



# Environmental Scan

## British Columbia

2015



### KEY HIGHLIGHTS

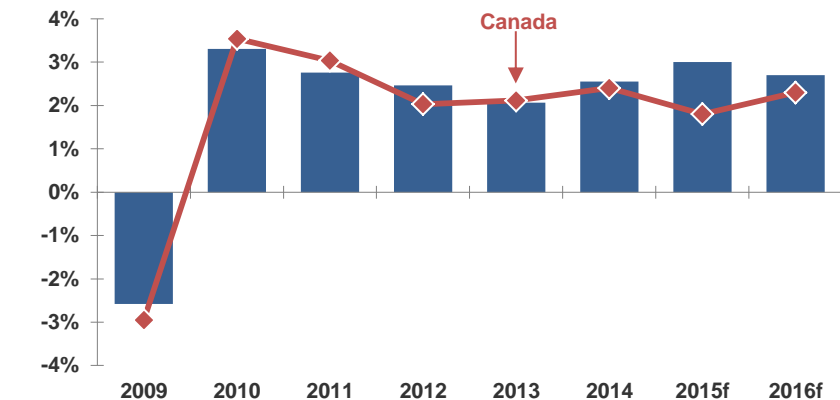
- BC's economy improved in 2014, due to strong consumer spending and gains in forestry, healthcare and social assistance, and transportation and warehousing. Growth experienced in mining over the past decade will decelerate over the short-term due to a decline in metallurgical coal, molybdenum and copper prices.
- Real GDP growth of 2.8% is forecasted in 2014 and 3.0% is anticipated in 2015, mainly due to strength in goods-production. BC's economy is expected to benefit from a surge in shipbuilding and increasing international demand for BC products. The declining value of the Canadian dollar should also boost manufacturing output.
- Over the medium-term, the construction of several liquefied natural gas (LNG) plants may enable BC to access the rapidly growing Asian market.
- In 2014, employment in the province increased by 12,800 or 0.6%. This compares favorably with 2013, when employment was virtually unchanged from the year before.
- The manufacturing industry has yet to reach pre-recession employment levels but has had a strong 2014. Year-over-year, employment in manufacturing is up by 9,700. In fact, several projects around the province make this industry's future promising over the near term.
- Job openings are expected to be plentiful over the medium term in BC. The majority of these positions will favour people with post-secondary education or management training. The main factor driving job openings between now and 2019 is attrition of the current workforce.
- Over the past five years, employment growth was concentrated in the Lower Mainland. In fact, 102% of all employment gains experienced in BC from 2009 to 2014 occurred in the Lower Mainland.
- The immigrant population is rising in BC, accounting for about 27% of the labour force in 2014. Since 2010, the immigrant population (15+) has increased by 116,600 or 11%.
- Older workers (55 years and over) are also increasing their share of the labour force. Employment growth was largest within this age bracket; however, unemployment is becoming a concern.

## GENERAL OVERVIEW/ECONOMIC CONTEXT

### British Columbia

BC's labour market was flat in 2013, experiencing a small decline of 0.2%. In 2014, however, employment has increased by 12,800. Global economic uncertainty particularly in Europe and Asia, and the potential for a correction in the BC housing market, are expected to pose potential downside risks to the BC economy moving forward. Meanwhile, moderate employment growth in 2014 has been coupled with above average wage gains in BC, and disposable household income is expected to increase by 4.6% in 2015. In turn, this modest income growth is expected to provide a small boost to retail sales and consumer spending in 2015.

**Year-over-year percentage change in British Columbia's Gross Domestic Product between 2009 and 2016 (forecast), in 2007 dollars**



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

Economic activity in BC picked up in 2014 with real GDP growth rising by a forecasted 2.8%. Current forecasts (Conference Board of Canada) estimate that real GDP growth will increase by a nation-leading 3.0% in 2015. The outlook for 2016 is also bullish, with real GDP forecasted to grow by 2.7%.

BC's goods-producing industries will also benefit from a surge in shipbuilding activities, as well as from increasing international demand for BC products in 2015. In particular, an improving US 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 forest sector's upside may be limited by ongoing issues related to the pine beetle infestation, which has had a devastating impact on timber supply.

Declining natural gas prices are expected to dampen drilling and exploration activity in the province in 2015. Over the medium-term, the construction of several liquefied natural gas (LNG) plants may also enable BC to access the rapidly growing Asian market. On October 21, 2014 the provincial government announced that it will charge LNG companies a tax rate starting at 1.5% and rising to 3.5% after LNG development investments are recovered. This compares with 1.5% and 7.0% rates initially proposed earlier this year. While some major developers such as British Gas (Prince Rupert LNG) have announced that they will delay the project development due to shifting market conditions, other major players such as Petronas have yet to make final investment decisions.

On February 19, 2015 the federal government also announced new rules around accelerated capital cost allowances for LNG. Under the new rules, companies building new LNG export terminals will be able to deduct capital costs at a faster rate, allowing them to defer tax payments and recoup investment more quickly. The move was designed to encourage the development of LNG in Canada and has been received favorably by LNG investors.

In a ground-breaking move, Malaysia's state-owned Petronas is offering more than \$1 billion to the Lax Kw'alaams band over the span of the 40-year deal to obtain consent for the development of LNG resources in Prince Rupert. If approved by the Lax Kw'alaams, the deal will transfer about \$1 billion to the band—with the BC government contributing approximately \$100-million of Crown lands to the deal as well.

If even five of the 19 proposals proceed, the Government of British Columbia estimates up to 39,000 jobs could be created during a nine-year construction phase and up to 75,000 full-time jobs once all five facilities are operational. Moreover, when all taxes, including provincial sales taxes, royalties, and corporate income taxes are factored into the equation; five LNG plants are expected to contribute over \$8 billion in revenue over the first ten years of operation.

British Columbia's mining industry is still reeling from a steep drop in prices of some of its key commodities such as copper, molybdenum and coal. The most recent downturn has forced some companies to slash spending, lay off employees, stall the development of new projects, and put some existing projects on hold. Examples include the delayed restart of Teck Resources Ltd.'s Quintette coal mine (85 layoffs), the temporary suspension of Thompson Creek Metals' Endako Mine (resulting in the termination of 44 full-time salaried jobs) and the recent slowdown at Taseko's Gibraltar copper-molybdenum mine (45 layoffs).

On May 6, 2015 Imperial Metals also announced 120 layoffs at the Mount Polly Mine in BC's Cariboo region. In August of 2014, the mine's tailings dam was breached, spilling mining waste into neighbouring lakes. Imperial has noted that the staffing reductions were required while the mine site underwent restoration.

The current mining environment is in sharp contrast to early 2011, when commodity prices bounced back from the global recession, hitting record or near-record highs. At that time, miners were considering ramping up operations and readying to hit the start button on a handful of new mines, including Copper Mountain in 2011, New Gold Inc.'s New Afton gold in 2012 and Thompson Creek Metals Co.'s Mt. Milligan copper/gold mine in 2013.

In 2014, BC also experienced a 29 percent drop in spending on the exploration for new mineral deposits last year--\$338 million compared with \$476 million in 2013. The decline in spending represents an even steeper 50% drop from the exploration sector's peak year of 2012, when companies spent \$680 million looking for potential new mines.

The Association for Mineral Exploration BC sees the next year or two as a "rebuilding" phase for miners in BC as many companies re-evaluate the economics of new projects and struggle to find capital investment. That is not to say that mining activity in BC will come to stand still. In fact, many major mining projects are still on schedule and others are expected to come on board as well over the next few years.

Some of the major mining projects that are still scheduled to go ahead, despite the recent downturn include: Red Chris, Tulsequah, Blackwater, Brucejack, and Kitsault. Both the BC government and the Government of Canada also recently granted environmental approval for the \$5.3-billion Seabridge Gold Inc. Kerr Sulphurets Mitchell (KSM) project. The site — one of the largest undeveloped gold deposits in the world — is more than 900 kilometres northwest of Vancouver, and would allow Seabridge to mine 38.2 million ounces of gold and almost 5 billion kilograms of copper. Seabridge has noted that the mine would create 1,800 jobs during construction and more than 1,000 permanent jobs if it gets up and running. However, Seabridge also notes that it still needs to find a partner to fund and build the mine.

## REGIONAL, PROVINCIAL AND LOCAL LABOUR MARKET CONDITIONS

### Employment by Sector

From 2013 to 2014, employment in BC increased by 12,800 across all industries. On the good-producing sector side, employment increased by 7,800. The strongest gains occurred in manufacturing (+9,700), and forestry, fishing, mining, quarrying, oil and gas (+3,100). The largest declines were seen in construction (-3,900) and agriculture (-3,700).

Of note, the manufacturing industry has rebounded as an improving real estate market in the US and strong demand from China has helped boost demand for BC wood products. Looking ahead, manufacturing will be further bolstered, as Seaspan Marine Corps commences work on the \$8 billion national ship building contract it was awarded in 2011.

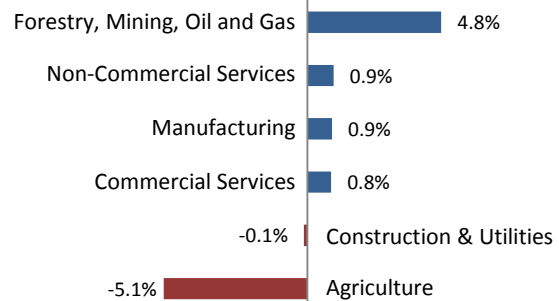
The bulk of the shipbuilding will occur in North Vancouver, and, to a lesser extent, on Vancouver Island. The Government of British Columbia estimates that up to 4,000 direct and indirect jobs will be created during the lifespan of the contract. In October 2013, Seaspan was awarded an additional \$3.3B contract to build 10 coast guard vessels. This work is expected to keep Seaspan's workforce employed for up to 30 years.

On the services-producing sector side, employment increased by 5,000 between 2013 and 2014. The largest year-over-year employment losses occurred in business, building and other support services (-10,900) and in trade (-2,500). These employment declines are not surprising as a number of large retailers have recently shut down their Canadian operations. This list of retailers includes Target, Future Shop, Mexx, Sony, Staples.

In 2014, employment in the health care and social assistance industry increased by 2,600 after a sharp year-over-year decline in 2013 (-8,000). Healthcare workers will likely remain in high demand over the medium-term, as BC's aging population is expected to put pressure on the healthcare system. In fact, the BC government announced a rate increase to medical service premiums in the 2014 budget that will help address the rising healthcare costs while also helping to fund growth in the industry.

Strong year-over-year gains in transportation and warehousing (+6,500), buoyed the services-producing sector in 2014. This growth was driven by record cargo volumes at Port Metro Vancouver, the result of increasing international demand for BC products.

#### Average annual compound growth rate of industry employment in British Columbia, between 2009 and 2014



Source: Statistics Canada Labour Force Survey

**Change in employment by industry in British Columbia between 2009 and 2014**

	2014	2009	% Share 2014	Five Year Growth Rate
<b>Total, all industries</b>	<b>2,278.4</b>	<b>2,191.9</b>	<b>100.0%</b>	<b>0.8%</b>
<b>Goods-producing sector</b>	<b>449.9</b>	<b>441.4</b>	<b>19.7%</b>	<b>0.4%</b>
Agriculture	24.3	31.6	1.1%	-5.1%
Forestry, fishing, mining, quarrying, oil and gas	50.0	39.6	2.2%	4.8%
Utilities	13.7	11.9	0.6%	2.9%
Construction	200.5	203.7	8.8%	-0.3%
Manufacturing	161.4	154.5	7.1%	0.9%
<b>Services-producing sector</b>	<b>1,828.5</b>	<b>1,750.6</b>	<b>80.3%</b>	<b>0.9%</b>
Trade	358.0	359.0	15.7%	-0.1%
Transportation and warehousing	133.8	113.6	5.9%	3.3%
Finance, insurance, real estate and leasing	137.2	132.7	6.0%	0.7%
Professional, scientific and technical services	182.3	159.8	8.0%	2.7%
Business, building and other support services	87.9	97.9	3.9%	-2.1%
Educational services	166.3	147.0	7.3%	2.5%
Health care and social assistance	269.8	257.0	11.8%	1.0%
Information, culture and recreation	107.7	111.9	4.7%	-0.8%
Accommodation and food services	185.3	170.8	8.1%	1.6%
Other services	102.4	95.3	4.5%	1.4%
Public administration	97.9	105.6	4.3%	-1.5%

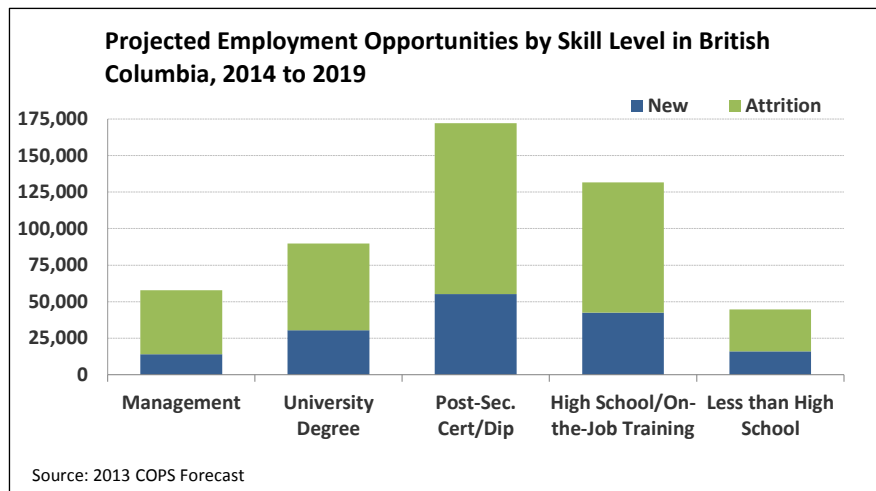
Source: Statistics Canada Labour Force Survey annual estimates by North American Industry Classification System

**Employment by Age and Gender**

By age, the strongest year-over-year employment gains from 2013 to 2014 were experienced by young men aged 15-24 (+9,300) and older men aged 55 and over (+8,800). For male youth, employment gains occurred almost equally in both full-time and part-time positions, while for men aged 55 and over, employment gains occurred exclusively in full-time positions (+11,500). While women aged 25-44 experience strong employment gains (+6,300), this was offset by significant employment losses by women aged 45-64 (-7,500). These employment losses for women aged 45-64 occurred only in full-time positions (-11,500).

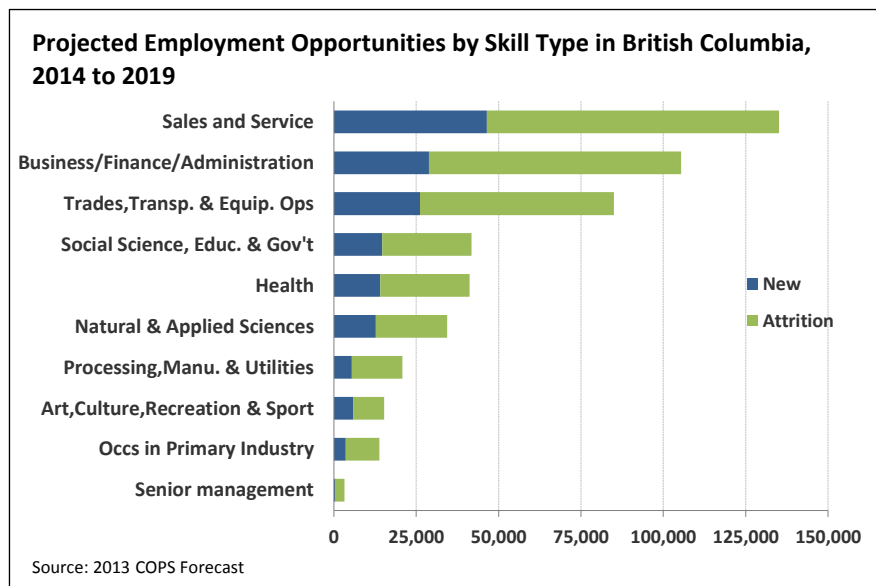
### Job Opportunities by Skill Level

Labour demands are expected to be greatest for higher-skilled occupations (those requiring post-secondary education and/or management training). Specifically, this represents 64% of all job openings. About a quarter of the openings in the next five years will require only a high school diploma 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, 68% 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 sales and services. About 135,000 openings are forecasted accounting 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 105,000 new workers (21.2% of the province’s 496,107 job openings by 2019). In short, many BC 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 Conditions

From 2013 to 2014, employment gains occurred in the Lower Mainland (+28,700), the Cariboo (+3,700), and Thompson Okanagan (+2,400). Employment declines occurred in Vancouver Island and Coast (-10,200), Kootenay (-9,000), North Coast and Nechako (-1,600) and in the Northeast (-1,300).

The Lower Mainland-Southwest economic region has performed especially well in 2014. In fact,

over the past five years, employment growth in BC has been highly concentrated in the Lower Mainland. Overall, 102% of all employment gains experienced in BC from 2010 and 2014 occurred in the Lower Mainland. While economic growth increased by a forecasted 2.9% in 2014 in the Lower Mainland (Conference Board of Canada), GDP growth is expected to be up to 2.7% for 2015. The outlook for the economic region is even more bullish in 2016, with GDP expected to advance by 3.0%.

Manufacturing was one of the main sources for employment growth (+6,800) between 2013 and 2014 in the Lower Mainland-Southwest economic region. An increase of more than 8% in manufacturing exports during this time frame may have enabled businesses to expand to meet higher levels of demand. The Conference Board of Canada forecasts strong manufacturing activity into 2015, based on Seaspan's \$8 billion ship building contract.

While construction employment fell across BC, a number of big Lower Mainland projects sustained construction activity in 2014, including the \$1.8 billion Vancouver Airport expansion and two malls in Tsawwassen. In 2015, construction employment in the Lower Mainland will be bolstered mainly by non-residential construction projects such as the estimated \$134 million Great Northern Way Campus at the Emily Carr University of Art + Design.

While Vancouver Island and Coast experienced year-over-year employment declines in 2014, its prospects in 2015 are strong as a number of major projects commence. BC Hydro's \$1 billion replacement of the John Hart generating station will create 400 jobs during its five-year construction period. In addition, several Vancouver Island Health Authority hospital projects are slated to begin in early 2014, valued at approximately \$600M. These projects are expected to generate 1,900 direct and 1,400 indirect jobs by the time they are completed in 2017.

While weak commodity prices impacted mining employment in many regions in 2014, it is uncertain how long commodity prices will remain down. Despite the lull in commodity prices, several new mines in BC will continue to move forward. For example, construction is scheduled to begin in 2015 both on the \$812 million Kitsault Molybdenum Mine and on the \$450 million Brucejack Gold mine.

The northern regions of the province are also poised for growth over the medium-term. Based on projections from their LNG Employment Impact report, the BC government estimates that the province could have up to five LNG projects operational by 2021, which in turn would create thousands of construction jobs in the North

**Average annual compound employment growth rate for British Columbia's economic regions, between 2009 and 2014**

	2014	2009	Growth rate*
<b>British Columbia (000's)</b>	<b>2,278.4</b>	<b>2,191.9</b>	<b>0.8%</b>
Vancouver Island and Coast	352.0	373.1	-1.2%
Lower Mainland-Southwest	1,446.9	1,348.7	1.4%
Thompson-Okanagan	249.0	246.6	0.2%
Kootenay	67.5	70.5	-0.9%
Cariboo	85.3	75.2	2.6%
North Coast and Nechako	39.1	42.0	-1.4%
Northeast	38.5	35.9	1.4%

Source: Statistics Canada Labour Force Survey

Coast and Northeast regions. The Cariboo region also stands to benefit from the indirect employment gains that would occur from the anticipated growth accompanying the LNG projects. Transportation and warehousing activity would likely pick up, as well as increased activity in the food services and accommodation industry.

## LABOUR MARKET OUTCOMES FOR CLIENT SEGMENTS

### Immigrants/Newcomers

The immigrant population is on the rise in BC, accounting for 27% of the labour force in 2014. Since 2010, the immigrant population (15+) has increased by 116,600 or by 11.1%.

Labour force outcomes for immigrants in BC trail outcomes for those in Canada by most indicators. In 2014, while the unemployment rate for landed immigrants (6.3%) in the province was similar to the rate for those born in Canada (6.1%), both the participation and employment rates (56.9%, 53.3%) continue to lag the rates of the Canadian-born population (63.3%, 59.5%) in BC. This can partly be attributed to fewer female immigrants being engaged in the workforce.

### Aboriginal Workers

In 2013, the unemployment rate for BC's Aboriginal population was more than twice the rate for the non-Aboriginal population, 13.9% compared to 6.3%. However, there was little difference in labour force participation between the two groups; 64.8% for the Aboriginal population and 64.1% for the non-Aboriginal population.

### Workers with a Disability

In 2012, 14.8% of BC's population aged 15 years and over self-identified as having a disability, compared to 13.7% nationally.

At 61.5%, the labour force 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.

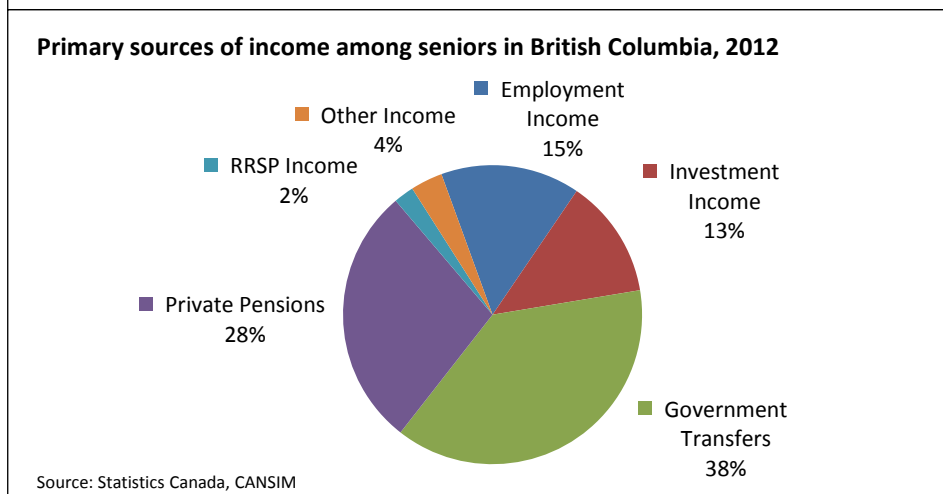
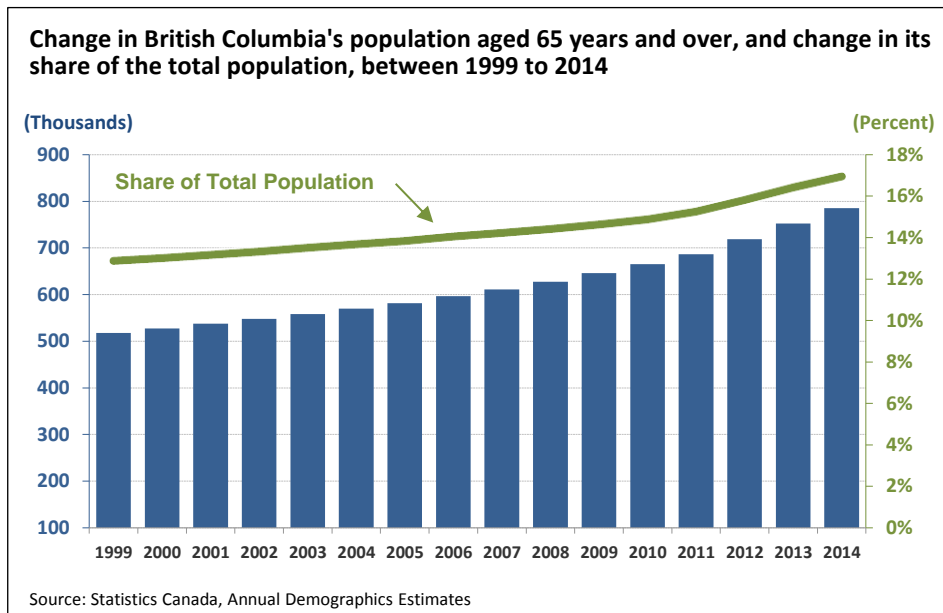
### Youth Labour Force

While youth represent a small portion of the province's overall labour force (14.7%), they make up a sizable share of the unemployed (28.1%). Indeed, the unemployment rate for this group was 11.5% in 2013.



## Seniors

BC’s senior population (those aged 65 and older) is growing steadily. In 2014, the proportion of seniors reached 17.0%, the sixth highest rate of all provinces and territories and 1.3 percentage points above the national average. BC’s median age (41.9) is the fifth highest of all provinces and territories and higher than the national median of 40.4.



## Official Language Minority Communities

In 2011, 80.5% of BC’s population reported speaking English only most often at home, while 0.4% spoke French only. It is far more common to find people speaking a non-official language in BC than French. In fact, 15.4% spoke only a non-official language at home in BC. The four most common mother tongues in BC in 2011 were Punjabi (4.5% of the total population); Cantonese (3.2%); Chinese – not otherwise specified (2.9%), and Mandarin (2.2%).

## Interprovincial Migration

As of July 2014, net interprovincial migration grew for only three provinces: Alberta (+38,700), Saskatchewan (+1,200) and British Columbia (+2,300). Net interprovincial migration in BC in 2013/14 was reversed from a loss of 1,900 people in 2012/2013.

## CONCLUSION

British Columbia's economy is expected to remain stable over the next couple of years. Medium-term projections are favorable as a strengthened US housing market and continued strong demand from Asia will lead to robust economic growth within the province. Between now and 2019, job openings are expected to 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. The immigrant population's share of the labour force has increased in each of the last two years.

BC remains a destination of choice for both international immigrants and interprovincial migrants. Immigrants and older workers have generally had positive labour market outcomes in the province. On the other hand, unemployment levels for the youth population and aboriginals in BC remain an ongoing concern.

Ultimately, while there are many positives to the economic and labour market storyline in BC, there is also room for improvements. While some of the economic success of the province may be dependent on international circumstances (i.e. strength of the US and Asian economies), there may be room to enhance the labour market participation of groups such as youth and aboriginals. The province has successfully weathered the recession of 2008/09 well and remains in an enviable fiscal situation, so looking ahead there will be ample opportunities for all segments of the population to capitalize on improving economic growth prospects.

**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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