



Kootenay Development Region



The Kootenay Development Region (KDR) is situated in the southeast corner of the province and encompasses about 6% of British Columbia's land mass. The Central and East Kootenay Regional Districts are evenly inhabited and comprise about 80% of the KDR population. The Development Region's largest community is Cranbrook in the East Kootenay, followed by Nelson and Castlegar in the Central Kootenay. The remaining population resides in the Kootenay-Boundary Regional District. Trail and Grand Forks are the major centres in this district.

Last year, population in the KDR grew by 333 (0.2%) to reach 150,594.¹ This increase was driven by an increase in population in the Central Kootenay Regional District (311). Detailed statistics reveal some interesting dynamics—the working age population, aged 25-54, declined last year (-1,203), while the retirement age population (55+) increased (1,788). The retirement age cohort in the KDR grew from 35% of the population in 2002 to 44% last year.²

For much of the past decade, the construction industry has been robust in the KDR due to major project development related to tourism (ski and golf resorts) and hydroelectric power generation. In 2010, construction activity dwindled; however, last year's major new projects and commercial developments, which included the expansion of the Waneta Dam, Keenleyside Dam upgrades, a gaming centre in Castlegar, a community centre in Elkford, and a beach resort and water ski park in the Columbia Valley, revived the industry. Overall, it gained 5,000 workers between January and December.³

¹ Statistics Canada, *Population Estimates as of July 1st*, CANSIM Table 051-0049.

² Ibid.

³ Statistics Canada, *Employment by Economic Region (Industry, 3 Month Moving Average)*, CANSIM Table 282-0060.

Five large open-pit coal mines in the Elk Valley area of the East Kootenay Regional District dominate the KDR's mining industry. The mines directly employ upwards of 3,600 people and make a major contribution to both the East Kootenay and provincial economies. Last year, shipments of coal led provincial exports, and increased in value by \$1.9 billion (35.7%) over 2010 figures.⁴ In the KDR, sales were down marginally (-4%), but higher selling prices drove profits up.⁵ Coal is now BC's top export commodity, replacing lumber.⁶ The dramatic five-year growth in BC's coal exports was driven by demand from the Asia-Pacific region. In Trail, Teck's lead-zinc smelter and refinery recently expanded into a new line of business, recycling metal-bearing scrap and residue (electronic or e-waste).

BC's forest industry maintained its moderately-paced recovery last year as the value of softwood lumber exports rose by 6.9%, thanks to record-breaking shipments to China.⁷ Although lumber production in BC's Southern Interior⁸ was up significantly last year (14.1%),⁹ it is still about 35% below pre-recession volumes. Some mills in the KDR were still struggling in 2011, as high transportation costs and a stronger Loonie forced several operations to lay off workers. Regardless, the forest industry remains a significant contributor to the regional economy.

WORK Indicators

Job Creation

Job creation is a key indicator of the general health of the economy. After three years of widespread job losses, the labour market in the KDR rallied in 2011. Employment rose by 2,700 (3.9%), a solid gain, but not enough to mitigate the accrued losses from 2008 to 2010 (-7,300 jobs). Last year's employment growth was driven by the services-producing sector (4,000 jobs). In contrast, the goods-producing sector shed 1,300 workers. Full time positions accounted for two thirds of all job creation, suggesting an underlying strength in last year's employment gains.

Most services-producing industries showed signs of vigour in 2011. Employment growth in accommodation and food services (1,200 jobs), reflects more workers in both accommodation services and food and drinking establishments. Other industries posting sizeable gains were other services (1,100 jobs), health care and social assistance (1,000 jobs), and transportation and warehousing (900 jobs). Growth in health care was primarily due to an increase in ambulatory health care workers, a sign of the growing health care needs of the region's aging population. Employment in transportation peaked during the summer months but ended the year on a sour note, shedding about one quarter of its workforce.

Trade registered another sizable decline last year (-1,700 jobs), pushing annual employment in the industry down to its lowest level in five years. Detailed statistics reveal that reductions at the retail level are again to blame.¹⁰ At the provincial level, retail sales fell during the first eight months of 2011.¹¹ However by year end, the industry saw the addition of 2,200 new workers, a reflection of the region's strengthened economy.



⁴ BC Stats, *Exports (BC Origin) 2002-2011*, March 2012.

⁵ Teck, *2011 Annual Report*, <http://www.teckannualreport.com>.

⁶ BC Stats, *Exports (BC Origin) 2002-2011*, March 2012.

⁷ Ibid.

⁸ Also includes the Thompson-Okanagan and the southern tip of the Cariboo Development Region.

⁹ Statistics Canada, *Sawmills*, Catalogue 35-003-X, March 8, 2012.

¹⁰ BC Stats, *Employment and Unemployment Rate by Detailed Industry*, February 2012.

¹¹ Real terms. Source: RBC Economics, *Provincial Outlook*, December 2011.

In the goods-producing sector, renewed growth in the construction industry resulted in a gain of 800 jobs in 2011. Work opportunities for contractors diminished as the dollar value of the region's building permits tumbled (-23.4%),¹² but major project construction and new commercial developments generated employment for construction workers. Forestry, fishing, mining, and oil and gas reported a modest improvement (300 jobs) reflecting increases in the number of workers involved in both logging, and mineral exploration and extraction activity.¹³ In an effort to improve productivity, Teck invested in equipment and labour (500 people) last year in its coal operations.¹⁴

Detailed statistics indicate that the KDR's wood products producers were responsible for job losses in the manufacturing industry (-1,600 jobs) in 2011.¹⁵ Although there were some layoffs last year, it is not clear if they were of the magnitude stated. Monthly data shows that manufacturing employment edged up slightly by year end.¹⁶

In 2011, all of BC's Development Regions experienced job creation except for the Thompson-Okanagan and the Vancouver Island/Coast. Northwest BC recorded the largest growth (7.2%) and the Kootenays ranked second (3.9%), sitting well above the provincial average (0.8%).



¹² BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts, by Type 2003 – 2011*, 2011 Preliminary, March 1, 2012.

¹³ BC Stats, *Employment and Unemployment Rate by Detailed Industry*, February 2012.

¹⁴ Teck, *2011 Annual Report*, <http://www.teckannualreport.com>.

¹⁵ BC Stats, *Employment and Unemployment Rate by Detailed Industry*, February 2012.

¹⁶ Statistics Canada, *Employment by Economic Region (Industry, 3 Month Moving Average)*, CANSIM Table 282-0060.

Table 1-1: Employment, Kootenay Development Region, 2006 to 2011¹⁷

| | | | | | | | Job Creation (000) | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 5-Year 2006-11 | 1-Year 2010-11 |
| TOTAL EMPLOYMENT (000) | 68.4 | 76.7 | 71.6 | 71.0 | 69.4 | 72.1 | 3.7 | 2.7 |
| Goods-Producing Sector (000) | 19.2 | 26.0 | 22.0 | 20.8 | 22.5 | 21.2 | 2.0 | -1.3 |
| Agriculture | 2.8 | 2.5 | 2.4 | 2.3 | 1.7 | - | - | - |
| Forestry, fishing, mining, oil and gas | 3.2 | 5.4 | 6.9 | 4.8 | 5.0 | 5.3 | 2.1 | 0.3 |
| Utilities | - | - | - | - | - | - | - | - |
| Construction | 4.8 | 9.1 | 8.0 | 8.5 | 7.4 | 8.2 | 3.4 | 0.8 |
| Manufacturing | 7.7 | 8.3 | 4.7 | 4.6 | 7.7 | 6.1 | -1.6 | -1.6 |
| Services-Producing Sector (000) | 49.2 | 50.7 | 49.5 | 50.2 | 46.9 | 50.9 | 1.7 | 4.0 |
| Trade | 11.1 | 11.3 | 12.7 | 14.0 | 11.8 | 10.1 | -1.0 | -1.7 |
| Transportation & warehousing | 2.6 | 3.3 | 3.3 | 3.0 | 2.4 | 3.3 | 0.7 | 0.9 |
| Finance, insurance, real estate & leasing | 3.1 | 3.2 | 2.3 | 2.7 | 2.3 | 2.8 | -0.3 | 0.5 |
| Professional, scientific & technical services | 3.8 | 3.3 | 3.5 | 2.3 | 2.3 | 2.7 | -1.1 | 0.4 |
| Business, building & other support services | 3.9 | 2.4 | 1.6 | 2.7 | 3.2 | 3.2 | -0.7 | 0.0 |
| Educational services | 3.1 | 4.9 | 4.9 | 3.4 | 2.9 | 3.5 | 0.4 | 0.6 |
| Health care & social assistance | 6.1 | 8.3 | 6.1 | 9.5 | 8.2 | 9.2 | 3.1 | 1.0 |
| Information, culture & recreation | 2.9 | 3.4 | 3.1 | 1.9 | 2.7 | 2.4 | -0.5 | -0.3 |
| Accommodation & food services | 7.5 | 6.0 | 7.4 | 5.6 | 5.7 | 6.9 | -0.6 | 1.2 |
| Other services | 3.5 | 3.1 | 2.8 | 3.1 | 2.9 | 4.0 | 0.5 | 1.1 |
| Public administration | 1.5 | 1.8 | 1.8 | 1.9 | 2.6 | 2.8 | 1.3 | 0.2 |

Source: Statistics Canada, Labour Force Survey Historical Review

Unemployment Rate

The unemployment rate measures the number of unemployed individuals as a share of the labour force. A decline in the number of unemployed workers combined with an expanding labour force pushed the KDR unemployment rate down by 1.1 percentage points (ppt) to 8.2% in 2011. The Vancouver Island/Coast was the only Development Region in BC that did not enjoy a drop in the jobless rate last year. The largest declines were reported in the Northeast (-1.9 ppt) and North Coast BC (-1.6 ppt). The KDR ranked third among the Development Regions. Despite its strong performance last year, the KDR posted the second highest unemployment rate in the province after North Coast BC (8.6%), exceeding the provincial average by 0.7 ppt.

¹⁷ Industries with "-" are estimated to have less 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.

Table 1-2: Unemployment Rate, Kootenay Development Region, 2006 to 2011

| Region | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Point (ppt) Change | |
|-------------------------|------------|------------|------------|------------|------------|------------|-------------------------------|-----------------|
| | | | | | | | 5-Year 2006-11 | 1-Year 2010-11 |
| Kootenay | 6.2 | 5.5 | 4.9 | 8.7 | 9.3 | 8.2 | 2.0 ppt | -1.1 ppt |
| British Columbia | 4.8 | 4.3 | 4.6 | 7.7 | 7.6 | 7.5 | 2.7 ppt | -0.1 ppt |

Source: Statistics Canada

In 2011, the KDR's youth labour force declined by 12% (-1,000), which opened up jobs for unemployed youth. This in turn eased the unemployment rate for young workers, aged 19 to 24, down to 6.8%. The decline in the labour force is fairly significant and can be partly explained by the shrinking population of this age group. It may also point to more young people choosing to attend full-time post-secondary training, or leaving the region in search of employment elsewhere.

Regardless, the KDR's youth unemployment rate (6.8%) was well below the provincial average (11.5%) last year, and was the second lowest in BC, behind that of the Northeast (4.7%).

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Kootenay Development Region, 2006 to 2011

| Region | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Point (ppt) Change | |
|-------------------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------------------------|----------------|
| | | | | | | | 5-Year 2006-11 | 1-Year 2010-11 |
| Kootenay | 15.6% | 6.0% | 15.9% | 8.6% | 9.6% | 6.8% | -8.8 ppt | -2.8 ppt |
| British Columbia | 6.5% | 6.1% | 6.8% | 11.1% | 11.3% | 11.5% | 5.0 ppt | 0.2 ppt |

Source: Statistics Canada, Labour Force Survey, Custom Table

INVEST Indicators

Business and Investment Activity

Investment plays a critical role in the economy; it fuels output and improves productivity. In 2011, capital investment spending continued to increase in BC, with the total value of investments proposed, underway, completed, or on hold expanding by 6.8%.¹⁸ In the KDR, the value of major project investment declined slightly from \$6.9 to \$6.7 billion when comparing the fourth quarters of 2010 and 2011. The number of major projects dropped to 29 (down from 32 in 2010) with those under construction accounting for more than half of total investment value.



¹⁸ BC Ministry of Finance, *BC Major Projects Inventory, December 2011*. Note: Period of reference is fourth quarter 2010 to fourth quarter 2011.

According to the December 2011 BC Major Projects Inventory, thirteen projects worth \$3.8 billion were underway in the KDR in the fourth quarter of 2011. Two of these projects commenced construction in 2011—the Waneta Hydroelectric Expansion Project (\$900 million) in the Kootenay-Boundary Regional District and the Hugh Keenleyside Dam Spillway Gate Upgrades (\$94 million) in the Central Kootenay Regional District. The Waneta Expansion Project involves the design and construction of a second powerhouse to generate power from water flow that would otherwise be spilled. This four and a half year project will employ over 400 workers.¹⁹ Other noteworthy projects currently under construction in the KDR are the Red Mountain Ski Resort Expansion in the Kootenay-Boundary (\$900 million), which is scheduled for completion in 2015, and the \$750 million Wildstone Golf and Residential Development in the East Kootenay. Although the residential development of this project is still under construction, the Gary Player-designed course officially opened to the public last summer.²⁰ \$700 million worth of ski resort development (Fernie Alpine Resort, Panorama Mountain Village, and the Kimberley Ski Resort) in the East Kootenay Regional District has been under construction for more than a decade, and will not be finished until at least 2013.

The only project that wrapped up last year was BC Hydro's \$23 million transformer addition to the Selkirk Substation in the Kootenay-Boundary Regional District, which will facilitate the delivery of electricity into the US market.

There were a total of thirteen projects worth \$1.8 billion in the KDR in the proposal stage during the last quarter of 2011, with two projects scheduled to proceed next year. The proposed Jumbo Glacier Resort (\$450 million) near Invermere recently received provincial government approval.²¹ The plan to build a luxury, glacier-based year-round ski resort has incited bitter controversy since it was first put forward 20 years ago. Glacier Resorts hopes to open the resort within two years, but opponents are resolute in their fight against this project. The other development slated to go ahead in 2011 is the construction of a new slag furnace (\$210 million) at the Teck Trail smelter and refining operation. The new unit will triple the capacity to recycle end-of-life electronic waste. The project is anticipated to create approximately 200 construction jobs.²²

Incorporations

Business incorporations and bankruptcies are important measures of business success or failure, and reflect the resilience of entrepreneurs and investors.²³ The number of new business incorporations in British Columbia increased marginally last year (1.8%), marking a second year of improvement in this indicator. In contrast, the KDR posted a slight decline (-2.0%). In 2011, the North Coast ranked first in new business incorporation growth (23.7%), with the Nechako and Northeast ranking second and third (12.5% and 11.5% respectively). The KDR placed sixth, ahead of the Vancouver Island/Coast and Thompson-Okanagan Development Regions. Annual incorporations have still not recovered to pre-recession levels in any of BC's Development Regions.



¹⁹ Columbia Power Corporation, *WAX Factsheet Update*, March 14, 2012.

²⁰ Sally Macdonald, *Townsmen*, "Golf Officially Underway at Wildstone", June 13, 2011.

²¹ Jumbo Glacier Resort, *Press Release*, "Minister Signs Master Development Agreement Completing JGR's Approval Process", March 20, 2012.

²² Service Canada, *Labour Market Monitor*, October 2011.

²³ Information on business bankruptcies is not available until later this year.

Table 1-4: Business Incorporations, Kootenay Development Region, 2006 to 2011

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change | |
|--------------------------------|------|------|------|------|------|------|-------------------|----------------|
| | | | | | | | 5-Year 2006-11 | 1-Year 2010-11 |
| Business Incorporations | 603 | 730 | 644 | 490 | 504 | 494 | -18.1% | -2.0% |

Source: BC Stats and Office

Business Establishments

After three years of solid growth, the total number of businesses operating in BC declined by 0.4% in 2011. In the KDR, the number of establishments declined by 1.4% (-167), the second largest drop in the province after the North Coast. This is in contrast to 2010 when the Kootenays recorded the largest rate of business expansion.

While all sizes of business establishments contributed to last year's losses, sole proprietorships (-87) and operations with 1-19 employees (-50) bore the brunt of the decline. The largest decrease in small businesses occurred in the construction industry, as many self-employed individuals and their employees secured employment with major projects or commercial developments.

Table 1-5: Number of Business Establishments – all sizes, Kootenay Development Region, 2007 to 2011

| Region | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change | |
|-------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|
| | | | | | | 4-Year 2007-11 | 1-Year 2010-11 |
| Kootenay | 11,051 | 11,184 | 11,205 | 11,874 | 11,707 | 5.9% | -1.4% |
| British Columbia | 360,779 | 360,882 | 362,665 | 370,262 | 368,879 | 2.2% | -0.4% |

Source: BC Stats

LIVE Indicators

Educational Attainment

As the education level of the labour force increases, so does its productivity and prospects for future wealth generation. The proportion of the KDR's labour force, age 25 to 54, with a post-secondary certificate/diploma or higher jumped by 8.1 ppt in 2011, to reach 63.2%. The growth of workers with a post-secondary certificate/diploma or higher (4,800) outpaced the expansion of the total labour force aged 25-54 (1,100), which propelled the share of the KDR's labour force with a post-secondary certificate/diploma or higher upwards.

This improvement has moved the KDR ahead of the Thompson-Okanagan to take third place among the Development Regions in educational attainment. The Mainland/Southwest ranked first at 68.4%, followed by Vancouver Island/Coast (64%).

An increase in the percentage of the labour force with a post-secondary certificate or diploma (2,300) and bachelor’s degree (2,400) is responsible for last year’s educational attainment growth of the 24 to 54 age cohort. Last year’s job creation in industries that require technical skills, specialized training or an advanced education²⁴ appear to explain these improvements.

Table 1-6: Percent of Labour Force Age 25 to 54 With a Post-Secondary Certificate/ Diploma or Higher, Kootenay Development Region, 2006 to 2011

| Region | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Point Change | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------|----------------|
| | | | | | | | 5-Year 2006-11 | 1-Year 2010-11 |
| Kootenay | 53.1% | 53.3% | 53.2% | 56.8% | 55.1% | 63.2% | 10.1 ppt | 8.1 ppt |
| British Columbia | 61.0% | 61.7% | 62.6% | 63.0% | 64.4% | 65.9% | 4.9 ppt | 1.5 ppt |

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

Dependency on the Social Safety Net

The number of adult basic income assistance recipients as a percent of the population is highly correlated to labour market vitality, even though there is a share of the population that is dependent upon income assistance because they are unable to work.

Despite an improvement in the labour market, income assistance dependency rates remained stable in the KDR and the province as a whole last year. Between 2010 and 2011, the percent of the 19 to 64 age population dependent on income assistance remained at 2.1% in the Kootenays, 1 ppt above the BC average. The number of unemployed individuals in the KDR remains considerably higher than pre-recession years; some individuals who have exhausted their Employment Insurance benefits are now utilizing provincial income support, while others have secured employment.

Dependency continued to be the lowest in the East Kootenay Regional District (1.4%) where rates have historically been close to the lowest in BC. In contrast, the need for the social safety net is nearly double in the Central Kootenay Regional District (2.7%).

Regions with the lowest dependency rates include the Northeast (1.2%) and the Mainland/Southwest (1.7%). The Kootenay tied with the Vancouver Island-Coast for fourth place. The highest rates were seen in the North Coast (4.8%) and the Cariboo (3.2%).



²⁴These include health care and social assistance, transportation and warehousing, construction, and the primary industries.

Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Kootenay Development Region, 2008 to 2011²⁵

| Regional District | 2008 | 2009 | 2010 | 2011 |
|---------------------------------|------------|------------|------------|------------|
| East Kootenay | 1.0 | 1.6 | 1.5 | 1.4 |
| Central Kootenay | 1.8 | 2.5 | 2.6 | 2.7 |
| Kootenay-Boundary | 1.7 | 2.4 | 2.4 | 2.4 |
| Development Region Total | 1.5 | 2.1 | 2.1 | 2.1 |
| British Columbia | 1.5 | 1.9 | 2.0 | 2.0 |

Source: BC Stats.

Conclusions

After three disheartening years, the economy of the Kootenay Development Region began to recover in 2011. Some of our indicators are positive, but others are not, suggesting some residual effects of the forest sector downturn remain. Labour market activity picked up last year, with full-time positions accounting for the majority of job creation—a very positive indicator. The composition of the labour market has improved dramatically, with more workers holding a post-secondary certificate or diploma, or a bachelor’s degree. Despite this strong performance, employment has yet to rebound to peak levels, and the unemployment rate is the second highest in the province. The youth unemployment rate has declined considerably, but there are less youth working in the region. This may point to an outflow of valuable human resources. The need for the social safety net remained unchanged last year and the KDR dependency rate still sits just above the BC average.

Our investment indicators are mixed as well. The value of major project construction underway jumped last year after several years of lacklustre activity, but the business climate has deteriorated—as evidenced by declining numbers of new business incorporations and business establishments.

Recent statistics indicate that employment has remained robust during the first three months of 2012 in the KDR.²⁶ Ongoing major developments and projects that are ready to proceed are expected to sustain the positive momentum that began last year, particularly for construction workers. The Waneta Expansion Project will continue to generate employment until 2015, and if the Jumbo Glacier resort goes ahead, it will be a key generator of employment and economic benefits. Teck’s new slag furnace, as well as other smaller projects in the works will also boost construction employment. Although the US housing market slump is forecast to remain for much of 2012, demand from China is anticipated to continue to be strong.



²⁵ Rates are as of September for each year. A recipient is defined as “each person living in a family or living alone that is receiving basic Income Assistance”. These figures include those on Temporary Assistance (Expected to Work, Expected to Work - Medical Condition, Temporarily Excused, Persistent Multiple Barriers). Excluded are those on Continuous Assistance (Persons with Disabilities), Children in the Home of a Relative, OAS/Seniors and aboriginals living on reserve.

²⁶ BC Stats, *BC Employment and Unemployment by Region and Metropolitan Area*, March 2011.

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.
- **Job creation:** Change in number of employed individuals between two given years.
- **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.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.