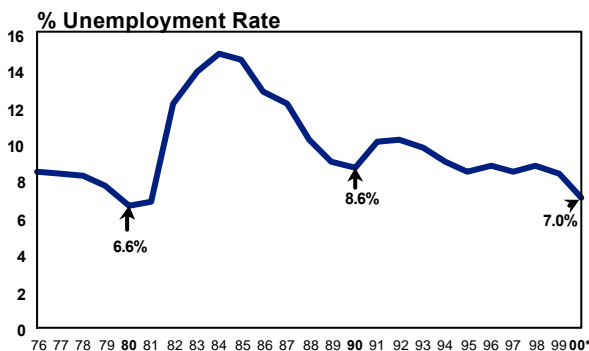


Earnings and Employment Trends ♦ June 2000

Good News in BC Unemployment Rates

In the first 6 months of 2000, BC experienced its lowest unemployment rate (7%) in many years. The last time BC saw an annual unemployment rate below the 8 per cent level was back in 1981. Since then, there were many years when double-digit rates were the norm and for much of the remainder, the rate hovered around the 9 per cent level. It appeared as though an unemployment rate below 8 per cent was no longer attainable.

BC's Labour Market Appears to be on a 10 Year Cycle



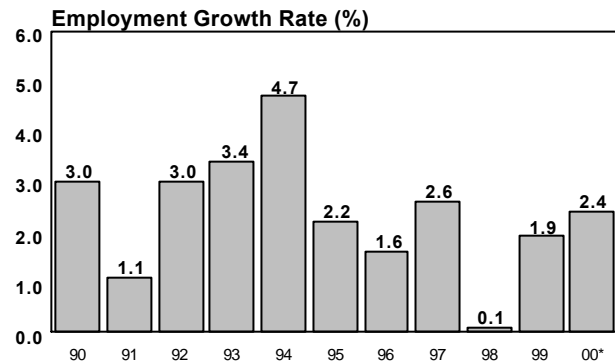
*Based on 1st six months of seasonally adjusted data.

Then starting in September 1999, the unemployment rate began to consistently break the 8 per cent barrier and by June 2000 it was at 6.7 per cent. To most analysts, this very low rate has been unexpected and difficult to explain given the mediocre performance of many of the other economic indicators for the province.

Why are the current unemployment levels so low?

The most obvious explanation for a low unemployment rate would be a vibrant job market with strong employment growth.

From an historical perspective, recent employment growth rates in BC have not been dramatic enough to explain the current low unemployment rate.



*Based on 1st six months of seasonally adjusted data.

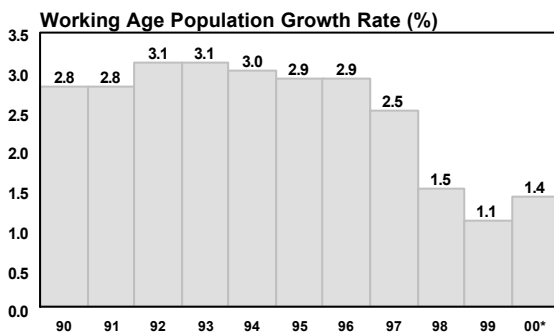
The employment growth rate in the last couple of years in BC has been running in the 2 per cent range. In contrast, employment grew at twice that level (4%) in 1993/94 and yet at that time the unemployment rate remained at close to 9 per cent. It is difficult to reconcile why, when recent employment growth has only been moderate, the unemployment rate has been falling so significantly.

Another possible factor that could explain our declining unemployment would be an increase in the number of the "hidden unemployed". The hidden unemployed are those who want work but become "discouraged" about their chances of finding a job so give up looking for work and drop off the unemployment rolls. However, there is no statistical evidence that this is

going on as the number of “discouraged workers” in BC are at very low levels and have been declining for the last three years.

Another factor which would affect the unemployment rate is population growth. If new jobs being created are outnumbered by people moving into the area who want work, the unemployment rate will rise. The next chart shows that low population growth could be a contributing factor to our low unemployment levels today.

In the early 90's, most of the high growth rates in employment were offset by large influxes of migrants from the rest of Canada and other countries.



In the three year time period between 1992 and 1994 when employment growth rates were so high, the working age population growth rates were correspondingly running at very high levels, averaging 3.7 per cent per year. This is in contrast to the last 3 years when it has been averaging 1.3 per cent, about one-third the growth rate.

This incredible difference in population growth now compared to the earlier part of the 90's can be explained by the differential economic circumstances between BC and the rest of Canada. When BC was growing so rapidly in 1992-94, other provinces had relatively weaker employment prospects. As a result, Canadians were flocking to BC, never giving the un-

employment rate the chance to decline. Now our employment growth pales compared to our two main migrant source/destination provinces, Ontario and Alberta, explaining why our population growth is so low despite respectable job growth.

The bottom line is that our unemployment rates are low, not because our economy is particularly strong but more because of better job prospects in other parts of the country than at home. This has had the affect of keeping our population, and hence our labour force growth at lower levels than our job growth, allowing the unemployment rate to fall.

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