

**LIVE
WORK
INVEST** **BC**
IN

2009 BC Check-Up



indicators

live

Real personal disposable income per capita is the amount of income available after taxes, net of inflation. It reflects real purchasing power.

Financial vulnerability is measured by total debt (both consumer and mortgage¹), calculated as a ratio to personal disposable income.

Shelter Costs as Percentage of Total Household Expenditures is the percentage of household income spent on shelter, and reflects the trend in actual household purchasing power.

Youth at risk is defined as the percentage of the labour force aged 19 to 24 lacking a high school diploma.

Health Care is measured by two indicators this year:

- Provincial government health care expenditure per capita;² and,
- Canada Health Consumer Index ranking among the provinces.³

work

Educational attainment is expressed as the percentage of the labour force aged 25 to 64 with post-secondary accreditation.⁴

Unemployment rate is represented by the number of unemployed persons as a percentage of the labour force, which is defined as people aged 15 and older who are employed or actively looking for work.

Real average hourly wage captures labour force average hourly earnings, for hourly and salaried employees, net of inflation.

Pay equality is represented by the female/male hourly wage ratio for full-time workers in the labour force.

Job creation is represented by the annual net change in the number of employed workers.

invest

Real labour productivity measures the efficiency of the workforce (how much output can be produced in one hour), and is calculated as the ratio of real GDP to total hours worked by the labour force.

Proportion of high technology jobs⁵ reflects the relative dominance of technological jobs in the labour force, and correlates with current innovation activity.

Exports per worker is the ratio of the inflation-adjusted value of exports to the number of workers (or exports per capita). Exports here include shipments to other countries and other provinces (both goods and services are included).

After-tax corporate profits-to-GDP ratio measures the ability of companies to earn a competitive rate of return on business investments.⁶

Provincial government net financial liabilities-to-GDP ratio measures the fiscal position of a provincial government.⁷



¹ The measure of debt used is that calculated by chartered banks, credit unions, and caisses populaire, which represent approximately 3/4 of all financial lending institutions in Canada. Definition excludes trust and mortgage loan companies, life insurance companies, non-depository credit intermediaries, NHA mortgage-backed securities, and special-purpose corporations. For this reason, debt here may not match other national or provincial estimates.

² Uses Statistics Canada data. We have chosen this over the other widely accepted source of health care data in Canada, the Canada Institute for Health Information (CIHI). Both sources are entirely credible, but employ different and irreconcilable methodologies, including different reporting periods (fiscal vs calendar), purposes (government spending only vs public and private spending), scope and presentation. Statistics Canada is used as our principal source to ensure consistency with previous years' reports.

³ Developed by the Winnipeg-based Frontier Centre for Public Policy in collaboration with the Health Consumer Powerhouse in Brussels in 2008. It evaluates provincial health care delivery based on consumer responsiveness.

⁴ Post-secondary certificate, diploma, or higher, which includes diploma programs at colleges, as well as trades and technical certification programs.

⁵ Number of workers employed in natural/applied sciences as a percentage of the total labour force.

⁶ Estimates of direct taxes are developed for 2007 and 2008 in the absence of national or provincial Statistics Canada data.

⁷ Note that this is a different concept from taxpayer-supported debt, which we have used in past years.

About the *BC Check-Up*

Since 1999, the Institute of Chartered Accountants of BC (ICABC) has ranked BC as a place in which to live, work, and invest, by using selected economic and social indicators. In order to provide context, BC is compared against Alberta, Ontario, and the national average. In so doing, we can better understand our province's economic and social health, and assess its present economic foundation. Our data is obtained from Statistics Canada, and supplemented with information from other credible published sources.

Summary

The year 2008 was turbulent for both the provincial and Canadian economies. It is possible to lose perspective during an economic downturn and in the face of unprecedented change, which is why it is important to look at last year's developments within the context of longer-term social and economic trends. As in previous years, the *BC Check Up* compares both one and five-year trends, and where possible, identifies important longer-term trends that will shape our future.

After several years of strong economic growth, BC's exports slumped and unemployment rose in 2008. The economy stalled in the aftermath of a global financial and economic meltdown, and BC's economic growth contracted by 0.3% last year. The economy was further weakened by the continued and profound decline in US demand for our forest products, in addition to lower prices for oil, gas, and minerals. The outcome of this "perfect storm" of economic adversity deeply affected BC's resource-dependent regions.

Despite the spate of bad economic news in 2008, BC saw some positive developments. The proportion of high-technology jobs in the work force increased, which should translate into future productivity gains. In addition, BC still enjoys a comparatively low rate of government debt. Overall, our province's real wages and job creation increased at rates above the national average, although job creation fell off in late 2008, and the first quarter of 2009.

BC continued to attract new residents in 2008—although in smaller numbers—both from other provinces and other countries. Net in-migration was almost 62,000, with 90% of new residents coming from other countries. Inter-provincial migrants accounted for 6,450 people, less than half the number of the previous year.

BC's outlook for 2009 is a slowed economy, with most major industrial sectors struggling in the face of the global recession. The housing market remains fragile and BC consumers have put a hold on major purchases and investments. Circumstances are expected to improve later in 2009 and 2010, as spending on public infrastructure, the stimulus from the 2010 Winter Olympics, and recovering consumer confidence are expected to improve the province's economic prospects.

Here is a snapshot of how BC looked in 2008:

- **LIVE:** Overall, BC's quality of life saw some improvement in 2008. For the tenth consecutive year, BC had the lowest percentage of youth at risk. BC also had the second-highest increase in personal disposable income. However, the province also had the largest personal disposable debt-to-income ratio, driven primarily by shelter costs, which consumed roughly one-fifth of household expenditures. While BC placed last in terms of health care spending, the province ranked second among all Canadian provinces in terms of health care delivery.
- **WORK:** While many of BC's work indicators improved in 2008, the effects of the global economic slowdown began to appear late in the year. Overall, however, job creation and real wages increased at rates above the national average, and educational attainment levels increased at the fastest pace in years. Unfortunately, the overall picture for unemployment and pay equality deteriorated.
- **INVEST:** BC's investment climate was mixed in 2008. BC's exports per worker, after-tax corporate profits, and labour productivity all declined. However, BC's increase in science-related employment tied for first in our comparison. In 2007, BC continued to enjoy low, and decreasing, government debt levels. The BC government's commitment to eliminating debt put our province in a very strong position. This is more important now than ever, as we face uncertain economic times where government stimulus spending is crucial for our economic recovery.

British Columbia is characterized by several regional economies that reflect different geography, industries, and investment conditions. Provincial data cannot capture all these differences, therefore the ICABC also produces the *BC Check Up, Regional Edition*, which evaluates the living, working, and investing conditions in each of BC's eight Development Regions. The 2009 regional reports were released in June and can be found at: www.bccheckup.com.

BC saw some improvement as a place to LIVE in 2008. For the tenth year in a row, BC led the comparison jurisdictions in both reducing the number of youth at risk (-1 ppt) and absolute levels (8%).

In addition, the province's personal disposable income growth rate (2.9%) ranked second in our comparison and was ahead of the national average (2.4%) last year. In 2008, BC's debt-to personal disposable income ratio was down slightly (-0.8%), and shelter costs were up only 0.4 ppt, due to shelter and other expenses rising at roughly the same rate. Increased wages and lower debt will positively impact British Columbians' standard of living. However, BC's health care spending ranked last among our comparison jurisdictions, although, its health care delivery system was rated as second best among all Canadian provinces. The table below shows how BC compared with Alberta, Ontario, and the national average on our five key indicators over one and five-year periods.

Summary of LIVE Key Indicators⁸

	BC	AB	ON	CAN	
Real Personal Disposable Income per Capita	\$28,616	\$37,189	\$28,847	\$28,591	
Debt to Personal Disposable Income	1.28	0.84	0.97	0.92	
Shelter Costs as % of Total Household Expenditures	20.7%	17.4%	21.3%	19.5%	
Youth at Risk	8.0%	12.5%	9.8%	10.9%	
health	Health Expenditures per Capita	\$2,894	\$3,149	\$2,964	\$3,016
	Health Consumer Index National Ranking in 2008 ⁹	2 nd	5 th	1 st	n/a

2008 Value

Real Personal Disposable Income per Capita	2.9%	3.5%	1.7%	2.4%	
Debt to Personal Disposable Income	-0.8%	-1.2%	-4.0%	-2.1%	
Shelter Costs as % of Total Household Expenditures	0.4 ppt ¹⁰	0.2 ppt	0.6 ppt	0.3 ppt	
Youth at Risk	-1.0 ppt	0.1 ppt	0.0 ppt	-0.3 ppt	
health	Health Expenditures per Capita	1.1%	-3.3%	4.8%	2.5%
	Health Consumer Index National Ranking in 2008	n/a	n/a	n/a	n/a

2007-08 % Change

Real Personal Disposable Income per Capita	17.3%	24.0%	8.9%	13.1%	
Debt to Personal Disposable Income	17.4%	15.1%	7.8%	10.8%	
Shelter Costs as % of Total Household Expenditures ¹	0.1 ppt	-1.0 ppt	0.9 ppt	0.5 ppt	
Youth at Risk	-1.4 ppt	-1.2 ppt	-3.1 ppt	-1.6ppt	
health	Health Expenditures per Capita	-3.2%	6.9%	29.3%	15.6%
	Health Consumer Index National Ranking in 2008	n/a	n/a	n/a	n/a

2003-08 % Change

⁸ Improvements in quality of life are indicated by increases in real disposable income per capita and per capita health care expenditures, and decreases in debt/personal disposable income, cost of living, and youth at risk.

⁹ This is how BC ranked among all Canadian provinces.

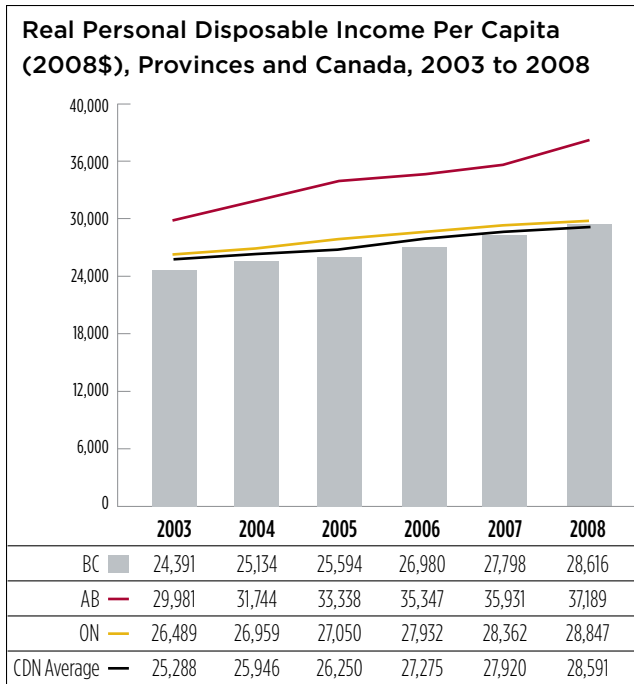
¹⁰ ppt = percentage point.

Real Personal Disposable Income

Personal disposable income, or ‘take home pay adjusted for inflation’, is the income left over after deductions for taxes, social insurance, and other fees.¹¹ It is an important indicator of economic well-being.

In 2008, BC’s real personal disposable income rose by 2.9%. This was the second highest increase after Alberta (3.5%), and was ahead of Ontario and the national average (1.7% and 2.4% respectively). Between 2003 and 2008, BC’s real personal disposable income grew 17.3%, once again second to Alberta (24%), and again exceeding Ontario and the national average (8.9% and 13.1% respectively).

These gains were crucial, as BC’s absolute disposable income levels have consistently lagged those of the comparison jurisdictions and the national average. In fact, 2008 was the first time in the last five years that British Columbians disposable incomes* (\$28,616) surpassed the national average (\$28,591).

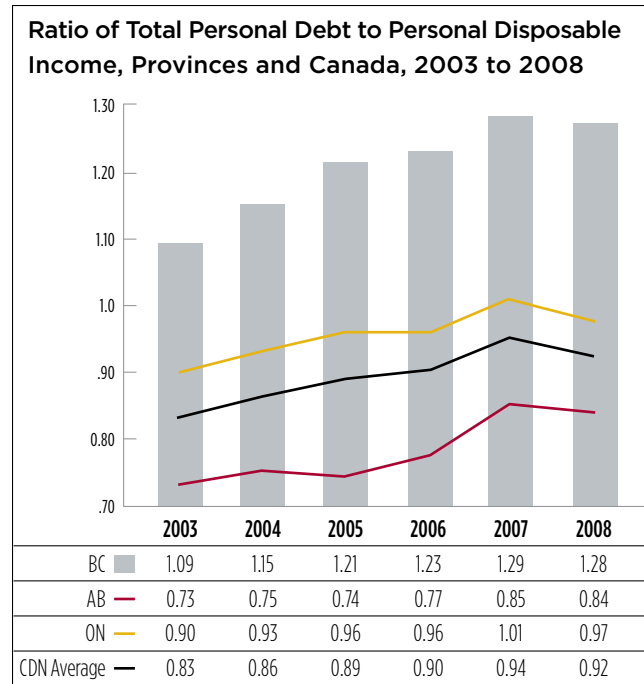


Source: Statistics Canada, April/May 2008

Financial Vulnerability

Over the past decade, BC sustained the highest personal disposable debt-to-income ratio in our comparison. In 2008, BC’s ratio was 1.28, compared to 0.84 in Alberta and 0.97 in Ontario. The national average was 0.92. While our province’s personal debt-to-disposable income ratio declined by 0.8% in 2008, this was the weakest one-year result in our comparison: Alberta’s declined 1.2%, the national average declined 2.1%, and Ontario’s declined 4%.

In 2008, mortgage debt in BC represented roughly 70% of total consumer debt. This is not surprising, as average real housing prices in BC were at least \$100,000 greater than prices in Alberta or Ontario. While our province continues to lag in this indicator, BC consumers appear to be holding their own. Despite expensive real estate prices, British Columbians have one of the lowest mortgage arrears rates and personal bankruptcy rates in the country.¹²

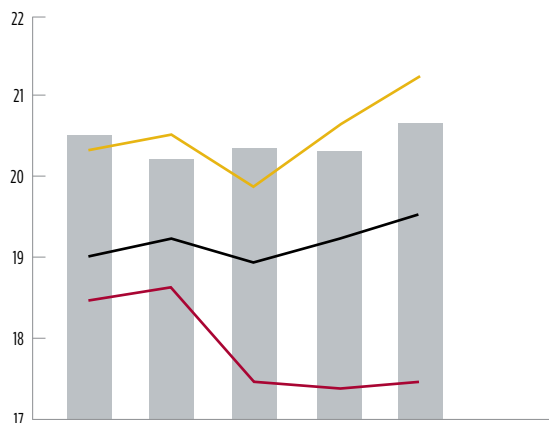


Source: Statistics Canada; Credit Unions of BC, Alberta, and Manitoba; Insurance Deposit Corporation of Ontario; and SaskCentral, May/June, 2008

¹¹ Statistics Canada, May 2007.

¹² CIBC, *Household Credit Analysis*, March 2009.

Shelter Cost as a Percentage of Total Household Expenditure, Provinces and Canada, 2003 to 2007



	2003	2004	2005	2006	2007
BC	20.6%	20.2%	20.4%	20.3%	20.7%
AB	18.4%	18.6%	17.4%	17.2%	17.4%
ON	20.4%	20.6%	19.9%	20.7%	21.3%
CDN Average	19.0%	19.2%	18.9%	19.2%	19.5%

Source: Statistics Canada

Shelter Costs as a Percentage of Total Household Expenditures

The shelter share of total household expenditures¹³ reflects the cost of living. In 2007, shelter accounted for 20.7%, or one fifth, of total household expenditures in BC. Only Ontario exceeded this, at 21.3%.

In 2007, BC's housing prices rose and vacancy rates declined, which caused this indicator to increase by 0.4 ppt, the first significant gain in several years. Only Ontario saw its shelter share grow faster, at 0.6 ppt. For those whose incomes did not rise at the same rate as the cost of shelter, this increase represents a decline in standard of living, as more income is devoted to housing.

Between 2003 and 2007, BC saw only a slight increase in this indicator (0.1 ppt), as both shelter and other nominal household expenditures rose at a similar, and rapid, rate.

Youth at Risk

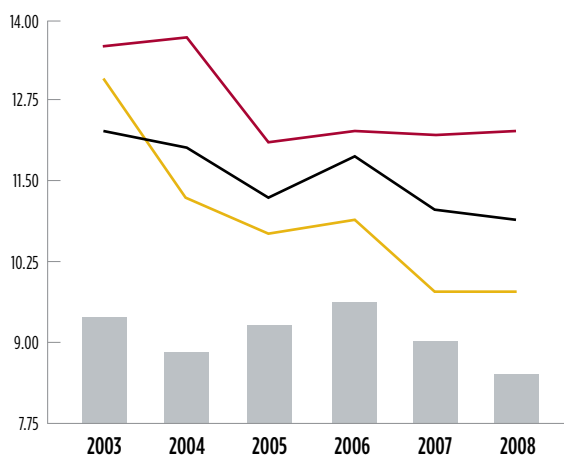
Youth at risk are defined as the percentage of the labour force, aged 19 to 24, who have not completed high school. Since 1999, BC has had the lowest level of youth at risk in our comparison (except for 2001 when Ontario eclipsed BC). In 2008, 8% of BC youth did not graduate from high school: this compared to 9.8% in Ontario, 12.5% in Alberta, and the national average, which was 10.9%.

Youth unemployment in BC was at its lowest (6.9%) in March 2008. During this time, jobs in construction, manufacturing, and trade were plentiful. By March 2009, youth unemployment reached 13.5%, the highest it has been in nearly five years.¹⁴ Despite the challenges this presents for youth looking for work, a positive result of the current global recession may be an increased incentive for BC youth to remain in school, creating a better chance for a prosperous future.

Health Care

For the first time, the *Check-Up* features two health care indicators. The first is our traditional indicator, real provincial health care expenditures per capita. The new indicator ranks our provincial "Health Consumer Index" among the provinces.

Percentage of Labour Force Aged 19-24 with Less than High School Education, Provinces and Canada, 2003 to 2008



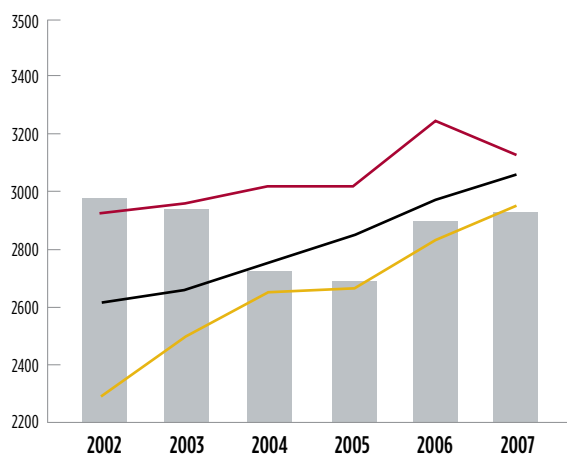
	2003	2004	2005	2006	2007	2008
BC	9.4%	8.9%	9.2%	9.5%	9.0%	8.0%
AB	13.7%	13.8%	12.1%	12.5%	12.4%	12.5%
ON	12.9%	11.4%	10.5%	10.9%	9.8%	9.8%
CDN Average	12.5%	12.0%	11.4%	11.9%	11.2%	10.9%

Source: Statistics Canada, *Labour Force Survey*

¹³ Household expenditure includes total current consumption, personal taxes, personal insurance payments and pension contributions, and gifts of money and contributions. Shelter costs include expenditures on principal accommodation (either owned or rented) and on other accommodation, such as vacation homes or accommodation while travelling. Expenditure on owned principal accommodation includes regular mortgage payments, if any.

¹⁴ BC Stats, *Labour Force Survey*, March 2009.

Real Provincial Health Care Expenditures per Capita (2008\$), Provinces and Canada, 2003 to 2008



Source: Statistics Canada, April 2008

In 2008, BC's real health care expenditures per capita rose by 1.1%, to reach \$2,894; the lowest amount of health care spending in our comparison by \$70 per capita. However, a comparison of the Health Consumer Index rankings shows that BC placed highly—second only to Ontario—among all the provinces of Canada in terms of health care delivery last year.

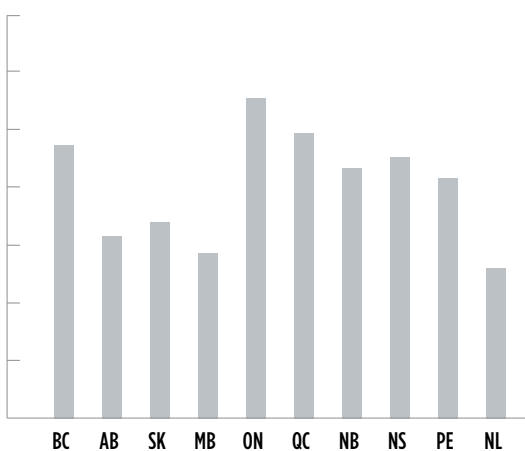
Health Consumer Index National Ranking in 2008¹⁵

Health Consumer Index National Ranking ¹⁶	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
	2	5	9	7	1	8	4	3	6	10

Source: Statistics Canada, Labour Force Survey, February 2008

The consumer index evaluates provincial health care delivery based on five criteria—outcomes, waiting time for treatment, primary care, patient rights, and “generosity.”¹⁷ The idea of a consumer-based assessment of health care is new to Canada, but offers a fresh and rigorous way of measuring success, both within Canada and internationally. Combining this with our traditional indicator offers up a balanced approach to evaluating our province's standing in terms of health care.

Provincial Comparison of Health Care “Bang for Buck” 2008¹⁸



Source: 2008 Canada Health Consumer Index, Frontier Centre for Public Policy

BC has one of the lowest expenditures per capita of all jurisdictions (as shown above), but obtained a high index value (2nd highest of all the provinces). Consequently it merits one of the highest “bang for buck” ratios of all the provinces.

¹⁵ In 2008, the Winnipeg-based Frontier Centre for Public Policy collaborated with the Health Consumer Powerhouse in Brussels to produce its first annual Canada Health Consumer Index (CHCI), which assesses the consumer responsiveness of each province's healthcare system against the rest of the country. Rebecca Walberg and Arne Björnberg, *2008 Canada Health Consumer Index*, Presented by Frontier Centre for Public Policy and Health Consumer Powerhouse.

¹⁶ Ranking across all provinces; territories are excluded.

¹⁷ This refers to the range of services provided in each province. The methodology has been developed and used by the Health Consumer Powerhouse, Europe's leading independent provider of consumer information, whose work has initiated improvement in healthcare systems in Europe.

¹⁸ “Bang for buck” rankings were calculated by dividing the overall Consumer Health Index value with expenditure per capita.

work

BC saw improvement in three of the five WORK indicators in 2008, and tied for first among the comparison jurisdictions for growth in educational attainment (1 ppt), and ranked second in real wage growth (1.3%) and job creation (2.1%).

Pay equality declined by 1.2% last year, and the unemployment rate increased by 0.4 ppt. It could be argued—from the perspective of employers—that the increase in the unemployment rate was desirable, as the previous record-low unemployment levels caused shortages of workers in some industries over the last two to three years. However, the unemployment rate has surged in 2009, indicating BC's economy is feeling the brunt of the recession.

The table below shows how BC compared with Alberta, Ontario, and the national average on our five key indicators over one and five-year periods.

Summary of WORK Key Indicators¹⁹

	BC	AB	ON	CAN
Educational Attainment	62.7%	62.3%	67.5%	65.6%
Unemployment Rate	4.6%	3.6%	6.5%	6.1%
Real Wage Rate	\$23.43	\$26.32	\$23.94	\$23.52
Female/Male Wage Ratio	0.827	0.790	0.837	0.838
Job Creation	48,000	53,900	93,500	259,400

2008 Value

Educational Attainment	1.0 ppt	0.8 ppt	1.0 ppt	0.7 ppt
Unemployment Rate	0.4 ppt	0.1 ppt	0.1 ppt	0.1 ppt
Real Wage Rate	1.3%	3.1%	0.3%	0.8%
Female/Male Wage Ratio	-1.2%	0.3%	0.1%	-0.2%
Job Creation	2.1%	2.8%	1.4%	1.5%

2007-08 % Change

Educational Attainment	3.8 ppt	3.4 ppt	5.6 ppt	4.6 ppt
Unemployment Rate	-3.4 ppt	-1.5 ppt	-0.4 ppt	-1.5 ppt
Real Wage Rate	5.2%	8.6%	4.1%	5.6%
Female/Male Wage Ratio	-1.5%	1.8%	2.4%	1.8%
Job Creation	14.9%	17.3%	7.6%	9.3%

2003-08 % Change

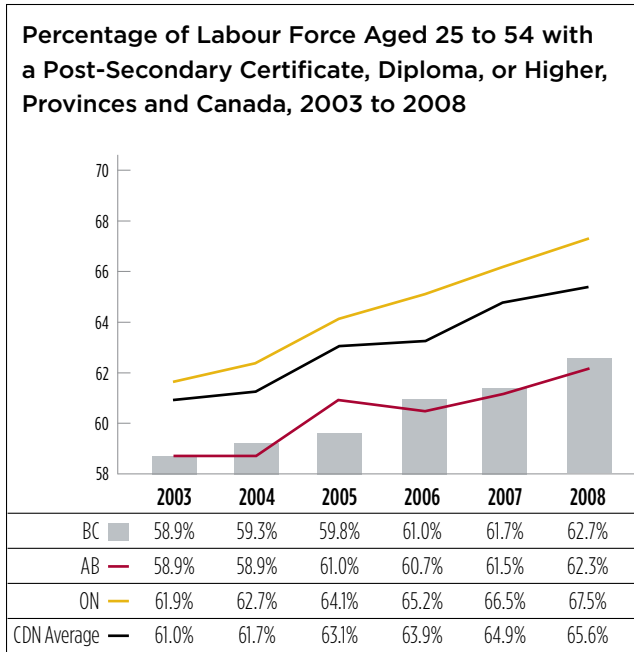
¹⁹ A positive increase in the value of these indicators (except for unemployment levels where a decrease indicates improvement) means an improvement in the quality of the province's work environment.

Educational Attainment

Educational attainment measures the percentage of the labour force, aged 25-54, that has received some level of post-secondary education.²⁰ A higher level educational attainment enhances labour productivity and competitiveness.

In 2008, the educational attainment of BC's labour force rose by 1 ppt, to reach 62.7%.²¹ While this is the highest level of education that BC's labour force has ever achieved, it was still below Ontario and the national average (67.5% and 65.6% respectively).

Notwithstanding their current position in our comparison, educational attainment is growing faster in BC and Alberta, and they are likely to catch up to eastern Canada in the years to come. This is not only because of improved graduation rates and greater post-secondary participation, but also due to an influx of highly-skilled workers. Between 2007 and 2008, the number of workers with education above a bachelor's degree rose 15.8% in BC and 11.1% in Alberta, well above growth rates in Ontario and Canada (7.9% and 7% respectively).



Source: Statistics Canada, *Labour Force Survey*

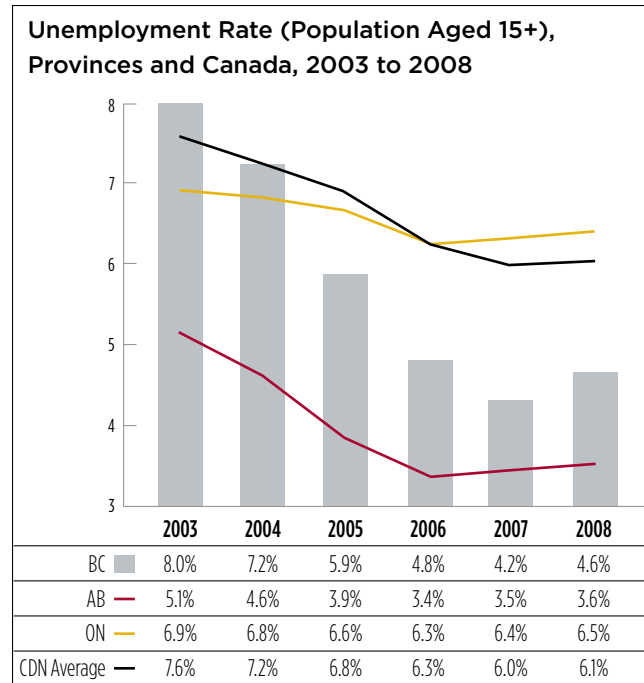
Unemployment Rate

The unemployment rate measures the number of unemployed persons as a percentage of the population, aged 15 and older, who are employed or actively looking for work. BC's record low unemployment rate of 4.2% in 2007 rose slightly to 4.6% in 2008. This was still far below Ontario and the national unemployment rate (6.5% and 6.1% respectively).²²

Over the last five years, BC's unemployment rate dropped by a whopping 3.4 ppt. This was more than double the Canadian average (-1.5 ppt) and more than eight times the progress made in Ontario (-0.4 ppt).²³

However, unemployment has continuously risen in 2009, reflecting the growing challenges of the BC economy. By June 2009, BC's unemployment rate was 8.1%, which is back up to levels seen at the beginning of the decade.

In 2008, BC's labour force maintained a steady growth of 2.5%, but employment growth slowed to 2.1%, as the effects of the global economic downturn took hold. With private sector employers facing tougher times, the public sector generated more than its share of jobs in 2008, which pushed the ratio of public to private sector jobs to 29%, a level not seen since the dot com melt down in 2001.



Source: Statistics Canada, *Labour Force Survey*

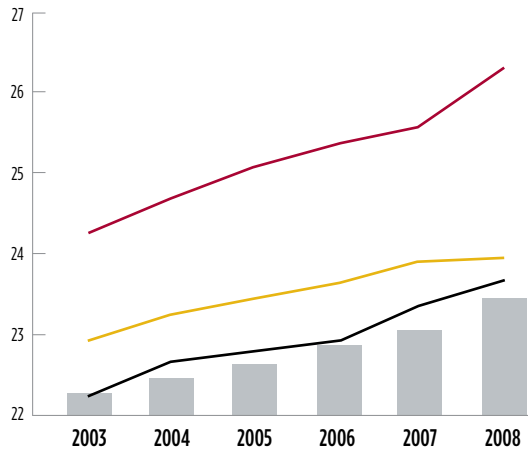
²⁰ Includes post-secondary certificate, diploma, or higher, which includes diploma programs at colleges, as well as trades and technical certification programs.

²¹ Statistics Canada, *Labour Force Survey*, 2008.

²² Ibid.

²³ Ibid.

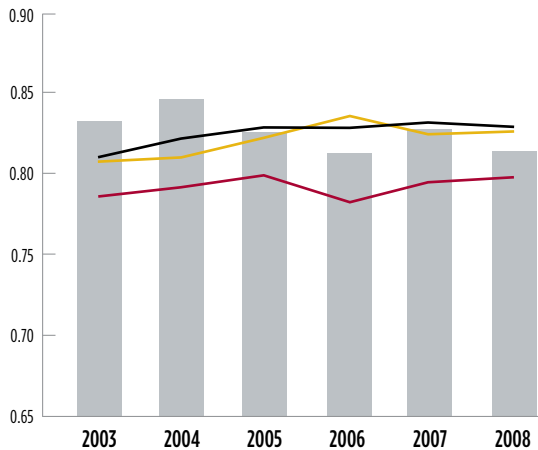
Real Average Hourly Wages (2008\$), Provinces and Canada, 2003 to 2008



	2003	2004	2005	2006	2007	2008
BC	\$22.28	\$22.40	\$22.52	\$22.80	\$23.12	\$23.43
AB	\$24.24	\$24.75	\$25.19	\$25.45	\$25.54	\$26.32
ON	\$22.99	\$23.25	\$23.40	\$23.51	\$23.87	\$23.94
CDN Average	\$22.28	\$22.57	\$22.74	\$22.92	\$23.33	\$23.52

Source: Statistics Canada, Survey of Employment, Payrolls and Hours and Consumer Price Index

Female-to-Male Earnings Ratio (Ages 15+), Provinces and Canada, 2003 to 2008



	2003	2004	2005	2006	2007	2008
BC	0.840	0.849	0.835	0.826	0.837	0.827
AB	0.776	0.787	0.792	0.769	0.788	0.790
ON	0.817	0.820	0.834	0.842	0.836	0.837
CDN Average	0.823	0.832	0.838	0.838	0.840	0.838

Source: Statistics Canada, Labour Force Survey

Real Wages

In 2008, real wages in BC were \$23.43 per hour, which was the lowest in our comparison. However, BC's higher than average one-year wage growth of 1.3% narrowed the wage gap with Ontario.

Alberta pulled away from BC with a real wage gain of 3.1%, as lower costs for shelter and gasoline helped tame the high levels of inflation that had nullified Alberta's wage gains in 2007.^{24, 25}

Between 2003 and 2008, Alberta saw an 8.6% increase in real wages, compared to BC's 5.2% growth rate, and Ontario's 4.1% increase. BC's gains lagged the national average (5.6%) over this same period

BC's highest wages continued to be in the mining, and oil and gas industries, which increased 9% in 2008 to an average of \$44.73/hour.²⁶ Other top earners were workers in utilities (\$40.51/hr); information & cultural industries (\$32.76/hr); professional, scientific and technical services (\$32.60/hr); and public administration (\$32.30/hr).

Pay Equality

In 2008, BC's female-to-male wage ratio declined by 1.2%, to reach 0.827. In contrast, Alberta and Ontario both realized small gains of 0.3% and 0.1% respectively. The national average declined by 0.2%.

BC was the only jurisdiction to see a five-year decline in wage parity. Between 2003 and 2008, this ratio declined 1.5%. During this same period, Ontario's wage parity ratio rose by 2.4%, and Alberta and Canada saw an increase of 1.8%.

From the late 1990s to about 2004, our comparison jurisdictions experienced improvements in wage parity, most likely due to the increased number of women obtaining a post-secondary education throughout the 1990s.²⁷ In BC, wage parity slowed in the past five years because the proportion of women in management declined from 38% in 1998 to 34.1% in 2008.²⁸ There was also a corresponding reduction in the share of high-wage jobs held by women. Another factor is that in the past five years, women's nominal wages in BC rose 11.9%, but men's rose 13.6% during the same period.

²⁴ Statistics Canada, Survey of Employment, Payrolls, and Hours and Consumer Price Index, 2008.

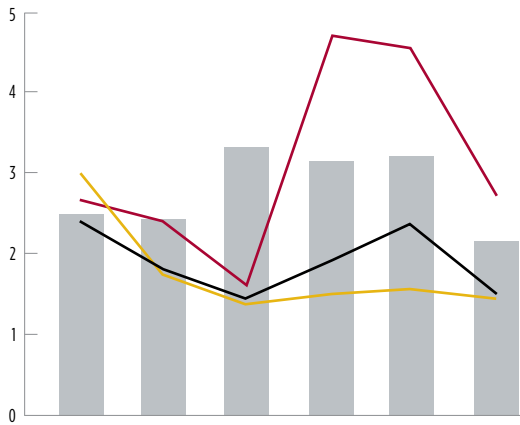
²⁵ Alberta Finance & Enterprise, Economics and Statistics - Alberta Inflation, June 13, 2008.

²⁶ Statistics Canada, Survey of Employment, Payrolls, and Hours and Consumer Price Index, 2008.

²⁷ Marc Frenette and Simon Coulombe, Has Higher Education Among young Women Substantially Reduced the Gender Gap in Employment and Earnings? Statistics Canada, Analytical Studies Branch Research Paper Series, June 2007.

²⁸ Statistics Canada, Labour Force Survey, 2008.

**Annual Growth in Total Employment (Ages 15+),
Provinces and Canada, 2003 to 2008**



	2003	2004	2005	2006	2007	2008
BC	2.5%	2.4%	3.3%	3.1%	3.2%	2.1%
AB	2.7%	2.4%	1.5%	4.8%	4.7%	2.8%
ON	3.0%	1.7%	1.3%	1.5%	1.6%	1.4%
CDN Average	2.4%	1.8%	1.4%	1.9%	2.3%	1.5%

Source: Statistics Canada, *Labour Force Survey*

Job Creation

Job creation, or loss, measures the absolute change in the number of employed workers and shows where new opportunities or losses have occurred in the various sectors of the economy.

BC's economy created 48,000 new jobs in 2008, an increase of 2.1%, which was well above the national job growth rate of 1.5%. However, this was down from the 60,000 to 70,000 new jobs created over the last three years. Alberta's job creation was up 2.8%, but it was also off its huge 80,000+ job creation pace of the last two years. Ontario's job creation grew by 1.4%.

Over the past five years, BC has added almost 300,000 jobs, which represented a total employment growth rate of 14.9%. Over this same period, Alberta created an almost identical number of jobs, 296,600, which represented employment growth of 17.3%. Over the last five years, BC and Alberta generated over 40% of the new jobs in Canada, despite representing only 25% of the total Canadian population.



invest

BC's investment climate continued to see lacklustre results in 2008, ranking lowest or second-lowest in three out of five indicators. This is not a surprise, given that BC's real GDP declined 0.3%, and was below the national average growth rate of 0.5%.

In 2008, the value of BC's exports declined by 9.1%, due primarily to the slump in US demand for solid wood products, and lower mineral and gas prices. BC's labour productivity declined by 1.7% and corporate profits declined by 0.3 ppt.

On the bright side, BC tied for first in employment in the sciences, posting a 0.2 ppt increase. In addition, BC's financial liabilities/GDP declined 2 ppt, the best result in our comparison.

The table below shows how BC compared with Alberta, Ontario, and the national average on our five key indicators over one and five-year periods.

Summary of INVEST Key Indicators

	BC	AB	ON	CAN
Productivity	38.0	47.5	41.7	40.9
Employment in the Sciences	6.6%	7.6%	7.6%	7.1%
Value of Exports per Worker	\$27,915	\$51,881	\$46,135	\$26,548
Net Provincial Financial Liabilities as a Percentage of GDP ²⁹	6.9%	-6.4%	21.4%	20.8%
After-Tax Corporate Profits-to-GDP Ratio	9.34%	18.79%	7.27%	10.80%

2008 Value

Productivity	-1.7%	-1.4%	-0.6%	-0.5%
Employment in the Sciences	0.2 ppt	-0.3 ppt	0.2 ppt	0.1 ppt
Value of Exports per Worker	-9.1%	-4.2%	-6.7%	-6.3%
Net Provincial Financial Liabilities as a Percentage of GDP	-2.0 ppt	-1.5 ppt	-1.1 ppt	-1.7 ppt
After-Tax Corporate Profits-to-GDP Ratio	-0.3 ppt	2.1 ppt	-1.0 ppt	0.2 ppt

2007-08 % Change

Productivity	-0.6%	2.5%	3.4%	3.3%
Employment in the Sciences	0.3 ppt	0.7 ppt	0.4 ppt	0.5 ppt
Value of Exports per Worker	-4.3%	-0.8%	-4.5%	-3.9%
Net Provincial Financial Liabilities as a Percentage of GDP	-7.1 ppt	-7.3 ppt	-2.7 ppt	-6.6 ppt
After-Tax Corporate Profits-to-GDP Ratio	2.3 ppt	2.2 ppt	-2.1 ppt	1.1 ppt

2003-08 % Change

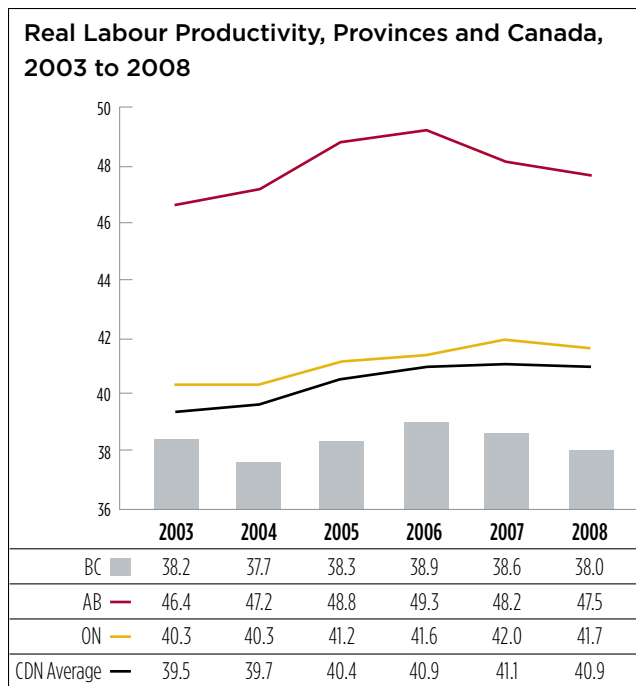
²⁹ Net provincial financial liabilities as a Percentage of GDP — 2007 value presented and % changes from 2003 to 2007 and 2006 to 2007. An increase in all of the foregoing indicators except net financial liabilities is a desirable change in terms of investment conditions. Conversely, a decline in government net financial liabilities to GDP ratio is a desirable change.

Productivity

Real labour productivity measures the efficiency of the workforce, or the amount of output per person hour worked.³⁰ In 2008, BC's productivity declined by 1.7%, Alberta's declined 1.4%, and Ontario and Canada as a whole saw declines of 0.6% and 0.5% respectively.

Between 2003 and 2008, BC's productivity declined 0.6%. Productivity was dampened by the large role the service sector plays in the economy. The service sector is more labour-intensive than the goods sector. In addition, productivity growth in most of BC's service industries has been weak since 1990. Another factor is that BC's labour force has lower educational attainment. Without investment in "human capital," labour is simply not achieving its full potential.

Ongoing investment in private and public infrastructure, technological innovation and dissemination, and education and training of BC's labour force are all required to boost BC's lagging productivity growth.



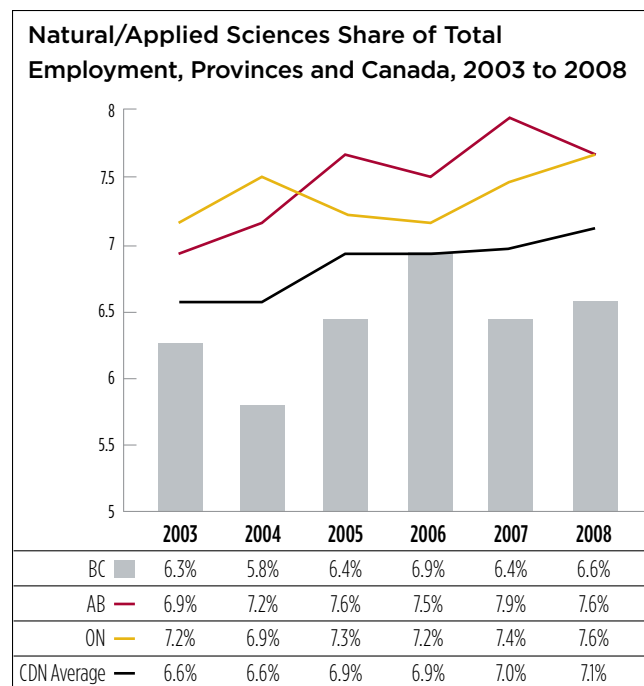
Source: Statistics Canada

Employment in the Sciences

The labour market share of workers in the natural and applied sciences is a barometer of technological dissemination throughout the workforce.³¹ In 2008, 6.6% of BC's labour force was employed in science-related occupations. Alberta and Ontario led the comparison at 7.6%, and the national average was 7.1%.

Not only was BC's share of workers in the sciences comparatively low, but it showed only a small increase of 0.2 ppt in 2008. Nevertheless, this was on a par with Ontario, and just slightly above the national average gain of 0.1 ppt. Alberta saw a decline of 0.3 ppt, as its oil and gas sector slowed down.

A labour market study carried out in February 2008 by the BC Technology Industries Association predicted that BC would see 5,000 new technology jobs by September 1, 2008.³² The economic developments of late 2008 dampened the real numbers, but there is no question that many of these jobs were realized. In addition, science-related jobs emerged in several of BC's traditional sectors, as industry evolved to become more competitive and meet growing market challenges.



Source: Statistics Canada, *Labour Force Survey*

³⁰ Ideally, a productivity measure should account for both labour and capital inputs used in production, but this is difficult, and labour productivity is generally used as a proxy measure for total change in productivity.

³¹ Natural and applied sciences include professional occupations in physical and life sciences, engineering, architecture, planning, and a range of related technical occupations.

³² Techtalent BC, *Labour Trends in the BC Technology Sector*, carried out by the BC Technology Industries Association, February 2008.

Exports per Worker

Trade between countries, or regions within a country, consists of goods and services.³³ Export revenue is a significant source of basic income into our provincial economy, but it is sensitive to global demand conditions. An increase in exports per worker reflects an improvement in the trade environment and investment climate.

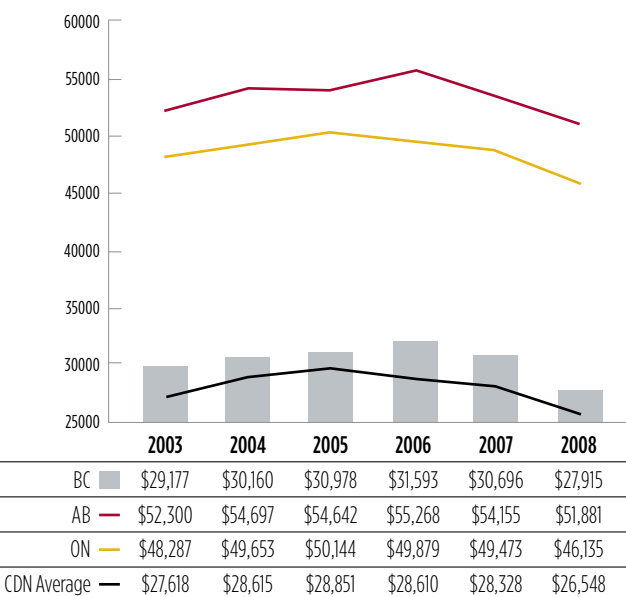
In 2008, BC's exports per worker declined by 6.8% to \$27,915. This, no doubt, reflects the decline in quantity and price of forest products shipments, our major export. Although the value of Alberta's exports per worker declined 4.2% to \$51,881, they were still almost double that of BC and the highest in Canada. Ontario's exports per worker also declined 6.7% to \$46,135.³⁴

Between 2003 and 2008, exports per worker in BC were down by 4.3%, Ontario declined 4.5%, and Alberta saw an export decline of 0.8% during this period. While the value of total exports from BC rose by 5.9% between 2003 and 2008, the number of workers increased at almost double this rate (10.7%).

Net Government Financial Liability as a Percentage of GDP

Net government liability reflects past fiscal policy and future tax burden. In 2007, BC's financial liabilities declined 2 ppt, and comprised only 6.9% of GDP. In Alberta, where all provincial government debt has been eliminated, the ratio was -6.4%. Ontario and Canada posted declines of 1.1 ppt and 1.7 ppt, and saw their government liabilities drop to 21.4% and 20.8% respectively.³⁵

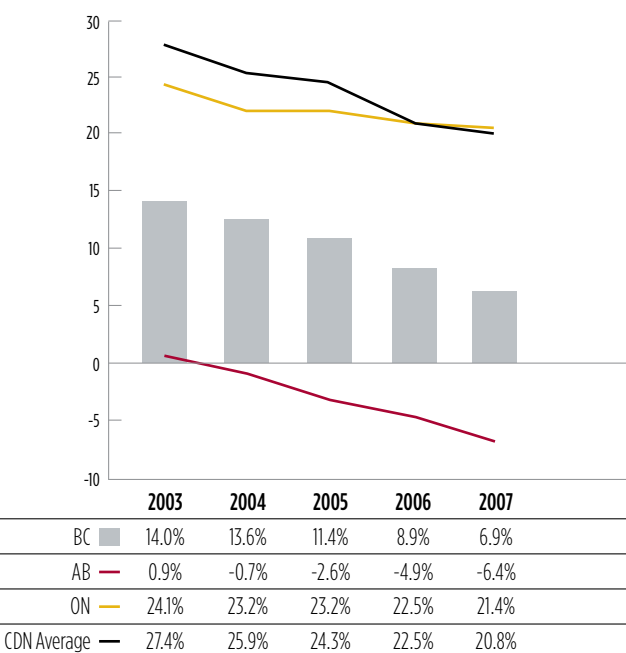
Exports of Goods and Services per Worker (2002\$), Provinces and Canada, 2003 to 2008



Source: Statistics Canada

Note: Provincial statistics include international and inter-provincial shipments, but the latter are netted out in Canadian export figures, so the numbers are not strictly comparable

Net Provincial Debt as a Percentage of GDP, Provinces and Canada, 2003 to 2007³⁶



Source: Statistics Canada

³³ Goods are tangible merchandise. Services include wholesale trade, retail trade, transportation and warehousing, information and cultural industries, finance and insurance industries, and business services.

³⁴ Canadian exports per worker were \$26,548, but this nets out inter-provincial shipments, and it is therefore not comparable to the provinces.

³⁵ Our indicator, *net government financial liability as a percentage of GDP*, is derived from Statistics Canada's Financial Management System (FMS) data. The numerator, net government financial liability, is defined as total provincial financial assets (including sinking funds), minus financial liabilities, plus guaranteed debt. Guaranteed debt is a guarantee issued by the provincial government on behalf of its crown corporations that could become a claim on the government in the event that the corporation does not meet its obligations. The FMS provincial government data provides consistent results that can be compared between provinces. For more information on FMS system of accounting, see Statistics Canada Cat. No. 68FO023.

³⁶ Represents fiscal year ending March 31st of the following year.

By the end of 2007, strong economic growth, positive government revenues, and prudent fiscal policy all laid the groundwork for a robust investment climate in BC. But the tumultuous economic and financial events of 2008, accompanied by growing unemployment, severely altered the context for government spending. The BC government has chosen to change its balanced budget policy to allow for a budget deficit during the next few years, as well as ramp up capital spending, as a way of buoying the economy through these difficult times.

BC's debt level is expected to rise accordingly, but its future fiscal position should again strengthen as the forecast economic recovery takes hold, anticipated in 2010.³⁷

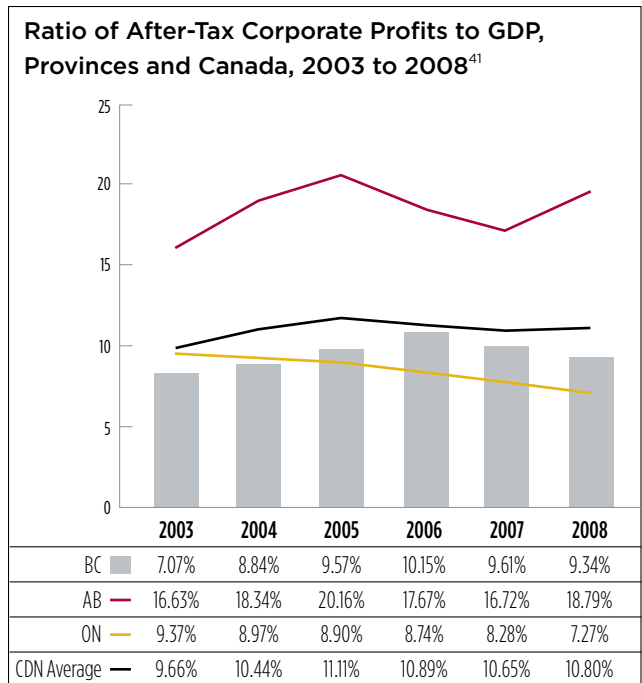
After-Tax Corporate Profits-to-GDP Ratio

Corporate profitability is a strong indicator of the current and future investment climate of a province.⁴⁰ In 2008, BC's ratio of after-tax corporate profits declined 0.3 ppt to 9.34%. This was ahead of Ontario, which declined 1 ppt to 7.27%. The national average increased a meagre 0.2 ppt to 10.80%. Alberta saw this indicator rise 2.1 ppt to 18.79%, due to oil and gas revenues.

In 2008, Canadian corporations saw profits begin to decline as the world financial system and markets stalled. Canadian pre-tax operating profits declined from \$68.3 billion in the first quarter of 2008, to \$62.4 billion in the fourth quarter of the same year. Between the first quarter 2008 and the first quarter 2009, Canadian industry pre-tax operating profits declined by 19.3%, or \$13.2 billion. However, some of the gross profit losses were offset by declining provincial and federal general corporate tax rates in 2008.

	2003	2004	2005	2006	2007
Provincial Government Net Financial Deb	\$ 20,119	\$ 21,255	\$ 19,201	\$ 16,078	\$ 13,139
Total Guaranteed Debt ³⁹	\$297	\$167	\$148	\$110	\$98
Total Net Financial Liability	\$ 20,416	\$ 21,422	\$ 19,349	\$ 16,188	\$ 13,237
GDP-Expenditure-based at Current Prices	\$145,642	\$157,675	\$169,308	\$182,743	\$192,528
Net Government Financial Liabilities-to-GDP Ratio	14.0%	13.6%	11.4%	8.9%	6.9%

Source: Statistics Canada, Financial Management System



Source: Statistics Canada

³⁷ TD Economics, *The 2009 British Columbia Budget*, February 17, 2009.

³⁸ Represents fiscal year ending March 31st of the following year.

³⁹ Includes provincial, local, and "other" guaranteed debt.

⁴⁰ Our indicator is the ratio of after-tax operating profits-to-GDP, which allows us to compare between jurisdictions. Our definition of profits includes those accrued in both private sector and government business enterprises. Government business enterprises, which constitute 5-10% of total profits, are legal entities with a separate set of financial statements, which qualifies them in the parlance of Statistics Canada as "institutional units." GBEs differ from other government services in that they generally charge prices that are related to the cost of production, as in the case in private enterprises, and are subject to tax. Gaming and liquor sales are excluded from GBE profits because of the nature of their profits. Governments have established monopolies for these enterprises and it is not possible to distinguish between profits they earn as a margin on their operations or what they earn as monopoly producers. They are therefore classified as indirect taxes, specifically taxes on products.

⁴¹ Direct taxes are estimated for 2006 and 2007 based on total corporate profit growth and current corporate tax rates.

BC Check-Up

As leaders in analysing and validating information, CAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It's with this goal in mind that the Chartered Accountants of BC prepare the *BC Check-Up* each year. It is our hope that the *BC Check-Up* will make a positive public policy contribution to the province by stimulating debate and discussion about how to make BC a better place in which to live, work, and invest.

The *BC Check-Up*, *Regional Check-Up*, and related information are available online at www.bccheckup.com.

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The *BC Check-Up* summary was written by Kerri Brkich, based on a report provided by Chisholm Consulting. Creative layout and design were done by Blair Robertson of Blindfolio Design.

Opinions expressed in the *BC Check-Up*, 2009 do not necessarily reflect those of individual CAs.

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