



**North Coast Development Region**



The North Coast Development Region (NCDR) extends from Telegraph Creek in the North to the Gwaii Haanas National Park Reserve on the southern tip of the Queen Charlotte Islands, and from Queen Charlotte City in the West to New Hazelton in the East. It comprises ten municipalities, with the largest being the sea port of Prince Rupert in the Skeena-Queen Charlotte Regional District, and Terrace and Kitimat in the Kitimat-Stikine Regional District. The NCDR has a total land area of 111,790 km<sup>2</sup>.

As one of British Columbia's smallest and remote population hubs, the North Coast accounts for just over 1.3% of the provincial population. The coastal portion of the region is characterized by numerous low-lying islands, while further inland the terrain becomes very mountainous with scenic inlets. The economy of the region has historically depended on resources, although this pattern has changed during the past decade with the growth and diversification of the service sector and a decline in the coastal forest industry.

Prince Rupert is the primary economic and transportation hub of the North Coast. It is the western mainland terminus of both Highway 16 and the CN Rail line, the northern terminus of BC Ferries' Route 10, a stop on the Alaska Marine Highway ferry service, and a 'Northern Gateway' port with cruise ship, container, grain, and bulk commodity terminals. Kitimat is a key industrial-transportation hub for the processing of raw materials into value-added products, and is serviced by deep-sea ship, CN Rail, road, and pipeline.



In 2008, the NCDR's population declined by 1.3% (797 residents), to reach 59,184. This was at least the tenth year in a row of population decline for the region.

2008 was a challenging year for the global economy, as the crisis that began in the financial sector spread to the rest of the economy in the US, Canada, and overseas. The generation of new economic opportunities in the North Coast in recent years—Ridley Terminals container ship facility, the Prince Rupert Cruise Ship Terminal, and another year of strong mineral exploration—helped to buffer the region against the economic downturn.

Despite this, the worldwide economic crisis took its toll on some areas of the economy. In 2008, employment in some industries declined, real estate sales weakened, and the general mood was that the economy was in for a bumpy ride. In particular, the region's forest industry, which has not improved since 2007, deteriorated further. Lumber prices continued to decline in the US market, as single-family housing starts (which account for a large share of the demand for lumber) stagnated in 2008.<sup>1</sup> Today, the West Fraser-owned Eurocan pulp mill in Kitimat is the only wood processing facility open west of Smithers, and those who are lucky enough to earn a living by logging are shipping logs overseas. The logging industry, however, is not completely dormant. There are other options, such as bio fuels, and different ways to manufacture the region's wood that are currently being considered. BC Hydro, in fact, is seeking companies to produce electricity by burning wood to turn water into steam to turn turbines in the Northwest.<sup>2</sup>

## WORK Indicators

### Job Creation

Statistics Canada aggregates employment data for the North Coast and Nechako Development Regions (*Northwest BC*). The bulk of labour market activity in this region is shared fairly equally between the Bulkley-Nechako and Kitimat-Stikine Regional Districts, while the Skeena-Queen Charlotte Regional District contributes approximately 20% of the activity.<sup>3</sup>

Following two consecutive years of job losses, Northwest BC's economy created 2,600 new jobs in 2008. This was an increase of 6.3% over 2007, and the highest rate of job creation in the province. The labour market began to cool, however, in the latter part of 2008, with the last four months posting successive declines in employment.

In 2008, all of Northwest BC's job creation took place in the *services-producing sector*. Employment in services has fluctuated over the past five years—ranging from a low of 28,000 in 2007, to a high of 30,700 jobs in 2005 and 2008. While a mere 300 jobs were created between 2003 and 2008, 2,700 jobs were created between 2007 and 2008. The number of jobs grew in several service-based industries, most significantly in health care and social assistance (1,000 jobs), public administration (800 jobs), accommodation and food services (500 jobs), and transportation and warehousing (200 jobs). These gains were tempered by a drop in employment in other industries, such as educational services (100 jobs), professional, scientific, and technical services, and business, building, and other support services.<sup>4</sup>

Throughout most of 2008, the health care and social assistance industry saw solid month-over-month employment growth, peaking at 5,900 in December. Northwest Health Services embarked on a



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<sup>1</sup> Scotiabank Group, *Commodity Price Index*, Global Economic Research, March 25, 2009.  
<sup>2</sup> Black Press, "Collaboration Key to Keeping Wood Industry Alive," *Terrace Standard*, March 24, 2009.  
<sup>3</sup> Statistics Canada, Census 2006.  
<sup>4</sup> Employment dipped below 1,500 in the latter two industries, which indicates there has been job loss from the previous year.

number of initiatives during the year, which resulted in additional complex care beds and assisted living units in Queen Charlotte City, Masset, Terrace, Kitimat, Smithers, Houston, and Hazelton. In addition, the first new hospital since Northern Health was formed in 2001 was opened in Masset, and in an effort to recruit more physicians to the Northwest, the organization enlisted third-year medical students and resident physicians to commence studies and work opportunities in Terrace in late 2008.<sup>5</sup>

Employment in the accommodation and food services industry in Northwest BC mushroomed during the summer of 2008, with the workforce rising to 4,600. Employment between April and September of 2008 was 43% higher than the same period in 2007. The year ended rather dimly, however, with the industry shedding 2,300 workers by December. Tourism statistics indicate that room revenues declined by 1.7% in 2008.<sup>6</sup> In the North Coast, the Port of Prince Rupert's cruise business experienced its best cruise season in its five years of operations. The number of shore excursion passengers soared, with tourists enjoying local tours and dining. The total economic impact of the cruise industry in Prince Rupert is estimated to have exceeded \$10 million in 2008.<sup>7</sup>

**Table 5-1: Employment, Northwest British Columbia, 2003 to 2008<sup>8,9</sup>**

	2003	2004	2005	2006	2007	2008	Job Creation (000)	
							5-Year 2003-08	1-Year 2007-08
<b>TOTAL EMPLOYMENT (000)</b>	<b>44.8</b>	<b>42.4</b>	<b>45.7</b>	<b>43.1</b>	<b>41.5</b>	<b>44.1</b>	<b>-0.7</b>	<b>2.6</b>
<b>Goods-Producing Sector (000)</b>	<b>14.4</b>	<b>13.9</b>	<b>15.0</b>	<b>13.9</b>	<b>13.6</b>	<b>13.5</b>	<b>-0.9</b>	<b>-0.1</b>
Agriculture	-	-	2.5	-	-	-	-	-
Forestry, fishing, mining, oil and gas	4.0	2.9	3.0	3.1	2.8	3.5	-0.5	0.7
Utilities	-	-	-	-	-	-	-	-
Construction	2.2	1.9	1.8	3.0	2.2	2.6	0.4	0.4
Manufacturing	7.2	8.4	7.6	6.3	7.1	6.9	-0.3	-0.2
<b>Services-Producing Sector (000)</b>	<b>30.4</b>	<b>28.5</b>	<b>30.7</b>	<b>29.2</b>	<b>28.0</b>	<b>30.7</b>	<b>0.3</b>	<b>2.7</b>
Trade	5.9	4.7	7.7	5.8	7.0	7.0	1.1	0.0
Transportation & warehousing	2.7	2.2	3.2	4.1	3.0	3.2	0.5	0.2
Finance, insurance, real estate & leasing	-	1.7	1.7	-	-	1.5	-	-
Professional, scientific & technical services	1.5	1.5	1.5	1.9	1.5	-	-	-
Business, building & other support services	-	1.5	-	-	1.7	-	-	-
Educational services	4.2	3.3	2.9	4.1	2.6	2.5	-1.7	-0.1
Health care & social assistance	4.9	4.6	3.9	4.4	3.7	4.7	-0.2	1.0
Information, culture & recreation	-	1.5	1.7	-	-	-	-	-
Accommodation & food services	3.1	3.4	3.0	2.4	3.0	3.5	0.4	0.5
Other services	1.9	1.8	2.3	-	-	-	-	-
Public administration	2.6	2.3	1.5	-	2.1	2.9	0.3	0.8

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



<sup>5</sup> Province of BC, Northwest Health Services, *Annual Report 2007-08*.

<sup>6</sup> BC Stats, *Tourism Sector Monitor*, March 2009.

<sup>7</sup> Prince Rupert Port Authority, "2008 Cargo Traffic Steady, Despite Global Economic Decline," News Release, January 21, 2009.

<sup>8</sup> 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.

<sup>9</sup> 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.

Monthly labour force data indicates that employment in the transportation and warehousing industry in the Northwest has been in a downward trend for over two years. Nevertheless, a surge in employment during the summer of 2008 pushed annual employment up. The volume of goods through the Port of Prince Rupert increased moderately over 2007, despite a global economic downturn that resulted in declining traffic through most other North American ports on the west coast.<sup>10</sup> The Prince Rupert Port Authority estimates the Fairview Terminal container terminal operations have created and filled an estimated 350 direct positions to date.<sup>11</sup> The slump in the forest industry in both the Nechako and North Coast, however, continued to impact the transportation and warehousing industry adversely through most of the year.

Employment in educational services has declined for the past two years. The loss of 100 jobs in 2008 is likely a reflection of declining enrolment in the region's public schools—between 2006-2007 and 2007-2008 enrolment dropped by 4.1% in Northwest BC.<sup>12</sup>

Northwest BC's *goods-producing* sector contracted for the third straight year. Total employment in the production of goods dropped to 13,500 in 2008, a decrease of 100 jobs from the previous year. This is the lowest level of employment the sector has seen for at least a decade. Between 2003 and 2008, 900 jobs were lost in the goods-producing industries. Despite overall job loss in 2008, two industries in the sector experienced growth. Employment in forestry, fishing, mining, and oil and gas jumped by 700 workers and the construction industry added 400 more workers. The only *reported* loss was in manufacturing, where 200 jobs were shed.

Employment in primary resources peaked in January 2008, to reach an eight-year high of 5,100; but by December, employment levels shrank to 2,700. Curtailments in forest products production throughout 2008 continued to impact the sector. While 2008 began with robust mine performance and surging exploration, the tightening of financial markets began to signal a slowdown by mid-year. By late 2008, a 50-70% reduction in the price of some metals caused a sharp retrenchment among producers and a contraction of exploration. Mineral exploration expenditures in Northwest BC were less than the record high set in 2007, but still strong at \$140 million.<sup>13</sup> The Eskay Creek Mine, which had employed 350 people, closed in April as mining production had run its course.

The construction industry was flat through the spring of 2008, but employment picked up by summer. All major project construction in Northwest BC took place in the North Coast. Projects such as the Prince Rupert Port Expansion, Cascadia Aggregate Processing and Export Terminal, the Kitsault River and Homestake Creek Hydro Project, and the \$10 million highway resurfacing project east of Terrace<sup>14</sup> spurred construction employment. However, building permit values in Northwest BC dropped 7.5% in 2008. While the Skeena-Queen Charlotte Regional District experienced a building upswing (38.4%), the Bulkley-Nechako and Kitimat-Stikine Regional Districts saw declines (24.6% and 1.9% respectively). Residential construction continued to increase and industrial, commercial, and institutional/government developments declined.<sup>15</sup>

Throughout 2008, forestry operations continued to be plagued with temporary layoffs or 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.<sup>16</sup> At the beginning of 2008, Northwest BC's manufacturing industry



<sup>10</sup> 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.

<sup>11</sup> Prince Rupert Port Authority, *Community Update*, Fall 2008.

<sup>12</sup> School Districts 50, 52, 54, 82, 87, 91 and 92. Source: Ministry of Education, *Student Statistics 2003/04 – 2007/08*, January 2008.

<sup>13</sup> Ministry of Energy, Mines and Petroleum Resources Mining and Minerals Division, *Exploration and Mining in British Columbia 2008*, January 2009.

<sup>14</sup> Province of British Columbia "\$10 Million to Improve Highway 16 and Support Growth", News Release, July 9, 2008.

<sup>15</sup> BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts by Type 2000-2008*, February 5, 2009.

had its lowest employment level in 10 years, at 5,100. However, steady month-to-month gains resulted in 2,700 more workers being employed in the industry by September. By year end, however, employment dropped back to 6,900.

On the positive side, Skeena Sawmills in Terrace partially resumed operations in February 2009 following a lengthy shutdown since 2007. The company is chipping whole logs and sending the product to Kitimat's Eurocan pulp and paper mill. This is good news for mill employees (12 were called back), truckers and loggers.<sup>17</sup> Also in Terrace, the former Terrace Lumber Company site has been purchased by WestCoast Hospitality Inc., who intends to use the land to develop a hotel, convention centre, and entertainment complex with the additional lands to be used for small retail outlets, restaurants, box stores, and a residential development.<sup>18</sup>

In addition, a \$25 million partnership deal between the Suskwa Chiefs and Pacific Northwest BioMass Corporation to construct a biomass power generation facility in the Gitxsan Territory, approximately 12 kilometres east of Hazelton, was recently signed. The biomass facility will take waste wood from mills, lumber from the dying forest, and standing dry and pulp timber and turn it into electricity. The co-gen plant is expected to create 125 jobs for the Gitxsan and cost an estimated \$80 million dollars to construct.<sup>19</sup> The provincial government has recently announced a plan that could bring thousands of jobs and hundreds of millions of dollars of investment to the Northwest. Forests Minister Pat Bell has asked licence holders to pool their wood, making it available to any and all users ranging from pellet manufacturers to makers of musical instruments. He called the concept of being able to gather wood in one central location where sufficient volume by species and type can be easily and efficiently taken by different manufacturers, as the best and only way to return Northwest forests to productive use.<sup>20</sup>

## Unemployment Rate

In 2008, the unemployment rate in Northwest BC declined by 0.3 percentage points to 7.7%. Aside from 2006, this is the lowest unemployment rate the region has enjoyed in over a decade. Despite this, Northwest BC continues to retain the highest unemployment rate in BC, at 3.1 percentage points above the provincial average.

Last year, the rate of job creation (6.3%) outpaced the growth of the region's labour force (6%), pushing the labour force participation rate up to 72.9%. This is 6.3 percentage points *above* the province as a whole and the second highest participation rate in BC, second only to the Northeast.<sup>21</sup>

**Table 5-2: Unemployment Rate (%), Northwest British Columbia, 2003 to 2008**

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Northwest BC	11.3%	11.6%	8.1%	6.7%	8.0%	7.7%	-3.6 ppt	-0.3 ppt
<b>British Columbia</b>	<b>8.0%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>4.2%</b>	<b>4.6%</b>	<b>-3.4 ppt</b>	<b>+0.4 ppt</b>

Source: Statistics Canada

<sup>16.</sup> BC Stats, *Exports (BC Origin) 1999-2008*, March 2009.  
<sup>17.</sup> Black Press, "Skeena Sawmills Resumes Chipping for Eurocan," *Kitimat Sentinel*, March 11, 2009.  
<sup>18.</sup> "No Casino for Terrace – Just Gambling," *Terrace Daily*, March 3, 2008.  
<sup>19.</sup> "Suskwa Chiefs Sign Cogen Deal," *Smithers Interior News*, February 6, 2008.  
<sup>20.</sup> "Collaboration Needed in Wood Industry," *Terrace Standard*, March 23, 2009.  
<sup>21.</sup> Statistics Canada, *Historical Labour Force Survey*, CD1, Table 30AN.

Table 5-3 shows that the unemployment rate for young workers, aged 19 to 24 years, in Northwest BC dropped slightly between 2007 and 2008, falling to 12.3%. This is contrary to the provincial trend where the youth unemployment rate rose by 0.8 percentage points. Detailed *Labour Force Survey* data reveals that the youth labour force in both the North Coast and Nechako grew considerably in 2008, with the number of young workers who found work rising by 63% over 2007.<sup>22</sup> Despite this improvement, the unemployment rate for youth in the region continued to be significantly higher than that of the general population.

**Table 5-3: Youth (age 19 to 24) Unemployment Rate, Northwest British Columbia, 2003 to 2008**

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Northwest BC	20.8%	22.7%	11.1%	11.3%	12.5%	12.3%	-8.5 ppt	-0.2 ppt
<b>British Columbia</b>	<b>11.4%</b>	<b>10.5%</b>	<b>8.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>6.8%</b>	<b>-4.6 ppt</b>	<b>+0.8 ppt</b>

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

\* Unemployment rate calculated by author for all years.

## INVEST Indicators

### Business and Investment Activity

2008 marked another year of strong growth in investment in the North Coast. The total value of investments proposed, underway, complete, or on hold in the NCDR rose by 18.9%, from \$25 billion in fourth quarter 2007 to \$30 billion in fourth quarter 2008.<sup>23</sup> Projects in the proposal stage, or on hold, accounted for 97% of total investment. In comparison, major project investment in BC as a whole was up by 22% between the fourth quarter of 2007 and 2008.

According to the December 2008 *BC Major Projects Inventory*, in the last quarter of 2008 there were three projects under construction in the NCDR, with a total value of \$911 million. These projects included the Prince Rupert Port Expansion (\$820 million); the Cascadia Aggregate Processing/Export Terminal in Kitimat (\$70 million); and the Kitsault River/Homestake Creek Hydroelectric Project south of Stewart near Alice Arm (\$21 million).

A comparison of the fourth quarters in 2007 and 2008 shows that the number of projects “on hold” in the North Coast fell considerably, from 7 to 3; and the number of proposed investments *increased* from 25 to 36.<sup>24</sup> This suggests that investment confidence was still comparatively buoyant at the end of 2008, despite events in the financial world. While the *Major Projects Inventory* indicates over \$8 billion in projects will commence construction in the next year, it is very likely some projects will be deferred, as investors take a “wait and see” approach. The global financial crisis and tighter lending practices that were implemented in late 2008 will no doubt affect some investment decisions. The largest projects scheduled to begin construction in 2009 include



<sup>22</sup> Statistics Canada, *Historical Labour Force Survey*, Custom Table, 2008.

<sup>23</sup> BC Ministry of Economic Development. *BC Major Projects Inventory*, December 2008. Definition of private sector excludes utilities and public services.

<sup>24</sup> Ibid.

the proposed Kitimat Aluminum Smelter Expansion (\$2.5 billion), Banks Island North Wind Energy Project (\$1.4 billion), Pacific Trail Pipeline's Kitimat to Summit Lake Pipeline (\$1.1 billion), and the Kitimat Liquid Natural Gas Terminal (\$700 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 likely signal an end to the multi-year investment boom in the region.<sup>25</sup> Rio Tinto has already announced that spending will be slower at the Kitimat Smelter expansion in 2009, as it struggles to pay off debt following a sharp drop in aluminum prices.<sup>26</sup>

## Incorporations and Bankruptcies

Contrary to the rest of the province, business incorporations continued to grow in the NCDR last year. Between 2007 and 2008, the number of incorporations increased by 1.9% to reach 108. The North Coast was, in fact, the *only* region in British Columbia to post positive growth in incorporations. The slower growth rate in 2008, however, signalled a possible turning point, indicating that entrepreneurs may be more cautious about starting new businesses in the face of an uncertain economic climate.

**Table 5-4: Business Incorporations and Bankruptcies, North Coast Development Region, 2003 to 2008**

	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Business Incorporations	77	70	88	90	106	108	+40.3%	+1.9%
Business Bankruptcies	21	13	15	9	5	4	-81.0%	-20.0%

Source: BC Stats

Business bankruptcy data confirms that the overall business climate in the NCDR has improved in recent years. The total number of bankruptcies in the North Coast declined to 4—the lowest level in more than a decade.

## Business Establishments

The NCDR saw a modest reduction in the number of business establishments in 2008, when the total number of businesses declined 1.2% to 3,278. In comparison, the number of establishments in BC as a whole dropped 1.3% to 354,695. Most of the losses in the North Coast were business establishments with less than 20 employees.

**Table 5-5: Number of Business Establishments – All Sizes, North Coast Development Region, 2003 to 2008**

Region	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
North Coast DR	3,949	3,909	3,725	3,627	3,318	3,278	-17.0%	-1.2%
<b>British Columbia</b>	<b>332,418</b>	<b>346,316</b>	<b>345,227</b>	<b>350,444</b>	<b>359,314</b>	<b>354,695</b>	<b>+6.7%</b>	<b>-1.3%</b>

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



<sup>25</sup> Business Council of British Columbia, "BC Capital Investment Set to Drop in 2009," *BC Economic Snapshot*, March 19, 2009.  
<sup>26</sup> Reuters, "Rio Tinto Slows Kitimat Smelter Expansion," January 9, 2009.

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.<sup>27</sup> 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.<sup>28</sup> Over the past five years, the number of small businesses in the NCDR declined by 17%. The sharpest decline took place in 2007, due to troubles in the forest industry and persistent out-migration.

## LIVE Indicators

### Educational Attainment

Educational attainment is a critical determinant of long-term labour force productivity and quality of life. Statistics Canada aggregates labour force educational attainment data for the North Coast and Nechako Development Regions. Together, these two Development Regions comprise *Northwest BC*. Between 2003 and 2008, the share of the labour force, age 25-54, with post-secondary education declined from 53.7% to 48% in Northwest BC. This marked a 5.7 percentage point *drop* in attainment over the past five years, compared to a gain of 3.8 percentage points at the provincial level. This is the lowest level of educational attainment in the province. While educational attainment in BC rose in every year between 2003 and 2008, it fluctuated between 53.7% and 44.8% in the Northwest.

**Table 5-6: Percent of Labour Force, Age 25-54, with a Post-Secondary Certificate/ Diploma or Bachelor’s Degree, Northwest British Columbia, 2003 to 2008**

Region	2003	2004	2005	2006	2007	2008	Percentage Point Change	
							5-Year 2003-08	1-Year 2007-08
Northwest BC	53.7%	49.1%	45.7%	51.3%	44.8%	48.0%	-5.7 ppt	+3.2 ppt
<b>British Columbia</b>	<b>58.9%</b>	<b>59.3%</b>	<b>59.8%</b>	<b>61.0%</b>	<b>61.7%</b>	<b>62.7%</b>	<b>+3.8 ppt</b>	<b>+1.0 ppt</b>

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

Most of the decline in educational attainment has occurred at the post-secondary certificate or diploma level, and the graduate or above educational levels; the percentage of the labour force with these designations has declined by 2.9 and 2.7 percentage points respectively since 2003. Over the past five years, the only educational category that has increased in Northwest BC is the share of the labour force with high school education, which is up by 10.9 percentage points.

The decline in Northwest BC’s educational attainment ratio can be largely explained by labour market dynamics over the past five years. Since 2003, the majority of job losses in the Northwest have occurred in educational services, health care, and social assistance, industries that generally demand a higher level of education. On the flip side, employment in retail and wholesale trade has increased substantially, an industry that does not usually require more than a high school education.<sup>29</sup>



<sup>27</sup> BC Stats, *Business Indicators*, October 2008.

<sup>28</sup> Ibid.

<sup>29</sup> Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 33AN.

Current graduation data indicates that in 2008, the NCDR had the highest proportion of 18-year-olds in the province who did not graduate from high school (41%).<sup>30</sup> BC as a whole, saw an average non-completion rate of 28%. 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 are perceived lack of opportunities.<sup>31</sup> It has been well documented from many sources that Aboriginal Peoples in British Columbia lag far behind the rest of the population in educational attainment,<sup>32</sup> and indeed, recent Ministry of Education statistics support this. The North Coast, in fact, has a high proportion of aboriginal students (42.7%) compared to the provincial average (9.9%). Not only are those without a high school diploma at risk of becoming marginalized in society, but it could depress overall productivity and competitiveness in the future.

## Dependency on the Social Safety Net

Dependency on the social safety net in the NCDR has varied in recent years. In 2008, the share of the population, age 19-64, on basic income assistance or employment insurance rose slightly from 7.2% to 7.4%. Provincewide, this rate grew from 3.2% to 3.6%. While rates remained steady in the Skeena-Queen Charlotte Regional District, they rose by 0.5 percentage points in the Kitimat-Stikine. Forest sector layoffs in this Regional District have no doubt contributed to an increased demand for income assistance and employment insurance. As in the previous two years, the Skeena-Queen Charlotte had the highest social safety net dependency in 2008, at 7.7%.

**Table 5-7: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population, Age 19-64, North Coast Development Region, 2006 to 2008<sup>33</sup>**

Region	2006	2007	2008
Skeena-Queen Charlotte	8.3	7.7	7.7
Kitimat-Stikine	6.6	6.2	6.7
<b>Development Region Total</b>	<b>7.6</b>	<b>7.2</b>	<b>7.4</b>
<b>British Columbia</b>	<b>3.3</b>	<b>3.2</b>	<b>3.6</b>

Source: BC Stats

Comparing amongst the Development Regions in 2008, the North Coast had the highest rate of dependency in BC (7.4%), and the Cariboo was second highest (6.6%). At the other end of the spectrum, the Mainland/Southwest had the lowest rate of social safety net dependency (3.2%).

## Pre-Tax Income

Real pre-tax income per taxfiler can be used to compare purchasing power between the Development Regions of BC.<sup>34</sup> 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 NCDR rose by 7.5%, reflecting two years of small gains and a surge



<sup>30</sup> BC Stats, Special Run.

<sup>31</sup> Chisholm Consulting. *Boosting Educational Attainment in Western Canada*, October 2008. Prepared for the Canada West Foundation.

<sup>32</sup> BC Stats, *Earnings and Employment Trends*, Issue 04-12, January 26, 2005.

<sup>33</sup> 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.

<sup>34</sup> 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 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."

of 6% in 2006. While these were years of strong economic growth throughout the province, the North Coast was struggling to diversify its economy in the wake of mill closures in 2001, and the downsizing of the commercial fishing industry. By 2006, average real pre-tax income per taxfiler reached \$29,972 (in \$2002). This represents an income gap of \$5,597 per person with the province as a whole, and the lowest level of income in the province.

**Table 5-8: Real Pre-Tax Income per Taxfiler (2002\$), North Coast Development Region, 2003 to 2006**

Region	2003	2004	2005	2006	Percentage Change	
					3-Year 2003-06	1-Year 2005-06
North Coast DR	\$27,892	\$28,121	\$28,286	\$29,972	+7.5%	+6.0%
<b>British Columbia</b>	<b>\$31,400</b>	<b>\$32,323</b>	<b>\$33,430</b>	<b>\$35,569</b>	<b>+13.3%</b>	<b>+6.4%</b>

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

By 2006, average real income per taxfiler within the NCDR was as follows:<sup>35</sup>

- Kitimat-Stikine Regional District—\$31,213; and
- Skeena-Queen Charlotte Regional District—\$27,522.

The Kitimat-Stikine enjoyed both the highest real income per taxfiler and the biggest one-year growth in real income (6.4%) in the North Coast in 2006. The Skeena-Queen Charlotte’s growth rate between 2005 and 2006 was 4.9%.

Comparing one-year real income growth among the Development Regions, the Northeast Development Region ranked first, at 13.2% (reaching \$43,432 per taxfiler); The Thompson-Okanagan ranked second with a growth rate of 6.9% (reaching \$32,966); and the Mainland/Southwest ranked third at 6.5% (reaching \$35,539). All other Development Regions saw strong positive one-year gains of over 5% in 2006, but the most surprising gain occurred in the NCDR, which saw real income growth of 6%, boosting it to fifth place in our provincewide comparison of *real income gains*, which is a significant development for the North Coast.

Overall, the economy of the Development Region strengthened in 2007 and 2008, largely due to diversification efforts coming to fruition and a surge in mineral exploration. However, like the rest of the province, the impacts of the global recession were felt in some areas of the regional economy. Although real pre-tax income per taxfiler data is not yet available for 2007 and 2008, the aforementioned factors support the expectation incomes have continued to increase.

## Conclusions

While 2008 marked an economic turning point throughout British Columbia and the world, significant major project development in recent years has buoyed the North Coast economy, allowing it to continue operating on a fairly even keel in 2008. As a result, growth has occurred in a number of industries—health care and social services, public administration, primary resources, accommodation and food services, and construction. Thus, many of our indicators reflect favourable one-year changes. In 2008, there was an increase in educational



<sup>35</sup> Base year is 2002.

attainment of the labour force, job creation, and a drop in the unemployment rate. The investment climate remained strong, as evidenced by an increase in major project investment intentions, a rise in business incorporations, and a drop in business bankruptcies. The only indicators that did not show improvement were dependency on the social safety net, which increased slightly, and the number of business establishments, which declined marginally. Despite these improvements, the North Coast still has some “catching up” to do with the rest of the province. Areas of concern include educational attainment of the labour force<sup>36</sup> and real pre-tax income per taxfiler (as of 2006), which are the lowest in BC, and social safety net dependency and the unemployment rate,<sup>37</sup> which are the highest in the province.

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.<sup>38</sup> 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. By early 2009, the Port of Prince Rupert began to see a drop in the shipping volume as world trade declined. Both new home construction and non-residential construction has weakened, and consumer spending downshifted at the end of 2008. Already, work on the Kitimat Smelter expansion is slowing, and some projects slated for construction in 2009 could be deferred as a result of tighter lending practices. Similarly, mineral exploration may decline as a consequence of the tightening of financial markets and a reduction in commodity prices. Recent labour force statistics indicate that 3,000 jobs have already been shed in the first three months of 2009 in Northwest BC, pushing the unemployment rate up into double-digit territory, at 11.1%.<sup>39</sup>

Confidence for the future, however, is optimistic—the general feeling is that the Northern economy will recover faster from the economic downturn than other regions of the province. Prince Rupert’s inter-modal shipping operation has generated much interest and is anticipated to grow, as long-term shipping contracts elapse and operators look for cost-savings and efficient methods of shipping. Some major projects, such as Phase 2 of the Port Expansion and the Canpotech Sulfur Facility, which are in the early-development or proposal phase, should proceed as planned and will no doubt spur employment. In addition, as the transportation corridor through BC and northern Alberta becomes fully utilized, opportunities for new and existing businesses will materialize and further diversify the economy of this resource-rich area of BC.



<sup>36</sup> Northwest British Columbia (includes the North Coast and Nechako Development Regions).

<sup>37</sup> Ibid.

<sup>38</sup> BC Stats, *Exports*; Issue 08-11, January 2009.

<sup>39</sup> 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.

