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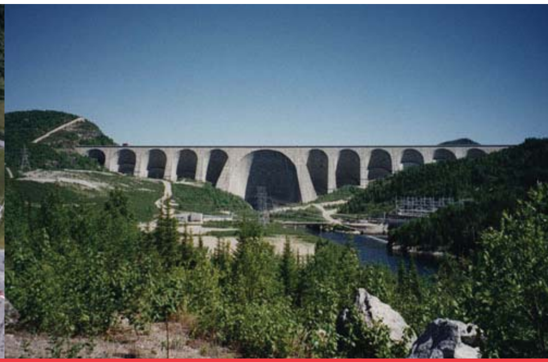

Sectoral Outlook

2007-2009

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Author
Claude Arsenault, économiste
Service Canada
Côte-Nord Region
Telephone: (418) 962-5501 • 1-800-463-1757
E-mail: claude.arsenault@servicecanada.gc.ca

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Québec Region

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Josée Gaudreault, graphic artist

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Table of Contents

List of Tables

Summary

Here is a brief portrait of the demographic, economic and sectoral outlooks for the Côte-Nord and Nord-du-Québec region for 2007–2009.

Demographic outlook

The population of Côte-Nord was 97,800 in 2001, down 5% from 1996 (1.4% increase in Quebec). All regional county municipalities (MRCs) saw population declines, the largest being in the Manicouagan MRC (-7%) and the smallest, in the Minganie–Basse-Côte-Nord MRC (-3%). A low birth rate, the aging population and the exodus of young people are determining factors for the Côte-Nord's demographics over the next decade. Institut de la statistique du Québec (ISQ) projections call for a further 8% decline from 2001 to 2011, as against a 5% increase in Quebec. This decline is the largest the ISQ is forecasting, together with the one in the Gaspé.

According to Statistics Canada's Annual Demographic Estimates, the Côte-Nord population continued to decline between 2001 and 2006. Information from the 2006 census, which will soon be available, will tell us more about this subject.

Economic outlook

The working-age population has been shrinking for a few years. The labour force decreased significantly in 2005 (-2,700) and 2006 (-1,900), having reached its highest level since 1999 in 2004. For 2007–2009, average annual employment is expected to increase by 1.8% (+1.0% in Quebec). The region lost about 1,700 jobs between 2005 and 2006, mainly because of the slowdown in industrial construction, the completion of work on the major Toulnustouc and Alouette Phase 2 construction sites, and structural and economic problems that affected the gathering and processing of forest products. The outlook, limited in 2007, will start improving in 2008. This optimism is based on the anticipated recovery of industrial construction in 2008. Preliminary work is currently under way on the Romaine River hydro-electric project in Minganie, and the anticipated construction start in 2009 will have a significant impact on the participation rate in the region. We should also mention the numerous exciting new projects involving certain currently unexploited iron ore deposits. The increase in global demand, which started with the emergence of the Chinese and Indian economies, and its impact on market prices for iron ore and its derivatives, have sparked the interest of investors. The main mining sites likely to be exploited in the short or medium term are the ones at Peppler and Bloom lakes, led by New Millennium Capital and Anglesey Mining, respectively. The plan undertaken in 2000 to re-open the IOC pellet plant in Sept-Îles, which was shut down the year after, has also resurfaced.

Other mining projects have also caused much ink to flow, but it is not very likely that they will get under way early enough in the 2007–2009 forecast period to have a significant impact on the employment level. However, they could have a greater impact on the level of participation. We believe that the unemployment rate will rise significantly in 2007 because of the weak projected employment growth and the reintegration into the regional labour market of a certain number of people not currently in the labour force, while the hydro-electric and mining projects are pending.

Sectoral outlook

Development and processing of natural resources dominate the Côte-Nord economy, and the primary sector is proportionally greater than it is in the province. Manufacturing is concentrated in wood products, paper and metal manufacturing. The employment level in the construction industry varies greatly from one year to the next, and is sensitive to major investment projects. Such mega-projects bring in workers from outside the area, who usually account for 40 to 60% of the workforce, depending on the progress of work. These workers have a significant impact on business in a number of service sectors because of consumer spending in retail trade, accommodation and food services and other services, to name a few.

Primary sector

The primary sector generates 9.0% of total employment in the region (2.6% in Quebec), mostly in mining and, to a lesser extent, logging and fishing. The recovery that began in 2003 in the mining sector has accelerated over the past three years. The main mining companies in the area are operating at full capacity and finding it hard to meet demand. The major global increase in demand for iron ore has sparked the interest of a few key players in unexploited hinterland reserves. Uncertainty in the logging industry caused the loss of many jobs in the area in 2005 and 2006. In addition to the Canada-US softwood lumber dispute, the industry also faces the challenge of Aboriginal land claims and a 20% reduction in allowable cut, following the Coulombe report. Logging companies have been dealt another blow: the Chief Forester's latest calculations are forecasting a 31% decrease in allowable cut, on average, in the Côte-Nord region for the 2008–2013 period. Some firms in the area will be more affected than others by these new calculations, depending on the location of their cutting areas. Such is the case for Kruger, which has three sawmills in the region, and could have its allowable cut reduced by 42% with these new allocations. The fishing industry has been relatively stable since the significant reduction in snow crab quotas imposed on fishers in 2003. Overall, 1.8% average annual growth is expected in the primary sector from 2007 to 2009.

Secondary sector

The level of employment in the manufacturing industry will drop in the forecast period. Overall, the average annual growth rate will be negative (-0.5%) in the manufacturing sector as a whole from 2007 to 2009. However, upward trends in some subsectors will be offset by downward trends in others. In the next three years, employment levels in primary metal, food, and beverage and tobacco product manufacturing will go up because of efforts by the Alouette aluminum plant in the next few years to meet the provincial government's job creation requirements in secondary and tertiary processing in exchange for the energy block provided for phase 2 of the aluminum smelter. Diversification in the fishing industry through the addition of new species and the development of seal hunting should also boost employment in the seafood product preparation industry during this period. These favourable projections will counterbalance anticipated losses in the wood processing and pulp and paper industries, where there is serious concern that Aboriginal land claims and the new allowable cut calculations for 2008–2013 will have a major impact on sawmills in the Côte-Nord region.

The construction sector will benefit from spin-offs from the start-up of certain mining projects under study, but especially from the Romaine River hydro-electric project in Minganie, which is expected to get under way in 2008 or 2009, at the latest. This sector is expected to post the highest average annual growth (7.2%) during the forecast period.

Tertiary sector

Average annual employment levels in the service sector are expected to increase by 1.9% in the 2007–2009 period. The major activity boost in industrial construction, mainly in the second half of the forecast period, will greatly benefit subsectors in consumer services.

Consumer services, led by retail trade and accommodation and food services, are expected to gain nearly 1,000 jobs in the forecast period, for an average annual growth rate of 2.5%.

Production services will follow in their wake, mostly because of the anticipated increase in employment in the transportation industry; business support services; and professional, scientific and technical services. For the 2007–2009 period, we are forecasting an average annual growth rate of 3.1%.

Employment levels will rise by a slight annual average of about 0.5% in public and parapublic services during the forecast period. Health care services will see a slight increase, while employment levels should remain relatively stable in public administration.

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

The area served by the Côte-Nord Service Canada Centre (SCC) extends from Tadoussac on the Upper North Shore to Blanc Sablon on the Lower North Shore and includes the northern communities of Fermont and Schefferville and the Matimekosh and Kawawachikamach Indian reserves. There is a main SCC in Sept-Îles and satellite offices in Baie-Comeau and Forestville. However, the data from the Labour Force Survey cover a larger area than that served by the SCC. The available monthly data apply to Côte-Nord and Nord-du-Québec. The area includes the census divisions of Haute-Côte-Nord, Manicouagan, Sept-Rivières and Caniapiscau, Minganie and Côte-Nord-du-Golfe-du-Saint-Laurent and the division identified as Territoire nordique. According to the 2001 Census, there were 97,766 people in the four census divisions that make up the Côte-Nord region and 38,575 people in the Nord-du-Québec census division.

Economic environment

In 2006, the labour market experienced a major slowdown in industrial construction

In 2006, the labour market experienced a major slowdown in industrial construction, following two excellent years in terms of employment. The most intense construction activity for the development of the Toulnustouc River project and the expansion of the Alouette aluminum smelter was observed in 2004 and 2005. These two projects became operational in 2005, which explains the slowdown in construction over the past year. Overall, the region lost 1,700 jobs in 2006, and this erosion of the labour market discouraged employment seekers, as can be seen in the withdrawal of 1,900 labour market participants during the same period. The participation rate is the percentage of the population 15 years of age and over that is active in a labour market. The estimated rate for 2006 was 62.7%, or 1.8 percentage points lower than in 2005 and 4.1 percentage points below the peak rate in 2004. The last time this rate was surpassed in the Côte-Nord and Nord-du-Québec region was in 1990.

The area's economy made a soft landing in 2005 following a period of intense activity, but 2006 was characterized by a major downturn in the labour market. This is only the second time in the past six years that employment levels dipped below the 52,000 mark, settling at 51,600.

The Romaine River hydro-electric project is the cornerstone of a period of sustained economic growth that will start in 2009 and continue for many years

The area's economy is primarily resource-based. The Côte-Nord's growth in the 1950s, 60s and 70s was largely attributable to the focus on developing the area's hydro-electric power and mining potential. The milestones in the two subsequent decades include the establishment of a number of large sawmills, the opening of two aluminum smelters, construction of a new hydro-electric power plant on the St Marguerite River and the expanding fishing industry, with the exploitation of species that have rapidly increased in value (snow crab, lobster, clams and shrimp).

Lastly, the major construction project on the Toulnustouc River, north of Baie-Comeau, and the large expansion project for the Alouette aluminum smelter near Sept-Îles marked the first half of the first decade of the new millennium.

Therefore, over the years, industrial construction has made a continuous, if irregular, contribution to the North Shore labour market. The exceptionally good years the Côte-Nord region has enjoyed over the past 30 years in terms of employment have corresponded to major construction projects. They have often helped the region to get through the lean years, when demand for iron ore and wood products was low, and to cope with the cyclical nature of the fishing industry.

What does the future hold? The Romaine River hydro-electric project is the cornerstone of a period of sustained economic growth that will start in 2009 and continue for many years.

Projects of this magnitude provide interesting spin-offs for a number of manufacturing industries, as well as for business support services, retail trade and accommodation and food services. There are a few iron ore mining projects pending, which could also generate a reasonable number of jobs. In the meantime, the region will have to make do with its basic industries over the next few months.

What can we expect from industry sectors that are crucial to the area's economy?

Things are looking good for the mining industry: major price hikes in iron ore are a good reflection of the significant increase in demand for this product in China and India, and explains why certain developers are so interested in the unexploited hinterland reserves.

Forestry is more problematic: the Canada-US softwood lumber dispute is finally settled, but the sector is beset with other problems. Tabling of the Coulombe report led the provincial government to reduce the allowable cut by 20%, starting in 2005, reducing the annual harvest in Côte-Nord by some 900,000 cubic metres of wood. With the Chief Forester's latest calculations, things are not looking good for Côte-Nord's sawmills. From 2008 to 2013, there will be a 31% decrease in allowable cut, on average, for the region's sawmills. The impact will be greater on some firms in the area, considering the location of their cutting areas. Such is the case for Kruger, which has three sawmills in the region, and could have its allowable cut reduced by 42% during this period. The courts' upcoming decision regarding the Betsiamites community's Aboriginal land claims could deal another blow to this sector. It might substantially reduce Kruger's harvesting area in the Côte-Nord region.

The workforce at the Alouette aluminum plant in Sept-Îles went from 560 to 900 workers, once the second phase was under way in 2005. As for the Alcoa smelter in Baie-Comeau, a halt in the modernization of the Soderberg potrooms, owing to the withdrawal of the required energy block, could eventually compromise the jobs of some 900 production workers. According to the company, production based on that technology could continue until 2010 at the latest, given the environmental standards that have been set. There is, however, a glimmer of hope: a new process under study for prolonging the life of the potrooms looks promising, but would cost nearly $200 million. In a few months, the company will have a clearer idea of what it wants to do in that regard. It should be remembered that, in March 2005, the multinational firm announced that it would be laying off 2,000 workers in its North American, South American and European plants. That decision resulted in the layoff of 200 workers in the Baie-Comeau plant in 2005.

The fishing sector has been shaken over the past few years by the reduction in groundfish and snow crab stocks. The moratorium on cod fishing imposed in 1993 was partially lifted in 2003. Most of the snow crab fishing areas were affected by significant quota reductions imposed in 2003, which varied from 15 to 57%, depending on the fishing area. Fishing revenues generated in Quebec's Côte-Nord region decreased by over 55% from 2002 to 2006, dropping from $45.5 million to $20.5 million.

To sum up, we expect the major standstill in industrial construction observed in 2006 to continue through 2007 and 2008, and hope that the Romaine River hydro-electric project in Minganie gets under way in 2009. The forestry sector that has been hard hit over the past few years by the Canada-US softwood lumber dispute will have to deal with the impact of the Chief Forester's recommendations on resource allocations over the next few years. The senior official's new calculations will result in a major reduction in allowable cut for Côte-Nord sawmills for 2008–2013. Global economic conditions are very favourable for the mining industry and have sparked the interest of many developers in certain unexploited iron ore reserves in the area. The fishing industry has been fairly stable in the past three years, following significant reductions in quotas imposed in 2003. Primary metal manufacturing is faced with an odd situation: the region's two aluminum smelters are moving in opposite directions. Expansion of the Alouette plant in Sept-Îles has created 350 new jobs, making it the largest aluminum smelter in North America, while Alcoa laid off 200 workers in its Baie-Comeau plant in 2005 and may have to deal, in the longer term, with the obsolescence of some of the plant's production equipment.

Labour market indicators

Table 1 shows the main labour market indicators for the past three years, and the averages for those three years for the Côte-Nord and Nord-du-Québec region. The working-age population is decreasing in numbers, reflecting regional demographic trends resulting from a low birth rate and population migration. The working-age population dropped by an average of 0.9% from 2004 to 2006.

Table 1
Main Labour Market Indicators - 2004-2006
Côte-Nord/Nord du Québec Region

	2004	2005	2006	2004-2006
Population 15+ ('000)	91.0	90.1	89.6	90.2
Labour force ('000	60.8	58.1	56.2	58.4
Employed ('000)	53.7	53.3	51.6	52.9
Unemployed ('000)	7.1	4.7	4.6	5.5
Unemployment rate (%)	11.7%	8.1%	8.2%	9.4%
Participation rate (%)	66.8%	64.5%	62.7%	64.7%
Employment rate (%)	59.0%	59.2%	57.6%	58.6%

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

In 2006, the labour force was estimated to be 56,200-strong, a drop of 1,900 from 2005. The average annual number of participants in the past three years was 58,400 in the Côte-Nord and Nord-du-Québec region. In the province as a whole, the labour force posted 0.8% average annual growth from 2004 to 2006. In that period, the region was home to 1.44% of the province's labour force, which was less than its share of the population aged 15 and over (1.46%). The average participation rate was 64.7% in the area from 2004 to 2006, as against 65.6% in Quebec, and is expected to increase slightly over the next year and more significantly in 2008. We are projecting over 60,000 participants in the last year of the forecast period, ie, 2009.

Following an excellent year in 2004, the number of employed decreased slightly in 2005 and more significantly in 2006, with an estimated 51,600 employed, 1,700 fewer than the level recorded a year earlier. For 2004 to 2006, there were 52,900 employed, on average, despite the poor performance in 2006. The region's labour market has been up and down in recent years, particularly in the last five years. The region gained only 500 jobs from 2003 to 2006, an average annual growth rate of 0.3%. Meanwhile, employment in Quebec increased by 1.3% annually in the same period. In the Côte-Nord region, as in many other outlying areas, the working-age population is shrinking, which inevitably affects the level of participation. This phenomenon can be attributed to many factors, but the main reasons are population migration and the aging workforce. While the population of Quebec is on the rise, the Côte-Nord's population is decreasing. From 2004 to 2006, the average employment rate was 58.6% in the Côte-Nord and Nord-du-Québec region, and 60.2% in the province. We are projecting a very minor increase in 2007, with more rapid growth over the last two years of the projection period.

Part 2: Sectoral outlook

Overview

Industrial structure

> The Côte-Nord economy is dependent on the development and processing of natural resources

The Côte-Nord economy is dependent on the development and processing of natural resources. Its primary sector is proportionally greater than in Quebec as a whole. Between 2004 and 2006, it accounted for close to 9.0% of jobs in the region, compared with 2.6% in Quebec. While agriculture accounted for over 60% of jobs in the sector in Quebec, the situation was very different in the Côte-Nord region, with 70% of primary sector jobs in mining. We are projecting a slight increase in employment in the primary sector from 2007 to 2009.

The manufacturing sector is not very diversified, with over 75% of workers in wood product, paper and primary metal manufacturing. There are very few companies in the secondary and tertiary processing of natural resources in the region. The employment level in manufacturing is expected to remain stable over the next three years. Projected employment gains will stem from primary metal manufacturing and diversification in fish packaging plants, while job losses will stem from structural problems in the wood industry.

Perspectives

> Activity in industrial construction will decline significantly in 2006

Employment levels in the construction sector vary greatly from one year to the next and are sensitive to major investment projects. Many major projects came to an end in 2005, including the expansion of the Alouette aluminum smelter and the hydro-electric project on the Toulnustouc River. Activity in industrial construction will decline significantly in 2006 in the Côte-Nord and Nord-du-Québec region. The next major project is the construction of a hydro-electric complex on the Romaine River, west of Havre St Pierre. Preliminary studies began in spring 2004 and ended in fall 2006. Should these studies prove conclusive, construction could get under way in 2009, and the plants would be serviceable between 2013 and 2015. At the peak of construction, the site would employ 3,000 to 3,500 workers.

Major investments could result from current analyses of iron ore mining projects in unexploited reserves on the North Shore and in Labrador. The IOC mine in Sept-Îles is thinking about re-opening its pellet plant. The favourable economic conditions could be an incentive to do so.

In the meantime, employment levels in the construction industry are expected to rise very slightly in 2007 and more significantly in the last two years of the projection period.

Table 2
Breakdown of Employment for Selected Industry Groups
Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
All Industries	52.9	100.0%	100.0%	1.8%	1.0%
Primary	4.8	9.0%	2.6%	1.8%	-0.3%
Manufacturing	8.5	16.0%	16.4%	-0.5%	0.6%
Construction	2.2	4.2%	4.7%	7.2%	-0.6%
Services	37.9	71.8%	76.3%	1.9%	1.3%
Consumer Services	13.9	26.2%	27.4%	2.5%	1.1%
Production Services	9.7	18.3%	24.5%	3.1%	1.9%
Public and Parapublic Services	14.4	27.2%	24.4%	0.5%	0.8%

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

The strength of construction activity is generally reflected in the service sector. The opposite is also true, that is, a slowdown in construction usually has a negative impact on retail trade, accommodation and food services, business services and other service sectors. That is why we are forecasting that employment growth in consumer and production services, which is weak in 2007, will start to pick up in 2008. In the service sector, the industries that generated the most employment in recent years are the following: retail trade, accommodation and food services, health care and educational services. These four large industry groups accounted for nearly 40% of all jobs, and more than one job in two was in the tertiary sector from 2004 to 2006. In the service sector overall, we are projecting a 1.9% average annual increase in employment from 2007 to 2009.

Primary sector

The primary sector accounts for 9.0% of total employment in the Côte-Nord region, mostly in iron ore mining and, to a lesser extent, logging

The primary sector accounts for 9.0% of total employment in the Côte-Nord region, mostly in iron ore mining and, to a lesser extent, logging. Jobs in iron ore mining were mainly found in Sept-Îles, Port-Cartier and Fermont, located in the Sept-Rivières and Caniapiscau regional county municipalities (MRCs).

Table 3
Breakdown and Employment Outlook in the Primary Sector
Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Primary Sector	4.8	9.0%	2.6%	1.8%	-0.3%
Agriculture	0.1	0.3%	1.6%	0.0%	-0.5%
Forestry and Logging	0.8	1.6%	0.5%	-1.7%	-2.7%
Fishing, Hunting and Trapping	0.1	0.1%	0.1%	5.3%	0.4%
Mining	3.1	5.9%	0.4%	3.0%	2.1%

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

Close to 70% of the region's primary sector jobs are in mining

Although logging jobs are found throughout the area, the logging sector, together with accommodation and food services and wood processing, forms the mainstay of the economy in the westernmost part of the region, namely, the Haute-Côte-Nord MRC.

As indicated previously, close to 70% of the region's primary sector jobs are in mining. The recovery that began in 2003 in the mining sector has accelerated over the past three years. Iron ore mining is greatly profiting from increased demand worldwide, primarily in India and China. This has contributed to the explosion in prices on world markets over the past three years. Since 2003, prices for iron ore have risen by 142%, and half of this increase occurred in 2005 alone. This sector goes through a ten-year cycle, usually consisting of seven to eight years of strong conditions followed by two or three years of slower activity. The phenomenon has been observed in the past three decades. We are currently at the peak of the cycle. However, some experts are expecting this trend to reverse itself starting in 2008 or 2009 because of an expected surplus, the major price hike helping boost world supply.

IOC Mining, which is owned by corporate giant Rio Tinto, is thinking about re-opening its iron pellet plant in Sept-Îles. The plant was closed 25 years ago because of an unprecedented crisis in the iron ore industry, but it could re-open because of the strong demand for steel. It should be remembered that work geared to re-opening the plant had ground to a halt in 2001.

Many major iron ore mining projects are currently being developed. New Millennium Capital, in Vancouver, is planning to mine an iron ore deposit in the Schefferville area. This ambitious project involves construction of a 600-kilometre pipeline to pump iron ore concentrate to the Port of Sept-Îles. It includes construction of a pellet plant and over $2 billion in investments, and would provide about 750 jobs. The mine plans to start work in 2008, and could begin operating in 2011.

Anglesey Mining, a British company, is also planning to mine unexploited iron ore reserves on many sites in the Schefferville area, including the Redmond mine, which has been closed for 20 years. The company plans to launch its mining plan in 2008, with production operations commencing two years later. It plans to produce 2 million tonnes annually and will be investing US$30 million to cover start-up costs.

The third major project, led by Consolidated Thompson Iron Mines Ltd, aims to develop a iron ore deposit at Bloom Lake, near Fermont on the Labrador border. This would entail investments of $250 million and create 250 permanent jobs lasting about 40 years. The construction phase would begin in July 2007, and the project would produce five million tonnes annually. Development of the site would extend the lives of mining towns Fermont and Labrador City by about a quarter of a century.

In the logging and wood processing industry, the recent settlement of the Canada-US softwood lumber dispute has softened the blow delivered by problems in this sector. In 2005, a 20% reduction in allowable cut was imposed in the wake of the Coulombe report. The provincial government decision to reduce logging quotas was intended to ensure the sustainability of Quebec's forests. New calculations by the Chief Forester for the 2008–2013 period and recently made public were a very unpleasant surprise for the area's sawmills. The application of the calculations would reduce allowable cut in the Côte-Nord region by 31%, and some companies, including Kruger, could have their allocations reduced by as much as 42%, considering the location of their cutting areas. Employment levels in logging and wood processing will definitely be affected.

A decision by the Quebec Court of Appeal rendered on April 26, 2006, reversed the Superior Court decision and lifted the Safeguard Order obtained by the Innu of Betsiamites to have Kruger stop its logging operations on René-Levasseur Island. This area is part of the Timber Supply and Forest Management Agreement that the Quebec government signed with this North Shore community. A return to the negotiating table by the various parties involved would be desirable and seems to be the only viable way to settle a dispute that has been ongoing for decades.

Year after year, snow crab fishing accounts for 60 to 70% of fishing revenues, all species combined

The fishing sector has been shaken over the past few years by the reduction in groundfish and snow crab stocks. The moratorium on cod fishing imposed in 1993 was partially lifted in 2003. Most of the snow crab fishing areas were affected by significant quota reductions imposed in 2003, which varied from 15 to 57%, depending on the fishing area. Since 2003, three of the five snow crab fishing areas have seen slight quota increases, one was hit with a full moratorium and, for the remaining area, it was the status quo. Year after year, snow crab fishing accounts for 60 to 70% of fishing revenues, all species combined, in the Côte-Nord region. Snow crab prices have dropped considerably over the past two years. Landed prices hit rock bottom in 2006 at barely a dollar a pound, bringing in three times less than in 2004. Preliminary information indicates that prices could go up in 2007 because of renewed Japanese interest in buying snow crab. However, given the time it takes for stocks to regenerate, we cannot project any significant changes in quotas in the years ahead.

Agriculture is not a major industry in the region, and employment is relatively stable. Employment forecasts for the fishing, hunting and trapping industry and the mining industry are favourable for the 2007–2009 forecast period. It is a different story for the logging industry, in that the problems it is having call for caution. We are projecting a slight drop in employment levels between 2006 and 2009 (-100).

Manufacturing sector

Three sub-sectors accounted for more than 75% of all manufacturing jobs: wood processing, paper manufacturing and primary metal manufacturing. The fourth largest sub-sector is food and beverage manufacturing, which includes all of the region’s fish processing plants. This sub-sector was affected by recent decisions to ensure the sustainability of certain species. The year 2003 was marked by the reinstatement of a full moratorium on cod fishing and significant cuts in snow crab quotas. There have not been many changes over the past two years: snow crab quotas were increased by 10 to 20% in the region’s three westernmost fishing areas, the status quo was maintained in one of them and a full moratorium was maintained in the easternmost area. For 2006, preliminary information indicates that the quotas will be about the same as last year’s. Fisheries and Oceans Canada is also maintaining its 2003 decision to allow cod fisheries to partially re-open for the next fishing season.

Three sub-sectors accounted for more than 75% of all manufacturing jobs: wood processing, paper manufacturing and primary metal manufacturing

According to preliminary data for 2006, fishing revenues generated in Quebec's Côte-Nord region decreased by nearly 60% (58.1%) from 2002 to 2006, dropping from $47.7 million to $20 million. The snow crab fishing industry accounts for a large part of this decrease, having dropped from $38.9 to $12.5 million in revenues during that period. Landings increased by 17% over the previous fishing season. The species that contributed the most to this increase are snow crab (+1,000 metric tonnes [MT]), capelin (+923 MT) and shrimp (+310 MT). Given the sizable increase in capelin landings, the growing importance of seal hunting and efforts to promote the development of secondary and tertiary sea food processing, we are forecasting a slight employment increase in processing plants for the 2007–2009 period.

The softwood lumber dispute between Canada and the United States was finally settled in 2006. The agreement in principle signed by both countries on April 26, 2006, was approved by Parliament on September 19 of the same year.

The Coulombe Commission filed its report in 2005, concluding that Quebec's forests have been over-exploited and recommending a 20% reduction in allowable cut, starting in 2005. That decision resulted in job losses in the region, is partially responsible for the closure of a few sawmills and has disrupted operations in most of the others. The Côte-Nord region will be hard hit in 2008 by the Chief Forester's revised calculations on Quebec's forest capacity. The Chief Forester recommended a 31% reduction in allocations for 2008–2013 for the Côte-Nord region, a percentage that could vary, depending on the location of the cutting areas. For instance, Kruger, which has three sawmills and employs 750 workers in the region, could see its allowable cut reduced by 42% during that period, because of the location of its cutting areas. Lastly, a motion filed by the Innu community in Betsiamites for a permanent injunction against logging operations on René-Levasseur Island could put a dent in the wood supply for Kruger's three sawmills in the Côte-Nord region. They are also awaiting a Superior Court decision concerning their request to have the cutting permits of 28 logging companies operating in the Côte-Nord region revoked.

The Côte-Nord region will be hard hit in 2008 by the Chief Forester's revised calculations on Quebec's forest capacity

In the primary metal manufacturing sector, expansion of the Alouette aluminum smelter near Sept-Îles, which was completed in 2005, called for 350 new hires for the smelter's operations. The company also promised to create approximately 150 jobs in secondary and tertiary aluminum processing by 2010. Some of these jobs materialized in 2006 with the opening of two small companies, one specializing in the production of metal alloys and the other, in the production of aluminum wheel rims. The creation of these jobs compensates for Alcoa's decision to lay off 200 workers at its Baie-Comeau smelting plant in 2005. The halting of modernization efforts in the part of the plant that uses the old Soderberg potroom technology could result in further job losses in the longer term, given that the useful life of these potrooms ends around 2010. However, there is a glimmer of hope in this file: the company is testing a promising new process used in France which would extend the life of these potrooms. The new technology would cost $200 million and would enable the company to meet the stricter environmental standards that will apply in 2011.

The outlook for consumer-related manufacturing industries is favourable for the next thee years. This optimistic outlook is based on the fact that processing plants are branching out towards the processing of emerging species, and on the prospect of a slight increase in snow crab quotas during the forecast period. The outlook for resource-related industries is poor, given the problems faced by the forest industry, but it will remain stable for investment-related manufacturing.

Table 4

Breakdown and Employment Outlook in the Manufacturing Sector

Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Manufacturing Sector	8.5	16.0%	16.4%	-0.5%	0.6%
Consumer-Related Manufacturing	0.6	1.1%	6.2%	2.5%	0.0%
Food, Beverages and Tobacco	0.4	0.7%	2.1%	4.0%	0.6%
Textile Mills and Textile Product Mills	0.0	0.0%	0.5%	0.0%	-1.5%
Leather Clothing and Products	0.1	0.1%	1.0%	0.0%	-2.0%
Printing and Related Activities	0.0	0.0%	0.9%	0.0%	0.6%
Furniture and Related Products	0.1	0.3%	1.0%	0.0%	-0.4%
Miscellaneous Manufacturing	0.0	0.0%	0.7%	0.0%	1.6%
Resource-Related Manufacturing	7.2	13.6%	3.9%	-1.2%	-0.7%
Wood Product Manufacturing	2.7	5.0%	1.5%	-2.9%	-1.5%
Paper Manufacturing	1.9	3.6%	1.0%	-3.1%	-1.2%
Petroleum/Coal Products Manufacturing	0.0	0.0%	0.1%	0.0%	1.6%
Non-Metallic Mineral Product Manufacturing	0.1	0.2%	0.5%	0.0%	0.4%
Primary Metal Manufacturing	2.5	4.8%	0.9%	1.5%	0.5%
Investment-Related Manufacturing	0.7	1.3%	6.3%	0.0%	1.8%
Chemical Products	0.0	0.0%	0.9%	0.0%	0.8%
Plastics and Rubber Prod.	0.0	0.0%	1.0%	0.0%	0.7%
Fabricated Metal Product Manufacturing	0.3	0.6%	1.1%	0.0%	2.1%
Machinery Manufact.	0.1	0.2%	0.8%	0.0%	2.1%
Computer and Electronic Product Manufacturing	0.0	0.0%	0.6%	0.0%	2.7%
Electrical Equip., Appliance and Component Manufact.	0.1	0.1%	0.4%	0.0%	1.1%
Transportation Equipment Manufacturing	0.2	0.4%	1.4%	0.0%	2.7%

Source: Service Canada Quebec region

Historical estimates based on Statistics Canada's Labour Force Survey

Construction

After two excellent years for employment, the downturn observed in the construction industry in 2005 was magnified in 2006. Two major construction projects that were initiated in 2002 were completed in 2005. That was also the year that phase 2 of the Alouette smelter, in Sept-Îles, and the hydro-electric dam on the Toulnustouc River, north of Baie-Comeau, went into operation. Construction slowed down considerably in the region in the second half of 2005. The number of hours worked has been plummeting since its peak in 2004, when 6,364,000 hours were logged in construction in the Côte-Nord region. Two years ago, the number of hours worked was 2,683,000 and last year, it was 2,150,000. There is nothing very substantial in the offing that could significantly increase the number of hours in 2007 and 2008. Of the few current major projects in the Côte-Nord region, only the rebuilding project for part of the Alcoa plant in Baie-Comeau ($200M) and the Outardes 4 power plant ($141M) will continue beyond 2007. According to Statistics Canada, the level of employment in this industry dropped from 2,900 to 2,100 between 2003 and 2006.

As far as industrial construction goes, the region is pinning its hopes on the Romaine River project, in Minganie. Hydro-Québec is planning to build a 1,500 MW complex consisting of four hydro-electric plants. Preliminary studies began in spring 2004 and were completed in fall 2006. If these studies confirm the profitability and environmental acceptability of the project and if local communities are agreeable, construction could get under way in 2009, and the plants would be serviceable between 2013 and 2015.

The substantial increase in global demand for iron ore has sparked the interest of new players in the unexploited reserves in the Côte-Nord region and Labrador

The Iron Ore Company of Canada in Sept-Îles wants to re-open its iron pellet plant, which has been closed for 25 years. Increase in global demand and the impact this has had on the price of iron ore and its derivatives have encouraged the company to analyse this opportunity. Finally, the substantial increase in global demand for iron ore has sparked the interest of new players in the unexploited reserves in the Côte-Nord region and Labrador. The projects currently being analysed could generate major investments. The main exciting new projects in this industry are those led by Consolidated Thompson, Anglesey Mining and New Millennium Capital, all of which are interested in mining unexploited iron ore deposits. The investments required and the number of jobs generated vary considerably with each project and estimates are based mainly on anticipated production levels. The smallest one, the Anglesey Mining project, would require about $30 million (production in 2010) and the Consolidated Thompson project, $300 million (production in 2008), while New Millennium is planning to inject about $1,900 million (production in 2011).

While waiting for the employment spin-offs from the Romaine River hydro-electric project, we are expecting a small increase in employment in the construction industry in 2007 and 2008, which should pick up speed in 2009. We are forecasting that the employment level, which was estimated at 2,600 in 2006, will be 3,200 in 2009.

Services

For 2007–2009, we are forecasting a 2.5% annual increase in employment in all consumer services industries

The service sector includes consumer services, production services and public and parapublic services. It accounted for over 72% of all jobs in the region, employing some 37,900 people from 2004 to 2006. In Quebec, jobs were divided almost evenly among the three types of services (consumer, production and public), whereas employment shares were quite different in the Côte-Nord region, ranging from 18.3% for production services to 27.2% for public and parapublic services.

Consumer services, which are economic activities generated mainly by consumer spending, account for a little more than a quarter of all jobs in the Côte-Nord region, the same as in Quebec as a whole. For 2007–2009, we are forecasting a 2.5% annual increase in employment in all consumer services industries, including retail trade, accommodation and food services, information and cultural industries, recreation and other services.

Table 5
Breakdown and Employment Outlook in Consumer Services
Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Consumer Services	13.9	26.2%	27.4%	2.5%	1.1%
Retail Trade	6.6	12.5%	12.8%	1.5%	1.2%
Information, Culture and Recreation	1.4	2.6%	4.4%	4.0%	1.1%
Accommodation and Food Services	3.7	7.1%	5.7%	3.3%	1.0%
Other Services	2.1	4.0%	4.4%	3.4%	1.0%

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

In 2006, close to 6,600 of the 13,900 persons employed in consumer services worked in retail trade. The other industries in consumer services are accommodation and food services, information and cultural industries, recreation and other services. In 2006, only the manufacturing sector hired more workers in the region (8,500). For 2007–2009, we are forecasting a 2.5% annual employment growth rate in consumer services, owing to an expected increase in industrial construction activity near the end of the forecast period. Construction of phase 2 of the Alouette smelter contributed greatly to the growth of economic activity in the region during the 2003-2005 period, producing substantially more consumer service spin-offs than did the Toulnustouc project. The Toulnustouc project workers stayed in camps built on the work sites, about 120 kilometres north of Baie-Comeau, whereas those from outside the Sept-Îles/Port-Cartier area who worked on the expansion of the Sept-Îles smelter had to find accommodation in Sept-Îles and Port-Cartier, which were unable to meet demand for hotels, motels, rooms and apartments during the peak period.

When construction work was in full swing, some 1,800 workers from outside the area were working on the smelter's construction site. Food services and retail trade profited from business generated by workers during their stay in the region. The projected employment growth in retail trade will depend mainly on the construction start on the Romaine River hydro-electric project in Minganie, which is expected in 2009. Iron ore mining projects will also contribute to the expected increase in demand for goods and services during the projection period. Employment is expected to rise from 6,600 in 2006 to 6,900 in 2009, for an average annual growth rate of 1.5% over the projection period.

In the 2004–2006 period, accommodation and food services accounted for an average of 3,700 workers in the Côte-Nord and Nord-du-Québec region. We are expecting employment to remain stable in this sector in the current year and to grow at a moderate pace in 2008. In the industry group that includes information and cultural services and recreation, there has been a substantial increase in employment in the region over the past few years.

Many visitors who come to the region from the west, taking the Baie-Ste-Catherine/Tadoussac ferry, take the opportunity to participate in one of the Upper North Shore's most popular attractions: whale-watching. Tourists can enjoy the Tadoussac song festival, whale-watching tours and the many attractions offered by the villages scattered along the coast, before heading towards the eastern part of the region, home of the majestic Mingan Islands, the picturesque village of Natashquan and the latest popular destination, Harrington Harbour, the location for the hit film Seducing Dr Lewis. Tourism is now well established, and employment in that industry has increased by more than 50% in the past five years. An estimated 1,400 workers were employed in this industry in 2006. Employment is expected to rise over the next few years, posting average annual growth of 4.0% from 2007 to 2009.

Other services include personal and household services and a series of services pertaining to consumer-related activities not classified elsewhere. This sector is quite significant in terms of employment, accounting for 2,000 jobs in 2006. It includes machinery, equipment, car and truck rental services, janitorial services, travel agencies, hair salons, bowling alleys, pool halls and laundry and dry-cleaning services. This short list gives a good picture of the close connection between the service groups and the fluctuation in labour force participation. From 2007 to 2009, average annual growth in this sector will be positive in the Côte-Nord region (3.4%) and in the province (1.3%).

Production services

> Employment levels are expected to be healthy over the next three years for many production services

Production services include transportation and warehousing; wholesale trade; utilities; finance and insurance; real estate and rental and leasing; professional, scientific and technical services; management of companies and enterprises; and administrative and support services. These industries provided jobs for 9,700 workers annually, on average, in the Côte-Nord region from 2004 to 2006. Employment levels are expected to be healthy over the next three years for many production services. However, they will be stagnant in wholesale trade, finance and insurance, and real estate and rental and leasing for the 2007–2009 period.

Table 6

Breakdown and Employment Outlook in Production Services

Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Production Services	9.7	18.3%	24.5%	3.1%	1.9%
Utilities	1.6	3.0%	0.8%	1.9%	1.3%
Wholesale Trade	1.3	2.4%	3.8%	0.0%	1.2%
Transportation and Warehousing	2.6	5.0%	4.6%	4.0%	0.8%
Finance, Insurance, Real Estate and Rental and Leasing	2.1	3.9%	5.6%	0.0%	0.5%
Prof., Scientific and Technical Services	1.3	2.5%	6.2%	8.4%	3.7%
Mgmt of Companies, Enterprises, Admin. and Support and Other	0.8	1.6%	3.5%	6.3%	3.3%

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

In 2006, nearly 50% of jobs in production services were in the following industries: transportation and warehousing, finance and insurance, and real estate and rental and leasing. The relative share of production services, compared with all the other industrial sectors, is smaller in the Côte-Nord region than it is in the province, particularly because of the lesser importance of scientific and technical consulting services, management and finance. For 2004 to 2006, the share was estimated to be 18.3%, compared with 24.5% in Quebec.

For 2007 to 2009, the average annual growth rate will be 3.1% in Côte-Nord, compared with 1.9% in the province. Starting in the second half of 2008, the anticipated recovery in industrial construction will benefit transportation and warehousing; professional, scientific and technical services; management of enterprises; and administrative and support services.

A new trend is emerging regarding the means of transportation preferred by some of the region's large corporations. The Alouette smelter in Sept-Îles, the Abitibi-Consolidated pulp and paper mill in Baie-Comeau and Kruger, which has three plants in the area, have all helped alleviate traffic on Highway 138, the only road to the Côte-Nord region, by choosing to transport a large part of their production to distribution centres by boat in the past few months.

Rail transportation could also expand in the coming years. The Port of Sept-Îles will be spending $8.5 million to expand the Pointe-Noire railcar ferry dock, across from Sept-Îles. The docking surface will be increased, and dredging will enable the port to receive bigger ships of up to 45,000 tonnes. Work began in August 2005 and is slated to end two and a half years later, in late 2007.

After suffering through the floods of 1996, which taxed the area's road infrastructure, the region was once again cut off from the province's road network in early September 2005. The tail end of Hurricane Katrina caused many route segments to collapse, making Highway 138 impracticable from St Siméon to Port-Cartier, that is, over 600 kilometres. Travellers, tourists and residents in the area east of Port-Cartier had to wait several days before they could use the only access route.

Because this was the second time in 10 years that the area was cut off, elected officials in the Sept-Rivières and Caniapiscau MRCs made representations to promote a maritime link between Sept-Îles and the south shore. This project is under way.

Public and parapublic services

These services include educational services, ambulatory health care services, hospitals, nursing and residential care facilities and social assistance, as well as federal, provincial, territorial and local public administration.

> We expect employment to remain stable in educational services and in all public administration levels and to increase slightly in all the health care services

Between 2007 and 2009, we expect employment to remain stable in educational services and in all public administration levels and to increase slightly in all the health care services.

The projected employment standstill in educational services can be explained by the drop in school attendance. It began with a growing wave of out-migration that has led to depopulation of the outlying areas brought about by the exodus of young people and migration to urban centres. The low birth rates in the past few years are also contributing factors. The numerous retirements expected over the next few years will create a pressing need for replacements. Improvements in public finances and efficient public spending will help public provincial and territorial administrations maintain their current employment levels for the projection period.

Table 7
Breakdown and Employment Outlook in Public and Parapublic Services
Côte-Nord/Nord du Québec Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Gov. and Parapublic Serv.	14.4	27.2%	24.4%	0.5%	0.8%
Educational Services	3.8	7.2%	6.6%	0.0%	-0.1%
Ambulatory Health Care and Hospitals	3.7	7.0%	6.4%	0.8%	1.3%
Other Health Care and Social Assistance	3.1	5.9%	5.6%	1.4%	2.0%
Federal Public Administration	0.3	0.6%	1.9%	0.0%	0.0%
Prov. and Territorial Public Administration	1.5	2.8%	2.1%	0.0%	-0.4%
Local, Municipal, Regional and Other Public Admin.	1.9	3.7%	1.8%	0.0%	0.4%

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

Government spending on health care will increase significantly between 2006 and 2008 because of population aging and increased life expectancy. Governments will have no other choice but to invest more human and financial resources in this industry.

Employment is expected to remain stable in municipal and local administration and in band councils. Some band councils have had to streamline their workforces in recent years because of their precarious financial situations.

Employment in public and parapublic services is expected to rise by 0.5% overall in the Côte-Nord and Nord-du-Québec region from 2007 to 2009 and, similarly, it is expected to increase by 0.8% in Quebec as a whole.