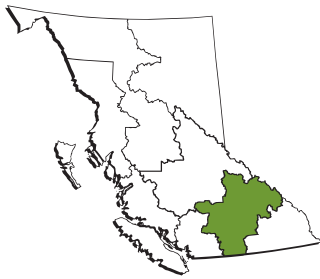




Thompson-Okanagan Development Region



The Thompson-Okanagan Development Region (TODR) has a total land area of 94,308 km² and contains five Regional Districts: Okanagan-Similkameen, Thompson-Nicola, Central Okanagan, North Okanagan, and Columbia-Shuswap. In 2007, an estimated 521,903 people lived in the TODR,¹ representing approximately 12% of British Columbia's total population. More than half (58%) of the Development Region's population is concentrated in the Central Okanagan and Thompson-Nicola Regional Districts, which house the TODR's two largest urban centres: Kelowna and Kamloops.

The TODR's economy is in the process of changing from an historic dependence on resources, especially forestry, to a more diversified mix of forestry, agriculture/viticulture, mining, manufacturing, post-secondary education, tourism, and trade/services. This growing diversification both reflects and contributes to the Development Region's strong population growth, which has spawned a boom in construction and development activity in recent years.

Population in-flow to the TODR has accelerated over the past five years, with the growth rate almost doubling between 2006 and 2007 (from 1.3% to 2.5%); this was the highest growth rate in the province. Between 2002 and 2007, the TODR saw an influx of approximately 35,000 new residents—an increase of 7.1%,² which was the second-highest growth rate after the Mainland/Southwest Development Region.



1. Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries*, Annual, CANSIM, Table 051-0036.
 2. BC Stats, BC Ministry of Labour and Citizens' Services, *BC Regional District and Municipal Population Estimates, 1996-2006*, December 2006.

Just over half of these new residents (54.5%) moved to the Central Okanagan Regional District, while another third moved to the Thompson-Nicola and North Okanagan Regional Districts (14% and 16.5% respectively). The TODR's population growth is due largely to in-migration by retirees and semi-retirees, but also includes individuals drawn to the area by expanding job opportunities in tourism, construction, and consumer services.

LIVE Indicators

Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. Between 2002 and 2007, the percentage of the TODR labour force with post-secondary education increased from 55.5% to 58.3%. While this percentage was lower than the provincial average in 2007, it was lower by the narrowest margin (3.4 percentage points) in five years, reflecting last year's sharp reversal of a downward trend from the previous four years; the TODR posted a 3.7 percentage point increase compared to a provincial average gain of 0.7 percentage points.

Table 7-1: Percent of Labour Force Age 25-54 with a Post-Secondary Certificate/Diploma or Higher Thompson-Okanagan Development Region, 2002 to 2007

Region	2002	2003	2004	2005	2006	2007	Percentage Point Change	
							5-Year 2002-07	1-Year 2006-07
Thompson-Okanagan DR	55.5%	54.5%	53.7%	53.7%	54.6%	58.3%	+2.8 ppt	+3.7 ppt
British Columbia	57.8%	58.9%	59.3%	59.8%	61.0%	61.7%	+3.9 ppt	+0.7 ppt

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

Although workers with a post-secondary certificate or diploma in the TODR made up just over two-thirds of those *with post-secondary education* in 2007, their share of the labour force diminished in the last five-years (-3.1 percentage points). Workers with a bachelor degree saw the largest five-year gain (3.3 percentage points), while the number of workers with more than a bachelor degree also increased (2.6 percentage points). The Development Region's tremendous job growth between 2002 and 2007, together with increasing demand for educated workers,³ appears to be one explanation for this trend. Another may be the addition of retirees/semi-retirees with higher education who moved to the TODR and supplemented their incomes through consulting or self-employment.



3. According to Statistics Canada, 75% of job openings between 2005 and 2015 will require some post-secondary education.

Dependency on the Social Safety Net

Between 2005 and 2006, job growth and increased personal income drove dependence on social assistance and unemployment insurance down in the TODR, from 4.1% to 3.5%. However, despite further job growth and a reduction in the overall unemployment rate in 2007, the dependency rate⁴ in this Development Region remained unchanged from 2006, just as it did provincewide. Nevertheless, the TODR recorded the third-lowest dependency rate in BC last year after the Mainland/Southwest (3%), and Vancouver Island/Coast and Kootenay Development Regions (both at 3.4%).

Within the TODR, the dependency rate declined slightly last year in all except the Central Okanagan Regional District, which drew the largest in-flow of new residents who may have still been looking for employment.

Table 7-2: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64 Thompson-Okanagan Development Region, 2005 to 2007⁵

Region	2005	2006	2007
Okanagan-Similkameen	4.0	3.6	3.4
Thompson-Nicola	4.7	3.9	3.8
Central Okanagan	3.7	3.2	3.3
North Okanagan	4.2	3.5	3.4
Columbia-Shuswap	4.1	3.6	3.5
Development Region Total	4.1	3.5	3.5
British Columbia	3.7	3.3	3.3

Source: BC Stats. Note: BC Stats is currently revising these numbers.

Pre-Tax Income

Real pre-tax income per taxfiler (real income) and its growth enables us to compare resident's purchasing power in the Development Regions.⁶ While the most recent regional income data is only available to 2005, it does give us a picture of how real income has changed in the Development Regions over time, and which factors underlie these trends. By looking at existing economic conditions, we can make an educated guess about how real income has changed since 2005.

Between 2002 and 2005, real income in the TODR increased by 8.3% from \$28,487 to \$30,842. In 2005, this growth rate ranked sixth in the province and was largely due to the Development Region's high proportion of retirees,⁷ whose incomes tended to be lower than employed taxfilers. However, real income in the TODR did gain ground from 2002 to 2005: In each of those years, its growth consistently exceeded the provincial average, ranking second only to the oil and gas-rich Northeast Development Region (15.6%). As a result, the TODR closed in on the provincial average during this time, with a difference of \$2,805 in 2002 and a difference of \$2,588 in 2005.



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4. Percentage of population age 19 to 64 receiving UI or social assistance with some exclusions (see footnote 7).
 5. 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, OAS/Seniors, and aboriginal people living on reserve.
 6. 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."
 7. 17.8% versus the provincial average of 13.6% in 2006. Source: Statistics Canada, *2006 Census*.

Table 7-3: Real Pre-Tax Income per Taxfiler (2002\$), Thompson-Okanagan Development Region 2002 to 2005

Region	2002	2003	2004	2005	Percentage Change	
					3-Year 2002-05	1-Year 2004-05
Thompson Okanagan DR	\$28,487	\$28,682	\$29,714	\$30,842	+8.3%	+3.8%
British Columbia	\$31,292	\$31,400	\$32,323	\$33,430	+6.8%	+3.4%

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

Within the TODR, in 2005 real income ranged from a low of \$28,298 in the Okanagan-Similkameen to a high of \$33,329 in the Central Okanagan. Between 2002 and 2005, real income growth in all of the Regional Districts, except the Thompson-Nicola (5.6%), exceeded the provincial average. Growth was strongest in the Central Okanagan Regional District (9.4%), followed closely by the Okanagan-Similkameen and North Okanagan Regional Districts (both at 8.9%). These three Regional Districts are home to some of the TODR's largest and fastest growing urban centres: Kelowna, Penticton, and Vernon.

Despite problems in the forest sector, the last two years have been very positive for the TODR due to overall improvements in the provincial economy and a boom in construction activity within the Development Region itself. Employment growth continued over the last two years, bringing down unemployment and resulting in fewer government income transfers, as the labour market absorbed unemployed workers. Both of these factors suggest that real income continued to rise within the Development Region as a whole in 2006 and 2007.

WORK Indicators

Job Creation

After four years of leading the province in terms of job creation, the TODR's pace slowed last year from 4% to 1.2%. In 2007, 3,000 new jobs were added in the TODR, bringing the five-year increase to 48,600, an impressive 23.4% gain and the highest in the province. Last year's increase was entirely due to jobs created in the service sector, which offset job losses in goods-production.

Since 2002, the **service-producing sector** has created 32,700 new jobs in the TODR, 4,800 of which were added last year. Total service sector employment in 2007 was 188,700, representing 73.5% of the TODR's total job market. Last year, six of eleven service industries reported job gains, the largest being other services, accommodation and food services, and trade, which combined for an additional 6,900 jobs. Business, building and support services, and education contributed another 2,500 new jobs. The areas that saw the most job reductions were health care and social assistance (-1,500 jobs), transportation and warehousing (-1,100 jobs), and information, culture, and recreation (-1,100 jobs).

Table 7-4: Employment, Thompson-Okanagan Development Region, 2002 to 2007⁸

	2002	2003	2004	2005	2006	2007	Job Creation (000)	
							5-Year 2002-07	1-Year 2006-07
TOTAL EMPLOYMENT (000)	208.1	218.8	229.7	244.0	253.7	256.7	48.6	3.0
Goods-Producing Sector (000)	52.2	52.7	59.1	65.0	69.8	67.9	15.7	-1.9
Agriculture	5.5	7.0	7.6	7.0	7.8	7.7	2.2	-0.1
Forestry, fishing, mining, oil and gas	6.9	6.9	5.5	5.5	8.0	6.7	-0.2	-1.3
Utilities	1.8	-	-	-	1.5	-	-	-
Construction	14.3	13.6	18.8	24.1	27.3	26.4	12.1	-0.9
Manufacturing	23.6	23.9	26.3	27.1	25.2	25.8	2.2	0.6
Services-Producing Sector (000)	156.0	166.1	170.6	179.0	183.9	188.7	32.7	4.8
Trade	35.7	38.9	37.4	39.7	42.2	44.4	8.7	2.2
Transportation & warehousing	9.4	12.2	12.0	11.6	10.9	9.8	0.4	-1.1
Finance, insurance, real estate & leasing	11.1	10.4	11.3	14.6	15.5	15.1	4.0	-0.4
Professional, scientific & technical services	8.7	10.4	9.0	14.2	13.4	12.6	3.9	-0.8
Business, building & other support services	8.5	8.3	10.9	7.2	9.1	10.3	1.8	1.2
Educational services	13.2	14.1	13.8	12.1	14.1	15.4	2.2	1.3
Health care & social assistance	23.7	26.2	26.2	29.4	32.1	30.6	6.9	-1.5
Information, culture & recreation	6.9	9.3	13.2	10.5	10.6	9.5	2.6	-1.1
Accommodation & food services	20.1	19.5	19.5	23.0	19.0	21.3	1.2	2.3
Other services	11.6	10.1	10.6	8.2	8.4	10.8	-0.8	2.4
Public administration	7.1	6.7	6.7	8.4	8.6	8.9	1.8	0.3

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

Job gains last year reflected population growth, with higher demand for housing-related services and consumer goods and services, as well as expansions of UBC Okanagan and Okanagan College.⁹ Tourism employment also rebounded, partly as a result of labour shortages, after a reported drop of 4,400 jobs in 2006.^{10 11} As for job reductions, a decline in forest product exports led to fewer jobs in transportation; labour shortages and unfilled job vacancies, caused by increased demand, attrition, and competition with better-paying industries, were the most likely reasons for reductions in health care and information, and culture and recreation services employment.



8. 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.
 9. Human Resources, UBC Okanagan and Okanagan College.
 10. Danielle Zeitsma, Economist, Statistics Canada concedes that sampling error may be a factor as the labour force survey is designed to be accurate at the national level, and the possibility of sampling error increases as the survey is broken down to provincial, local, and industry levels.
 11. Interview with Richard Porges, Research Director, Tourism BC.

Jobs in the **goods-producing sector** declined by 1,900 last year; that said, the sector was still up by 15,700 jobs (or 30.1%) compared to 2002. The TODR's five-year increase in goods-production employment was dominated by the construction industry, which added 12,100 jobs—an increase of 84.6%. Job losses in forestry (-1,300 jobs) were the main reason for last year's reduction. Construction also posted a slight decline (-900 jobs), in the wake of labour shortages and unfilled job vacancies.

Unemployment Rate

Between 2002 and 2007, the unemployment rate in the TODR declined steadily, falling 5 percentage points, from 9.4% in 2002 to 4.4% in 2007. Only slightly higher than the provincial average, the Development Region's 2007 unemployment rate was the fourth-lowest within the province. Within the TODR, the unemployment rate varied from a low of 3.4% in Vernon to 4.5% in Kelowna and 5% in Kamloops.

Table 7-5: Unemployment Rate (%), Thompson-Okanagan Development Region, 2002 to 2007

Development Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Thompson-Okanagan DR	9.4%	8.8%	6.6%	5.3%	5.1%	4.4%	-5.0 ppt	-0.7 ppt
British Columbia	8.5%	8.0%	7.2%	5.9%	4.8%	4.2%	-4.3 ppt	-0.6 ppt

Source: Statistics Canada

The reduction in the TODR's unemployment level over the past five years is not surprising given the area's robust job growth during that time. Service sector job growth was sufficient to offset the loss of jobs in goods production last year, and pushed unemployment to a record low. However, the unemployment rate may be at or near its minimum level given that labour shortages are being experienced in several sectors, including tourism, health care, and construction. In addition, labour force participation in the Development Region dropped slightly last year (-1.1 percentage points), prompting concern that it is not keeping up with economic growth.¹²

What about young workers? Young workers benefited slightly from the TODR's tight labour market in 2007, but not as much as their older counterparts. But although the reduction in youth unemployment last year was only minor (-0.3 percentage points), the TODR was still one of only three Development Regions to record a decline in 2007. Youth unemployment in the TODR was the fourth-lowest in the province last year at 6.8%, behind the Vancouver Island/Coast (5.1%), Northeast (5.4%), and Mainland/Southwest (5.9%) Development Regions.



12. Credit Union Central of BC, *BC Labour Market Outlook 2007-2008*.

**Table 7-6: Youth (19 to 24 years) Unemployment Rate, Thompson-Okanagan Development Region
2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Thompson-Okanagan DR	17.2%	12.9%	8.7%	6.6%	7.1%	6.8%	-10.4 ppt	-0.3 ppt
British Columbia	12.2%	11.4%	10.5%	8.5%	6.4%	6.0%	-6.2 ppt	-0.4 ppt

Source: Statistics Canada, Labour Force Survey Custom Table

INVEST Indicators

Business and Investment Activity

2007 was another stellar year for investment and construction in BC. Residential and non-residential construction were both robust; high commodity prices stimulated mining development; energy demand spurred a number of power generating projects; and heavy Asian trade flows triggered transportation investments.¹³ Business and investment activity in the Thompson-Okanagan Development Region reflected these trends.

As of the last quarter of December 2007, 77 projects valued at approximately \$14 billion were under construction in the TODR,¹⁴ which was 27% higher than the construction value reported in the area just one year earlier.¹⁵ The vast majority of this investment (\$12 billion, or 86%) was residential, residential/resort, and mixed-use development primarily oriented toward the retirement or tourism/resort markets. New winter and summer tourism facilities, ranging from waterfront to ski resort projects with residential components, accounted for over \$8.4 billion, or 60% of the total construction in progress. Investments included: ski resort development projects at Kicking Horse, Sun Peaks, Big White, Revelstoke, and Silver Star, which were valued at \$2.4 billion in total; 19 resort residential or golf residential projects valued at \$6 billion; and the Glenmore-Highlands and Downtown North residential developments in Kelowna, valued at \$2.3 billion.

Other projects under construction totalled \$2.1 billion and included: five highway/road/bridge projects; three power projects; two mining investments; two schools and five facilities at UBC-Okanagan; two hospital expansions; a multiplex; and an aquatic centre.

Another 69 projects valued at \$8.5 billion were proposed in the TODR in 2007. Again, the majority of this investment (\$6.0 billion or 71%) was residential/commercial development, mostly oriented to either the retirement or tourism markets. Proposed developments in other sectors totalled over \$2.4 billion and included: five mine investments; nine public infrastructure projects that address increased population demand, ranging from sewage treatment and waste management to hospital and airport expansions; four industrial projects; nine power projects; two school facility investments; and three post-secondary facility investments.



13. Scotiabank Group, *Provincial Trends, March 2007*.
 14. Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.
 15. Ibid.

The value of last year's development projects in the TODR—both proposed and under construction— was the third-highest in the province after the Mainland/Southwest and Vancouver Island/Coast Development Regions. The variety of projects reflects the TODR's expanding population and investor confidence. All in all, 2007 was another very good year for capital investment in the TODR because of its continued attractiveness for tourism and retirees. Public infrastructure investment in support of this growth augers well for the future, as do new investments in mining and post-secondary education facilities, which will add to the TODR's diversity and help sustain economic growth.

Incorporations and Bankruptcies

Last year was the sixth consecutive year in which the number of business incorporations in the TODR increased (7.8%). In addition, the number of bankruptcies dropped for the second consecutive year (-24.1%), hitting its lowest level in five years. Between 2002 and 2007, annual business incorporations increased by 109.6%, while bankruptcies declined by 57.4%. Both trends showcased the positive economic environment in the TODR for entrepreneurs and investors.

Table 7-7: Business Incorporations and Bankruptcies, Thompson-Okanagan Development Region 2002 to 2007

	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Business Incorporations	1,644	1,820	2,039	2,948	3,196	3,446	+109.6%	+7.8%
Business Bankruptcies ¹⁶	155	118	100	105	87	66	-57.4%	-24.1%

Source: BC Stats

Business Establishments

Between 2002 and 2007, just over 44,000 new businesses were established provincially, an increase of 14%. Over the same period, 4,998 new businesses were established in the TODR, an increase (13.2%) that was slightly lower than the provincial average (14%), and tied with the Vancouver Island/Coast Development Region for the second-highest growth after the Mainland/Southwest Development Region (15.4%).

Last year, the establishment of new businesses fell off somewhat in the TODR, increasing by 851 (or 2%), which was below its 2006 increase (3.3%) and the provincial average (2.5%). Nevertheless, the TODR's growth rate was second only to the Mainland/Southwest (3%) last year. 2007 marked the first time that more than 50% of all businesses in the TODR were those with zero employees, which includes self-employed enterprises. This trend is not surprising given the high number of retirees/semi-retirees, and their propensity to undertake consulting work or open a small business to supplement their retirement income.



16. Business bankruptcy data represents the cities of Kamloops, Kelowna, Penticton, and Vernon.

Table 7-8: Number of Business Establishments – all sizes, Thompson-Okanagan Development Region 2002 to 2007¹⁷

Region	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Thompson-Okanagan DR	37,459	38,632	40,123	40,260	41,606	42,457	+13.3%	+2.0%
British Columbia	315,277	332,418	346,316	345,227	350,444	359,314	+14.0%	+2.5%

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

Conclusions

Overall, 2007 was an excellent year for the Thompson-Okanagan Development Region. Population growth accelerated over the past five years, and last year's growth rate was the highest in the province, almost double that of 2006. This growth stimulated a hot real estate market and construction boom across the TODR. As a place to live, our indicators reveal that real income growth exceeded the provincial average in four out of five of the TODR's Regional Districts, and was second only to the oil and gas rich Northeast Development Region. Educational attainment in the labour force shot up 3.7 percentage points last year, reversing a four-year downward trend and narrowing the TODR's gap to the provincial average to the smallest margin it has seen in five years. Dependency on social assistance and unemployment insurance also declined slightly in four of the five Regional Districts, the exception being the Central Okanagan.

As a place in which to work and invest, indicators for the TODR were all positive as well. Although the pace of job creation slowed last year, 3,000 new jobs were still created, bringing the region's five-year gain to 48,600, which was the largest percentage increase in the province. In addition, unemployment fell to a new low last year, recording one and five-year reductions that exceeded the provincial average. Youth unemployment was also down slightly last year, and saw the second-largest reduction in the province over the last five years.

Capital investment continued to be robust, exceeding \$16 billion in projects under construction and in development. Business incorporations were up for the sixth consecutive year, while bankruptcies were down for the second consecutive year, confirming that the TODR has a positive economic environment for entrepreneurs. The increase in business establishments slowed slightly between 2006 and 2007, but remained second only to the Mainland/Southwest Development Region last year, as it has been over the last five years.

Our indicators also identified some cautionary signs for the coming year. Difficulties in the forest industry and related manufacturing, combined with labour shortages and resulting higher wages, are likely to slow job growth and, in some sectors, affect business sustainability. In addition, capacity issues in the construction industry and fallout from the faltering US economy and housing market downturn may adversely affect investment activity in the region this year.



17. Changes in methodology in 2005 and 2007 may partially explain declines in business establishments, while changes in methodology in 2006 may partially explain increases.

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.