

## highlights

a weekly digest of recently released British Columbia statistics

### *The Economy*

- **Housing starts in the province continued to pick up speed in June, increasing 10.4% (seasonally adjusted) after posting a 35.8% gain in the previous month.** A hot housing market on the west coast helped BC buck a national trend, which saw the number of starts edge down (-0.6%) in June. New Brunswick (+17.6%), Alberta (+5.1%) and Quebec (+3.4%) were the only other provinces where starts were up.  
*Source: CMHC*
- **The cost of new housing in BC's two largest urban centres continued to climb in May, rising 3.0% in Vancouver and 4.0% in Victoria.** Canadian new housing prices were 4.2% higher than in May 2001. Despite the recent increases, new housing costs in BC remain well below the levels seen in the early 1990s. In Vancouver, builders received 14% less for new housing sold in May than they would have in 1992. Prices in Victoria were 25% lower than ten years ago. While market conditions affect the prices received by builders, changes in the style and type of housing being constructed also play a big role.  
*Source: Statistics Canada*
- **Multifactor productivity in Canada's business sector slipped in 2001 for the first time in five years.** The business sector recorded a 0.1% drop in the productivity index, which had risen 1.7% in the previous year. The amount of labour and capital used in production grew 1.0% last year, but despite this, output expanded only 0.9%. Growth in the capital equipment used in production slowed to 1.8% in 2001, the smallest advance since 1993. This was partly due to slower growth in the use of information technology. Labour inputs used in production were up

0.4%, primarily because of increases in the experience and skills of the workforce. Multifactor productivity measures the change in output that is due to improvements in technology, efficiencies in production, and returns to scale.

*Source: Statistics Canada*

### *Income of Individuals*

- **Victoria residents reported a median income of \$24,800 on their 2000 tax returns.** This was substantially higher than in Vancouver, where the median (\$21,500) was just below the Canadian level (\$21,600). Ottawa (\$28,200) and Oshawa (\$28,200) had the highest median incomes in the country, while Trois-Rivieres had the lowest (\$18,400). Median employment income in Vancouver (\$25,000) and Victoria (\$24,800) was higher than for the country as a whole (\$23,200).  
The economic dependency ratio (the ratio of government transfer income to employment income) in Victoria was 17.7%, well above the national average of 15.6%. Vancouver's dependency ratio was 12.6%. Calgary (7.6%) was the only Canadian city where the dependency ratio was below ten percent.  
British Columbia's economic dependency ratio was 16.2% in 2000. Among the regions, NWT (9.3%) and Alberta (10.9%) had the lowest dependency ratios, while Newfoundland (32.4%) had the highest.  
*Source: Statistics Canada & BC STATS*
- **There were 2.8 million BC taxfilers who reported having some income on their 2000 tax returns.** Most (\$62.2 billion) of the \$84.8 billion reported by taxfilers was employment income. Transfers from government added another \$10.1 billion to the pockets of BC residents, primarily through CPP (\$3.0 billion) and Old Age Security (\$2.9 billion) benefits, as well as employment in-

### ***Did you know...***

***Last year, there were 402 women and 99 men in BC who were at least 100 years old. That's only slightly more than in 1976, when 456 people had passed the century mark. The number of centenarians has gone up and down during the last 25 years, peaking at 576 in 1991.***

insurance (\$1.1 billion) and social assistance (\$1.0 billion). British Columbians received \$5.1 billion in income from private pensions, \$4.9 billion from investments, and \$0.4 billion from RRSPs.

*Source: Statistics Canada*

### ***Alcohol Consumption***

- **British Columbians purchased an average of 99.8 litres of alcoholic beverages from liquor stores during the fiscal year ended March 31, 2001.** Beer (78.2 litres) accounted for the bulk of the sales, followed by wine (13.9 litres) and spirits (7.6 litres). Per capita alcohol sales were below the national average (103.8 litres), largely because BC beer drinkers don't buy as much of the brew as the typical Canadian does (85.0 litres). Consumption of purchased wine (13.9 litres in BC, compared to 12.2 litres nationally) and spirits (7.6 litres versus 6.5 litres) was higher in BC than for the country as a whole. Yukon residents had the highest per capita sales of beer (145.1 litres), wine (17.8 litres) and spirits (12.4 litres) in the country, with average total sales of 175.3 litres per person. Quebec consumers bought 44% of all red wine sold in Canada, or 9.6 litres per capita. Per capita wine purchases in Quebec were only a quarter as high as in France and Italy.

*Source: Statistics Canada*

- **Per capita sales of alcoholic beverages have been declining.** Nationally, the volume of alcohol sold per person has fallen from 134.0 litres in 1976 to 103.8 litres last year. In BC, per capita sales peaked in the mid-1970s, when they reached 140 litres, but have been dropping since. This is partly because many people are now making their own wines and beers.

*Source: Statistics Canada*

### ***Common-Law Unions***

- **Young couples are more likely to begin their lives together in a common-law union than in a marriage relationship.** Among men aged 20 to 29 in 2001, 43% indicated that their first union was a common-law relationship, while 31% chose marriage. The growing acceptance of common-law relationships is evident in the data: 41% of men aged 30 to 39, 28% of those between 40 and 49, and 10% of those aged 50 to

59 indicated that their first union was a common law relationship. This compares to just 3% of men between 60 and 69. In older age groups, rates for women were marginally lower than for men. However, 53% of women aged 20 to 29 and 42% of those aged 30 to 39 started their conjugal life in a common-law relationship.

*Source: Statistics Canada*

- **Although many unions begin as common-law relationships, marriage is still the most prevalent arrangement for couples.** An estimated 73% of men, and 78% of women, aged 30 to 39 will marry at some point even though 40% are expected to first choose to live together with a spouse. In 2001, nearly 1.2 million couples were living in a common-law union, up 20% from 1995. The number of married couples increased 3% from 6.2 million to 6.4 million during this period.

Common-law unions, and subsequent marriages, are less stable than relationships that begin with a marriage. Among married people in their 30s, 40s and 50s, about 30% of those who married directly and 60% of those who first experienced a common-law union, are expected to separate.

*Source: Statistics Canada*

### ***Air Traffic***

- **Canadian airports with NAV Canada control towers or flight service stations recorded over 6.2 million take-offs and landings last year.** This was 1.3% less than in 2000. The decline in aircraft movements was only partly related to the events of last September. Aircraft movements fell less last year than they did in 2000 (-4.4%). Vancouver International was the second-busiest airport in the country, handling 313,597 itinerant flights (i.e., excluding flight training and equipment testing) last year, 7.1% less than in 2000. Toronto's Pearson airport saw 405,028 planes land or take off. After Vancouver, Calgary (229,178), Montreal/Dorval (196,212) and Winnipeg International (137,616) were the busiest airports in the country. Winnipeg (+0.4%) was the only one of these airports where the number of itinerant flights did not fall last year.

*Source: Transport Canada*

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## Will Retiring Boomers Lead to Labour Bust?

Concern over the issue of labour shortages tends to ebb and flow with the business cycle. In boom times, employers, particularly those in small and medium-sized enterprises (SMEs), tend to have problems finding qualified employees to fill job vacancies, while in times of economic recession, there is far less difficulty in this area. However, change in the economic cycle is just one of the causes of labour shortages. Structural factors such as changes to the demographics of the labour force, the introduction of new technology, the implementation of new regulations and so on, can also affect the supply of labour. While the labour supply issues resulting from the business cycle are generally self-correcting, the problems arising because of structural changes may be more serious and could require some kind of intervention on the part of both government and business.

Surveys conducted by the Canadian Federation of Independent Business (CFIB) show that labour shortages have been a steady concern for SMEs across the country for at least the last decade<sup>1</sup>. A BC Chamber of Commerce survey carried out in August 2001 corroborated the CFIB surveys, finding that small and medium-sized businesses in BC are having problems locating qualified workers to fill vacancies and have concerns about the issue of labour shortages<sup>2</sup>.

Although British Columbia is well below the Canadian average in terms of the rate of job vacancies according to the latest CFIB survey (January to March 2002), the CFIB estimates that there are currently 17,000 jobs available, of which approximately 13,000 have been vacant for more than four months<sup>3</sup>. The fact that there

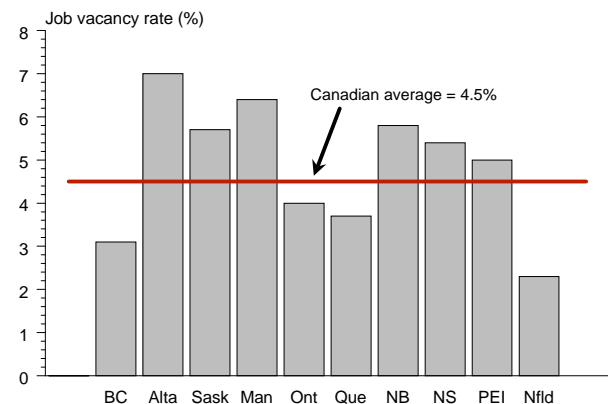
<sup>1</sup> CFIB, "Help Wanted: Results of CFIB Surveys on the Shortage of Qualified Labour," February 2001; and CFIB, "Help Wanted: Update: Labour Shortages Persist in the SME Sector," April 2002.

<sup>2</sup> British Columbia Chamber of Commerce, "Closing the Skills Gap," April 2002

<sup>3</sup> CFIB, "Help Wanted: Update: Labour Shortages Persist in the SME Sector," April 2002.

are this many jobs left unfilled at a time when the provincial economy has been struggling is an indication that these vacancies are more likely due to longer-term structural difficulties rather than short-term cyclical effects.

BC has a lower job vacancy rate than the Canadian average



Source: Canadian Federation of Independent Business

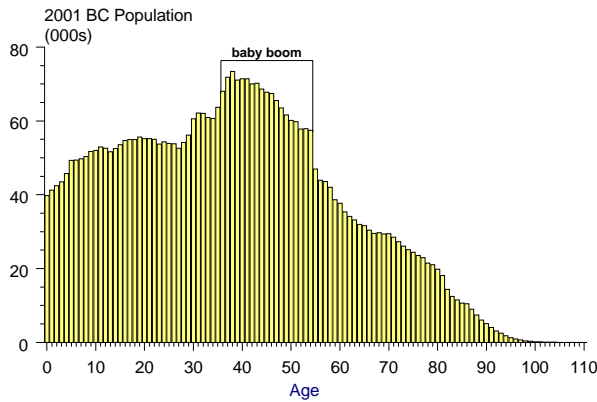
The sector identified as experiencing the most severe labour shortages across the country is the construction industry, with a vacancy rate of 7.2%, although rates are significant across most industries. Those in the construction and manufacturing sectors suggest that flaws in the education system are contributing to the lack of qualified labour, that the schools are not offering the trades as a viable career option. The BC Chamber of Commerce study identifies problems with the apprenticeship system that puts up barriers to SMEs through rigid regulations that make it unaffordable for these smaller businesses to institute training programs.

As society continues to evolve technologically, employers will likely demand a greater level of skill and there will be a larger number of occupations requiring advanced training. In addition, increased globalisation will mean that there will be more competition for these highly skilled people. This suggests that more flexibility in regulations and a greater emphasis on education and training will be essential if labour shortages in some industries are to be avoided.

These shortages could prove damaging to the economy if they should occur. According to the CFIB study, "Two-thirds of the firms that hired during the last year (67 per cent) stated that their firm's *long-term growth* is harmed by a lack of labour with the right skills."<sup>4</sup>

In addition to skills shortages, BC and the rest of Canada are also facing a shortage of workers regardless of skill level. The leading edge of the population bulge known as the baby boom is nearing retirement. This means that over the next five to ten years record numbers of people will be retiring leaving a significant number of job openings.

The baby boom cohort is inching toward retirement

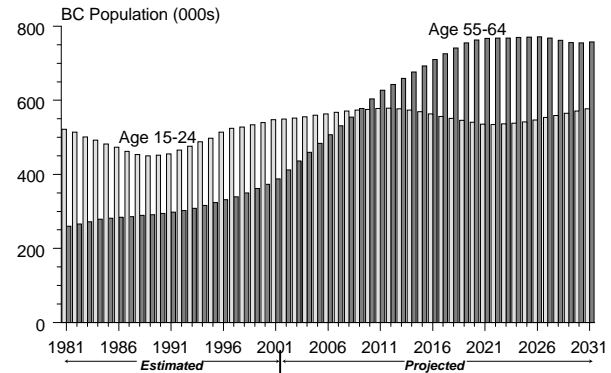


The problem arises from the fact that with the retirement of the baby boomers, the labour pool available to replace them will be shrinking. Historically, the number of potential new entrants into the workforce (aged 15 to 24) has been well in excess of the number of people readying for retirement. The chart below shows that within the next 10 years this will no longer be the case.

The number of 55 to 64 year olds is about to take off as baby boomers enter this age group. At the same time, the number of 15 to 24 year olds will remain fairly flat, meaning not only will the number of potential retirees exceed the number of new entrants into the labour force, but the gap will continue to widen for several years.

<sup>4</sup> CFIB, "Help Wanted: Results of CFIB Surveys on the Shortage of Qualified Labour," February 2001, p.6.

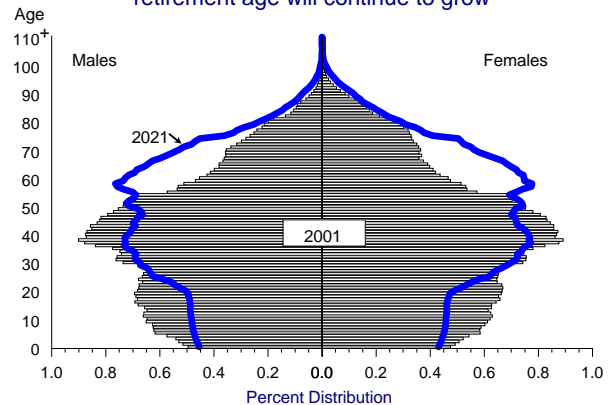
The proportion of people entering retirement age will soon overtake the proportion of potential entrants into the workforce



Source: BC Stats Population Projection 02/05

While immigration of skilled workers is an important component in addressing the impending labour shortage, it will be insufficient to solve the problem. Even with immigration, the number of people over 65 will continue to grow as a proportion of the population.

Even with immigration, the proportion of the BC population of retirement age will continue to grow



Source: BC Stats Population Projection 02/05

The ageing population will have a serious effect on labour force participation. According to a forecast developed by BC Stats<sup>5</sup>, even if participation rates remain unchanged from their present levels, labour force participation in BC will decline substantially. This is because there tends to be far less labour force participation among older age groups.

<sup>5</sup> Dan Schrier, "British Columbia Labour Force Participation Rate Model," Population Section, BC Stats, June 2000.

It may seem that based on today's labour force structure, British Columbia could be doomed to suffer severe labour shortages; however, this does not have to be the case. The labour force will evolve over time as it has in the past. Forty years ago there was relatively little female participation in the labour force and retiring before the age of 65 was virtually unheard of. Now women are an integral part of the workforce and early retirement is reasonably common.

In the future, it is likely that there will be far more flexibility in employment. Employers will recruit labour from groups that have to this point been under-represented in the labour force, such as people with disabilities and the elderly. Early retirement will probably be less of an option and perhaps a mandatory retirement age will be a thing of the past, allowing older workers who wish to continue working to do so. There will likely be more opportunities for part-time work as well as other flexible work arrangements, such as working from home. Increases in productivity through investment in capital may also help alleviate some of the labour shortage.

This should not be construed as supporting a "don't worry, be happy" approach, however. These kinds of labour force adjustments take time. Also, as the demographic make-up of the province changes, the kinds of goods and services needed also change. An ageing population will undoubtedly put pressure on the health care system, which will result in an increased demand for health care professionals. The increasing technological requirements of many types of employment will probably lead to a greater demand for educators. Highly skilled professions like these require substantial lead-time for training, not to mention a significant commitment on the part of government and business to provide that training.

The combination of demographic ageing, an increasingly technological society and the shift toward globalisation will result in a far different labour situation than has been experienced in the past. Consequently, it is no longer an option to turn a blind eye to the problem and expect the normal market adjustments to work things out. However, with some innovative approaches and co-operation among government, business and labour, the doomsayers' predictions of massive labour shortages should be avoidable.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>	Apr 1/02	% change on one year ago
BC	4,118.1	0.9
Canada	31,260.4	0.9
<b>GDP and INCOME</b>	2001	% change on one year ago
<i>(BC - at market prices)</i>		
Gross Domestic Product (GDP) (\$ millions)	130,396	2.2
GDP (\$ 1997 millions)	125,534	0.9
GDP (\$ 1997 per Capita)	30,648	-0.1
Personal Disposable Income (\$ 1997 per Capita)	19,177	0.8
<b>TRADE (\$ millions)</b>		
Manufacturing Shipments (seas. adj.) Apr	2,873	-1.9
Merchandise Exports (raw) Apr	2,553	-17.9
Retail Sales (seasonally adjusted) Apr	3,325	7.0
<b>CONSUMER PRICE INDEX</b>	May '02	% change on one year ago
<i>(all items - 1992=100)</i>		
BC	118.1	2.2
Canada	118.6	1.0
<b>LABOUR FORCE (thousands)</b>	Jun '02	% change on one year ago
<i>(seasonally adjusted)</i>		
Labour Force - BC	2,158	2.7
Employed - BC	1,969	0.9
Unemployed - BC	189	25.0
		Jun '01
Unemployment Rate - BC (percent)	8.7	7.2
Unemployment Rate - Canada (percent)	7.5	7.1
<b>INTEREST RATES (percent)</b>	Jul 10/02	Jul 11/01
Prime Business Rate	4.25	6.25
Conventional Mortgages - 1 year	5.55	6.70
- 5 year	7.25	7.75
<b>US/CANADA EXCHANGE RATE</b>	Jul 10/02	Jul 11/01
<i>(avg. noon spot rate) Cdn \$</i>	1.520	1.525
<i>US \$ (reciprocal of the closing rate)</i>	0.658	0.656
<b>AVERAGE WEEKLY WAGE RATE</b>	Jun '02	% change on one year ago
<i>(industrial aggregate - dollars)</i>		
BC	668.57	3.0
Canada	650.36	2.5

**SOURCES:**

Population, Gross Domestic Product, Trade, } Statistics  
 Prices, Labour Force, Wage Rate } Canada  
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics  
 For latest Weekly Financial Statistics see [www.bankofcanada.ca](http://www.bankofcanada.ca)

## 2001 Provincial Economic Accounts

On our Internet Site

The Economic Accounts framework views the provincial economy through the lens of the rigorous methodology endorsed by international organizations and Statistics Canada. Though our analysis and preparation is not yet complete, over the next week interested readers will find a growing array of updates on this data at:

[www.bcstats.gov.bc.ca/data/bus\\_stat/bcea/bcea.htm](http://www.bcstats.gov.bc.ca/data/bus_stat/bcea/bcea.htm)

**Released this week by BC STATS**

- Labour Force Statistics, June 2002
- Major Projects Inventory, 2nd Quarter 2002

**Next week**

- Earnings & Employment Trends, June 2002