



Thompson-Okanagan Development Region



The Thompson-Okanagan Development Region (TODR) spans a total land area of 94,308 km². It stretches from the US border to just north of Mica Creek and the Kinbasket reservoir, with the Rocky Mountains and Monashee mountains as its eastern boundary, and the Cascade Mountains as its west. In 2008, an estimated 521,903 people lived in the TODR,¹ representing approximately 12% of the total provincial population. The region's largest centres are Kelowna, Kamloops, Vernon, and Penticton.

The TODR's economy has shifted from a historic dependence on resources, especially forestry and mining, to a mix of industries. The Development Region is known for agriculture/viticulture, tourism, and trade/services, and has more recently become a centre of post-secondary education and diversified manufacturing. In addition, its attractive climate has made the TODR a magnet for retirees, which has fostered tremendous investment in development and construction activity in recent years.

In 2008, the TODR's population grew by 3% (15,153 residents), to reach 527,652. This was the fastest population growth rate in BC. Population growth in all the Regional Districts was positive, with the most growth occurring in the Central Okanagan (5.4%) and the North Okanagan (2.5%). The Central Okanagan Regional District accounted for half of all population growth (9,228) in the TODR.

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.

Like the rest of the province, the TODR is feeling the effects of the current economic downturn. Both the real estate and construction sectors have been affected. Resale of homes in Kelowna dropped 38% in 2008 compared to 2007.²

Building permits in the TODR plummeted in the fourth quarter of 2008,³ and total housing starts were down 76.1% in Kamloops and 79.3% in Kelowna between the fourth quarter of 2007 and 2008.⁴ The forest industry also continued to struggle with the effects of pine beetle infestation and mill closures and layoffs.

Furthermore, the devaluation of assets and investments appears to be affecting the TODR's long standing draw of retirees. As the economic surge of the last few years dissipates, 2009 is shaping up to be challenging for many sectors of the economy.

WORK Indicators

Job Creation

After very modest job growth in 2007 (1.2%), the TODR bounced back in the last four months of 2008, adding 8,300 jobs. Last year's net increase of 3.2% was higher than the provincial average (2.1%) and ranked fourth amongst the Development Regions. Over the past five years, the TODR has added 46,200 new jobs, a remarkable 21.1% gain, second only to the Vancouver Island/Coast Development Region (23.5%).

Although the *service-producing sector* represents the majority of the job market, last year's gain of 4,300 jobs was only marginally more than those in goods production (4,100). Seven out of eleven industries reported job growth in 2008.

The largest gains occurred in health care and social assistance (4,500), information, culture and recreation (2,600), transportation and warehousing (1,700) and education (1,200). The main areas of job losses were in finance, insurance, real estate and leasing (3,200) and trade (2,800).



² Canada Mortgage and Housing Corporation, *Housing Now*, January 2009.

³ BC Stats, BC Ministry of Labour and Citizens' Services, *Quarterly Regional Statistics*, Fourth Quarter 2008.

⁴ Canada Mortgage and Housing Corporation, *Housing Market Outlook*, First Quarter 2009.

Table 7-1: Employment, Thompson-Okanagan Development Region, 2003 to 2008⁵

	2003	2004	2005	2006	2007	2008	Job Creation (000)	
							5-Year 2003-08	1-Year 2007-08
TOTAL EMPLOYMENT (000)	218.8	229.7	244.0	253.7	256.7	265.0	46.2	8.3
Goods-Producing Sector (000)	52.7	59.1	65.0	69.8	67.9	72.0	19.3	4.1
Agriculture	7.0	7.6	7.0	7.8	7.7	7.0	0.0	-0.7
Forestry, fishing, mining, oil and gas	6.9	5.5	5.5	8.0	6.7	7.8	0.9	1.1
Utilities	-	-	-	1.5	-	1.9	-	-
Construction	13.6	18.8	24.1	27.3	26.4	32.4	18.8	6.0
Manufacturing	23.9	26.3	27.1	25.2	25.8	23.0	-0.9	-2.8
Services-Producing Sector (000)	166.1	170.6	179.0	183.9	188.7	193.0	26.9	4.3
Trade	38.9	37.4	39.7	42.2	44.4	41.6	2.7	-2.8
Transportation & warehousing	12.2	12.0	11.6	10.9	9.8	11.5	-0.7	1.7
Finance, insurance, real estate & leasing	10.4	11.3	14.6	15.5	15.1	11.9	1.5	-3.2
Professional, scientific & technical services	10.4	9.0	14.2	13.4	12.6	12.0	1.6	-0.6
Business, building & other support services	8.3	10.9	7.2	9.1	10.3	11.1	2.8	0.8
Educational services	14.1	13.8	12.1	14.1	15.4	16.6	2.5	1.2
Health care & social assistance	26.2	26.2	29.4	32.1	30.6	35.1	8.9	4.5
Information, culture & recreation	9.3	13.2	10.5	10.6	9.5	12.1	2.8	2.6
Accommodation & food services	19.5	19.5	23.0	19.0	21.3	22.1	2.6	0.8
Other services	10.1	10.6	8.2	8.4	10.8	10.0	-0.1	-0.8
Public administration	6.7	6.7	8.4	8.6	8.9	9.0	2.3	0.1

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

Last year's job gains in health care and social assistance, information, culture and recreation services, and transportation and warehousing all reflect a rebound after reported job declines in 2007. These gains are most likely due to a combination of higher demand and the filling of 2007 job vacancies, whereas employment growth in education can be ascribed to expansions at UBC Okanagan and Okanagan College.⁶ On the other hand, last year's downturn, first in resale of homes and then new construction, explains employment losses in finance, insurance, real estate, and leasing. Just as the drop in consumer confidence⁷ and falling retail sales caused fewer jobs in trade.

The *goods-producing sector* reversed its 2007 decline, adding 4,100 jobs last year. Since 2003, 19,300 jobs have been created in goods-production, virtually all in construction (97.4%). Last year, there were 1,100 new jobs reported in the resource sector, most likely in mining due to some mine openings and exploration activities stimulated by higher commodity prices.⁸ Construction was responsible for the lion's share of new jobs, adding 6,000 positions, despite the loss of 8,800 jobs in the last four months of the year. Together, these two sectors offset 2,800 job losses in manufacturing related to wood processing and a minor loss in agricultural jobs (700).



⁵ 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.

⁶ Human Resources, UBC Okanagan and Okanagan College.

⁷ Decima Harris, *Consumer Confidence Shows Signs of Life*, February 23, 2009.

⁸ BC Stats, BC Ministry of Labour and Citizens' Services, *Quarterly Regional Statistics*, Fourth Quarter 2008.

Unemployment

The unemployment rate in the Thompson-Okanagan Development Region went up in 2008 for the first time in seven years, rising 1.1 percentage points to 5.5%. This rate was considerably higher than the provincial average of 4.6% and the third-highest in the province after the Nechako and Cariboo Development Regions (7.7% and 6.3% respectively). Within the TODR, the unemployment rate varied. It was highest in Kamloops at 5.8% and lowest in Vernon at 3.5%.

Table 7-2: Unemployment Rate (%), Thompson-Okanagan Development Region, 2003 to 2008

Development Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Thompson-Okanagan DR	8.8%	6.6%	5.3%	5.1%	4.4%	5.5%	-3.3 ppt	+1.1 ppt
British Columbia	8.0%	7.2%	5.9%	4.8%	4.2%	4.6%	-3.4 ppt	+0.4 ppt

Source: Statistics Canada

The TODR's rise in unemployment last year was caused by labour force growth exceeding job growth. In 2008, the Thompson-Okanagan's labour force participation rate rose by 1.6 percentage points to 65.1%, the highest rate in more than a decade. This increase was caused by an additional 16,000 people being added to the labour force; 4,000 former non-participants⁹ rejoined the labour force, and 12,000 people moved to the region.

In 2007-2008, youth unemployment bore the brunt of rising unemployment, and rose 2.3 percentage points to 9.1%. While the TODR's youth unemployment rate was much higher the provincial average, it was still the third-lowest in the province, behind that of the Mainland/Southwest and Vancouver Island/Coast Development Regions.

Table 7-3: Youth (19 to 24 years) Unemployment Rate, Thompson-Okanagan Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Thompson-Okanagan DR	12.9%	8.7%	6.6%	7.1%	6.8%	9.1%	-3.8 ppt	+2.3 ppt
British Columbia	11.4%	10.5%	8.5%	6.4%	6.0%	6.8%	-4.6 ppt	-0.8 ppt

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



⁹ Workers who were formerly not included in the labour force – e.g. “discouraged workers” who gave up searching for a job, students, and stay-at-home parents.

INVEST Indicators

Business and Investment Activity

Investment and construction in the Thompson-Okanagan Development Region tapered off in 2008 after several years of sharp increases. At the end of December 2008, 79 projects¹⁰ valued at more than \$16.5 billion¹¹ were under construction, compared with 77 projects worth \$14 billion the year before.¹² Over 80%, or \$13.1 billion, of this investment was residential/commercial, and was retirement or resort-oriented, including a number of ski, golf, and marina developments. Other industrial and infrastructure projects included mines, power generation, sewage, schools and other community facilities, hospital, and transportation projects, which comprised another \$3.4 billion, of which 43.5% was publicly funded. The largest of these projects were the Kelowna Hospital expansion (\$433 million), Highland Copper mine expansion (\$400 million) and Revelstoke Dam generation station (\$300 million).

Another 88 projects valued at over \$12.2 billion were proposed in the TODR at the end of 2008, compared to 69 projects worth \$8.1 billion a year prior. Slightly over half of the proposed investment (51.3%) was residential/commercial development, again mostly retirement or tourism-oriented. Other proposed projects totalled over \$5.9 billion. However, many of these projects are only at the study or approval stages, including several power generation and wind farm projects that may be in competition with one another, while others do not have approved financing. Given the current economic climate and drop in market demand, many of these projects, particularly in the residential/commercial sector, will likely be delayed. In fact, building permits in the TODR have been in steep decline since September 2008.¹³

While most proposed projects in the TODR will remain on the books, 2009 is shaping up to be a slower year for business activity and investment. On the positive side, some additional public infrastructure spending is likely to occur as a result of the federal and provincial stimulus programs.

Incorporations and Bankruptcies

In 2008, business incorporations in the TODR were down 9.3%, the first time in four years this indicator has dropped. Overall, business incorporations were down across the province, with the exception of the North Coast Development Region. This is not surprising given last year's economic downturn and tightening of available credit. However, business bankruptcies also went down for the seventh consecutive year in the TODR, suggesting that most entrepreneurs were well-positioned, or have not yet felt the pinch of difficult economic times.



¹⁰ Ministry of Economic Development, *BC Major Projects Inventory*, December 2008.

¹¹ The 2008 *BC Major Projects Inventory* includes several projects whose value is unknown.

¹² Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.

¹³ Ministry of Labour and Citizen's Services, *Quarterly Regional Statistics*, Fourth Quarter 2008.

Table 7-4: Business Incorporations and Bankruptcies, Thompson-Okanagan Development Region, 2003 to 2008

	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Business Incorporations	1,820	2,039	2,948	3,196	3,446	3,124	71.6%	-9.3%
Business Bankruptcies ¹⁴	188	168	168	134	102	92	-51.1%	-9.8%

Source: BC Stats

Business Establishments

Contrary to most other Development Regions in the province, which saw declines in the number of business establishments last year, the TODR saw a modest increase of 0.9% in this indicator. Although this increase was less than half of that in 2007, it is notable that the Thompson-Okanagan, along with the Vancouver Island/Coast and Kootenay Development Regions, were the only areas that experienced growth in 2008. In 2007-2008, all businesses in the TODR, except those with no employees (-0.4%), increased; small businesses with 20-49 employees increased 6.4%; those with 1-19 employees rose 2.3%; and large businesses with more than 50 employees increased 0.7%.

Table 7-5: Number of Business Establishments – all sizes, Thompson-Okanagan Development Region, 2003 to 2008¹⁵

Region	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Thompson-Okanagan DR	38,632	40,123	40,260	41,606	42,457	42,858	+10.9%	+0.9%
British Columbia	332,418	346,316	345,227	350,444	359,314	354,695	+6.7%	-1.3%

Source: BC Stats and Statistics Canada

The five-year picture, however, is somewhat different. Unlike many other parts of the province, the TODR saw the largest rate of increase in businesses with over 50 employees. In fact, the number of large businesses increased by 15.5% in the last five years, compared with a decrease of 3.2% provincially. Self-employment¹⁶ also grew substantially (14.7%), which is not surprising given the region's high number of retirees and semi-retirees, and their propensity to do consulting work or open a business to supplement their retirement income. Small businesses with 20-49 employees posted double-digit growth (12.3%), while those with 1-19 employees saw less of an increase (6%).



¹⁴ Business bankruptcy data represents the cities of Kamloops, Kelowna, Penticton, and Vernon.

¹⁵ Changes in methodology in 2005 and 2007 may partially explain declines in business establishments, while changes in methodology in 2006 may partially explain increases.

¹⁶ Businesses with no employees.

LIVE Indicators

Educational Attainment

Educational attainment has a significant effect on labour force productivity and, in the longer-term, purchasing power. In 2008, the percentage of the TODR labour force with post-secondary education decreased from 58.3% to 57.5%, bucking the province trend. Only the Northeast Development Region, whose oil and gas industry draws large numbers of labourers, lodged a larger percentage decline in its educated workforce (-1.4%).

Table 7-7: Percent of Labour Force, Age 25-54, with a Post-Secondary Certificate/Diploma or Higher, Thompson-Okanagan Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point Change	
							5-Year 2003-08	1-Year 2007-08
Thompson-Okanagan DR	54.5%	53.7%	53.6%	54.6%	58.3%	57.5%	+3.0 ppt	-0.8 ppt
British Columbia	58.9%	59.3%	59.8%	61.0%	61.7%	62.7%	+3.8 ppt	+1.0 ppt

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

Although those with post-secondary certificates or diplomas represent the majority of educated workers (60%), the most rapid growth has been among those with university degrees. The number of university graduates in the TODR labour force is 31% higher than in 2003, even though it went down by 1.6% last year. Last year's decline was due entirely to a loss of 1,300 individuals with bachelor's degrees, although this loss was partly offset by the addition of 800 people with higher education. By comparison, post-secondary diploma holders increased by 14.8% last year and 21.3% since 2003.

The Development Region's tremendous job growth and the expansion of UBC Okanagan and Okanagan College since 2003, together with general increasing demand for educated workers,¹⁷ explains the increase in persons with university accreditation, especially at higher levels. Last year's loss of bachelor's graduates could be a reflection of individuals earning a higher degree, competition from other regions, or even diminishing job opportunities later in the year.

Dependency on the Social Safety Net

Dependence on unemployment insurance or social assistance in the TODR increased by 0.5 percentage points in 2008. This increase was slightly higher than the provincial average, but was still the second-lowest in the province after the Mainland/Southwest Development Region (3.2%), and tied the Northeast Development Region (4%).



¹⁷ According to Statistics Canada, 75% of job openings between 2005 and 2015 will require some post-secondary education.

Table 7-8: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population, Age 19-64, Thompson-Okanagan Development Region, 2006 to 2008¹⁸

Region	2006	2007	2008
Okanagan-Similkameen	3.6%	3.4%	4.1%
Thompson-Nicola	3.9%	3.8%	4.2%
Central Okanagan	3.2%	3.1%	3.7%
North Okanagan	3.6%	3.4%	4.2%
Columbia-Shuswap	3.6%	3.4%	4.2%
Development Region Total	3.7%	3.5%	4.0%
British Columbia	3.3%	3.2%	3.6%

Source: BC Stats

Pre-Tax Income

Real pre-tax income per taxfiler can be used to compare purchasing power between the Development Regions.¹⁹ While the most recent regional income data is only available to 2006, it does give us a picture of how income levels have changed in the Development Regions in the past, and how they compare with one another. By looking at economic conditions since 2006, we can also make an educated guess about how real income has subsequently changed.

Between 2003 and 2005, real income in the TODR grew moderately by 3.6% and 3.8% per year. But in 2006, it shot up 6.9%, resulting in an overall three-year gain of 14.9%. The TODR's three-year, and one-year real income growth were the second-highest after the oil and gas-rich Northeast Development Region. Despite this growth, average income in the TODR remained \$2,603 below the provincial average in 2006, reflecting the high proportion of retirees²⁰ in the region with lower incomes than employed taxfilers.

Table 7-6: Real Pre-Tax Income per Taxfiler (2002\$), Thompson-Okanagan Development Region, 2003 to 2008

Region	2003	2004	2005	2006	Percentage Change	
					3-Year 2003-06	1-Year 2005-06
Thompson Okanagan DR	\$28,682	\$29,714	\$30,842	\$32,966	+14.9%	+6.9%
British Columbia	\$31,400	\$32,323	\$33,430	\$35,569	+13.3%	+6.4%

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



^{18.} 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.

^{19.} 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 diverge significantly from census counts. We have therefore used the number of taxfilers as the denominator, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See Glossary at the end of this report for definitions of pre-tax income and taxfiler.

^{20.} 17.8% versus the provincial average of 13.6% in 2006. Source: Statistics Canada, *2006 Census*.

Within the TODR, real income growth varied. Between 2003 and 2006, the North Okanagan, Central Okanagan and Okanagan-Similkameen Regional Districts had the strongest growth rates, with gains of 15.7%, 16.8%, and 14.4% respectively. These three areas have been the focus of resort and retirement development and contain the fast-growing urban centres of Kelowna, Penticton, and Vernon. The more outlying Thompson-Nicola and Columbia-Shuswap Regional Districts, which are less populated and more reliant on resources, saw lower, albeit double digit, increases.

The TODR's economy continued to be strong in 2007 and much of 2008. Apart from problems in the forest sector, job growth in other industries was robust until last fall. Unemployment was low and labour tight in many industries throughout 2007, and wages increased accordingly. All of this points to real income increases that will be reflected in annual data for the Development Region in the next two years, as the first negative impact of current trends is only likely to appear in 2009.

Conclusions

Signs that the economic boom of the past few years has been affected by the current financial downturn were evident in the TODR last year. House re-sales were down throughout the year and a decline in demand for new construction followed. Building permits peaked in April, but by September were in free fall. Although job growth carried on until late summer it was insufficient to match labour force growth, resulting in higher unemployment, and increased dependence on unemployment insurance and social assistance. In addition, business incorporations were down for the first time in four years. The Thompson-Okanagan Development Region, like the rest of the province, is facing a challenging year ahead that will no doubt be reflected in next year's *Check-Up*.

On the positive side, the TODR remains a popular and more affordable vacation destination for Canadians, who are likely to be trimming their budgets. In addition, price reductions in real estate may well incent buyers who were previously priced out of the region. Federal and provincial stimulus spending will also provide some relief. There is no telling how long a recovery will take according to economists. We can only wait and see.



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.

