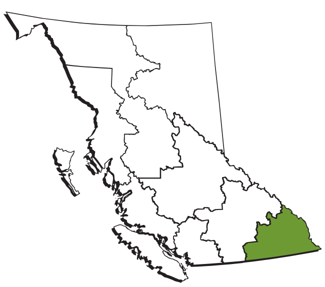
Kootenay Development Region



The Kootenay Development Region (KDR) comprises the Kootenay-Boundary, Central Kootenay, and East Kootenay Regional Districts, with a total land area of 57,787 km^2.

Occupying the southeastern portion of British Columbia, this region has the smallest land mass of any Development Region in the province, and accounts for just over 3% of the population. Key economic activities include coal mining, zinc and lead smelting and refining, and pulp, lumber, and wood products manufacturing. The region's rugged and spectacular mountain ranges—the Rockies, Selkirk, Purcell, and Monashee—are a draw for year-round tourist activity. In addition, its major rivers, the Columbia and Kootenay, generate a considerable amount of electricity, supplying the British Columbia and US markets.

Between 2002 and 2007, the number of residents in the KDR grew by 0.2%, reaching 149,910.[1] This growth rate was significantly lower than the provincial rate of 6.4% over the same period. The East Kootenay and Central Kootenay Regional Districts each comprise about 40% of the KDR population. Five-year growth in the Central Kootenay and Kootenay-Boundary Regional Districts was minimal (0.7% and 0.5% respectively), while the East Kootenay Regional District saw a slight population decline (-0.4%) over the same period.

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.

Between 2006 and 2007, the KDR's population grew by 1.6%, surpassing the provincial average. This is the highest rate of population growth for the region in the past decade.

Remarkable job creation in 2007 spurred an inflow of new residents. Combined with low mortgage rates and continued demand from Albertans seeking recreation and retirement property, the KDR's average residential housing prices increased 30% between 2006 and 2007[2]; this rate of increase was the highest in British Columbia during that time, and rendered several communities in the region unaffordable for some residents.[3]

In 2007, major project and residential construction, continued strength in overall metal prices, and a banner year for exploration and development drove KDR employment to its highest level in at least a decade. The only disappointment occurred in the forest industry, which began to falter. Some communities in the KDR are now experiencing the repercussions of adverse forest sector developments in 2007—the housing meltdown in the US, dampening prices, the new export tax,[4] and a strong Canadian dollar—with mill closures impacting hundreds of workers, logging contractors, and related suppliers.

LIVE Indicators

Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. Statistics Canada data shows that between 2002 and 2007, the percentage of the labour force (aged 25-54) with a post-secondary certificate/diploma or higher declined from 61.8% to 53.3% in the KDR. In 2002, this share of the labour force in the KDR was 4% *higher than* the British Columbia average; by 2007, however, this rate had fallen to 8.4% *below* the provincial rate.

Table 2-2: Percent of Labour Force Age 25-54 With a Post-Secondary Certificate/ Diploma or Higher Kootenay Development Region, 2002 to 2007

							Percentage Point Change	
Region	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**5-Year 2002-07**	**1-Year 2006-07**
Kootenay DR	61.8%	55.7%	55.9%	60.5%	53.0%	53.3%	-8.5 ppt	+0.3 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

2 BC Stats, *British Columbia Multiple Listing Statistics* (revised), March 2008.

3 Some communities in the East Kootenay Regional District that require numerous low-wage seasonal hospitality workers (at the ski hills), such as Invermere and Fernie, have experienced tremendous increases in both housing prices and rent.

4 Canada entered into the new softwood lumber agreement that set export taxes on lumber when prices fell below a certain level. Source: BC Stats, *Infoline*, Issue 08-03, January 18, 2008.

Most of the decline in the KDR's educational attainment has occurred at the post-secondary certificate or diploma level; the percentage of the labour force with this kind of designation has declined by 4.1 percentage points over the past five years. The share of the labour force with a bachelor's degree and higher has also dropped in the KDR, by 2.8 and 1.6 percentage points respectively. By contrast, British Columbia as a whole experienced a smaller decline at the certificate or diploma level (-0.2 percentage points), and had an increase in the percentage of the labour force with a bachelor's degree and higher. The only educational category that has increased in the KDR since 2002 is the share of the labour force with "some post-secondary education" (up by 11 percentage points).

What has caused this dramatic turnaround? Examining the change in labour market opportunities over the past five years yields several clues. Since 2002, the lion's share of job growth has occurred in construction, the primary industries, manufacturing, and transportation; and while these industries demand certification at varying levels, they also employ a substantial amount of unskilled labour. In addition, employment in public administration, which generally demands higher academic credentials, has declined substantially.[5]

Dependency on the Social Safety Net

Labour market changes in the past few years have led to a stabilized unemployment level in the KDR. In 2005, the number of *unemployed* individuals dropped significantly from the previous year, by about 34%[6] (some of these individuals shifted into employment within the region, while others left to pursue opportunities elsewhere). As a result of this drop, the need for the social safety net declined from 4% to 3.4% by 2006. Despite the buoyant economy in 2007, the base of unemployed individuals in the region appears to have stabilized[7]; thus, dependency rates have not changed. Similarly, this indicator has not altered for British Columbia as a whole, where dependency rates settled at 3.3% in 2006 and 2007.

Table 2-3: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64 Kootenay Development Region, 2005 to 2007[8]

Region	2005	2006	2007
East Kootenay	3.2	2.8	2.8
Central Kootenay	4.5	4.0	3.8
Kootenay-Boundary	4.5	3.6	3.6
Development Region Total	***4.0***	***3.4***	***3.4***
British Columbia	**3.7**	**3.3**	**3.3**

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

Table 2-3 shows that social safety net dependency in all of the KDR's Regional Districts either stabilized or declined between 2006 and 2007. In 2007, the Central Kootenay and Kootenay-Boundary Regional Districts continued to have higher dependency rates (3.8% and 3.6% respectively) than the province as a whole (3.3%). Nevertheless, these rates were still lower than those regions of British Columbia with the highest dependencies: the North Coast (6.7%) and the Cariboo (5.1%) Development Regions.

5 Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 33AN.
6 Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 30AN.
7 The base of unemployed individuals has stabilized at about 4,500. Source: Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 30AN.
8 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.

Pre-Tax Income

This analysis uses real pre-tax income per taxfiler (real income) as a measure for comparing purchasing power between the Development Regions.[9] While the most recent regional income data is only available to 2005, it does give us a picture of how income levels have changed in the Development Regions in the past, and how they compare. 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 Kootenay Development Region rose by 5.3%, reaching an average of $29,956 per taxfiler. This growth rate lagged slightly behind that of the province as a whole. Over the same period, the biggest gains in real income within the KDR were realized in the East Kootenay Regional District (6.7%). By 2005, average real income per taxfiler in the KDR was as follows[10]:

- East Kootenay Regional District—$32,307
- Central Kootenay Regional District—$27,559
- Kootenay-Boundary Regional District—$30,078

When comparing the Development Regions, the KDR continued to rank seventh in terms of both growth and average income.[11] The Northeast Development Region led the rest of the province in real income growth at 15.6% between 2002 and 2005 (reaching $38,368), while the Thompson-Okanagan ranked second with a three-year growth rate of 8.3% (reaching $30,842), and the Nechako ranked third with a growth rate of 7.4% (reaching $31,073).

Table 2-1: Real Pre-Tax Income per Taxfiler (2002$), Kootenay Development Region, 2002 to 2005

					Percentage Change	
					3-Year	1-Year
Region	2002	2003	2004	2005	2002-05	2004-05
Kootenay DR	$28,441	$28,296	$29,117	$29,956	+5.3%	+2.9%
British Columbia	**$31,292**	**$31,400**	**$32,323**	**$33,430**	**+6.8%**	**+3.4%**

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

All of the KDR's Regional Districts saw significant gains in *nominal* pre-tax income per taxfiler between 2002 and 2005,[12] which means that income growth outstripped population growth. While these results *appear* encouraging, the income gap between the average KDR resident and the average British Columbian widened further, to nearly $3,500 in 2005. This is not surprising, given that the rate of job creation in the KDR between 2002 and 2005 was half that of the rest of the province,[13] and the *employment rate* averaged about 5% below the provincial rate.[14] Even within the KDR itself, there is considerable income disparity; in 2005, taxfilers in the East Kootenay Regional District earned $4,700 more than their counterparts in the Central Kootenay Regional District.

9 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."

10 2002 $

11 BC Stats, Ministry of Labour and Citizens' Services, *British Columbia Neighbourhood Income Demographics*, 2002 to 2005.

12 Income not allowing for inflationary effects.

13 The rate of job creation in British Columbia and the KDR between 2002 and 2005 was 8.4 and 3.9% respectively. Source: Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 33AN.

14 Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 30AN.

Job growth in the KDR has been strong since 2005, with most of the new jobs occurring in construction and mining, the region's higher-wage industries. Furthermore, dependency on the social safety net has diminished. Although data is not yet available for the last two years, the aforementioned factors support the expectation that real pre-tax income per taxfiler continued to rise between 2006 and 2007.

WORK Indicators

Job Creation

The Kootenay Development Region enjoyed an exceptional year of job creation in 2007. Between 2006 and 2007, 7,600 new jobs were created, with nearly 90% occurring in the goods-producing sector. The rate of overall job creation (10.9%) exceeded any other year for the KDR in the past decade. This was also the highest rate of job creation in British Columbia, at almost 8% above the provincial average.

Performance in the KDR's **goods-producing sector** was stellar in 2007, with its best annual employment growth rate in more than a decade (35%). Between 2002 and 2007, 10,400 new jobs were created in goods-producing industries, and 6,700 of these new jobs were created in the past year alone. Similar to the province as a whole, construction was the biggest winner in the KDR's goods-producing sector, with 4,300 new jobs created in 2006-2007. Substantial golf, ski, and resort development, and the construction of residential, recreational, and retirement property fuelled the majority of these new jobs.

The primary resource sector (forestry, mining, and oil and gas) in the KDR posted another successful year in 2007, with 2,100 new jobs created. This marked the third year in a row of positive employment growth for these industries. A strong year of exploration and development, ongoing strength in mining and metals, and the opening of the KDR's first metal mine[15] in six years drove employment gains. In British Columbia, exports of wood products fell significantly in 2007 (-18.4%),[16] but it was not until early 2008 that primary forest sector workers in the KDR felt the full impact of the downturn in the industry.

After two years of declines, manufacturing saw a slight gain in employment in 2007 (600 jobs), while agriculture-related employment fell slightly (200 jobs).

15 Roca Mines Inc's MAX molybdenum mine near Trout Lake. Source: Ministry of Energy, Mines & Petroleum Resources, *British Columbia Mines & Mineral Exploration Overview 2007*.
16 BC Stats, *Exports (BC Origin)—1998-2007*, March 2008.

Table 2-4: Employment, Kootenay Development Region, 2002 to 2007[17][18]

	2002	2003	2004	2005	2006	2007	Job Creation (000) 5-Year 2002-07	Job Creation (000) 1-Year 2006-07
TOTAL EMPLOYMENT (000)	**66.6**	**67.4**	**67.1**	**69.2**	**69.5**	**77.1**	**10.5**	**7.6**
Goods-Producing Sector (000)	**15.7**	**17.6**	**21.7**	**19.1**	**19.4**	**26.1**	**10.4**	**6.7**
Agriculture	-	-	-	-	2.7	2.5	-	-0.2
Forestry, fishing, mining, oil and gas	2.3	2.7	2.3	3.1	3.3	5.4	3.1	2.1
Utilities	-	-	-	-	-	-	-	-
Construction	4.6	5.5	8.3	5.8	4.9	9.2	4.6	4.3
Manufacturing	7.3	7.7	10.3	8.7	7.8	8.4	1.1	0.6
Services-Producing Sector (000)	**50.9**	**49.8**	**45.4**	**50.1**	**50.1**	**51.0**	**0.1**	**0.9**
Trade	14.4	11.1	8.7	10.1	11.4	11.3	-3.1	-0.1
Transportation & warehousing	2.2	2.5	3.7	3.7	2.7	3.3	1.1	0.6
Finance, insurance, real estate & leasing	2.9	3.3	-	2.8	3.2	3.2	0.3	0.0
Professional, scientific & technical services	3.1	2.1	2.0	3.8	3.9	3.3	0.2	-0.6
Business, building & other support services	1.6	2.1	2.4	2.5	4.0	2.4	0.8	-1.6
Educational services	4.9	4.5	4.0	4.5	3.2	4.9	0.0	1.7
Health care & social assistance	7.3	8.5	9.0	7.8	6.1	8.3	1.0	2.2
Information, culture & recreation	2.4	3.0	2.9	4.0	2.9	3.4	1.0	0.5
Accommodation & food services	6.9	7.1	4.9	5.4	7.6	6.0	-0.9	-1.6
Other services	2.1	3.4	3.9	3.1	3.6	3.1	1.0	-0.5
Public administration	2.9	2.1	2.3	2.2	1.6	1.8	-1.1	0.2

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

The KDR's **services-producing sector** accounted for 51,000 jobs in 2007. Job growth in services was minimal between 2002 and 2007, yielding a net increase of only 100 jobs. Employment has stabilized in this industry over the past five years (with the exception of 2003, when it dropped by 4,400 jobs, but it rebounded the following year). Between 2006 and 2007, 900 new jobs were created. The industries that saw the greatest gains in 2007 were as follows:

- Health Care and Social Assistance (2,200 jobs): Likely directly related to recent population growth.
- Educational Services (1,700 jobs): While the public school system has seen slight employment growth in the past year,[19] some of this job creation may have been fuelled by a shortage of skilled workers and a requirement that some employees be certified for various industry-related training through private post-secondary trainers.

17 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.

18 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.

19 There was a gain of 19 teacher/administrator jobs in School District #8 and 10 in School District #20 between 2006-07 and 2007-08. Source: BC Ministry of Education, *Teacher Statistics, 2003/04 – 2007/08, Full-Year Summary Report*, Districts #8 and #20, January 2008.

Other services-producing industries that posted employment gains were transportation and warehousing (600 jobs), information, culture, and recreation (500 jobs), and public administration (200 jobs).

Losses of 1,600 jobs each in business, building, and other support services, and in accommodation and food services offset most of these gains. Declines in the business, building, and other support services, and trade industries often corresponds to a general business reduction. While incorporation growth was strong in 2007, the number of business establishments was down significantly (by 11.5%).[20] The job losses in accommodation and food services is, however, puzzling.[21] While the appreciating Canadian dollar, rising fuel costs, and higher airfare costs have contributed to a decline in US entries,[22] the most recent KDR room revenue statistics show that room revenues rose in all three Regional Districts during 2007.[23] It is possible that there has been a shift toward more full-time positions in this industry, which could explain some of the reduction in overall jobs.

Unemployment Rate

2007 marked the fifth consecutive year in which British Columbia's unemployment rate declined. In the KDR, the unemployment rate dropped to 5.5%—its lowest level in more than 30 years, and a 0.7 percentage point *decline* from the previous year.

As the demand for workers exceeded the supply in some KDR communities, labour market shortages have developed in the construction, tourism, and hospitality industries. Some of these gaps have been filled by permanent or temporary migrants, older workers,[24] or youth who have chosen work over further education (at least temporarily). This has, in effect, pushed up the participation rate—or the percentage of the population who are working or looking for work. British Columbia's labour force participation rate rose steadily from 65.1% in 2002 to 66.3% in 2007.[25] In the Kootenay Development Region, this rate stayed roughly 4.5% below the provincial average between 2002 and 2006. In 2007, however, labour force participation in the region jumped to 66.8%—rising *above* the British Columbia average.

Table 2-5: Unemployment Rate (%), Kootenay Development Region, 2002 to 2007

							Percentage Change	
							5-Year	1-Year
Region	2002	2003	2004	2005	2006	2007	2002-07	2006-07
Kootenay DR	10.0%	11.5%	9.2%	6.1%	6.2%	5.5%	-4.5 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

What is happening with young workers? Table 2-6 shows that the unemployment rate for workers aged 19 to 24 years in the KDR *declined* between 2006 and 2007, dropping to 5.9%. It was a very good year for youth in the region, with many unskilled jobs opening up in retail and hospitality.

20 Statistics Canada, *Business Register*, 2006 and 2007.
21 The reported employment drop could be an anomaly as a result of LFS sampling methodology.
22 BC Stats, *Tourism Sector Monitor*, Issue 08-01, January 2008.
23 BC Stats, *Tourism Sector Monitor – Data Tables*, March 2008.
24 Canada-wide, participation for this age group rose from 53% in 1976 to 59% in 2006, reflecting greater labour market attachment than in the past, rising education levels (especially among women), or personal/financial circumstances that make it necessary to continue working. Source: Statistics Canada, "Participation of Older Workers," *Perspectives on Labour and Income*, Vol. 8, No. 8.
25 Statistics Canada, *Historical Labour Force Survey*, CD1 Table 30AN.

Table 2-6: Youth (19 to 24 years) Unemployment Rate, Kootenay Development Region, 2002 to 2007

							Percentage Point (ppt) Change	
Region	2002	2003	2004	2005	2006	2007	5-Year 2002-07	1-Year 2006-07
Kootenay DR	*14.9%	20.3%	*15.9%	*8.2%	*13.8%	*5.9%	-9.0 ppt	-7.9 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

**Unemployment rate calculated by author for these years.*

INVEST Indicators

Business and Investment Activity

In 2007, the provincial economy showed early signs of an economic slowdown with reduced manufacturing shipments and exports. Shipments of solid wood products, one of the main drivers in the slump in BC exports, dropped by 18.4%, primarily a result of reduced demand for building products in the United States.[26] Nevertheless, investment in British Columbia and the Kootenay Development Region continued to expand. Major public infrastructure and utility investments under construction, such as the Cranbrook Airport expansion,[27] BC Hydro's Aberfeldie Redevelopment Project, and the BC Transmission Corporation's substation improvements, were eclipsed by a magnitude of private sector investment in residential and commercial projects. Ski and golf resort development, to the tune of $2.6 billion, continued to account for the majority of ongoing major project activity in the region.

In the last quarter of December 2007, at least 24 of 32 major projects either proposed or underway in the KDR were private sector projects.[28] Of these, 17 projects were residential/commercial and 8 were public services. Altogether, total estimated capital costs in the KDR as of December 2007 were $6 billion, up by 28% from 2006.[29]

An impressive array of new projects, valued at approximately $1.3 billion, were under construction in the KDR in 2007. The majority of these projects were in the East Kootenay Regional District, and included: the Wildstone golf and residential development in Cranbrook ($750 million); the Whiskey Jack golf and resort development in Sparwood ($200 million); the Elk River golf and residential resort near Fernie ($100 million); and the Aberfeldie Generating Station upgrade ($92 million). Other, smaller projects consisted of additional resort and residential development, a new gold/copper mine near Grand Forks, and utility upgrades.

Estimated capital costs for new projects *proposed* as of December 2007 totalled $2.7 billion. These include: the Fairmont Hot Springs Resort overhaul ($1 billion); the Jumbo Glacier Resort ($450 million); the Waneta Power Plant expansion ($400 million); the Glacier/Howser hydroelectric project ($240 million); several coal mines and utility projects; and a mix of residential/commercial and public service projects.

26 BC Stats, Exports—January 2008, Issue 08-01, March 2008.
27 Completed in the fall of 2007.
28 BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2007. Definition of private sector excludes some utilities and public services.
29 Includes projects that are proposed, in progress, completed, and on hold. Source: BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2006 and 2007.

In summary, the KDR enjoyed a positive investment climate and another year of significant capital inflow in 2007, with communities in the East Kootenay Regional District, in particular, benefiting. Attractive financing opportunities, year-round tourism potential, and natural mineral and hydroelectric resources stimulated investment activity.

Incorporations and Bankruptcies

Business incorporations showed considerable growth in 2007, marking yet another year of buoyant investment and business activity in the KDR. Between 2006 and 2007, the number of incorporations rose to 730, the highest number of annual incorporations in the past decade. This marked a 21.1% increase over the previous year, compared to the provincial growth rate of 2.3%. More than half of these incorporations occurred in the East Kootenay Regional District.[30]

Table 2-7 shows the impressive increase in the number of business incorporations in the KDR over the past five years. Annual incorporations have more than doubled since 2002.

Table 2-7: Business Incorporations and Bankruptcies, Kootenay Development Region, 2002 to 2007

							Percentage Change	
	2002	2003	2004	2005	2006	2007	5-Year 2002-07	1-Year 2006-07
Business Incorporations	340	365	450	536	603	730	+114.7%	+21.1%
Business Bankruptcies[31]	31	55	32	27	29	12	-61.3%	-58.6%

Source: BC Stats

A downward trend in business bankruptcies is also encouraging. Between 2006 and 2007, the total number of bankruptcies in the KDR declined to 12, its lowest level in at least a decade. While the rising trend in incorporations signifies strong ongoing investor and entrepreneurial confidence in the region's economic activities and opportunities, bankruptcies—the proof of business success (or failure, more accurately)—show us that there is every reason to be optimistic about 2007.

30 BC Stats, *BC Incorporations by Development Region, Regional District & Municipality*, January 2008.
31 Business bankruptcy data represents the cities of and/or urban areas near Castlegar, Cranbrook, Kimberley, Nelson, and Trail.

Business Establishments

While the number of business establishments in the KDR grew modestly at 2.5% between 2002 and 2007, the latter year marked an abrupt drop in this indicator, with the total number of establishments declining by 11.5% to total 10,907.

Table 2-8: Number of Business Establishments – all sizes, Kootenay Development Region, 2002 to 2007

							Percentage Change	
Region	2002	2003	2004	2005	2006	2007	5-Year 2002-07	1-Year 2006-07
Kootenay DR	10,747	11,903	12,200	12,055	12,321	10,907	+1.5%	-11.5%
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)

The majority of the reduction in business establishments between 2006 and 2007 occurred in companies with fewer than 20 employees, although the number of larger establishments (20 to 49 and 50+ employees) also decreased. Over the past five years, there has been considerable growth in the number of businesses with no employees (12.1%), and moderate growth in those employing 20-49 and 50+ workers.

Growing labour shortages in the KDR and the province have no doubt led some self-employed workers to accept more lucrative opportunities in the workforce, while an unsettled forest sector undoubtedly contributed to declines in secondary manufacturing businesses and forestry contractors.[32]

Conclusions

As in British Columbia's other Development Regions, construction activity in the Kootenay Development Region was red hot in 2007 and remains a keystone in the robust job market. With many new projects either underway or at the planning stage, this industry has positive momentum. Mining and mineral exploration have also been instrumental in shoring up strength in the KDR's economy. The biggest area of concern is the forest industry; the events of the past year have translated into mill closures in the region in 2008, and these closures are threatening some of the smaller communities that are highly dependent on the forest industry.

Notwithstanding this concern, our indicators show that the KDR was an exceptional place to live in 2007. While the dramatic decline in the educational attainment of the KDR labour force over the past five years is somewhat troubling, this indicator is also a reflection of the qualifications and skills demanded by the region's changing labour market. Social safety net dependency has declined appreciably in the past three years, but levelled off in 2007. The region also saw one and three-year gains in real disposable income. The KDR's work and invest indicators all showed solid results in 2007. Job creation saw strong one and five-year growth rates, with 10,500 new jobs generated since 2002, while the unemployment rate fell to a thirty-year low.

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32 Ministry of Small Business and Revenue, British Columbia: *Small Business Profile 2006.*

The hot job market also opened up new opportunities for youth and attracted both temporary and permanent immigrants from other regions of British Columbia and the rest of Canada; this, in turn, helped drive up the cost of housing in some communities.

Continued growth in the number of incorporations and a decline in the number of bankruptcies highlighted the fact that the KDR's investment climate was very attractive in 2007. Moreover, planned investment projects are expected to continue generating both jobs and opportunities for new and existing businesses. The recent drop in the number of business establishments, however, is a concern. Continued troubles in the forest industry in 2008—lumber prices have already dropped 8.6% since the beginning of the year,[33] and low housing starts in the US are not expected to reverse any time soon[34]—may prompt more businesses to shut their doors, while job security and attractive compensation may induce some small business owners into the labour market.

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.

33 Lumber prices declined by approximately 12% in 2007. RBC Economics and Research, *Commodity Price Monitor*, March 2008.
34 BC Stats, *Exports*, Issue 08-01, January 2008.