

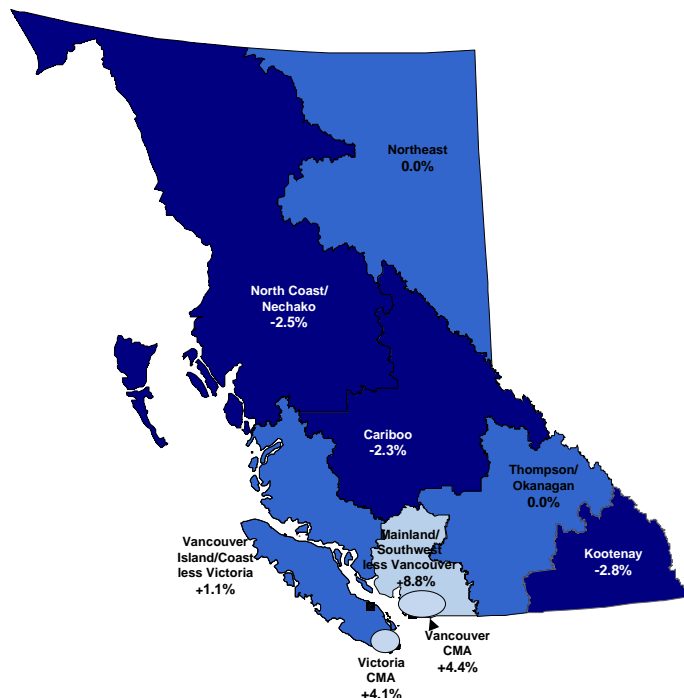
## Earnings & Employment Trends ♦ September 2003

**BC's Heartland: How has it fared since the imposition of the US softwood lumber duties?**

During the first half of 2002, the US imposed export duties on BC softwood lumber. At that time, there were dire predictions that many forestry jobs would be lost and the brunt of the loss would be felt most in the heartland of BC where economic dependencies on the forest sector are most pronounced. This article looks at how this has played out across the province over the last 18 months.

The BC economy has been able to hold its own, with overall employment levels increasing by 3.1 per cent between the first 9 months of 2001 and the same time period in 2003. However, the economic performance has been far from consistent across the province, as can be seen from the map below. Much of the heartland actually experienced a decline in employment during the 2001 to 2003 period, while employment in the large metropolitan areas appears to have increased. Why there has been this dichotomy is explored below.

**Change in Total Employment**  
Since the US Softwood Lumber Duties were Imposed\*



\*Change between first 9 months of 2003 and 2001.

Prepared by: BC STATS

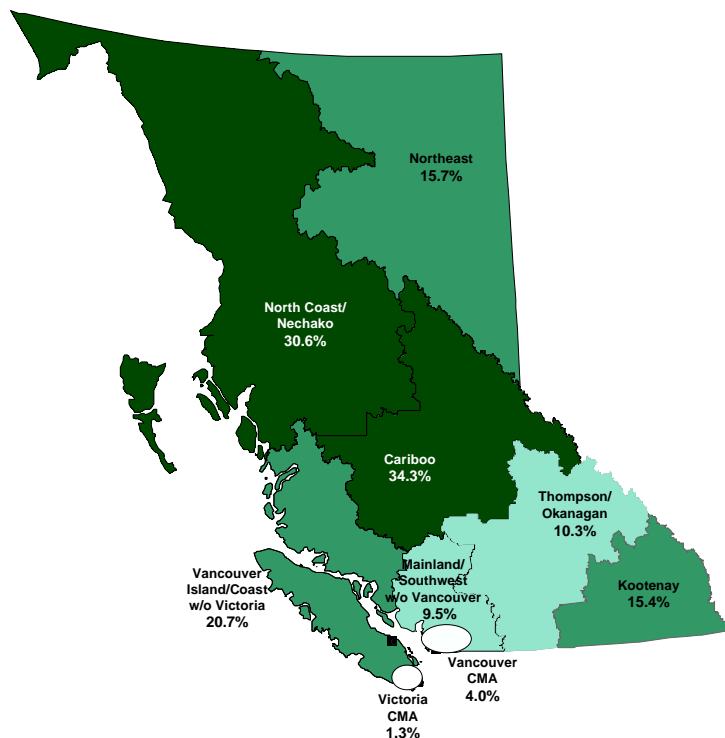
## How has the Forestry Sector Fared?

According to Statistics Canada's *Survey of Employment Payroll and Hours*, in 2001, prior to the levy of the softwood duty, there were 85,000 employees in the forest sector in BC. Since then, 15,000 jobs were lost during 2002 and a further 3,000 jobs disappeared in the first 8 months of 2003. This represents a 21 per cent decline in the number of employees working in the forest sector since 2001.

While forestry job losses have been quite severe there is no data source that provides definitive evidence that the forest sector decline is the direct cause of the economic woes of the heartland. However, the map below provides the income dependency on the forest sector of the Development Regions of the province as well as the Vancouver and Victoria CMA's.

The *Survey of Employment, Payroll and Hours* (SEPH) produces monthly estimates of employment based on administrative data provided by Canada Customs and Revenue Agency (CCRA). Each month, companies are required to remit their payroll deductions of taxes, CPP and EI to CCRA. The remittance is accompanied by a PD7 form which includes a count of the number of employees on their payroll. For industrial breakout of monthly employment, SEPH is considered the most reliable source.

### Forestry Dependence\* based on 1996 Census data



\*Percent of income derived from forestry.

Prepared by: BC STATS

When the forestry dependency map is juxtaposed with the economic growth map on the 1st page, the two together illustrate that employment growth, or lack thereof, is very highly correlated with the regions' relative reliance on forestry. The areas of the province where forestry represents less than 10 per cent of the local economies, namely, the Capital, the Lower Mainland, and the areas surrounding the Lower Mainland (Fraser Valley and Squamish /Lillooet regions) experienced employment growth over 4 per cent, well above the BC average of 3.1 per cent. As a result, these large metropolitan areas saw an increase in their share of BC employment by more than 1

percentage point, from 68.7 to 69.9 per cent while all the other regions in the province lost ground. Three regions, the North Coast/Nechako, the Cariboo and the Kootenays actually saw substantial declines in employment, with job losses of more than 2 per cent over the two-year timeframe.

In summary, from the data available, we cannot conclude that the US softwood lumber tax has caused the economic difficulties in the BC "heartland". However, there is strong evidence that the forestry dependent areas of BC have lost their overall share of the province's jobs since duties came into effect.