drop.

The non-residential sector will be stimulated by major projects, such as the modernization work at Ultramar (\$200 million) and the construction of an integrated convention centre and exhibition hall in Lévis, which will include a huge residential development (\$100 million).

For 2007–2009, a slight decline in construction is anticipated, with employment falling 0.5% a year on average. This prediction takes into account the expected fall in residential construction starts in a somewhat less favourable economic climate, which will contribute to a certain weakening in the demand for new dwellings.

⁹ Statistics Canada. Investment and Capital Stock Division. *Building Permits 1997-2006*.

Consumer services

Since the end of the 1990s, retail trade in Chaudière–Appalaches has experienced an unprecedented boom

Consumer services employ nearly 49,000 people in the region, or 37% of all jobs in the service sector. Consumer services account for a much smaller share of employment in the region (23.6%) than they do in the province as a whole (27.4%). Over the last five years, employment in services has grown at rate faster than the regional average for all industries, reaching 3.4% a year on average, compared with 2.2% for all industries in the region. This growth will continue in coming years in the region, with employment rising at an annual rate of 1.4% as 2,200 new jobs are created.

Table 5

Breakdown and Employment Outlook in Consumer Services Chaudière-Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Consumer Services	48.7	23.6%	27.4%	1.4%	1.1%
Retail Trade	24.1	11.7%	12.8%	1.1%	1.2%
Information, Culture and Recreation	4.4	2.1%	4.4%	1.1%	1.1%
Accommodation and Food Services	10.5	5.1%	5.7%	2.3%	1.0%
Other Services	9.7	4.7%	4.4%	1.2%	1.0%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

The tourist industry in Chaudière–Appalaches generates three times fewer jobs than at the provincial level

In Chaudière–Appalaches, retail trade, with more than 24,000 employed persons, accounts for about 12% of regional employment and half of all jobs in consumer services. Since the end of the 1990s, the trade sector has experienced an unprecedented boom, with employment leaping by a total of 24% (or +4% a year).

Factors contributing to this growth include construction and the recent inauguration of the Mégacentre Rive-Sud shopping mall in Lévis (\$45 million and 500 jobs), which attracted major chain stores and 30 other retailers. Employment in the sector will continue to grow (+1.1%) in the years to come, but at a pace four times less than what was seen in the last six years, because of less favourable economic conditions, combined with relatively modest growth in personal income and weak population growth.

The accommodation and food services sector generates work for about 10,500 people in Chaudière–Appalaches. The region's tourist industry is much less significant in terms of jobs. According to ISQ, the proportion of jobs attributable to tourism in our region is 1.3% of all jobs, compared with 3.6% for Quebec.¹⁰

Since the end of the 1990s, employment growth has had its peaks and valleys, rising 2.1% a year on average. Tourism indicators indicate a slowdown in activity in the region since 2002 in terms of available rooms, occupied units and occupancy rates. However, with the future construction of a convention centre and exhibition hall in Lévis, the situation could improve somewhat.

Employment growth in the accommodation and food services sector is expected to reach 2.3% a year on average between now and 2009, a rate two and a half times that of the average for all industries combined. However, employment trends in this industry will also be influenced by the value of the Canadian dollar, gasoline prices and stiff competition from other tourist destinations.

Production services

Employment growth in producer services will be double the regional average between now and 2009

Producer services provide employment for nearly 39,000 people in Chaudière–Appalaches, or about 30% of all jobs in the service sector, a proportion slightly smaller than that for Quebec (32.6%). Producer services account for less than 19% of total employment in the region, compared with 24.5% at the provincial level.

Since 2000, this group of services has grown at an annual rate (+2.0%) roughly equal to the average for all industries (+2.2%), resulting in the creation of 3,600 new jobs. In the next few years, forecasts call for a growth rate twice that of the average for all industries, or 1.9% a year between now and 2009, compared with 0.9% for the region.

¹⁰ Government of Quebec. Tourisme Québec. *Le tourisme, une industrie importante pour le Québec – Édition 2006*. Page 5.

Table 6

Breakdown and Employment Outlook in Production Services
Chaudière-Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Production Services	38.9	18.9%	24.5%	1.9%	1.9%
Utilities	0.9	0.8%	0.8%	1.1%	1.3%
Wholesale Trade	5.5	2.9%	3.8%	1.8%	1.2%
Transportation and Warehousing	8.0	4.1%	4.6%	1.0%	0.8%
Finance, Insurance, Real Estate and Rental and Leasing	11.5	6.6%	5.6%	1.0%	0.5%
Prof., Scientific and Technical Services	7.9	5.8%	6.2%	3.3%	3.7%
Mgmt of Companies, Enterprises, Admin. and Support and Other	5.2	3.6%	3.5%	3.0%	3.3%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

The finance, insurance, real estate and rental and leasing sector, with approximately 11,500 employed persons, dominates producer services

Professional, scientific and technical services enter an expansion phase again

The finance, insurance, real estate and rental and leasing sector, which employs approximately 11,500 people, dominates producer services. Recent changes in employment show that growth had averaged about 2% since the end of the 1990s, which is roughly equivalent the average growth rate for all industries in the region (+2.1%), despite restructuring in the finance sector and the phasing in of e business models in almost every sub-sector.

In the next few years, average employment growth of 1.0% a year is forecast, primarily because of the expected increase in demand for insurance. In financial services, an increase in the number of transactions will be offset by significant productivity gains brought about by the automation of operations and consolidation. This means that there might not necessarily be any job gains.

The transportation services industry totals nearly 8,000 workers, over two thirds of whom are in trucking. In recent years, employment growth has been slowed by problems in the manufacturing sector, which recorded hundreds of job losses, and by weakness in exports. Between now and 2009, employment in transportation should grow 1.0% a year, thanks to a rebound in the manufacturing sector at the end of the period, as more and more manufacturers adopt just-in-time production processes, thus increasing the frequency of deliveries, and as exports begin a moderate upswing.

After growing rapidly in the latter half of the 1990s, until the technology bubble burst, professional, scientific and technical services suffered net job losses in the early 2000s. However, these services posted a reversal of the trend in recent years and have re-entered a period of expansion.

The upswing in employment was fuelled by the development of research and technology transfer centres, the birth of new information technology (IT) companies, a continuing trend toward the outsourcing of IT and business processes (accounting, human resources, payroll, engineering, etc), the rapid adoption of high-tech equipment and hardware, and the growth in engineering consulting and architecture firms linked to construction and infrastructure work. Furthermore, SMEs are making greater use of production management, inventory and financial software.

In this context, employment in professional, scientific and technical services will continue to increase sharply (+3.3%), at a rate three and a half times that of all industries in the region (+0.9%).

In wholesale trade, which provides jobs for about 5,500 people in the region, employment grew at a solid pace during 2001–2003, rising an average of 15% a year. This upward trend was the result of the establishment of new distribution centres in the region by major chains and of significant investment in existing establishments. After this period, activity was much more moderate because of problems in the manufacturing sector.

Forecasts call for an upswing in employment in coming years, with annual growth in the neighbourhood of 1.8% between now and 2009, thanks to recent improvements in commercial infrastructure and recovery in the manufacturing sector at the end of this period.

Government and parapublic services

In total, approximately 44,000 people work in government and parapublic services in Chaudière–Appalaches, a slightly smaller proportion (21.3%) than at the provincial level (24.4%), despite the region's proximity to the provincial capital and its numerous public and parapublic institutions. Although many jobs in this group are held by residents of Chaudière–Appalaches, the jobs themselves are located outside the region, in the provincial capital.

Since 2000, employment has increased appreciably, at an average annual rate of 3.1%, with the addition of more than 6,000 employed. Predictions indicate that another 1,000 jobs will be created between now and 2009, for an average annual growth rate of 0.7%. Progress in the health care and social services system will be partially offset by losses in educational services and public administration.

Table 7

Breakdown and Employment Outlook in Public and Parapublic Services
Chaudière-Appalaches Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Gov. and Parapublic Services	44.1	21.4%	24.4%	0.7%	0.8%
Educational Services	10.1	4.9%	6.6%	-0.3%	-0.1%
Ambulatory Health Care and Hospitals	10.5	5.1%	6.4%	1.6%	1.3%
Other Health Care and Social Assistance	13.4	6.5%	5.6%	1.6%	2.0%
Federal Public Admin.	1.0	0.5%	1.9%	-0.3%	0.0%
Prov. and Territorial Public Administration	6.3	3.0%	2.1%	-0.4%	-0.4%
Local, Municipal, Regional and Other Public Adminé	2.8	1.4%	1.8%	0.3%	0.4%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

Employment will skyrocket in health care and social assistance

Health care and social assistance services account for the greatest number of employed in government and parapublic services. This sector alone has approximately 24,000 persons working in it, which equates to nearly 55% of employment in health care and social assistance, or approximately 12% of total employment in the region.

The effects of an aging population and the rise in degenerative diseases related to this situation will continue to place strong upward pressure on demand for medical and social services. Furthermore, the development and consolidation of social economy businesses (in home support services, for example) and a wider presence of private clinics offering certain specialized treatments could also drive up employment in coming years. However, after a phase of development in the early 2000s, a period of rationalization can now be expected in child care services.

Given that health remains a government priority and that the need for quality services is increasing, employment will continue to grow in the next few years, rising approximately 1.6% a year on average between 2007 and 2009.

Educational services employ approximately 10,000 people in the region, representing nearly 5% of total employment and 23% of employment in public and parapublic services. After recovering in the early 2000s, following the budget cuts imposed by the government in the late 1990s, staffing levels started to fall in 2002, with the return of cuts aimed at eradicating snowballing costs in the education system. Although in recent years the government has hired staff to help special-needs students, increased teaching time and made major investments in colleges and universities, these new policies have failed to offset the impact of falling enrolment, particularly in elementary and secondary schools. Forecasts call for a slight drop in employment in educational services between now and 2009. This decrease should be about 0.3% a year on average.

Federal, provincial and local governments employ around 10,000 people, more than 60% of whom work for the Quebec government. The federal and provincial public sectors are currently in a rationalization phase, downsizing their workforces to modernize their governance practices, improve client service, clean up the management of public spending and fund new priorities (health, education and public safety).

The plan is to reduce the size of the public service by relying more on technology to offer services to citizens and minimize transaction costs while simplifying administrative processes, initiating greater use of shared internal services and turning to public-private partnerships. These measures will have a decidedly negative impact on employment in these industry segments, where job opportunities will be limited to the replacement of a mere fraction of the employees who will be retiring.

In recent years, the provincial government adopted a plan to reduce its workforce by 20% over 10 years (2013–2014), eliminating the full-time equivalent (FTE) of approximately 16,000 positions.

While employment in the federal government will decline a little, the situation of municipalities seems a little less shaky, in light of such factors as the transfer of the federal gasoline tax to fund municipal and local infrastructures and the federal government's willingness to pave the way for a new sharing of responsibilities with the regions.

Forecasts indicate a slight drop of 0.3% a year in employment in public administration in the region between now and 2009.