

FALL UPDATE

This issue of the **Rural BC Economic Bulletin** covers the latest economic data for rural regions served by the Community Futures network.

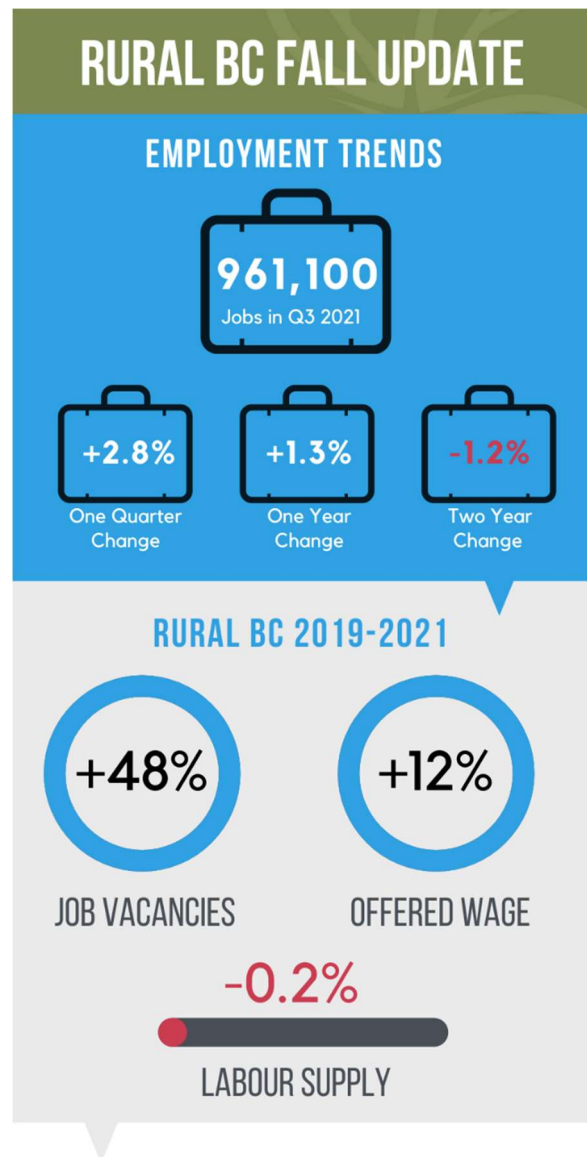
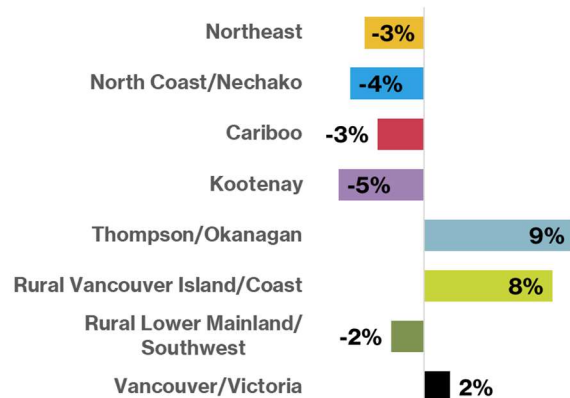
We will also take a deeper look at labour shortages, a key issue that is hampering business recovery throughout the province.

But first, we start with a high-level summary of regional labour market data for the 3rd quarter.

Total employment in the summer months compared to the spring was up sharply in the Thompson/Okanagan and rural Vancouver Island/Coast, but down in every other rural region.

QUARTERLY EMPLOYMENT GROWTH

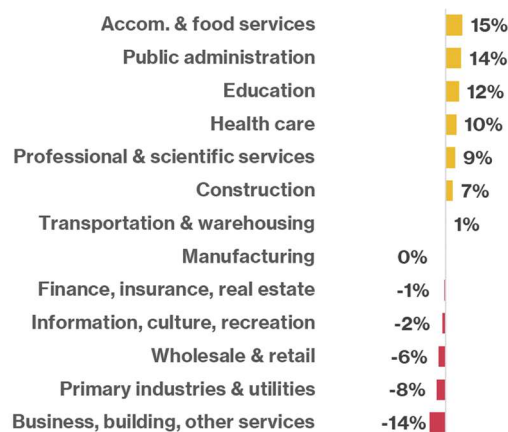
Q3 2021 (Jul to Sep) compared to Q2 2021 (Apr to Jun)



Falling employment in the summer is an unusual pattern. For the 10 years before the pandemic, from 2010 through 2019, every region had higher average employment in the summer than to the spring (except Island/Coast, which was virtually unchanged from spring to summer).

QUARTERLY CHANGE IN SECTORAL EMPLOYMENT IN RURAL BC

Q3 2021 (Jul to Sep) compared to Q2 2021 (Apr to Jun)



Despite most rural regions losing jobs from the spring to the summer, the robust growth in the two largest regions of Thompson/Okanagan and rural Vancouver Island/Coast mean that overall, rural BC employment increased by 3%.

Sectoral employment changes show sturdy growth of 15% in accommodation and food services, reflecting the summer tourism business in the active Okanagan, Vancouver Island, and other markets. There was also continued growth in public sector employment – 14% in public administration, 12% in education, and 10% in health care. Construction also typically rises in the summer, increasing by 7% over the spring.

Primary industries and wholesale/retail trade are prominent industries that lost jobs compared to the spring.

BRIEF ASIDE ON LABOUR DATA

Readers of this bulletin may wonder why the reported labour market numbers might be different from numbers seen elsewhere.

Media reports of the monthly Labour Force Survey often focus on changes *compared to the previous month*. The problem for rural regions is these are not actually monthly results, but a three-month average. Saying something like “September employment is up 1% compared to August” is not technically correct, because in both reports the three-month average includes August!

Changes in the September results are actually caused by the difference between September survey, which is new to the three-month average, and June, which falls out of the three-month average.

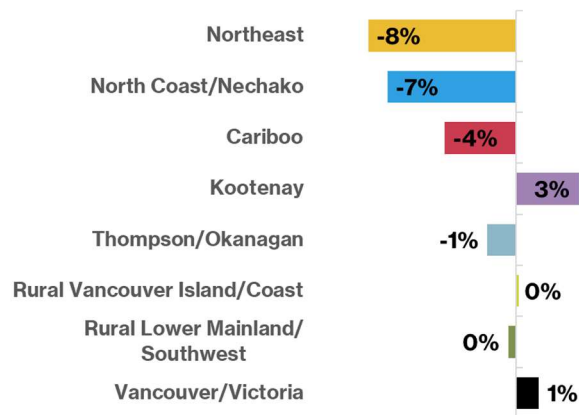
That explains why this series of bulletins is focused on quarterly change, which is the minimum period of time to observe a complete changeover in the survey results.

PANDEMIC RECOVERY

As noted in previous bulletins, by the end of 2020, Rural BC had mostly recovered the jobs lost in the initial pandemic lockdown. But the recovery has flatlined, or in cases gone into reverse, over the course of 2021.

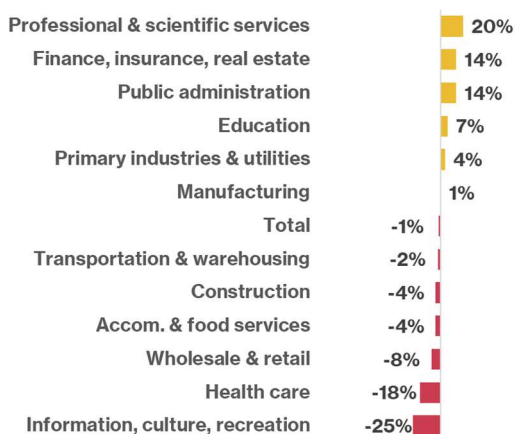
Compared to the last pre-pandemic summer of 2019, Rural BC can be divided into the north and the south. The northern regions (Northeast, North Coast/Nechako, and Cariboo) have all lost between 4% and 8% of jobs. The southern regions are all within 1% of their 2019 level, except for the Kootenay region, which leads the province at +3% growth.

PRE-PANDEMIC EMPLOYMENT COMPARISON
Q3 2021 (Jul to Sep) compared to Q3 2019



On a sectoral basis, the job changes from summer 2019 to summer 2021 range from +20% for professional and scientific services to a low of -25% for information, culture and recreation.

RURAL BC EMPLOYMENT BY SECTOR COMPARED TO PRE-PANDEMIC
Q3 2021 (Jul to Sep) compared to Q3 2019



Professional and scientific services includes the emerging tech sector in many rural communities, as well as skilled professionals and others who, anecdotally at least, have newly flexible work arrangements and are leaving larger centres for lower-cost and larger homes in smaller communities.

Information, culture and recreation includes many industries that rely on indoor gathering, whether for arts performances or fitness classes, and have been severely impacted by pandemic restrictions.

And as noted in a previous bulletin, health care includes much more than doctors and hospitals. Multiple close-contact services like physical therapists, dentists, and home care services. Attrition among health professionals may also be contributing to the health care job loss as the stress of the pandemic contributes to potentially higher staff turnover.

LABOUR SHORTAGES

Now for the topical issue of the day – labour shortages. As the economy staggers its way back to a new post-COVID normal, labour shortages are an emerging and troubling barrier to economic recovery for many industries and communities.

As with most topics concerning Rural BC, the available data has its limitations, but we will explore what we have to the degree possible. One of the main data sources is Statistics Canada’s Job Vacancy and Wage Survey (JVWS).

The JVWS is getting a lot of attention recently due to rising labour shortages nationwide, but unfortunately the data at a regional level is updated only several months after the fact and as

of this report, is only available through Q2 (April to June).

Regardless, the data contains a variety of insights into labour shortage trends and how they vary across BC rural regions.

Have job vacancies increased?

Yes, for rural BC as a whole, but the scale of the increase depends on the timeframe and region being examined.

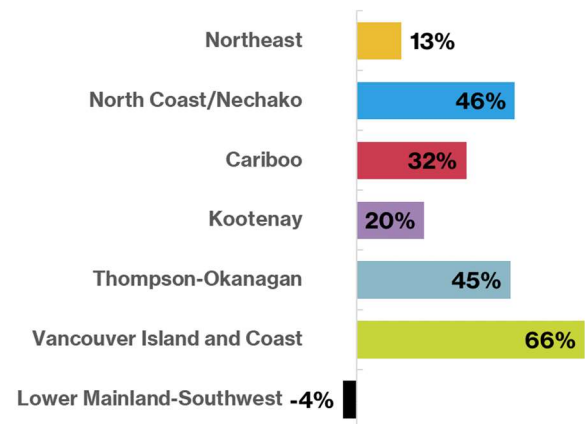
One key insight is the rise in job vacancies is not just a recent, pandemic-influenced phenomenon. Total vacancies in “Rural BC¹” increased by 42% from Q2 2015 to Q2 2019, before any of us had heard the word COVID. **In the next two years, from Q2 2019 to Q2 2021, vacancies in Rural BC increased another 48%.**

The pre-pandemic increase from 2015 to 2019 was felt across all rural regions, ranging from a 6% increase in vacancies in North Coast/Nechako to a 69% increase in Vancouver Island and Coast.

Over the two most recent years, vacancies increased at an even faster rate across all of rural BC, with the highest increase again occurring in the Vancouver Island/Coast region. Notably the rural increase in the last two years happened at the same time as vacancies fell slightly in the Lower Mainland.

CHANGE IN JOB VACANCIES SINCE 2019

Q2 2021 (Apr to Jun) compared to Q2 2019



In raw numbers, Rural BC had more than 52,000 job vacancies in Q2 of this year, more than double the 25,000 in 2015 and an increase of 17,000 vacancies in the last two years.

Among individual regions, Vancouver Island/Coast had more than 22,000 vacancies and Thompson-Okanagan more than 18,000.

What percentage of jobs are vacant?

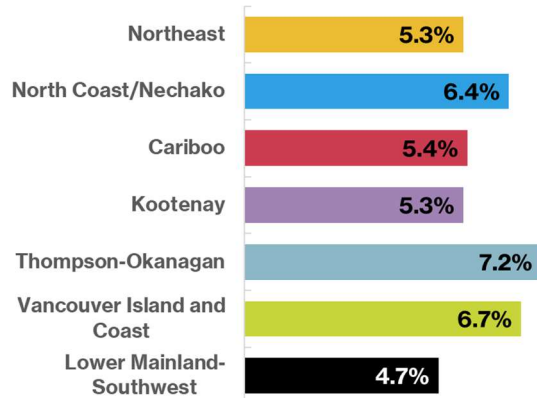
After the rapid increase in vacancies in recent years, the Thompson-Okanagan and Vancouver Island/Coast regions have the highest vacancy rates at 7.2% and 6.7%, respectively. Every rural region in the province had a higher vacancy rate than the Lower Mainland as of Q2.

¹ Vacancy data is available only for provinces and economic regions. That means that “Rural BC” as defined here includes the metro Victoria area, which we are unable to separate from the rest of the Vancouver Island/Coast region. We also do not have

separate data for the Fraser Valley, the Sunshine Coast, or the Squamish/Lillooet region as they are included with Metro Vancouver in the “Lower Mainland/Southwest” region.

JOB VACANCY RATES

Q2 2021 (Apr to Jun)



What types of jobs are driving the increase in vacancies?

In short, all types.

Occupations can be classified into four levels based on the type of education and experience they require:

Level A – Management or university required

Level B – College or specialized training or apprenticeship required

Level C – Secondary school or job-specific training required

Level D – On-the-job training

While the data becomes less precise as it is sliced into smaller categories, it is clear that vacancies have increased for jobs in all four categories. Over the last two years, from spring 2019 to spring 2021, vacancies in Rural BC increased by 57% for Level A occupations, by 43% for Level B, by 56% for Level C, and by 27% for Level D.

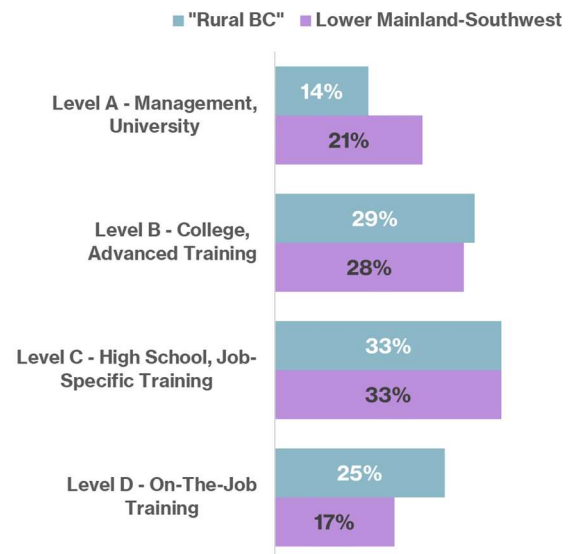
The next chart shows the distribution of total vacancies, which are most concentrated in Level C (which is also the source of the most vacancies

² The gaps are caused by Statistics Canada suppressing the data, usually due to insufficient sample sizes.

province-wide and in Canada). Level C occupations include sales and service representatives, office and health care support occupations, transport and heavy equipment operators, and natural resource and agriculture workers.

TOTAL JOB VACANCIES BY SKILL LEVEL

Q2 2021 (Apr to Jun)



As shown above, total vacancies in Rural BC are less concentrated in Level A occupations and more concentrated in Level D. This is consistent with the nature of the economy in different regions of the province.

Unfortunately, the job vacancy data from Statistics Canada has too many gaps² to reliably show full results for individual rural regions, although some comments are provided below on notable regional differences.

The largest number of vacancies in Rural BC as a whole are found in the following occupations:

- Sales and service occupations (nearly 20,000 vacancies in Q2)
- Trades, transport & equipment operators (8,700 vacancies)
- Health occupations (6,800 vacancies)
- Business, finance & administration occupations (4,100 vacancies)

Over the last two years, **the largest increase in vacancies in Rural BC has been in health care, followed closely by sales and service jobs and then trades, transport & equipment operators.** Together these three groups account for nearly 80% of the increase in vacancies.

Sales and service jobs are also the largest source of vacancies across the rest of BC and Canada and all individual rural regions except the Northeast, where trades, transportation and equipment operators are in highest demand.

With workers in high demand, are wages rising?

The Job Vacancy and Wage Survey measures the “offered wage” for each vacant position. While vacancies have been increasing steadily since 2015, they accelerated since 2019, suggesting that increases in the offered wage should also have accelerated.

The data confirms this to be true. The average offered wage across Rural BC increased by about \$0.90 per hour for each year from 2015 to 2019 as vacancies increased. From 2019 to 2021, the offered wage increased by \$1.20 per year. This suggests that as vacancies are climbing, employers are responding with higher wage offers.

The Vancouver Island/Coast region is the best illustration of this trend. The average offered wage increased by \$0.80 per year from 2015 to 2019, slightly less than the average BC increase.

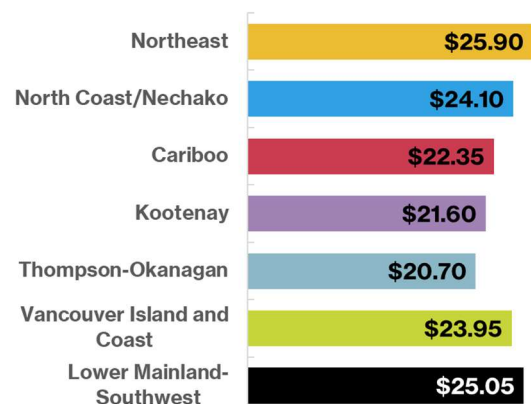
But as vacancies in the Island/Coast exploded by 66% from 2019 to 2021, the average offered wage increased by \$2.15 per year, far higher than the average BC increase.

One caution with this data is the offered wage is an average across all industries and occupations. This means that changes in the offered wage could be caused by changes in the mix of jobs that are vacant, not by employers offering more for the same job.

For example, in Northeast BC from 2015 to 2019 vacancies for Level B jobs (skilled technicians) more than doubled and the average offered wage increased to \$27.20, which was 26% higher than the average offered wage across BC. From 2019 to 2021, vacancies in Level B jobs in the Northeast fell by 40%, even though total vacancies in that region increased due to higher demand for lower-skill C and D jobs. This change in the mix of vacant jobs caused the average offered wage in the Northeast to decline to \$25.90 (still the highest of any region in BC, but only 8% above the provincial average).

AVERAGE OFFERED WAGE

Q2 2021 (Apr to Jun)



Northern BC has the highest offered wages of any rural region in the province, followed by Vancouver Island/Coast. This is a major change

for the Island/Coast as it had the 2nd lowest offered wages as recently as 2015.

What's going on with labour supply?

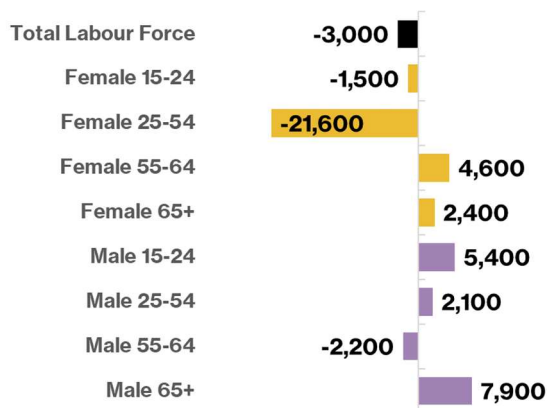
To get a snapshot of labour supply and how it is responding to the sharp increase in employer demand, we need to turn back to the Labour Force Survey. The latest data from this survey and the job vacancy data are for different timeframes and the exact boundaries of Rural BC are not the same, but there are still general conclusions we can draw about changes in labour supply.

The discussion that follows will focus on changes from the pre-pandemic summer of 2019 to the summer of 2021. While job vacancy data for the summer is not yet available, anecdotal evidence strongly suggests that the number of job vacancies continued to increase.

First is a summary of changes in the size of the labour force in total and by various demographic sub-groups. The labour force includes those who are employed and who are actively seeking employment.

CHANGE IN LABOUR FORCE

Q3 2021 (Jul to Sep) compared to Q3 2019



This chart shows that despite a huge increase in job demand, and significantly higher wage offers,

the total supply of potential workers in Rural BC is less now than it was two years ago.

The breakdown of labour force changes by age shows that females of prime working age (25 to 54) are the largest source of the decline, with 21,600 fewer labour force participants. Due to the limited sample size of the Labour Force Survey, these individual demographic results should be interpreted with caution. But regardless of the exact number, it appears clear that a loss of prime working age females is a clear impediment to filling the many job vacancies in Rural BC.

Population, or participation?

This question refers to the two components that determine the size of the labour force. First is the total population for a given demographic group. If total population falls, total labour force is likely to fall as well.

The second factor is the percentage of the population that chooses to participate in the labour force. This is called the labour force participation rate. Even if the population is constant, the size of the labour force can change if more (or fewer) people choose to participate. In general, strong economic conditions cause participation rates to climb because there is greater demand for workers and growing wages, but participation can also be affected by age, desire to return to school, the need to care for family members, or changing working conditions (such as a global pandemic).

The influence of population change and participation rate change can be calculated for each demographic group in Rural BC, but the results for such finely sliced data are not reliable enough to report in detail. As a general observation, it appears that:

- Demographics are a much more significant factor in limiting labour force growth. While the Labour Force Survey is not well suited to this type of detailed analysis, it appears that population growth has been strong in Rural BC in the last two years, but concentrated heavily among older age groups that are less likely to participate in the labour force.

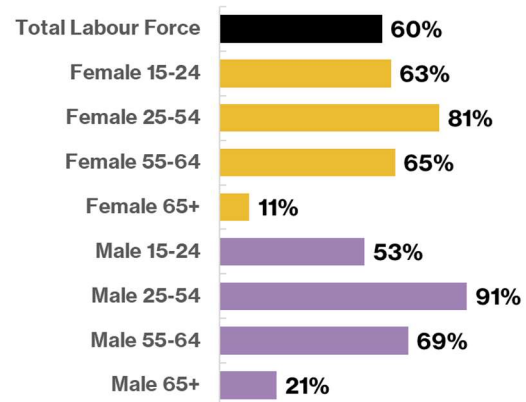
This contradicts the significant anecdotal evidence that younger, working-age adults are migrating to smaller communities in greater numbers. Whether this trend is over-blown, or perhaps under-estimated, will be a keen focus of study when the latest Census data is released throughout 2022.

- While changing participation rates are not as important as demographics, they are still a factor that appears to be limiting the supply of workers in the 25 to 54 age range, both women and men. Participation rates for these demographic groups have declined to 3-4 percentage points in the last two years.

This is the point where one can speculate about the reasons for declining labour force participation in the prime working years. Theories range from the lingering effects of generous government support programs like CERB, to a pandemic-inspired re-evaluation of work preferences and a move away from lower-paid jobs with high public contact (what is referred to in the US as the “Great Resignation”), to a loss of opportunity in the most desirable jobs (such as highly paid resource sector jobs that we know have declined in the last two years).

LABOUR FORCE PARTICIPATION RATES, RURAL BC

Q3 2021 (Jul to Sep)



The general shape of labour force participation rates in Rural BC are consistent with other regions, but one emerging change in the last few years is the growing discrepancy between females and males in the 15 to 24 age range. Historically, participation rates were virtually the same at this age before male rates became permanently higher starting in the late 20s.

The noticeably lower participation of young men in recent years is another topic worth further study. Are young men not acquiring the skills needed for today’s jobs? Are traditionally male-dominated occupations and industries suffering more long-term decline (the answer is almost certainly yes). Are their deeper social changes at work, where some young men decide that living with their parents and taking advantage of cheap rent is better than independence? All topics too broad for this report.

APPENDIX: VACANT OCCUPATIONS

Rural Region	Occupation (Skill Level)	Vacancies
Northeast	Transport & heavy equipment operators (C)	485
	Service support & related (D)	265
	Maintenance & equipment operation trades (B)	120
North Coast & Nechako	Service support & related (D)	245
	Sales support (D)	210
	Transport & heavy equipment operators (C)	135
Cariboo	Service support & related (D)	650
	Service reps & other customer & personal services (C)	300
	Sales reps & salespersons in wholesale & retail (C)	190
Kootenay	Service support & related (D)	615
	Harvesting, landscaping & natural resource labourers (D)	240
	Industrial, electrical & construction trades (B)	220
Thompson-Okanagan	Service support & related (D)	3,455
	Service reps & other customer & personal services (C)	1,545
	Sales reps & salespersons in wholesale & retail (C)	1,165
Vancouver Island/Coast	Service support & related (D)	1,970
	Service reps & other customer & personal services (C)	1,825
	Support assistants in health services (C)	1,570

The table above shows the three occupations with the most vacancies in each rural region as of Q2 of 2021. There is significant overlap across the regions with a preponderance of sales and service jobs, as well as transport and heavy equipment operators.

CREDITS

This bulletin was prepared by Vann Struth Consulting Group Inc.



Community Futures British Columbia is supported by Pacific Economic Development Canada.



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