



Northeast Development Region



The Northeast Development Region (NEDR) occupies 202,502 km² of land, and is bound by the Rocky Mountains in the east, Yukon and Northwest Territories in the north and Alberta in the west. In 2011, the region's permanent population grew by 1.5%, or 1,028 people, to reach 69,588. This growth rate was the highest among the Development Regions last year. In addition, the region has a sizable non-local workforce for all or part of the year, with many individuals living in resource industry company camps.

The Peace River Regional District, which includes the communities of Fort St. John, Dawson Creek, Chetwynd, Taylor, Hudson's Hope, and Tumbler Ridge, attracted the majority of new residents (89%) last year and is home to 91% of the region's population. The Northern Rockies Regional Municipality, with Fort Nelson as its principal centre, accounts for the rest.

The NEDR's economy is resource-based. Natural gas production and coal mining are major economic drivers and catalysts for the region's many investment and construction-related projects. Hydro-electric power generation and transmission from the Peace and W.A.C. Bennett Dams and, more recently, wind power facilities are also significant economic contributors. The region is also BC's principal grain and canola production centre, a major supplier of traditional and exotic livestock, and the source of 30% of BC's honey. In the past two years, there has been a revival of the regional forest industry. Backcountry and eco-tourism are also growing industries.

Buoyed by high prices and demand for coal and gas, economic growth in the NEDR outpaced that of much of the province last year. In 2011, gas and coal production increased by 18.5% and 16.7% respectively, and 15 new coal mine projects were in the exploration to environmental approval stages.¹ In addition to the province's highest population growth rate, the NEDR has also attracted large numbers of workers from other parts of BC and Alberta on a temporary basis. Home sales remained stable (0.4%) last year, pushing up prices by 5.5%. Higher prices for canola, grain, and livestock² benefitted farmers hard hit by three years of drought and last year's flooding. But while forestry and logging held their own, lumber production continued to struggle, as Canfor's Fort Nelson mill³ was permanently closed, and production was cut back at Louisiana Pacific's Dawson Creek mill.⁴ Shortages of both skilled and unskilled labour continued to be reported in most industries.⁵ As a result, both overall and youth unemployment was the lowest in BC.

WORK Indicators

Job Creation

Job creation is a primary indicator of a region's economic health and labour market trends. After bouncing back from prior year job losses in 2010, employment in the NEDR grew slightly (0.5%) last year. Moderate job gains in the service sector were partly offset by losses in the goods sector. Although the region fared better than the Vancouver Island/Coast (-4.4%) and Thompson-Okanagan (-1.0%) Development Regions, job creation in the NEDR lagged the rest of the province where gains between 1.1% and 7.2% were reported. It should be noted that these statistics apply to the local labour force only, because temporary workers who reside in camps are not included in the Northeast labour market survey.⁶ Consequently, we have only a partial picture of the region's labour force, and one that is not easily comparable to the other Development Regions, as they do not have a large migrant labour force.

The NEDR's goods producing sector declined by 1,900 jobs last year; fewer jobs were reported in mining, oil and gas (-2,100 jobs), and construction (-600 jobs), but these losses were partly counteracted by gains in manufacturing (400 jobs). Job losses in the NEDR's mining, oil and gas, and construction sectors that were reported by Statistics Canada run contrary to actual experience in the region, where increased employment activity and labour shortages were prevalent. Two possible explanations are worker withdrawal from the labour force and shifts to other industries. Reported job gains in manufacturing may also reflect increased production by a manufactured home company.⁷

In 2011, the NEDR's services producing sector saw employment increase by 1,900 jobs. Gains were reported in four out of eleven industries, while four others reported no change. Primary and secondary education (600 jobs) and transportation (600 jobs) saw the largest increase, followed by professional-technical services (400 jobs), trade (100 jobs), and repair and maintenance services (100 jobs). Population growth appears to explain all but the professional-technical job gains, which are likely associated with increased activity in the gas or mining sectors. Health care (-300 jobs) and accommodation-food services (-100 jobs) both reported minor job losses last year, increasing labour shortages in both these industries.



¹ BC Ministry of Energy and Mines.

² TD Economics, *Community Report*, April 13, 2012.

³ Canfor Corporation, December 2011.

⁴ Louisiana-Pacific Corporation, August 2011.

⁵ Interviews with Sue Kenny, *Community Futures Peace Liard*; Sandra Lemmon, *Economic Development Officer, North Peace Economic Development Commission*; and Jaylene Arnold, *Economic Development & Tourism Officer, Northern Rockies Regional District*.

⁶ Statistics Canada counts employment among non-resident workers at their place of residence.

⁷ *Community Futures Peace Liard*.

Table 1-1: Employment, Northeast Development Region, 2006 to 2011⁸

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	34.0	37.0	37.7	35.8	37.0	37.2	3.2	0.2
Goods-Producing Sector (000)	12.9	16.0	14.9	12.5	12.5	10.6	-2.3	-1.9
Agriculture	-	2.7	-	-	-	-	-	-
Forestry, fishing, mining, oil and gas	5.7	6.4	7.7	6.6	6.1	4.0	-1.7	-2.1
Utilities	-	-	-	-	-	-	-	-
Construction	4.7	4.8	4.3	3.8	4.1	3.5	-1.2	-0.6
Manufacturing	1.5	2.1	-	-	1.7	2.1	0.6	0.4
Services-Producing Sector (000)	21.1	21.0	22.8	23.2	24.6	26.5	5.4	1.9
Trade	3.7	4.9	4.9	4.8	5.9	6.0	2.3	0.1
Transportation & warehousing	2.7	1.9	2.1	3.0	2.5	3.1	0.4	0.6
Finance, insurance, real estate & leasing	1.6	-	-	-	1.8	1.8	0.2	0.0
Professional, scientific & technical services	1.8	2.0	1.8	2.5	2.1	2.5	0.7	0.4
Business, building & other support services	-	-	-	-	-	-	-	-
Educational services	-	2.3	2.4	1.6	2.0	2.6	-	0.6
Health care & social assistance	2.1	2.2	3.3	2.8	3.3	3.0	0.9	-0.3
Information, culture & recreation	-	-	-	-	-	-	-	-
Accommodation & food services	2.5	1.9	2.3	2.8	1.9	1.8	-0.7	-0.1
Other services	2.6	1.8	2.1	1.7	2.6	2.7	0.1	0.1
Public administration	-	-	-	-	-	-	-	-

Source: Statistics Canada, Labour Force Survey Historical Review

Unemployment Rate

The unemployment rate captures the balance of labour force supply and demand. In 2011, the NEDR's unemployment rate dropped steadily from a high of 9.1% in February, to below 4.3% by year end. The annual average rate of 4.9% was the lowest among the Development Regions and well below the provincial average (7.5%). This decline was a result of small reductions in the size of the local labour force and the participation rate, in combination with job gains.



⁸ 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, Northeast Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northeast	3.7	2.1	4.8	7.0	6.8	4.9	1.2 ppt	-1.9 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

Northeast unemployment rate calculated by author for 2006 & 2007

Youth unemployment rates also shrank, declining 3.3 percentage points (ppt) to 4.7%, its lowest level in four years. The NEDR's youth unemployment rate was the lowest rate among the Development Regions. Job opportunities in resources and construction, together with last year's job gains in trade and other services—industries that typically require little or no training—explain this low rate.

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

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northeast	4.1%	5.4%	10.6%	8.8%	8.0%	4.7%	0.6 ppt	-3.3 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

*Unemployment rate calculated by author

INVEST Indicators

Business and Investment Activity

Rapid growth in gas, mining, and energy production increased capital investment and development in the NEDR last year. The value of non-residential and residential building permits went up 40.2% and 9% respectively when compared to 2010 figures, although the number of residential permits decreased from 368 to 348. In the fourth quarter of 2011, the NEDR had 43 projects valued at \$19.7 billion either proposed, under construction, or on hold, which is an 18% increase compared to the fourth quarter of 2010.⁹

Eight projects were under construction in the fourth quarter of 2011, including \$978 million in power generating projects, \$851 million in gas/pipelines, and \$298 million for the Fort St. John hospital replacement. The total value of these projects is 79.5% higher than the values from the fourth quarter of 2010. The most significant projects in terms of investment value were Enbridge/Encana's Cabin gas plant near Fort Nelson (\$800 million), the Quality Wind Farm near Tumbler Ridge (\$455 million), and three BC Hydro upgrade/expansion projects at the Gordon M. Shrum power facility (\$360 million) at Hudson Hope.



⁹ Ministry of Jobs, Tourism and Innovation, Major Project Inventory, December 2011.

In the fourth quarter of 2011, there were also 33 project proposals totaling \$17.0 billion, a 13.7% increase in investment value when compared to the fourth quarter of 2010. The largest of these proposals is the massive \$7.9 billion BC Hydro's Site C project that is currently undergoing environmental review. In addition, the region had proposals totaling \$4.3 billion for other hydro-electric and wind power facilities, \$3 billion for coal mines, \$1.1 for gas and pipeline projects, and \$187 million for highway and road infrastructure. Most of these projects are still in the development stage and, in some cases, are competing with each other. While realization of these proposals will depend on several factors, including environmental approval, as well as continued strong market demand and prices for coal and gas, the sheer volume of this inventory suggests that additional large-scale projects will come to fruition and add to regional employment.

Incorporations

Business incorporations are indicators of entrepreneurial confidence in a region's economy. In 2011, business incorporations in the NEDR increased for the third consecutive year. The region's increase of 11.5% ranked third among the Development Regions behind the North Coast (23.7%) and Nechako (12.5%), but was well above the provincial average (1.8%). This increase is not surprising given the strength of the NEDR's economy last year.

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

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	669	542	444	327	479	534	-20.2%	11.5%

Source: BC Stats and Office of the Superintendent of Bankruptcy Canada

Business Establishments

The number of business establishments in the NEDR declined slightly (-1.2%) last year, which is somewhat perplexing given the region's surging economy. Although all Development Regions apart from the Nechako (0.1%) reported business decreases in 2011, the NEDR's loss was the fourth highest after the North Coast (-1.7%), Kootenays (-1.4%) and Thompson-Okanagan (-1.3%) and 1 ppt higher than the provincial average (-0.4%).

Table 1-5: Number of Business Establishments – all sizes, Northeast Development Region, 2007 to 2011¹⁰

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Northeast	7,153	7,033	6,918	6,953	6,868	-4.0%	-1.2%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats



¹⁰ Statistics Canada has changed its methodology in measuring business counts, thus the data reported here are inconsistent with figures reported in earlier editions of this publication. Previously, the concept of a 'statistical establishment' was the measure that was used. In 2008, the concept of a 'statistical location' was introduced with data back to 2007 available. The change to business location counts was made because they provide a better measurement of actual business units. Due to this change, the reported number of businesses will be higher than would be the case if the earlier framework was still in use.

There were fewer businesses of all sizes in the NEDR in 2011, the exception being those with 50+ employees. The increase in large businesses (5.8%) is understandable in a region dominated by the gas and mining industries, which require large amounts of capital and labour. The decline in self-employment and small to medium sized businesses (those with 1 to 49 employees) can be explained by a number of factors: abundance of jobs available with large companies in several sectors that do not require entrepreneurial risk, and offer pension and other benefits, as well as difficulties in employee recruitment and retention in the NEDR.

LIVE Indicators

Educational Attainment

Educational attainment in the labour force has been linked with improved productivity and long term gains in real purchasing power. Last year, educational attainment of the NEDR’s labour force, aged 25 to 54, continued its five year decline, decreasing by 1.1 ppt to 48.5%, the lowest level in the province. The only other Development Region to record a decline last year was the Vancouver Island/Coast (-0.1%). All the others posted gains ranging from 1.3% to 8.1%.

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

Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Northeast	48.4%	54.8%	53.9%	53.8%	49.6%	48.5%	0.1 ppt	-1.1 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

The NEDR’s labour force educational attainment falls well below the provincial average (-17.4 ppts). However, as demand for skilled and unskilled labour outstrips supply, the NEDR’s economic strength appears to mitigate the disadvantage of a lack of educational attainment, and may even have become a disincentive to improvement.

Dependency on the Social Safety Net

Regardless of the strength of the economy, there is always a fairly consistent percentage of the population who are dependent on income assistance for reasons of health or inability to work. This indicator tends to rise with the unemployment rate, as people lose their EI benefits or choose to leave the labour force. In 2011, the NEDR’s dependence on social assistance declined 0.3 ppt to 1.2% of the population aged 19 to 64, the lowest level in the province. The NEDR’s decrease last year was second only to the Nechako and North Coast Development Regions (-0.4ppt), but was better than the provincial average, which remained unchanged. The region’s burgeoning economy, job growth, and the decline in unemployment underlie this improvement.



Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Northeast Development Region, 2008 to 2011¹¹

Regional District	2008	2009	2010	2011
Peace River	1.1	1.7	1.6	1.3
Northern Rockies	0.7	1.0	0.8	-
Development Region Total	1.1	1.6	1.5	1.2
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats

Conclusions

2011 was a stellar year for the NEDR. The rate of increase in the region's permanent population was the highest since 2006. Modest gains in local employment reduced the overall and youth unemployment rates, as well as social assistance dependency rates, to the lowest levels in the province. The region also supported a substantial migrant workforce drawn by increased activity and investment in gas, coal mining, and energy development. The value of major projects proposed and under construction increased for the third consecutive year and totalled just under \$20 billion. Business incorporations also increased, even though the number of business establishments with less than 49 employees declined. This decrease, together with a decline in labour force educational attainment, appear to be the sole negative outcomes associated with the NEDR's booming resource economy, which is generating more skilled and unskilled jobs than the local labour force can provide for.

2012 is promising to be another good year for the NEDR. Jobs remain plentiful in virtually all industries. Coal prices and demand are expected to continue to increase, resulting in new mine development and increased employment. Despite lower gas prices, gas production costs, particularly from the Montney Play area, remain competitive and recent gas exploration activities are expected to trigger a 7% increase in drilling activity this year.¹² Further investments in hydro-electric and wind power facilities should generate substantial employment in construction. Canola and cattle prices are also anticipated to rise. All of these factors point to more jobs, sustained low unemployment and attraction of both additional permanent population and temporary workers.

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.

¹¹ 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.

¹² Petroleum Association of Canada.