



Kootenay Development Region



Occupying the south-eastern portion of BC, the Kootenay Development Region (KDR) extends from Radium Hot Springs in the north to the US border, and from Greenwood in the west to Sparwood in the east. It comprises 25 municipalities, including Cranbrook (which is the largest) in the East Kootenay Regional District, Nelson and Castlegar in the Central Kootenay Regional Districts, and Trail in the Kootenay-Boundary Regional District. The KDR has a total land area of 57,787 km².

The KDR is one of BC's smaller population hubs, accounting for just over 3% of the provincial population. Due to its geographic isolation and strong reliance on the resource sector, the region has always been sensitive to economic cycles. In the East Kootenays, coal, pulp, and lumber are the key resource products. In the West Kootenays, zinc and lead smelting and refining, and lumber, pulp, and wood products manufacturing are the main economic activities. The region's rivers generate a substantial amount of hydro electricity, supplying provincial and US markets. In recent years, construction has been a major employer in the region, with several large commercial, residential, and industrial construction projects underway. Many of these jobs are, however, seasonal or of limited duration. Tourism is another growth industry—major tourism-related projects currently under construction promise to increase the region's appeal as a tourism and recreation destination. In 2008, the KDR's population grew by 1.9% (2,746 residents), to reach 149,769. All three Regional Districts saw net positive population growth, with almost 90% split equally between the East and West Kootenays.



2008 was a challenging year for the global economy, as a crisis that began in the financial sector spread to the rest of the economy in the US, Canada, and overseas. The spreading economic malaise took its toll on the KDR, where forest workers faced permanent or extended layoffs as companies shut down mills in response to the worsening economic climate. Shutdowns impacted loggers and forest company suppliers, and resulted in a shortage of pulp mill fibre. Some of the smaller, forest-sector dependent communities in the Central Kootenay and Kootenay-Boundary Regional Districts are currently struggling.

By the end of the year, pulp producers were affected by the global economic slowdown—a decrease in demand for packaging and other pulp consuming products caused a sudden drop in pulp prices in December. While mining did a remarkable job of shoring up the economy for most of 2008, by the end of the year, a collapse in metal and mineral prices resulted in job losses at Teck Cominco, which has a smelter in the Kootenay-Boundary, and five coal mines in the East Kootenay. The slow down in production affected other areas of the economy, such as transportation. By late 2008, employment tumbled by 11.8% from a historic high of 79,500 in October 2007.¹ Like the rest of BC, the KDR's housing market lost value, and residential sales dollar volume declined by 31.1% in 2008, and average residential sales prices fell by 12.2% between December 2007 and 2008.² Recreational property sales in ski and resort areas in the East Kootenay Regional District dried up after several years of rapid growth.³

WORK Indicators

Job Creation

Overall, conditions in the KDR's labour market weakened in 2008—approximately 5,600 jobs were lost (a 7.3% decline), which is in stark contrast to the previous year which saw a gain of 7,600 jobs. This is the highest rate of job loss in the Kootenays in the past decade, and in the province in 2008. BC as a whole experienced a job creation rate of 2.1%. The abrupt turn around in the KDR's labour market is no surprise given the spiralling downturn in the forest industry and the impacts of the global recession that began to wear on other areas of the economy by year end.

The *goods-producing sector* of the KDR, which encompasses less than one third of the labour market, endured the biggest battering in 2008 with a loss of 4,000 jobs (a decline of 15.3%). Between 2007 and 2008, the industries that were hardest hit were manufacturing (3,800 jobs lost) and construction (1,200 jobs lost). The forestry, fishing, mining, and oil and gas sector was the only one to post gains, with 1,500 new jobs created over the course of the year.

Early in 2008, jobs in manufacturing declined, as forestry operations announced permanent layoffs or temporary shut downs in response to reduced demand and price stagnation in forest products. In BC, exports of wood products fell by 18.4% in 2007 and a further 24.5% in 2008.⁴ Employment in the construction industry began falling off in the spring to reach a low during the summer of 2008. After five years of growth, the value of building permits in the KDR dipped in 2008 (down 9.3%). While residential construction has continued to expand, the industrial, commercial, and institutional/government developments have declined.⁵



¹ Statistics Canada, *Historical Labour Force Survey 2008*, CD1 Table 33M3.
² British Columbia Real Estate Association, "BC Home Sales Decline by One-Third in 2008," Press Release, January 12, 2009.
³ Derrick Penner, "No Summer Place in the Cards for Many," *Vancouver Sun*, March 30, 2009.
⁴ BC Stats, *Exports (BC Origin) 1999-2008*, March 2009.
⁵ BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts by Type 2000-2008*, February 5, 2009.

The primary resource sector saw its fourth consecutive year of job gains in 2008. Mineral exploration in the Southeast Region remained strong at an estimated \$42 million, just down slightly from last year's record of \$43 million.⁶ Roca Mines saw its first full year of operation, and a new mine, Merit Mining Corp's gold-copper mine near Grand Forks, commenced operations. During most of 2008, record prices for metallurgical coal spurred production at Teck Coal's mines in the East Kootenays.⁷ Provincewide, exports of coal soared by 117.4% over 2007.⁸ But by the end of the year, employment in primary resources began to decline in response to a drop in the price of metals.⁹

Table 2-1: Employment, Kootenay Development Region, 2003 to 2008^{10,11}

	2003	2004	2005	2006	2007	2008	Job Creation (000)	
							5-Year 2003-08	1-Year 2007-08
TOTAL EMPLOYMENT (000)	67.4	67.1	69.2	69.5	77.1	71.5	4.1	-5.6
Goods-Producing Sector (000)	17.6	21.7	19.1	19.4	26.1	22.1	4.5	-4.0
Agriculture	-	-	-	2.7	2.5	2.4	-	-0.1
Forestry, fishing, mining, oil and gas	2.7	2.3	3.1	3.3	5.4	6.9	4.2	1.5
Utilities	-	-	-	-	-	-	-	-
Construction	5.5	8.3	5.8	4.9	9.2	8.0	2.5	-1.2
Manufacturing	7.7	10.3	8.7	7.8	8.4	4.6	-3.1	-3.8
Services-Producing Sector (000)	49.8	45.4	50.1	50.1	51.0	49.4	-0.4	-1.6
Trade	11.1	8.7	10.1	11.4	11.3	12.7	1.6	1.4
Transportation & warehousing	2.5	3.7	3.7	2.7	3.3	3.4	0.9	0.1
Finance, insurance, real estate & leasing	3.3	-	2.8	3.2	3.2	2.3	-1.0	-0.9
Professional, scientific & technical services	2.1	2.0	3.8	3.9	3.3	3.5	1.4	0.2
Business, building & other support services	2.1	2.4	2.5	4.0	2.4	1.6	-0.5	-0.8
Educational services	4.5	4.0	4.5	3.2	4.9	5.0	0.5	0.1
Health care & social assistance	8.5	9.0	7.8	6.1	8.3	6.1	-2.4	-2.2
Information, culture & recreation	3.0	2.9	4.0	2.9	3.4	3.0	0.0	-0.4
Accommodation & food services	7.1	4.9	5.4	7.6	6.0	7.2	0.1	1.2
Other services	3.4	3.9	3.1	3.6	3.1	2.8	-0.6	-0.3
Public administration	2.1	2.3	2.2	1.6	1.8	1.8	-0.3	0.0

Source: Statistics Canada, *Labour Force Survey Historical Review*

The KDR's *services-producing* sector also experienced a net job loss in 2008. Total employment in the sector fell to 49,400, a decline of 1,600 jobs from the previous year. With the exception of 2004, employment in the Kootenay services-producing sector has been fairly stable between 2003 and 2008, supplying between 49,400 and 51,000 jobs. Employment has declined by a net of 400 jobs over the five year period.



⁶ Ministry of Energy, Mines and Petroleum Resources Mining and Minerals Division, *Exploration and Mining in British Columbia 2008*, January 2009.

⁷ Ibid.

⁸ BC Stats, *Exports (BC Origin) 1999-2008*, March 2009.

⁹ "BC's Mining Industry is too Important to Ignore," *Vancouver Sun*, February 24, 2009.

¹⁰ Industries with 0.0 are estimated to have fewer than 1,500 employed at that particular point in time, thus the numbers presented in the table may not add up to total sector figures, and job creation statistics can not be calculated.

¹¹ In the smaller Development Regions, the sample size for the Statistics Canada Labour Force Survey is small. Moreover, the survey sample is rotated from year to year, which can affect estimates of the labour force size and structure. As a result, employment estimates in some sectors are not necessarily robust and, in a few cases, we have been unable to reconcile the 2006-2007 job creation numbers with what is actually happening in that labour market. These cases are cited where they occur.

Between 2007 and 2008, employment in trade and accommodation and food services increased by 1,400 and 1,200 respectively. Monthly labour force data indicates that employment in retail and wholesale trade in the KDR has been in a general upward trend for the past two years, and in late 2008, a surge in employment pushed up annual employment. Similarly, employment gains in accommodation and food services were seen in the latter part of 2008. The vast majority of major project development and expansion designed to stimulate summer and winter tourism is nearing completion, and likely in need of additional staff. While tourism statistics indicate room revenues were down slightly in 2008 (0.9%), they were still significantly higher (13.2%) than in 2006, reflecting growth in the value of visitor spending during this time. This industry appears to have remained healthy despite the downturn in other parts of the economy.¹²

These impressive gains were offset by job loss in health care and social assistance (2,200 jobs), finance, real estate, and leasing (900 jobs), and business, building, and other support services (800 jobs). Employment in the health care and social assistance industry has been unusually unstable through most of 2008. The industry began the year with 8,100 employees, and by August it had reached a low 3,200. By year end, however, employment shot up again to 9,000.¹³ The finance, real estate, and leasing industry took a hit as real estate sales began slipping early in the year—by February, the residential sales volume had already plunged by 15.8% over the same month in 2007.¹⁴ The business, building, and support industry began the year dismally, with employment falling off to less than 1,500, to remain below that level for the first half of the year. Month-over-month increases in the latter part of the year, however, pushed employment in the industry up to 2,400 by December. A decline in the business, building, and support industry often corresponds to a general business reduction.

Unemployment Rate

In 2008, the KDR's unemployment rate declined 0.7 percentage points, to 4.8%. This decline served to narrow the gap with the provincial rate, which increased by 0.4 percentage points to 4.6%. Given the KDR's faltering job market and, mounting job losses in late 2008, a further decline in the unemployment rate is not expected.

Table 2-2: Unemployment Rate (%), Kootenay Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Kootenay DR	11.5%	9.2%	6.1%	6.2%	5.5%	4.8%	-6.7 ppt	-0.7 ppt
British Columbia	8.0%	7.2%	5.9%	4.8%	4.2%	4.6%	-3.4 ppt	+0.4 ppt

Source: Statistics Canada

Detailed Labour Force Survey data indicates that many individuals who lost their jobs in 2008, or were already unemployed, exited the labour force (or were classed as “not in the labour force”).¹⁵ Many individuals who received layoff notices, and did not seek work hoping that their job would resume shortly, are grouped in this category. This drop in labour force numbers effectively pushed down the unemployment rate to a *seemingly*



¹² BC Stats, *Tourism Sector Monitor – Data Tables*, March 2008.

¹³ Labour Force Survey sampling error may be the most probable explanation for the reported fluctuations. In the smaller Development Regions, the sample size for the Statistics Canada Labour Force Survey is small. Moreover, the survey sample is rotated between industries, which can affect estimates of labour force size and structure. As a result, employment estimates in some sectors are not necessarily robust, and in a few cases we have been unable to reconcile job creation numbers with what is actually happening in a particular labour market.

¹⁴ BC Real Estate Association, “Home Sales Slip in February,” Press Release, March 17, 2008.

¹⁵ They may have been laid off and awaiting recall, went on to schooling/upgrading, resumed as homemakers, retired, were seasonal workers in an off season who were not looking for work, or they were simply discouraged and gave up looking for work.

desirable level—without the sharp contraction in the labour force, the region’s unemployment rate would have been higher. These dynamics also pushed the participation rate down to 61.2%, the lowest level in BC. This is 5.4 percentage points behind the province as a whole, and a whopping 15.1 percentage points behind the Northeast Development Region.

Table 2-3 shows that the unemployment rate for workers, age 19 to 24 years, in the KDR jumped considerably between 2007 and 2008, rising to 14.8%. These statistics are somewhat perplexing as many unskilled jobs opened up in both retail and hospitality last year. However, by year end, higher general unemployment resulted in more competition for existing jobs, resulting in fewer opportunities available for youth.

Table 2-3: Youth (age 19 to 24 years) Unemployment Rate, Kootenay Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Kootenay DR	20.3%	15.9%	8.2%	13.8%	5.9%	14.8%	-5.5 ppt	+8.9 ppt
British Columbia	11.4%	10.5%	8.5%	6.4%	6.0%	6.8%	-4.6 ppt	+0.8 ppt

Source: Statistics Canada, *Labour Force Survey*, Custom Table

*Unemployment rate calculated by author for 2004 to 2008.

INVEST Indicators

Business and Investment Activity

After several years of remarkable growth, major project investment in the KDR levelled off in 2008. The total value of investments proposed, underway, completed, or on hold in the Kootenays rose by 2.4%, from \$6 billion in fourth quarter 2007 to \$6.2 billion in fourth quarter 2008.¹⁶ Projects in the proposal stage, or on hold, accounted for 60% of total investment. In comparison, major project investment in BC as a whole was up by 22% between the fourth quarters of 2007 and 2008.

The December 2008 *Major Projects Inventory* indicates that two small projects, valued at approximately \$51 million, commenced construction in the KDR. These projects include the upgrade of the Creston and District Community Complex (\$18 million), and the replacement of the J. Lloyd Crow Secondary School in Trail (\$33 million). Both projects are publicly funded. In 2008, the lion’s share of projects under construction were residential or commercial in nature, and related to ski or golf resort development or expansion. Many of these projects are expected to wind down in 2009 or 2010. However, the largest project—the \$800 million Red Mountain Ski Resort Expansion in the West Kootenays—is targeted for completion by 2015.



¹⁶ BC Ministry of Economic Development. *BC Major Projects inventory*. December 2008.

The global financial crisis and tighter lending practices that were put into effect in late 2008 no doubt affected investment decisions in the last quarter of the year, and will continue to do so for the next few years to come. A comparison of the fourth quarters in 2007 and 2008 shows that in the KDR, the total number of projects¹⁷ declined slightly from 36 to 31. The *Major Projects Inventory* indicates that over \$2.6 billion in projects will commence construction in 2009, however, it is very likely some projects will be deferred as investors take a “wait and see” approach. The largest of these projects include the proposed Fairmont Hot Springs Resort expansion and renovation (\$1 billion), the Jumbo Glacier Resort (\$450 million), the Waneta Power Plant expansion (\$400 million), and the Glacier/Howser hydroelectric project (\$240 million). Statistics Canada’s latest “Public and Private Investment Intentions Survey” confirms that more BC companies plan on scaling back capital outlays in 2009—capital investment is expected to retreat in 2009 by about 7.2% from 2008 levels. This may well signal an end to the multi-year investment boom in the region.¹⁸

In a move to stimulate the economy, the federal and provincial governments have earmarked funds to accelerate and expand infrastructure during the next few years.¹⁹ We can expect to see a rise in the share of public sector capital investment, at least for 2009 and 2010, as governments spend to offset economic decline in the private sector. Residents of the East Kootenay region will, in fact, benefit from the joint federal and provincial funding to improve local highways and bridges. An investment of more than \$29.5 million in 2009 is expected to create about 180 direct jobs.²⁰

Incorporations and Bankruptcies

After six years of solid gains, the KDR saw its first downturn in business incorporations in 2008. Last year, the number of incorporations decreased by 11.8%, to 644—entrepreneurs appeared to be more cautious in the present uncertain economic climate. While this signals a turning point, incorporations in the region have increased a whopping 76.4% since 2003.

Table 2-4: Business Incorporations and Bankruptcies, Kootenay Development Region, 2003 to 2008

	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Business Incorporations	365	450	536	603	730	644	+76.4%	-11.8%
Business Bankruptcies ²¹	55	32	27	29	12	15	-72.7%	+25.0%

Source: BC Stats

In 2008, business bankruptcies rose slightly from 12 to 15, and 2007 was an exceptional year for businesses in the Kootenays, with bankruptcies at their lowest level in at least a decade. Over the past five years, bankruptcies have declined by nearly 72.7%. The general downward trend is encouraging, and signifies that overall business health in the KDR is still quite good.



^{17.} Proposed, under construction, completed, and on hold.

^{18.} Business Council of British Columbia, “BC Capital Investment Set to Drop in 2009,” *BC Economic Snapshot*, March 19, 2009.

^{19.} *National Post*, January 31, 2009.

^{20.} Province of British Columbia, “Highway Improvements Benefit Kootenay Region,” News Release, April 8, 2009.

^{21.} Business bankruptcy data represents the cities of and/or urban areas near Castlegar, Cranbrook, Kimberley, Nelson, and Trail.

Business Establishments

The KDR saw a modest increase (0.7%) in the number of business establishments in 2008, rising to 10,987. In comparison, the number of establishments in BC as a whole declined by 1.3%, to 354,695. Most of gains in the KDR were in business establishments with less than 20 employees. Business establishments with more than 50 employees continued to decline.

Table 2-5: Number of Business Establishments—all sizes, Kootenay Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Kootenay DR	11,903	12,200	12,055	12,321	10,907	10,987	-7.7%	+0.7%
British Columbia	332,418	346,316	345,227	350,444	359,314	354,695	+6.7%	-1.3%

Source: BC Stats and Statistics Canada (2005, 2006, and 2007)

In BC, small business establishments (those with less than 50 workers) are a significant contributor to the economy—they employ nearly half of the province’s workforce.²² The province’s economy is unique in this regard, with small businesses accounting for a larger share of provincial GDP (one third) than in any other province.²³ In the Kootenays, the number of small businesses declined by over 900 (7.8%) during the past five years. Most of the loss took place in 2007, when business establishments in the region suffered from the slump in the forest sector. The majority of the losses were in operations with between 1-19 employees—undoubtedly many manufacturing businesses and forestry contractors.

LIVE Indicators

Educational Attainment

Educational attainment is a critical determinant of long term labour force productivity and quality of life. Between 2003 and 2008, the percentage of the KDR’s labour force, aged 25-54, with a post-secondary certificate or diploma, or higher, declined from 55.7% to 53.1%. This is this a lower level of educational attainment than the province as a whole (62.7% in 2008). In 2003, the percentage of educated workers in the KDR was 3.2 percentage points *below* the BC average; by 2008, the gap had widened to 9.6 percentage points. Aside from Northwest BC,²⁴ the Kootenays had the lowest level of educational attainment in the province.



²² BC Stats, *Business Indicators*, October 2008.

²³ Ibid.

²⁴ Refers to the North Coast and Nechako Development Regions combined.

Table 2-6: Percent of Labour Force Age 25-54 with a Post-Secondary Certificate/ Diploma or Higher, Kootenay Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point Change	
							5-Year 2003-08	1-Year 2007-08
Kootenay DR	55.7%	55.9%	60.5%	52.8%	53.3%	53.1%	-2.6 ppt	-0.2 ppt
British Columbia	58.9%	59.3%	59.8%	61.0%	61.7%	62.7%	+3.8 ppt	+1.0 ppt

Source: Statistics Canada, *Labour Force Survey*, Custom Table

Detailed statistics show that the majority of the decline in educational attainment has occurred at the post-secondary certificate or diploma level; the percentage of the labour force with this designation declined by 3 percentage points over the past five years. The share of the labour force with a bachelor's degree also dropped in the KDR, by 2.2 percentage points. The number of individuals holding a graduate degree or higher, however, increased by 2.8 percentage points. The only other category that saw an increase since 2003 is the share of the labour force with "some post-secondary education," which is up by 8 percentage points.

The decline in the Kootenay educational attainment rate can be partially explained by the nature of labour market opportunities over the past five years. Since 2003, the majority of job growth in the KDR has occurred in construction, the primary industries, and transportation. While these industries demand certification at varying levels, they also employ a substantial amount of unskilled labour. Employment in professional, scientific, and technical services has also risen, which may partially explain the increase in highly educated individuals.²⁵

Current graduation data indicates the proportion of 18-year-olds who did not graduate from high school in the Kootenays is on par with the provincial average, at 28.8%.²⁶ BC as a whole saw an average non-completion rate of 28% in 2008. There are cultural, economic, geographic, and institutional reasons why students in rural or small communities do not complete high school, not the least of which is a perceived lack of opportunities.²⁷ When the economy is weak and fewer jobs are available, the level of educational attainment often increases correspondingly. This is the case in many regions throughout BC that are resource-sector dependent. Difficulties in the regional forest sector in the past few years have had a domino effect on the rest of the economy, with work opportunities drying up for many young workers. It is likely students in the KDR found few opportunities in the workforce to lure them out of school prematurely.

Dependency on the Social Safety Net

Dependency on the social safety net in the KDR has been fairly stable in recent years. Between 2007 and 2008, the share of the population, age 19-64, on basic income assistance or employment insurance rose slightly from 3.5% to 3.7%—provincewide, this rate grew from 3.2% to 3.6%. The overall increase in demand for income support in the Kootenays corresponds with the steady month-to-month decline in employment that began in October 2007.



²⁵ Statistics Canada, *Historical Labour Force Survey*, CD1, Table 33AN.

²⁶ BC Stats, Special Run.

²⁷ Chisholm Consulting, *Boosting Educational Attainment in Western Canada*, October 2008. Prepared for the Canada West Foundation.

Table 2-7: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64, Kootenay Development Region, 2005 to 2007²⁸

Region	2006	2007	2008
East Kootenay	2.9	2.9	2.9
Central Kootenay	4.0	3.7	4.1
Kootenay-Boundary	3.6	3.5	4.0
Development Region Total	3.6	3.5	3.7
British Columbia	3.3	3.2	3.6

Source: BC Stats

Dependency rates in both the Central Kootenay and Kootenay-Boundary Regional Districts have increased since 2007. As in the previous two years, residents of the Central Kootenay Regional District had the highest need for income support (4.1%) in 2008. Dependency in the Kootenay-Boundary Regional District, however, has increased enough to put it in a close second place at 4%. Forest sector layoffs in both regions have no doubt contributed to a greater demand for income assistance and employment insurance. The East Kootenay Regional District has been able to maintain its very low dependency rate of 2.9%—aside from the Sunshine Coast and Capital Regional Districts, this is the lowest rate of social safety net dependency in the province.

In comparison to the rest of the province, dependency rates in the KDR as a whole are quite reasonable. The Mainland/Southwest had the lowest rate of social safety net dependency in 2008 at 3.2%, and the Kootenays and Vancouver Island/Coast tied for second, at 3.7%. At the other end of the spectrum, the North Coast had the highest rate of dependency at 7.4%.

Pre-Tax Income

Real pre-tax income per taxfiler can be used to compare purchasing power between the Development Regions of British Columbia.²⁹ While the most recent regional income data is only available to 2006, it does illustrate how income levels have changed in the Development Regions in the past, and how they compare to one another. By looking at existing economic conditions, we can make an educated guess about how real income has changed since 2006.

Between 2003 and 2006, real income in the KDR rose by 12.3%, reflecting two years of steady gains and a 6.1% surge in 2006. This growth rate was slightly behind that of the province as a whole. Employment in the Kootenays grew at a moderate pace during these years, with average employment incomes rising steadily.³⁰ By 2006, average real pre-tax income per taxfiler reached \$31,774 (in \$2002). This represents a gap of \$3,795 per person when compared to the province as a whole and, aside from the North Coast Development Region, the lowest level of income in the province.



²⁸ Rates are as of September for each year. These figures include only a subset of those receiving Income Assistance. INCLUDED are those on Temporary Assistance. EXCLUDED are those on Continuous Assistance (Disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, and OAS/Seniors, and aboriginal people living on reserve.

²⁹ Pre-tax income is deflated by the Consumer Price Index, with a base year of 2002. In previous editions, we have used real income per capita as an indicator; however, the recent release of census population figures has shown that, in some cases, population estimates made by statistical agencies between census years significantly diverge from census counts. Therefore, we have used the number of taxfilers as the denominator in this edition of the report, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See the glossary at the end of this report for definitions of "pre-tax income" and "taxfiler."

³⁰ BC Stats, *Labour Force Income Profile*, 2003 to 2006.

Table 2-8: Real Pre-Tax Income per Taxfiler (2002\$), Kootenay Development Region, 2003 to 2006

Region	2003	2004	2005	2006	Percentage Change	
					3-Year 2003-06	1-Year 2005-06
Kootenay DR	\$28,296	\$29,117	\$29,956	\$31,774	+12.3%	+6.1%
British Columbia	\$31,400	\$32,323	\$33,430	\$35,569	+13.3%	+6.4%

Source: BC Stats, *British Columbia Neighbourhood Income Demographics*

Within the KDR, average real income per taxfiler in 2006 was as follows:³¹

- East Kootenay Regional District—\$34,571;
- Central Kootenay Regional District—\$29,080; and
- Kootenay-Boundary Regional District—\$31,644.

In 2006, the East Kootenay Regional District enjoyed the highest real income per taxfiler, and the biggest one-year growth in real income (7%); the Central Kootenay and Kootenay-Boundary Regional Districts also saw real income per taxfiler grow (5.5% and 5.2% respectively).

Comparing one-year growth rates among the Development Regions, the Northeast again led the rest of the province in terms of real income growth, at 13.2% in 2006 (reaching \$43,432 per taxfiler); the Thompson-Okanagan ranked second with a growth rate of 6.9% (reaching \$32,966); the Mainland/Southwest ranked third at 6.5% (reaching \$35,539); and the Kootenays ranked fourth at 6.1%. With the exception of the Cariboo, which saw one-year real income growth of 4.4%, all other Development Regions saw strong positive one-year gains over 5% in 2006.

The rising employment income and job creation that stimulated real income growth between 2003 and 2006 in the KDR remained on the same trajectory until late 2007, and the demand for income assistance and employment insurance has remained stable. Although real pre-tax income per taxfiler data is not yet available for 2007 and 2008, the aforementioned factors support the expectation that incomes continued to rise, possibly reaching a plateau or even declining slightly in 2008.

Conclusions

Amid rapidly deteriorating global economic conditions, the KDR's economic prospects dimmed in 2008. Up until this time, the region's economy was buoyed by major project and residential development and strength in overall metal prices—construction was red hot and mining production, exploration, and development were on the rise—despite a weakening forest industry. The mining industry began 2008 with surging exploration brought on by high demand and strong prices. However, tightening of financial markets throughout the year led to a slowdown and, late in the year, a 50-70% reduction in most commodity prices caused a sharp retrenchment among producers and contraction of exploration.³²



³¹ Base year is 2002.

³² Ministry of Energy, Mines and Petroleum Resources Mining and Minerals Division, *Exploration and Mining in British Columbia 2008*, January 2009.

With the declining fortunes of the forest sector in 2008, mill closures and long term layoffs were inevitable. As a small, open economy, the KDR could not avoid being dragged down by the unfolding recession in North America, and the downturn in the wider global economy. Thus, many of our indicators have turned negative. In 2008, there was a decline in educational attainment of the labour force, an increase in social safety net dependency, and a dramatic drop in employment. The investment climate began to waver, as evidenced by a slow down in major project investment, a decline in business incorporations, and an increase, albeit slight, in business bankruptcies. The only indicator that improved was the number of business establishments, which increased marginally.

Most economic forecasts are not anticipating a rapid recovery in the forest sector and the outlook for other resource sectors is not entirely positive either.³³ Lumber prices have now retreated to near-record lows, prices for minerals produced in BC have tumbled, and pulp prices are set to drop as the global economy loses momentum. Both new home construction and non-residential construction are weakening and consumer spending is rapidly downshifting. In response to depressed markets for lumber, pulp, and newsprint, East Kootenay Tembec employees in the communities of Canal Flats, Elko, Cranbrook, and Skookumchuk received layoff notices in early 2009, until market conditions improve.³⁴ Springer Creek Forest Product employees in the Central Kootenay Regional District received the same news in March. It is expected more bad news will follow as raw materials for pulp producers are expected to dry up in the coming months as their suppliers are shutdown. It is also anticipated that 2009 will be challenging for the mining industry in southeast BC. In January, Teck Cominco announced it is cutting coal production and 1,400 jobs in response to weak commodity prices and declining demand.³⁵ Recent labour force statistics indicate that 1,300 jobs have already been shed in the first three months of 2009 in the KDR, pushing the unemployment rate up to 8.9%.³⁶

On the bright side, the majority of infrastructure projects aimed at stimulating the tourism market will be complete within the next year or two. It is hoped the anticipated influx in tourism as a result of these projects will provide the economy with an additional measure of insulation against the destructive downward cycles in the resource sector. As much of the downward adjustment in the region's forest products industry has already occurred, with any luck, the only place to go is up. Wage expectations have also declined, and businesses can hire affordable labor and streamline their operating costs.

In addition, the low and affordable cost of borrowing is a huge relief, and lower housing and fuel prices have kept the cost of living in check. Provincial and federal infrastructure spending will continue pumping money into the construction industry and will improve regional infrastructure. Also, in September 2008, the province committed an additional \$50 million for the Towns for Tomorrow program, which funds public services projects in towns with up to 15,000 people.



³³ BC Stats, *Exports*; Issue 08-11, January 2009.

³⁴ "Soggy Lumber Market Prompts Mass BC Shutdowns," *CTV News British Columbia*, February 3, 2009.

³⁵ Peter Koven, "Teck Cominco Cuts 1,400 Jobs—13% of Workforce," *Financial Post*, January 9, 2009.

³⁶ BC Stats, *BC Employment and Unemployment Rate by Region and Metropolitan Area*, April 9, 2009.

Glossary of Definitions

- **Business establishments:** Production entity or group of entities that produces goods or services, does not cross provincial boundaries, and provides data on value of output and input costs to the government.
- **Employment income:** Includes wages and salaries, commissions from employment, training allowances, tips and gratuities, and all income from self-employment (business, professional, farming, fishing income, and commissions).
- **Job creation:** Change in number of employed individuals between two given years.
- **Pre-tax income:** Comprised of labour force income (employment income, wages and salaries, income from self-employment, and employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest and other investment income, limited partnership income, rental income, other income (such as alimony and income for non-filing spouses), RRSP income, non-taxable income, GST credit, child tax credit, workers' compensation payments, social assistance payments, and guaranteed income supplements. Monies not included in pre-tax income: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings, and capital gains.
- **Social safety net:** Transfers to unemployed individuals and families from the federal and provincial governments under the auspices of the Income Assistance and Employment Insurance programs.
- **Taxfilers:** Those individuals who have filed a tax return for the reference year, and were alive at the end of the year. Non-filing spouses and non-filing children are not included.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.

