

# ENVIRONMENTAL SCAN

## BRITISH COLUMBIA



**Fall 2013**

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## Acronyms

<b>BC</b>	British Columbia
<b>GDP</b>	Gross Domestic Product
<b>LNG</b>	Liquefied Natural Gas
<b>US</b>	United States

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## About the E-Scan

At least twice a year, the Labour Market Information division of Service Canada, Western Canada and Territories Region, develops an Economic/Environmental Scan (E-Scan), a report that provides a general overview of the demographic, economic and labour market condition and trends for British Columbia. E-Scans are mainly intended to support regional Service Canada operations by identifying potential pressures on service and program delivery in the regions. However, they may also be of interest to those who seek to know more about the state of a provincial or regional economy and labour market. They are also used by Service Canada economists to help determine outlooks for industries and occupations.

Facts and statistics presented in this document reflect information available as of November 2013.

## Key Points

### General Overview

- BC's economy struggled to pick up momentum in 2013 as weak business spending and a decline in housing activity contributed to slower job growth.
- In 2014, real GDP growth is expected to ramp up to 3.0% due to anticipated strength in the goods-producing industries, which will benefit from a surge in shipbuilding activities, as well as from increasing international demand.
- Over the medium-term, the construction of several liquefied natural gas (LNG) plants may enable BC to access the rapidly growing Asian market.

### Regional, Provincial and Local Labour Market Conditions

- BC had modest job growth of 1.7% in 2012, above its five-year average of 0.8%.
- The manufacturing industry has yet to reach pre-recession employment levels but has been on the rise in recent years. Several projects around the province make this industry's future promising over the near term.
- Job openings are expected to be plentiful over the long term in BC. The majority of these positions will favor people with post-secondary education or management training. The main factor driving job openings between now and 2018 is attrition of the current workforce.
- Over the past five years, employment growth was concentrated in the Northeast and the Lower Mainland regions. The Northeast region has benefited from increased oil and gas exploration. A record \$680 million was spent in the province on exploration in 2012.
- The immigrant population is on the rise in BC, accounting for 28% of the labour force in 2012. During the first quarter of 2013, more people left BC to live elsewhere in Canada, compared to those arriving from other provinces.
- Older workers, people aged 55+, are also increasing their share of the labour force. Employment growth was largest within this age bracket; however, unemployment is becoming a concern.

## Introduction

The purpose of the Environmental Scan is to outline the major trends and issues facing Canada and British Columbia (BC) that will influence the economic and social environment in the current and future years. The document provides timely, evidence-based information to support the business planning process. It is divided into two main parts: the first part of the document includes a general overview of the economic context and some employment outlook information; the second part provides perspective on the regional, provincial and local labour market. Some terms and definitions are featured on page 13 in the appendices.

## Section 1: General Overview / Economic Context

### The World

The global economy slowed for the second consecutive year in 2012, as weak growth among developed countries – including the United States (US) – continued to take its toll. Coming into 2013 there was general optimism that conditions would improve during the second half of the year; but that upturn is now projected to occur later in 2014. In October 2013, the International Monetary Fund (IMF) lowered its 2013 global economic expansion target to 2.9%, which translates into a third straight year of slowing world growth.

The US is the world's largest economy, responsible for over 18% of global GDP in 2012. However, China could take over this top spot as early as 2016, according to the latest IMF forecast. Not surprisingly, the two economies are closely linked, and China is feeling the effect of slow growth in a number of its large export markets, including the US. In fact, China's expansion has slowed to about 7.5% per year. While this rate of growth seems astronomical by western standards, it represents China's worst performance in 23 years.

Steady growth is proving elusive for the US. Following two relatively slow years, the economy expanded by 2.2% in 2012, the highest rate among G7 countries. US growth slowed in the first half of 2013, and the IMF now anticipates 1.6% total growth on the year.

Yet, there is widespread optimism that the US will drive much of global growth in 2014. According to the Conference Board of Canada<sup>1</sup>, the US economy will recover next year, expanding by over three percent. This positive outlook is reinforced by the IMF, which forecasts 2.6% GDP growth in the US in 2014.

Meanwhile, Germany, France, Italy, Spain and other European Union (EU) member states continue to crawl out of recession. Having receded 0.4 percent in 2012, according to the IMF, the EU economy is expected to shrink an additional 0.4 percent in 2013. The effects of the sovereign debt crisis have varied throughout the EU, and the most troubled EU member states continue to suffer through on-going austerity measures. However, business confidence indicators (inflation, interest rates, foreign investment etc.) suggest economic activity is close to stabilizing for some EU members.

### Canada

Canada's economy outperformed those of most other developed nations in 2012, posting real GDP growth of 1.8% on the year. While the country may have done well compared to its peers, on its own

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<sup>1</sup> Conference Board of Canada, World Outlook—Global Economic Trends and Prospects: Autumn 2013

merits, 2012's economic performance has to be considered mediocre. Long term, Canada needs GDP growth of between 2.0% and 2.5% for Canadians to maintain their standard of living.

As with the world economy, Canadian economic activity was widely expected to pick up during the second half of 2013. Forecasters have since lowered their Canadian outlook, due largely to developments in the US. As of late October 2013, the Bank of Canada calls for the economy to grow by 1.6% in 2013, 2.3% in 2014, and 2.6% in 2015, with commodity-rich Alberta, Saskatchewan, and Newfoundland playing lead roles in the country's economic growth.

Canada's relatively poor showing in 2013 stems in part from lacklustre exports. The central bank had expected exports to show an increase in the third quarter, but weakened demand globally and fiscal turbulence within the US market delayed this turnaround. Stronger US economic growth and a weaker Canadian dollar next year are expected to propel export gains.

In response to slow economic growth and low inflation, the Bank of Canada is likely to hold interest rates at one percent through 2015. This measure could potentially reignite the housing market, increase borrowing and accelerate growth, particularly in the critical export sector.

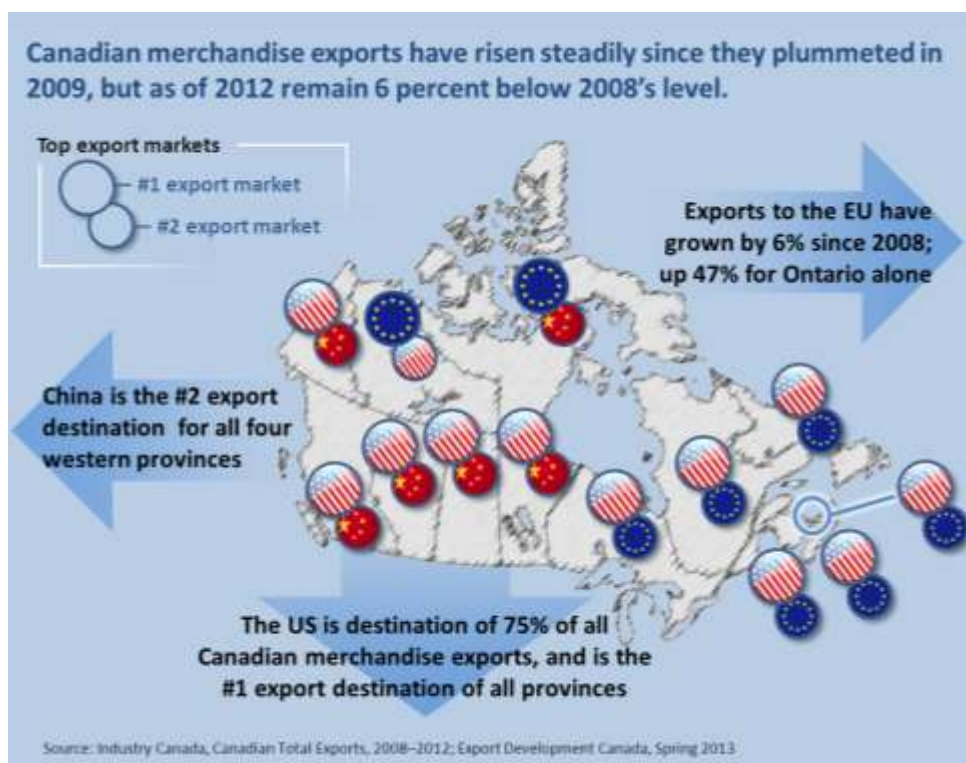
### **Global Growth and Canada's Exports**

International trade makes up a large part of the Canadian economy, accounting for more than 45% of GDP. In 2012 the US, EU and China were the top three destinations for Canadian exports, together accounting for almost 90% of all shipments. The US, by far Canada's largest trading partner, is typically the destination for three-quarters of Canadian export goods. In 2012 the EU received 8.5% of Canadian shipments, China about half that. Between 2008 and 2012, China supplanted Japan as Canada's third largest export market.

Given the increasingly uncertain prospects for Canada's largest trading partner and the available partial-year data, it seems reasonable to expect modest export growth in 2013 and 2014. Although Canadian businesses have generally welcomed the tentative Canada – EU trade deal, it will be at least two years before the deal is implemented and begins to impact export volumes.

Through the first eight months of 2013 Canada's leading exports to:

- the US were: energy products, including oil & gas and electrical power; motor vehicles and parts; and wood, lumber, and pulp and paper products;
- the EU were: precious stones and metals, including gold and diamonds; aircraft and parts; and crude and petroleum oils, and to
- China were: wood, lumber, and pulp and paper products; seed and food oils, grains, and legumes; and iron and copper ores.



## British Columbia

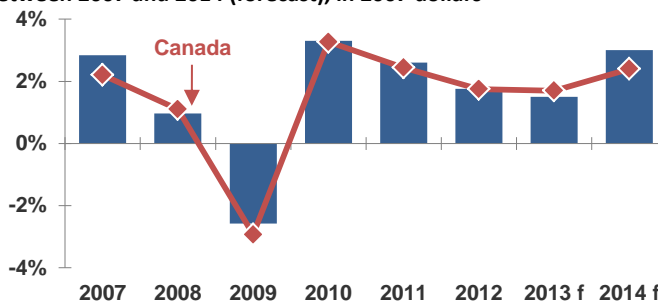
BC's economy struggled to pick up momentum in 2013 as weak business spending and a decline in housing activity contributed to slower job growth. Current forecasts (Conference Board of Canada) estimate that real GDP growth will ease slightly from 1.7% in 2012 to 1.5% in 2013. In 2014 however, real GDP growth is expected to ramp up to 3.0% due to anticipated strength in the goods-producing industries.

BC's goods-producing industries will benefit from a surge in shipbuilding activities, as well as from increasing international demand in 2014. In particular, an improving U.S. housing market and rising demand for BC wood products in Asia are expected to provide a boost to BC's forestry and manufacturing industries. The forestry industry's upside may be limited though by ongoing issues related to the pine beetle infestation, which has had a devastating impact on timber supply.

The mining, oil and gas sector is forecasted to perform well for the remainder of 2013 through to 2014. Rising natural gas prices are expected to create a surge in drilling activity and provide a boost for mining, oil and gas support activities as well. Over the medium-term, the construction of several liquefied natural gas (LNG) plants may also enable BC to access the rapidly growing Asian market. Currently, five LNG plants are proposed for development in northwestern BC. Government of BC projections indicate that up

**Chart 1**

**Year-over-year percentage change in BC's Gross Domestic Product between 2007 and 2014 (forecast), in 2007 dollars**



Sources: Statistics Canada Economic Accounts; Conference Board of Canada (forecast)

to 39,000 jobs could be created during the nine year construction phase and 75,000 full-time jobs once all five facilities are operational.

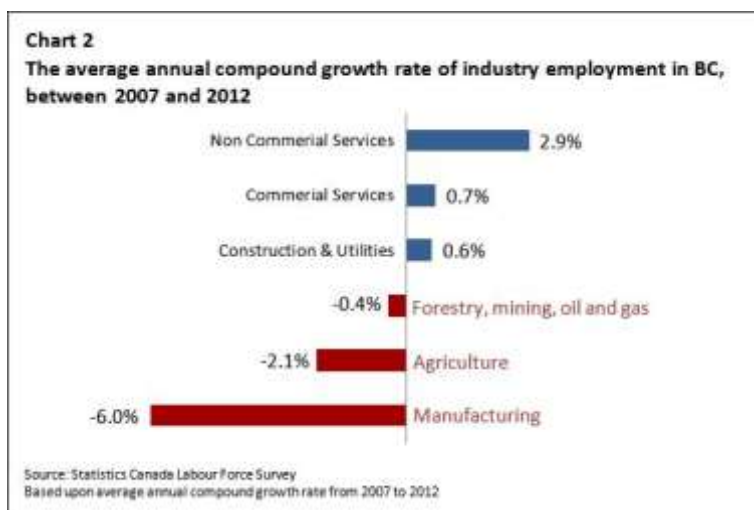
In 2012, employment growth was 1.7% in BC while full-time employment growth was 2.8%, the third highest among the provinces. Nevertheless, BC's labour market is expected to remain fairly flat in 2013. The Conference Board of Canada forecasts that only 8,000 new jobs will be created by the end of 2013 and approximately 40,000 jobs in 2014 when economic conditions are expected to improve. Global economic uncertainty, particularly in the U.S., and the potential for a correction in the BC housing market, are expected to pose potential downside risks to the B.C. economy moving forward.

## Section 2: Regional, Provincial and Local Labour Market Condition

### Employment by Sector

BC posted modest job growth of 1.7% in 2012, outpacing the five year average of 0.8%. Over the last five years, all of the province's employment gains have occurred in the services-producing sector, while the goods-producing sector declined slightly. The dip in the goods-producing sector is mainly attributed to a loss of jobs in the manufacturing industry. This industry was hit hard during the 2008 recession and has yet to recover. On the bright side, recent data show a recovery may be on the horizon. Indeed, manufacturing recorded its highest job numbers last year since 2008. With several mining and liquid natural gas (LNG) projects looming around the province, the industry should continue to strengthen. Since 2011, five major mines have received approval to expand (Highland Valley, Huckleberry, Quincel, Elk View and Endako). Moreover, Seaspan Marine Corps is expected to increase its workforce as it begins work on an \$8-billion federal shipbuilding contract.

Job gains in the services-producing sector were driven by increases in non-commercial<sup>2</sup> industries over the last five years. Specifically, there were increases in health care and social assistance as well as educational services. Although the public administration declined in 2012, it was still 2% higher than it was in 2007.



### Employment by Age

The average annual rate of employment growth from 2007 to 2012 was not evenly distributed among age groups. People aged 55 years and over fared substantially better compared to younger workers; the majority of these employment gains were a result of more women entering the workforce. Across the general population, men slightly outnumber women in terms of employment in BC. While employment for men between the ages of 25-54 was virtually unchanged since 2007, more women within this age bracket were employed. Jobs for BC's older workers were up by over 5% during this same period. In contrast, employment for people under the age of 25 declined by 2.2%.

<sup>2</sup> Refers to educational services, health care and social assistance, and public administration.



Employment for BC's youth population has been on a steady decline since 2008. Both males and females under 25 experienced declines; however, employment regressed at a much higher rate among men. While the recession triggered employment declines across all age groups, the 24-and-under segment has been the only group not to recover. It is worth noting that this trend is not unique to BC. On average, Canadians are working later into life than ever before; at the same time, fewer youth are finding jobs.

**Table 1**  
Change in employment by industry in BC between 2007 and 2012

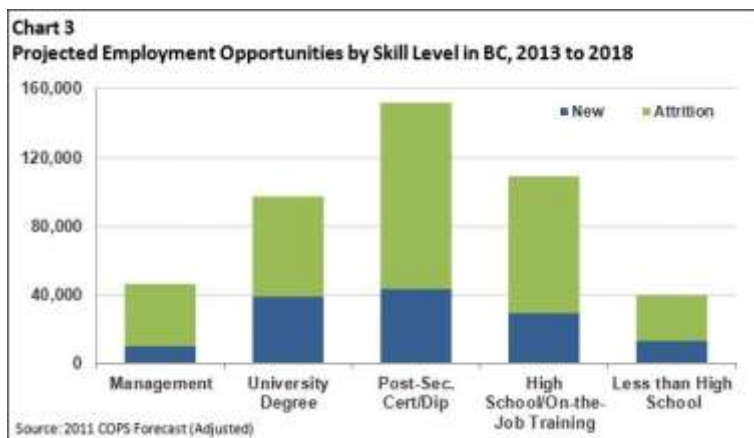
	2012	2007	% Share 2012	Growth rate*
<b>Total, all industries</b>	<b>2,312.5</b>	<b>2,222.6</b>	<b>100.0%</b>	<b>0.8%</b>
<b>Goods-producing sector</b>	<b>459.1</b>	<b>483.5</b>	<b>19.9%</b>	<b>-1.0%</b>
Agriculture	26.0	35.5	1.1%	-6.0%
Forestry, fishing, mining, quarrying, oil and gas	46.1	47.0	2.0%	-0.4%
Utilities	14.9	9.5	0.6%	9.4%
Construction	192.9	192.1	8.3%	0.1%
Manufacturing	179.2	199.4	7.7%	-2.1%
<b>Services-producing sector</b>	<b>1,853.4</b>	<b>1,739.0</b>	<b>80.1%</b>	<b>1.3%</b>
Trade	356.6	359.1	15.4%	-0.1%
Transportation and warehousing	128.9	123.7	5.6%	0.8%
Finance, insurance, real estate and leasing	141.8	142.4	6.1%	-0.1%
Professional, scientific and technical services	173.0	164.2	7.5%	1.0%
Business, building and other support services	97.6	96.1	4.2%	0.3%
Educational services	177.3	154.1	7.7%	2.8%
Health care and social assistance	274.5	234.4	11.9%	3.2%
Information, culture and recreation	116.0	115.4	5.0%	0.1%
Accommodation and food services	171.6	169.4	7.4%	0.3%
Other services	113.9	87.2	4.9%	5.5%
Public administration	102.4	92.9	4.4%	2.0%

Source: Statistics Canada Labour Force Survey

\*Based upon average annual compound growth rate from 2007 to 2012

## Non-Standard Employment

Temporary jobs have increased by 5% since 2007, while permanent work has only crept up by half a percent. Nevertheless, permanent employees account for the vast majority of BC's work force and gains have been made in this category during each of the past three years. In 2012, permanent job levels finally recovered from the decline observed during the recession, when over 70,000 full-time jobs were lost in 2009. Meanwhile, temporary jobs have increased in each of the past five years and were unaffected by the



recession.

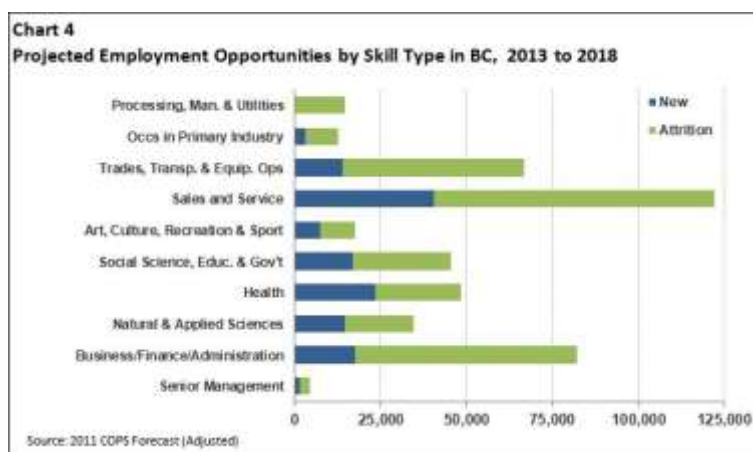
Since 2007 the growth rate among part-time jobs has outpaced that of full-time positions. In fact, part-time work grew at more than four times the rate of full-time work during this period.

### Job Opportunities by Skill Level

Labour demands are expected to be the greatest for higher-skilled occupations (those requiring post-secondary education and/or management training). Specifically, this represents 66% of all job openings. A quarter of the openings in the next five years will require only a high school degree or equivalent, while fewer than 10% will allow for less than a high school completion. Job creation is projected to be robust over the next five years; however, 70% of total openings are expected to come from attrition of the current workforce.

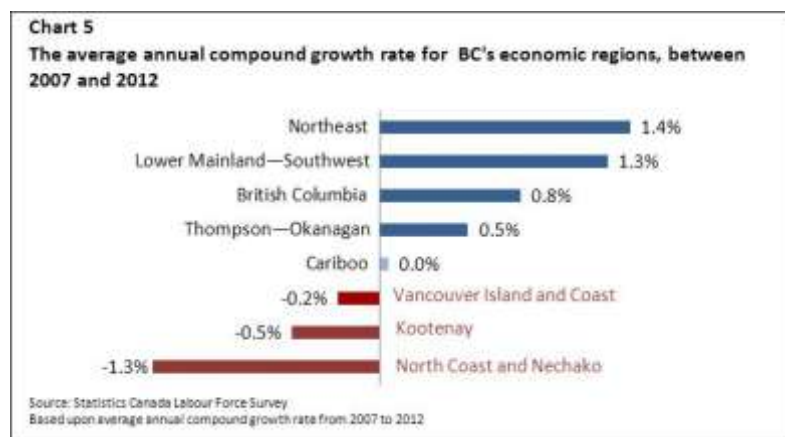
### Job Opportunities by Skill Type

The majority of the province's employment opportunities over the next five years are likely to be in the sales and services industry. Nearly 122,000 openings are anticipated in this industry, which accounts for over 27% of BC's total openings. The business, finance and administration industry will also put heavy demands on the labour market, requiring over 82,000 new workers (18.5% of the province's 445,132 job openings in 2018). In short, all of BC's industries will need a large influx of new workers in order to meet demands, as attrition will take a toll on the labour market.



### Local Labour Market Condition

Although the average rate of employment growth in BC was 0.8% between 2007-2012, only three of the province's eight regions posted gains. Growth was highest in the resource rich Northeast region, at 1.4%. This area of the province has benefited from increased activity in the oil and gas industry, which has boosted employment. A record \$462 million was spent on exploration in BC during 2011; exploration spending was projected to escalate to \$680 million over 2012.



The Lower Mainland—Southwest region trailed the Northeast closely, with a 1.3% growth rate between 2007-2012. Although growth was slower, it is worth noting that this region produced the majority of the province's new jobs as it is home to the largest portion of the population.

BC's North Coast and Nechako regions struggled in comparison to the five-year provincial average. With a combined 1.3% decline to employment, it was by far the least productive area in terms of job creation. Going forward, the North Coast and Nechako hope to benefit from multiple proposed LNG facilities. If any one of these proposed projects comes to fruition, it could pull the region's employment numbers back

above pre-recession levels. For example, the LNG Canada project (Shell Canada) and Kitimat LNG project (Chevron and Apache Canada) could both create thousands of construction jobs and hundreds of permanent positions once facilities are built<sup>3</sup>.

## Labour Market Outcomes for Client Segments

### *Immigrants/Newcomers*

Immigrants accounted for 28% of BC's labour force in 2012. The immigrant population grew at a rate of 3.3% between 2007-2012, more than doubling the growth rate of the general population. The majority of these gains occurred from 2010 to 2012.

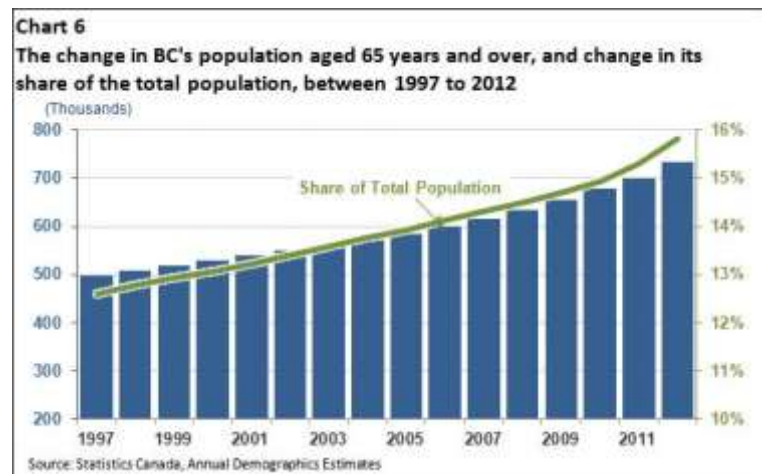
In 2010, the immigrant population actually posted negative growth on the heels of an 8.6% unemployment rate, making it a very challenging time for immigrants looking for work. Conditions began trending back up for this group in 2011. In 2012, the number of immigrants participating in the labour force was at an all-time high, while the unemployment rate dropped to 7%.

### *Aboriginal Workers*

In 2011, the unemployment rate for BC's Aboriginal population was more than twice the rate for the non-Aboriginal population, 16.4% compared to 7.4%. However, there was little difference in labour force participation between the two groups; 62.4% for the Aboriginal population and 64.7% for the non-Aboriginal population. This indicates that Aboriginal residents are participating in the job market and actively seeking employment when they are out of work in a similar fashion to non-Aboriginal. Persons who neither work nor actively search for work are considered "outside the labour force".

### *Seniors*

BC's senior population (those aged 65 and older) is growing steadily. In 2012, the province saw the largest one-year growth (4.6%) to this group compared to any period over the past 15 years. During this same time, the share of the population for which seniors account has also gradually increased, up to nearly 16% as of 2012.



In 2010, government transfers made up the largest portion of seniors' incomes (39%). Private pensions accounted for 28% of their income, while employment (14%) and investments (13%) were the other significant money sources. The share of income derived from employment is on the rise for seniors. As a whole, this group earned 10% more money from employment in 2010 compared to the previous year. This trend is likely to continue, implying that people will put off retirement to stay in their jobs longer, or they may re-enter the workforce after retirement to subsidize income demands.

### *Older Workers*

People aged 55 and older are increasing their share of the province's labour force. In 2012, this group made up nearly 20% of the province's total labour force, up from 15.7% in 2007. This group

<sup>3</sup> Sources: <http://lngcanada.ca/our-business/project-benefits/>; [http://www.kitimatlngfacility.com/Project/project\\_benefits.aspx](http://www.kitimatlngfacility.com/Project/project_benefits.aspx)

has seen a 30% gain to employment levels, while also experiencing an unemployment rate well below that of the general population. Nevertheless, the volume of the unemployed population aged 55 and older is concerning. Since 2007, the number of unemployed people over the age of 54 has nearly doubled.

### ***Workers with Disability***

In 2006, 16% of BC's population self-identified as having a disability, compared to 14.3% nationally. This tied the province with Saskatchewan for the highest disability rate of the western provinces and the territories.

At 61.5%, the participation rate among BC's disabled population was considerably higher than the national average of 56.2% in 2006. While noteworthy, this was well below the participation rate for BC's non-disabled population. During this same period, BC's disabled population had a slightly lower unemployment rate than the national average, but well above the rate for the general population.

### ***Youth Labour Force***

While youth represent a small portion of the province's overall labour force (15%), they make up a sizable share of the unemployed (29%). Indeed, the unemployment rate for this group was a staggering 13.3% in 2012.

### ***Official Language Minority Communities***

In 2011, approximately 81% of BC's population had knowledge of the English language; less than half of a percent understood French. It is far more common to find people speaking a non-official language in BC than French. In fact, over 15% of the people in BC knew a non-official language. Nearly 4% could speak both English and a non-official language, a much higher occurrence than those who could speak both of Canada's official languages (0.4%). Nonetheless, there are signs that French-speaking British Columbians could be on the rise in the future. The Education Ministry has indicated that enrollment is up significantly for French immersion programs around the province.

The Lower Mainland is an especially diverse region in terms of language. In comparison to the other major metropolitan areas in Canada, Vancouver stands out by having four immigrant languages account for over half of the most spoken languages in the home. Punjabi was the leading non-official language with 18% of the population using it as their language of choice while at home.

### ***Interprovincial Migration***

Over the course of 2011 and 2012, BC experienced a net outmigration, primarily to the resource rich province of Alberta. Ontario was the next most popular destination for those leaving BC to relocate to another part of Canada. During the first quarter of 2013, the trend continued with 7,128 people departing for Alberta and 2,578 moving to Ontario. Between January and March of this year, an estimated 11,898 people left BC to live elsewhere in Canada, while only 10,287 people arrived from other provinces or territories.

## Conclusion

British Columbia's economy is expected to remain stable over the next couple of years. Long-term projections are more favorable than the short-term picture, as increases to natural gas prices and a strengthened US housing market will lead to robust economic growth within the province. Between now and 2018, job openings should be abundant, with the largest demand coming from the sales and services industry. For the most part, job openings will favor skilled workers or those with post-secondary credentials.

As the population continues to age, attrition is expected to play a large role in creating job openings. Indeed, over the next five years, 70% of the available jobs will be as a result of attrition. In order to meet labour market demands, BC could look to utilizing its youth population efficiently, while also drawing workers from outside the province. Immigrants are expected to play a large role in filling labour demands, and recent data suggests this shift is already underway. Indeed, the immigrant population's share of the labour force has increased in each of the last two years.

BC has not had recent success attracting people from within Canada. In 2011 and 2012, more people left the province to live elsewhere in Canada compared to those moving to BC from another province or territory. The youth population in BC is also becoming a concern; since the recession, employment has steadily decreased. On the bright side, there will be robust growth in a variety of industries, which should attract workers of all age groups to the province's labour force.

**Note:** *In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.*

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## Appendices

### Appendix A: Glossary of Terms

**Aboriginal Identity Population** – Refers to individuals who reported identifying with at least one Aboriginal group, i.e. First Nations people, Métis or Inuit and/or who reported being a Treaty Indian or a Registered Indian as defined by the Indian Act of Canada and/or who reported they were members of an Indian Band or First Nation.

**Average Annual Compound Growth Rate** – The average year-on-year growth rate of a given indicator over a number of years. Although indicators seldom change at a constant rate, the compound annual return smoothes out figures by assuming constant change.

**Employed** – Persons who worked during the Labour Force Survey reference week.

**Gross Domestic Product (GDP)** – Refers to the total value of the goods and services produced in Canada or in a province or territory, often referred to as a global measure of economic activity.

**Immigrant Population** – Refers to persons residing in Canada who were born outside of Canada, excluding temporary foreign workers, Canadian citizens born outside Canada and those with student or working visas.

**Labour Force** – Refers to the total number of individuals 15 years of age and over who are either employed or unemployed in the week prior to a given survey such as the Labour Force Survey or the Canadian Census.

**Non-Standard Employment** – Refers to employment other than permanent full-time work, including part-time, temporary, and self-employment.

**Older Workers** – Refers to workers aged 55 and over.

**Participation Rate** – The labour force expressed as percentage of the population 15 years of age and over.

**Seniors Population** – Refers to persons aged 65 and over.

**Unemployed** – Refers to persons who were without work and were available for work during the Labour Force Survey reference week.

**Unemployment Rate** – The unemployed expressed as a percentage of the labour force.

**Workers with Disability** – Refers to persons who self-identify as having a physical condition, a mental condition, or a health problem, that reduces the amount or the kind of activity that they are able to do. These include difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities.