

# Growth with Inclusion:

## **An Overview of B.C.'s Recent Economic and Labour Market Performance**

*By Jim Stanford*

*Economist and Director, Centre for Future Work*

*Notes for Presentation to B.C. Labour Relations Code Review*

*Surrey, May 6 2024*

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### **Introduction and Summary**

Broader macroeconomic and labour market conditions provide important context for consideration of optimal labour policy settings. Policy-makers want to be sure that labour laws and regulations are consistent with strong, sustainable economic performance in all sectors of the economy. They also want to ensure labour policies promote an equitable distribution of the gains from ongoing economic growth. These goals are highly relevant in the context of the current five-year review of B.C.'s Labour Relations Code.

B.C.'s economy has performed very strongly in recent years, in relation both to past history and to the performance of other provinces. In per capita terms, economic growth has been stronger over the past five years than any other province. This strong growth has resulted from a diversified set of drivers: including the strongest business investment in Canada, the strongest innovation record in Canada, strong export growth, and steady expansion of public sector activity and public services. This strong growth has underpinned encouraging progress in labour markets, including strong employment outcomes and healthy progress in wages.

An argument has been made by some business critics that labour policy settings are too favourable to unions, and too restrictive for business, hence undermining business investment, growth, and employment. The empirical evidence presented here, from official Statistics Canada sources, shows the opposite: B.C.'s economic performance has been solid, superior to other provinces by most metrics. B.C. has also recorded the strongest wage growth of any province, measured in real terms. This achievement reflects both the strength of the provincial economy, and the positive impact of recent labour policy reforms – many of which (including a higher minimum wage, reforms to encourage and facilitate collective bargaining, and fair bargaining settlements in public sector negotiations) have supported workers in accessing better jobs and compensation.

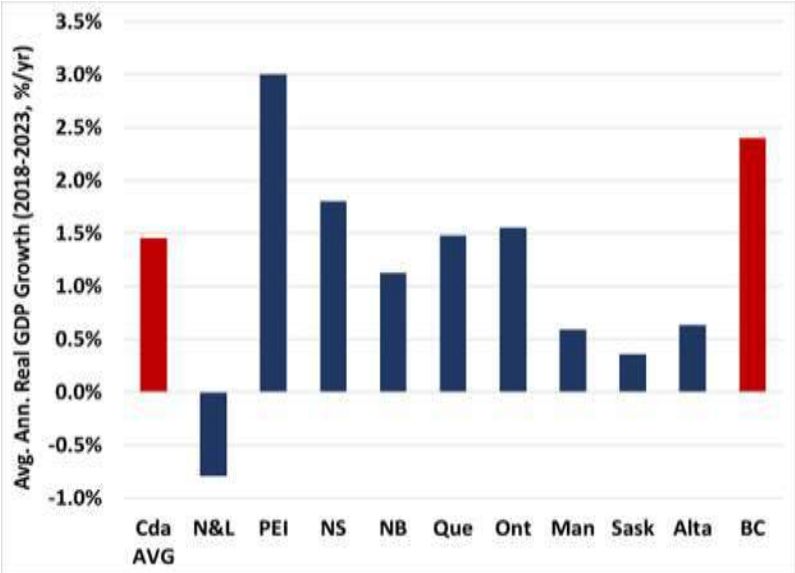
Strong wage growth, in turn, underpins household financial well-being and broader growth in aggregate demand (after all, consumer spending accounts for about one-half of provincial GDP, more than any other component). The combination of strong investment (both private and public), innovation, a diverse industrial structure, and deliberate efforts to ensure that growing incomes are shared throughout society, constitutes a virtuous and self-reinforcing model of economic and social development. Far from interfering with private business activity and investment, B.C.’s approach to labour relations in recent years has clearly reinforced the province’s economic momentum, and this has clearly benefited business.

Ongoing efforts to strengthen and modernize labour laws and regulations, to ensure that workers in all occupations and industries are able to produce to their fullest potential, and share fairly in the dividends of economic growth, are appropriate. One timely opportunity in that regard is the proposal from the B.C. Federation of Labour for a process to expand systems of multi-employer or sectoral collective bargaining. This proposal would strengthen B.C.’s labour standards and collective bargaining system, which despite recent reforms continues to deny meaningful access to collective representation and bargaining opportunities for many workers.

**Economic Growth**

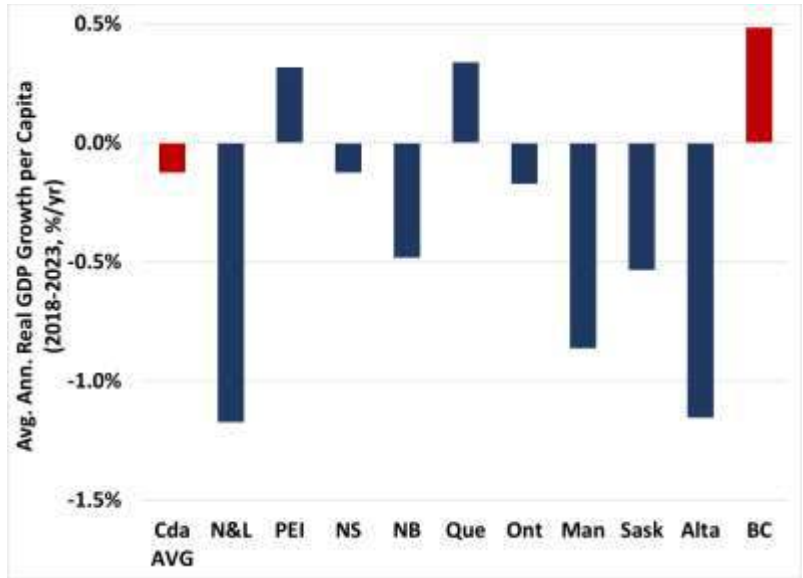
Through the turmoil of the COVID-19 pandemic and its aftermath, B.C. has recorded the second strongest economic growth of any province (Figure 1) – surpassed only by P.E.I. (which has experienced a large population influx since the pandemic, boosting provincial GDP and employment). B.C.’s GDP (measured in real terms at basic prices) grew at an average rate of almost 2.5% per year over the past five years, two-fifths faster than the Canadian average. In per capita terms, B.C.’s growth was the strongest of any province: growing by 0.5% per year through that period, compared to a small decline in per capita GDP for Canada as a whole (Figure 2).

**Figure 1. Average Annual Real GDP Growth, 2018-2023**



Source: Calculations from Statistics Canada Table 36-10-0402-01, basic prices.

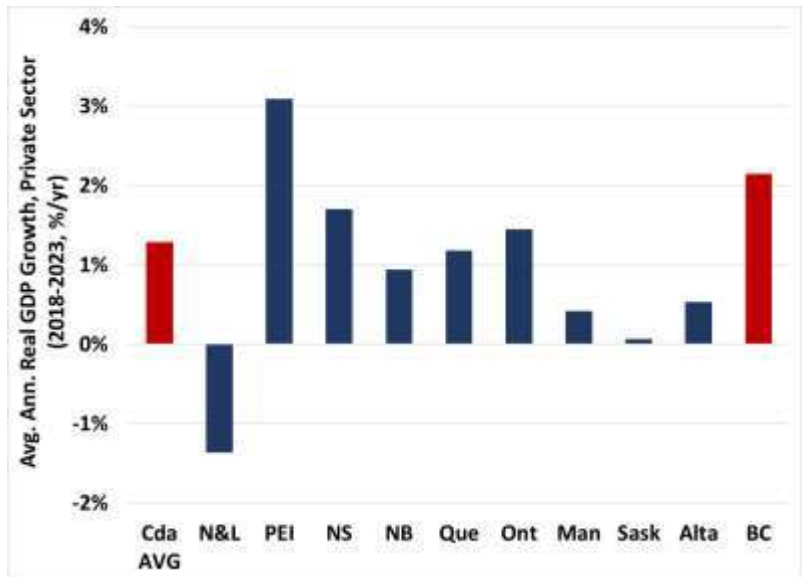
**Figure 2. Average Annual Real GDP per Capita Growth, 2018-2023**



Source: Calculations from Statistics Canada Tables 17-10-0005-01 and 36-10-0402-01, basic prices.

Some critics complain that B.C.'s strong economic and employment performance has been driven solely by government spending (for services such as health care, education, and others). However, the empirical data confirm that private sector economic activity has also expanded strongly in B.C. The province recorded the second-fastest growth in private sector GDP (about 2.1% per year on average, Figure 3), again exceeded only by P.E.I. B.C.'s private sector boasts a strongly diversified set of industries that have powered continued expansion; growth was spread across most major private-sector industries, including mining and petroleum, construction, trade, information and communications services, and finance. The professional and scientific sector saw a 36% increase in real GDP over the past five years.

**Figure 3. Average Annual Real GDP Growth, Private Sector, 2018-2023**

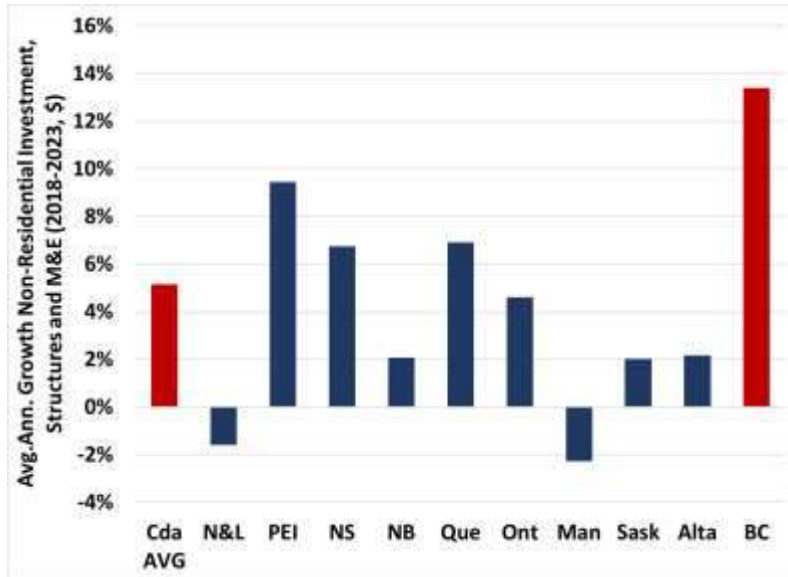


Source: Calculations from Statistics Canada Table 36-10-0402-01, basic prices.

**Components of Growth**

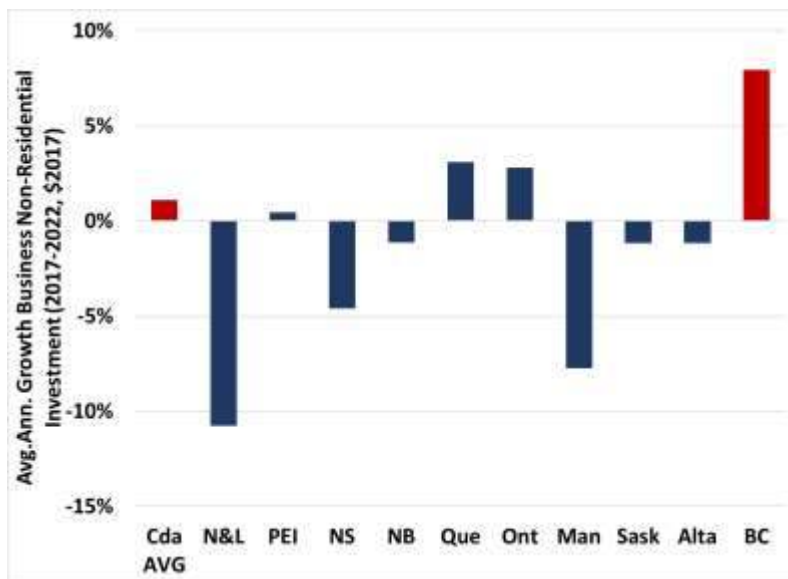
Strong fiscal support for public services (including health care and education) have certainly contributed to B.C.'s superior economic performance in recent years. But the major components of private sector expenditure have also expanded strongly, confirming the province's multi-dimensional momentum. Statistics Canada data shows that non-residential capital investment (both private and public) grew far more quickly in B.C. than any other province over the past five years, rising at an average rate of over 13% per year – more than twice the Canadian average (Figure 4).

**Figure 4. Non-Residential Capital Spending by Province, 2018-23**



*Calculations from Statistics Canada Table 34-10-0035-01.*

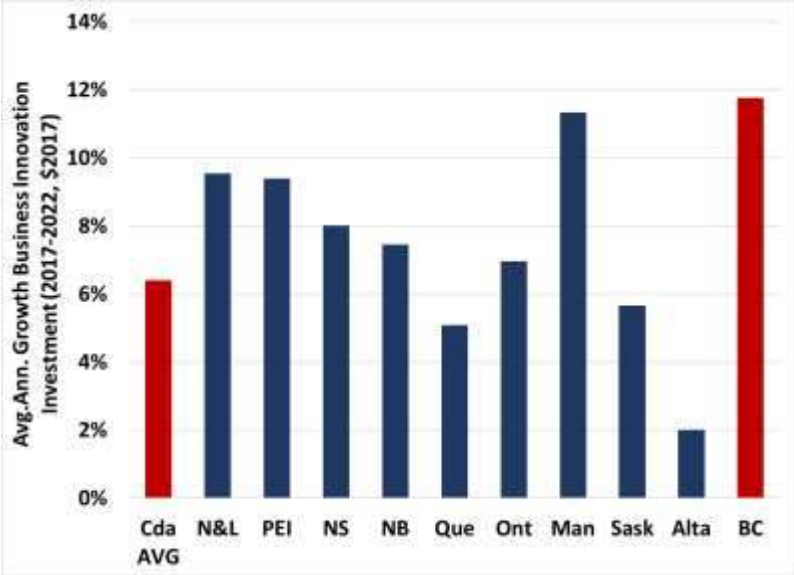
**Figure 5. Real Business Capital Spending (Structures, Machinery & Equipment), 2017-2022**



*Source: Calculations from Statistics Canada Table 36-10-0222-01.*

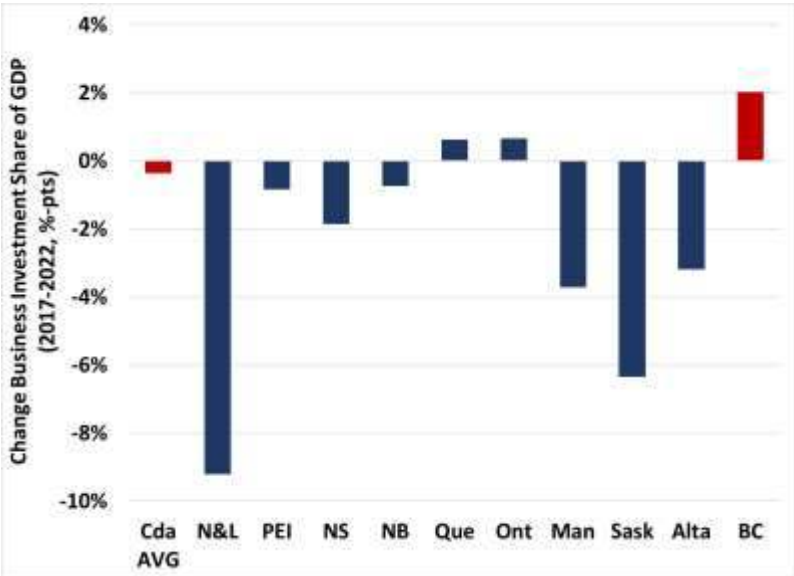
Adjusted for inflation, and considering only private sector non-residential investment, B.C. also stands head and shoulders above other provinces. Real spending in this category grew by an average of almost 8% per year over the most recent five years of data (Figure 5).<sup>1</sup> B.C.'s rapidly-growing technology sector has also led strong expansion in real business spending on innovation and intellectual property, which grew at an annual rate of almost 12% per year since 2017 (again, twice the Canadian average, Figure 6).

**Figure 6. Real Business Innovation Investment, 2017-2022**



Source: Calculations from Statistics Canada Table 36-10-0222-01.

**Figure 7. Change in Business Non-Residential Investment as Share GDP, 2017-2022**

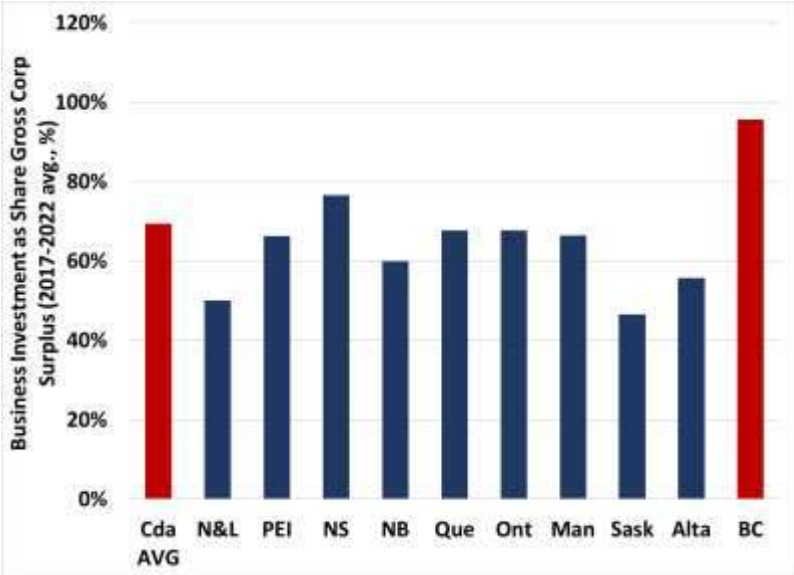


Source: Calculations from Statistics Canada Table 36-10-0222-01.

<sup>1</sup> Data for provincial GDP by income and expenditure have not yet been published for 2023, so comparisons using this data cover the five-year period 2017-2022.

Indeed, business investment in B.C. has been so strong in recent years, that it has increased as a share of total provincial GDP (Figure 7). The investment share of GDP rose by 2 percentage points since 2017, contrasting with a slight decline for Canada as a whole; again, by that measure, business investment was the strongest of any province. Another measure of the vibrancy of business investment is provided by the strong reinvestment of corporate profits in the province. Gross corporate surpluses grew almost 50% over the last five years. On average, B.C. corporations re-invested 96% of those surpluses in new capital projects in the province (Figure 8) – a higher re-investment rate than any other province. Clearly, the private sector sees ample opportunity to capitalize on B.C.’s growing, diversified economy, and this strong business investment which in turn generates faster growth and even more opportunity.

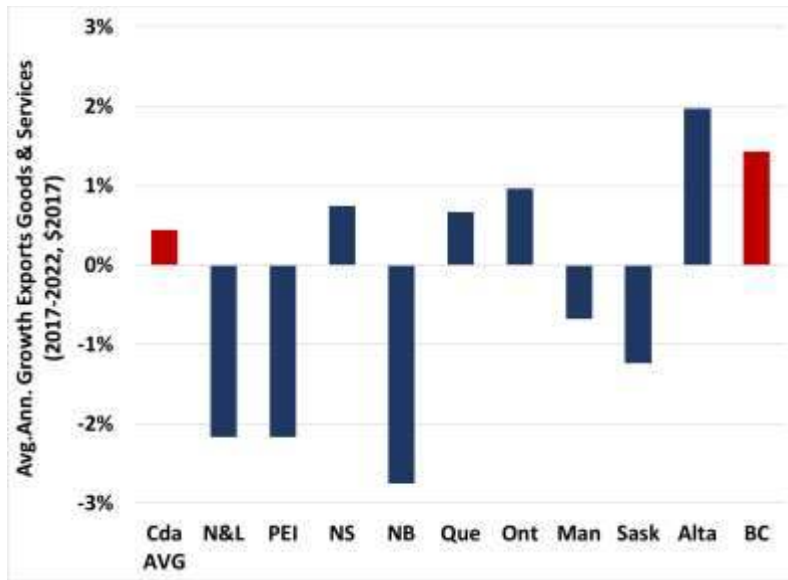
**Figure 8. Business Profit Re-Investment Rate, 2017-2022**



Source: Calculations from Statistics Canada Tables 36-10-0222-01 and 36-10-0221-01.

Exports of goods and services have been another strong feature of B.C.’s economic expansion in recent years. B.C. exports (in real terms) grew by 1.5% per year from 2017 through 2022 (Figure 9). That was the second strongest of any province (after Alberta), and more than three times the Canadian average. Exports of services from B.C. were especially strong: growing 2.8% per year in real terms, more evidence of the importance of the growing technology and business services industries. B.C.’s interprovincial exports were also particularly strong, growing 3.1% per year in real terms.

**Figure 9. Real Export Growth by Province, 2017-2022**



Source: Calculations from Statistics Canada Table 36-10-0222-01.

**Labour Market Performance**

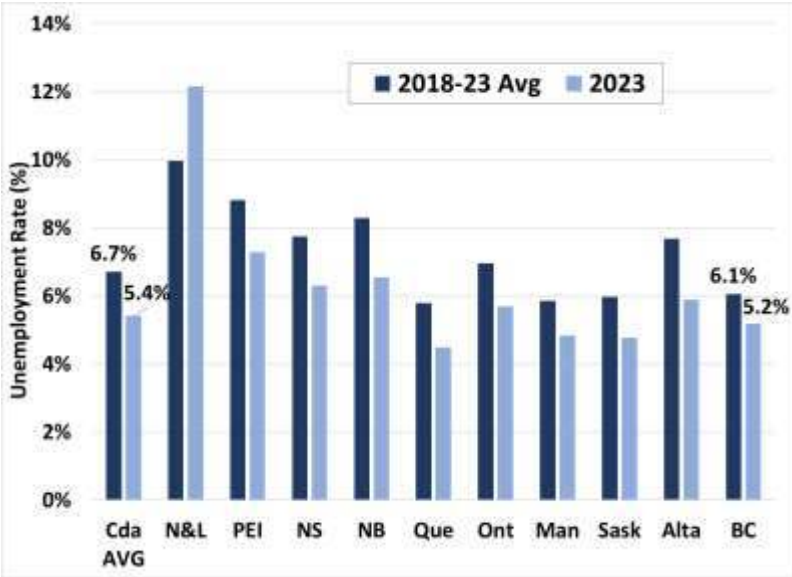
This strong and diversified economic expansion has provided a foundation for strong labour market conditions. Of course, B.C.’s labour market, like other provinces, was hit hard by the COVID-19 pandemic and health restrictions on economic activity. But the province’s relatively strong public health response, and underlying economic momentum, contributed to a quick recovery. B.C. was the second province in Canada (after Nova Scotia) to regain its pre-pandemic peak level of employment – reaching that benchmark by August 2021 (Table 1).

<b>Table 1</b>	
<b>Month Provinces Regained Pre-COVID Peak Employment</b>	
Nova Scotia	Feb. 2021
<b>B.C.</b>	<b>Aug. 2021</b>
Ontario	Sept. 2021
<b>CANADA</b>	<b>SEPT. 2021</b>
N.&L.	Nov. 2021
P.E.I.	Nov. 2021
Quebec	Nov. 2021
Manitoba	Nov. 2021
Alberta	Nov. 2021
Saskatchewan	Feb. 2022
N.B.	Mar. 2022

Source: Calculations from Statistics Canada Table 14-10-0287-01.

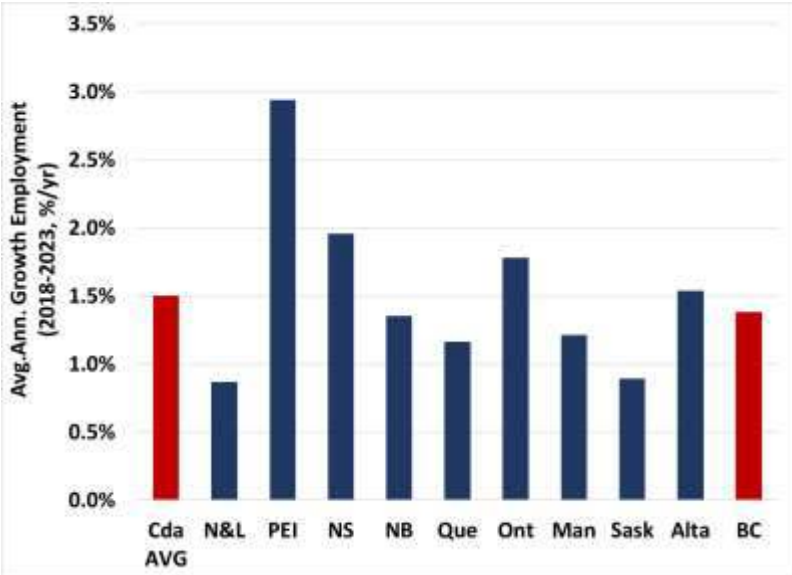
B.C. maintained positive labour market momentum as the recovery from the pandemic continued. On average over the last five years, B.C.'s unemployment rate was over one-half percentage point lower than the Canadian average (Figure 10). In 2023, B.C. had the fourth-lowest unemployment rate of any province, remaining below the Canadian average. The pace of new job-creation has broadly matched Canada-wide trends, with employment growing 1.4% per year on average over the past five years (Figure 11).

**Figure 10. Unemployment Rate by Province**



Source: Calculations from Statistics Canada Table 14-10-0393-01.

**Figure 11. Annual Job-Creation by Province**

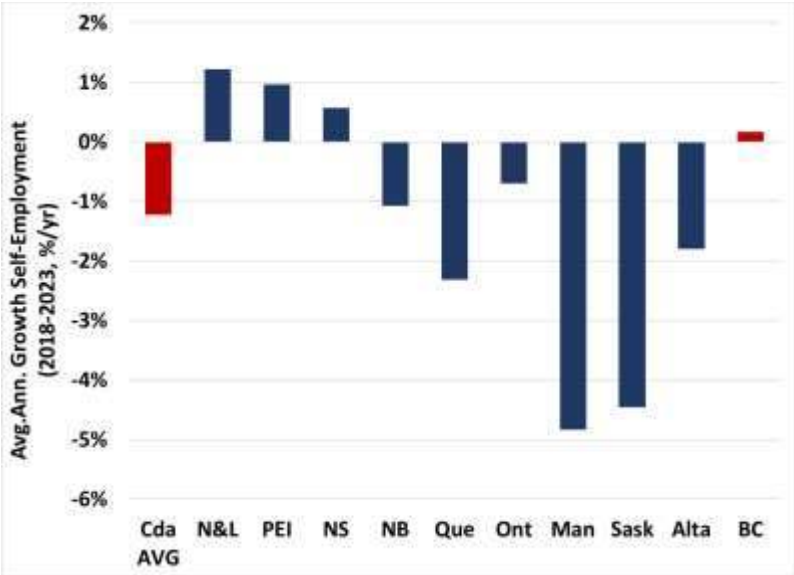


Source: Calculations from Statistics Canada Table 14-10-0393-01.



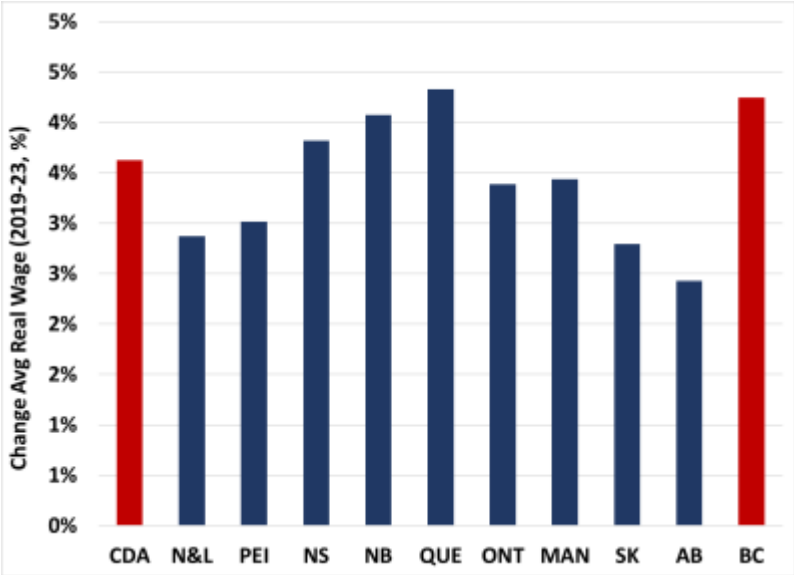
Small business in Canada has faced many challenges during and after the pandemic. This partly reflects specific after-effects of the pandemic (including lockdowns, labour supply shocks, and high interest rates). It also reflects the strong conditions in the market for paid employment, which has led to migration by many workers from self-employment to employee status (lured by low unemployment and rising wages there). Despite these challenges, self-employment in B.C. grew slightly over the past five years (Figure 12), a sharp contrast with most of the rest of Canada. The claim that B.C.'s government regulations, labour laws, taxes, and red tape undermine small business is not supported by this evidence.

**Figure 12. Self-Employment Growth by Province**



Source: Calculations from Statistics Canada Table 14-10-0393-01.

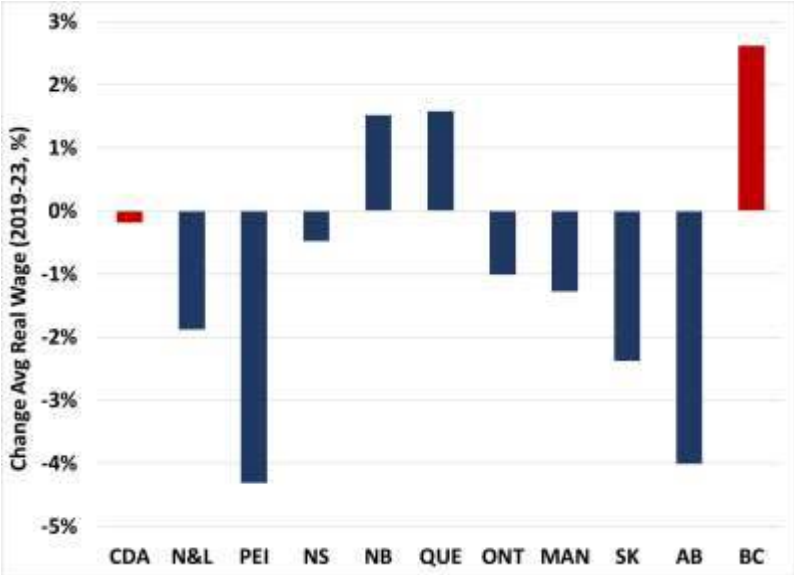
**Figure 13. Average Annual Growth Nominal Wages, 2018-2023**



Source: Calculations from Statistics Canada Table 14-10-0206-01, employees.

Thanks to vibrant economic growth, strong labour market conditions, and worker-friendly policies (including higher minimum wages, and support for collective bargaining), wages for B.C. workers grew faster through the pandemic years than in any other province but Quebec (Figure 13). And since B.C. had slightly slower inflation during this period than Quebec, real wage growth in B.C. was the best in Canada (Figure 14). In contrast to stagnation in real wages since 2019 for Canada as a whole, B.C. workers have managed (on average) to win wage increases that slightly exceeded inflation. Slow, steady growth in real wages is an expected outcome of a well-functioning labour market (underpinned by ongoing productivity growth, discussed further below). B.C.’s strong labour policies and institutions ensure that workers are able to share in the benefits of economic and productivity growth.

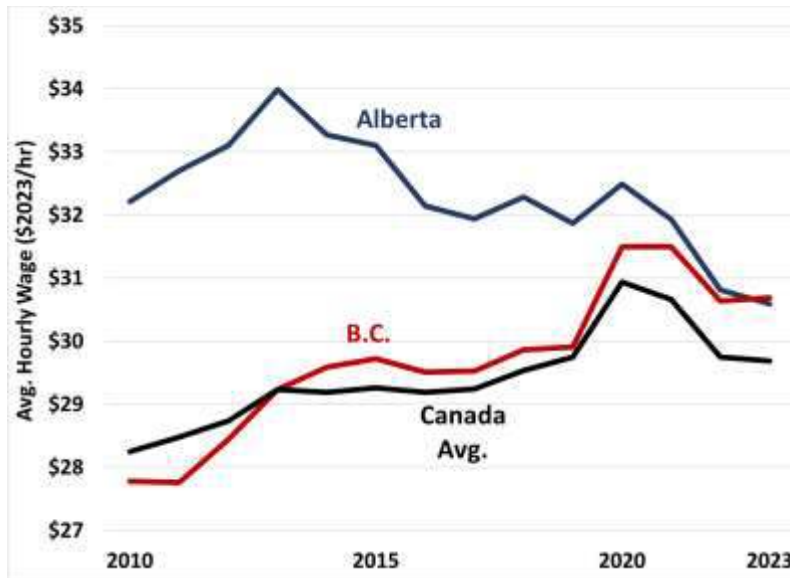
**Figure 14. Cumulative Growth Real Wages, 2019-2023**



Source: Calculations from Statistics Canada Tables 14-10-0206-01 and 18-10-0005-01, employees.

The fact that average wages for B.C. workers matched and slightly exceeded inflation through the pandemic years has reinforced household consumer spending and financial well-being. Indeed, as a result of steady wage growth in B.C., combined with a historic decline in real wages in neighbouring Alberta (where the minimum wage has been frozen in nominal terms for six years, and provincial policies have suppressed normal collective bargaining in the public sector, and discouraged it in the private sector), B.C. now demonstrates the highest average wages for paid employees of any province (Figure 15). Some employer representatives may bemoan this achievement as a sign of “excessive labour costs.” But as documented in this presentation, since B.C.’s superior wage performance has been accompanied by strong business investment in capital, superior innovation, and strong productivity growth, B.C.’s strong wage trends are clearly ratified by the continued progress of the overall economy – and are a cause for celebration, not complaint.

**Figure 15. B.C. is Now Canada’s Wage Leader**

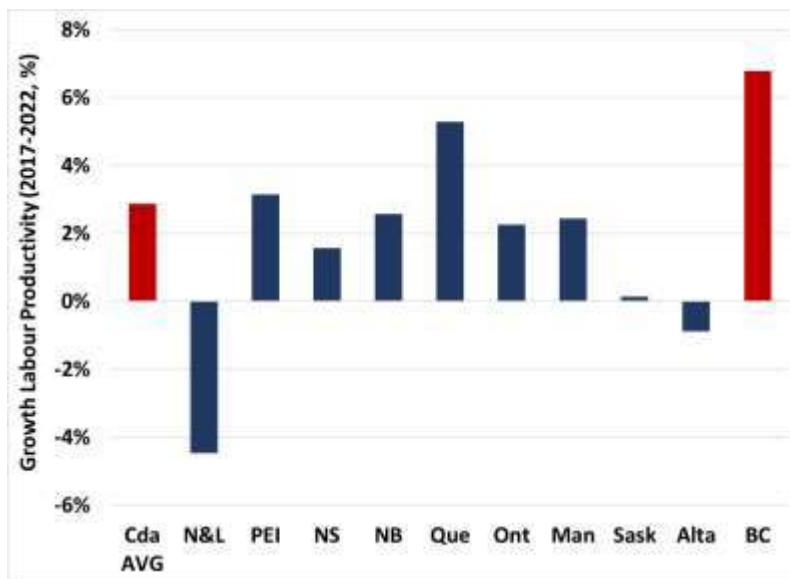


Source: Calculations from Statistics Canada Tables 14-10-0206-01 and 18-10-0005-01, employees.

**Productivity**

Productivity is another key economic variable that has been shocked as a result of the COVID-19 pandemic and its aftermath. Initially, recorded productivity surged during COVID lockdowns – because a disproportionate share of the jobs lost in the lockdowns were lower-wage positions in less technology-intensive private services sectors (such as retail, hospitality, and personal services). As a result, average productivity in the jobs that remained was higher. Then productivity began to slip, as the lockdowns ended, workers returned to those jobs, and the labour market experienced other adjustments (including a rapid increase in immigration).

**Figure 16. Average Annual Growth Labour Productivity, 2017-2022**

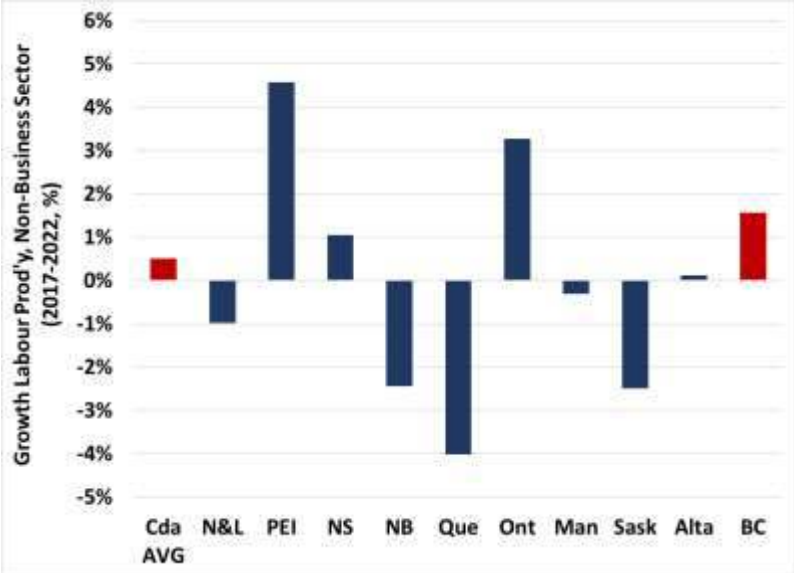


Source: Calculations from Statistics Canada Table 36-10-0480-01, all industries.

Through all of these developments, however, B.C. has emerged as a Canadian leader in productivity. Hourly labour productivity across all industries in B.C. was 6.8% higher in 2022 than in 2017<sup>2</sup> – more than twice as strong as the growth in labour productivity in the Canadian economy as a whole (Figure 15), and faster than any other province. Productivity grew in the business sector even faster, by 7.5% in total in those five years. That was the second-fastest of any province, surpassed only by Quebec.

Again, much has been made of the expansion of services and employment in public services in B.C. (such as health care and education), which for some critics implies a drain on productivity and efficiency in the overall economy. Measurement of productivity in non-marketed public service industries is difficult, since the value of output in those industries is evaluated differently than for private (marketed) output. Nevertheless, even with those measurement limitations, labour productivity in B.C.’s non-business industries (including public services) has been superior to most other provinces (ranking third of ten over the same five-year period). This attests both to efficient management of B.C.’s public services, and to the value of the work that is performed there. Far from dragging down B.C.’s economic efficiency, public services have improved it.

**Figure 16. Average Annual Growth Labour Productivity, Non-Business Sector, 2017-2022**



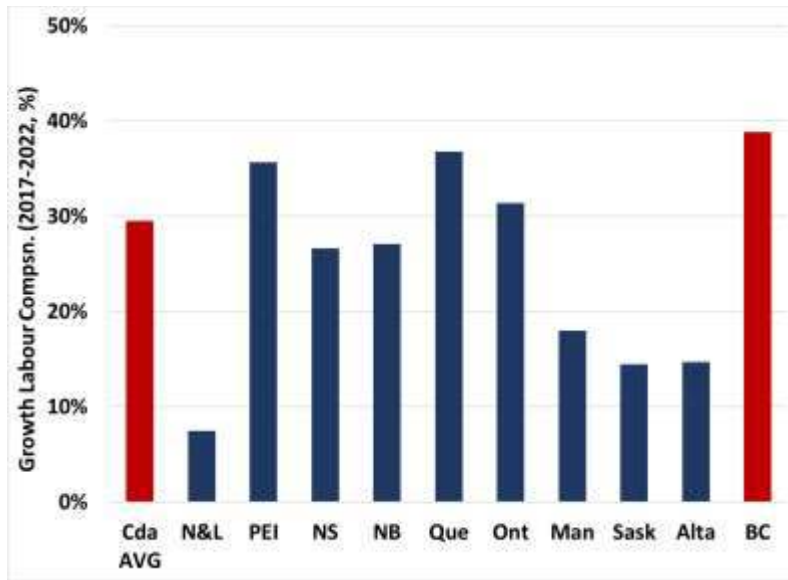
Source: Calculations from Statistics Canada Table 36-10-0480-01.

**Distribution of Economic Gains**

It is not enough to simply ‘grow’ the economy: using more natural, financial and human resources, applied more productively, to expand total output. It is equally important to ensure that economic gains are shared widely across society, in order to facilitate high living standards and economic security. As was noted above, B.C. experienced the strongest real wage performance of any province through the tumultuous years of the pandemic. And there are several other indicators that the province is achieving a comparatively fair and inclusive distribution of the gains of economic growth.

<sup>2</sup> Provincial productivity data has not yet been reported for 2023.

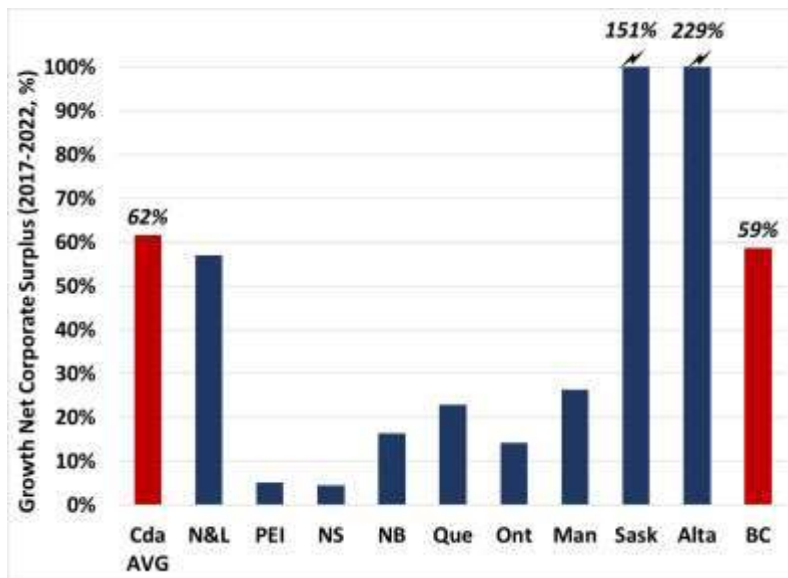
**Figure 17. Labour Compensation Growth, 2017-2022**



Source: Calculations from Statistics Canada Table 36-10-0221-01.

Thanks both to strong job creation and to healthy wage growth, total labour compensation (including pensions and other supplementary compensation) grew faster in B.C. than in any other province, according to the latest five years of data: up 39% in five years (Figure 17). That confirms that workers were directly receiving a strong share of the benefits of economic growth. However, lest it be argued that these wage gains were excessive and undermined business viability, note that net corporate profits in B.C. grew much faster: up 59% over the same period.

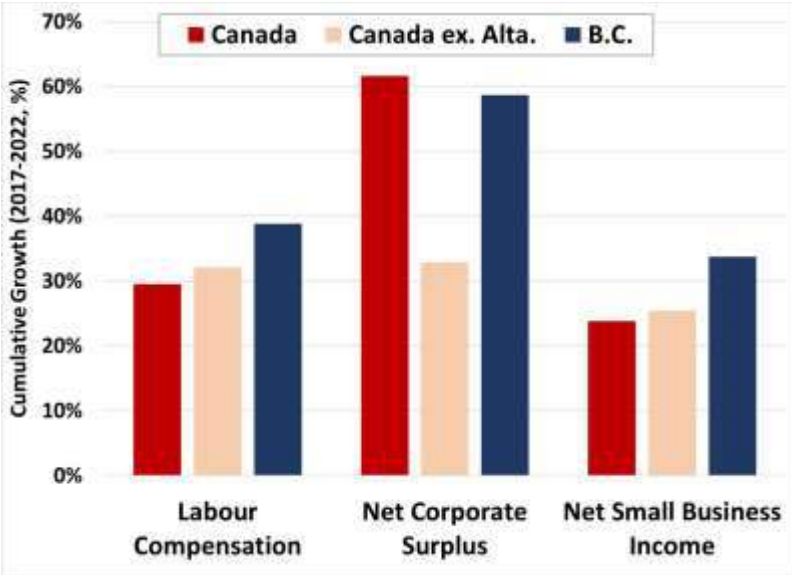
**Figure 18. Net Corporate Surplus Growth, 2017-2022**



Source: Calculations from Statistics Canada Table 36-10-0221-01.

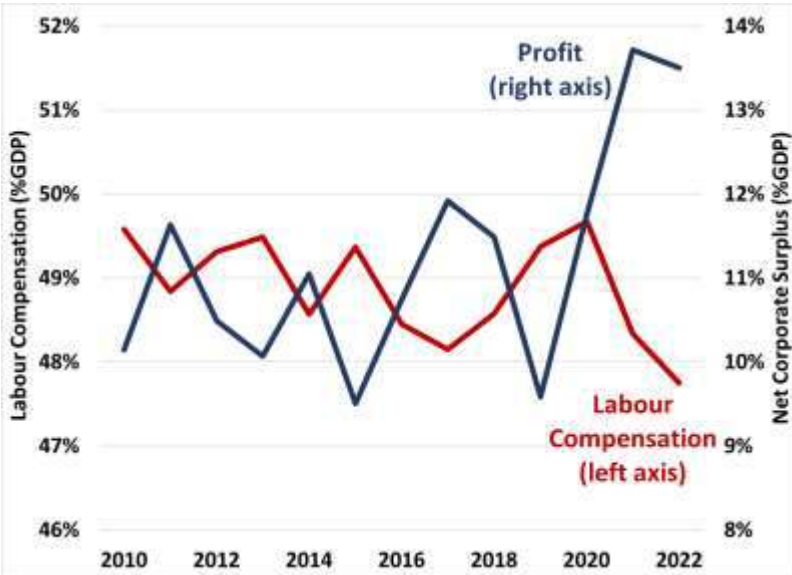
Total labour compensation in B.C. grew faster than for Canada as a whole, yet corporate net profits grew almost as fast as for Canada as a whole – so those wage trends did not interfere with business success. Moreover, if Alberta is excluded (where corporate profits more than doubled since 2017), then B.C.’s profit performance appears even stronger. Excluding Alberta, profits across Canada grew 33% from 2017 through 2022, much less than in B.C. Small business income was also strong in B.C.: up 34% over the last five years, compared to 25% growth in Canada as a whole. Clearly, while B.C. workers have done relatively well in recent years compared to other provinces, so have B.C. businesses.

**Figure 19. How Economic Gains Were Shared, 2017-2022**



Source: Calculations from Statistics Canada Table 36-10-0221-01.

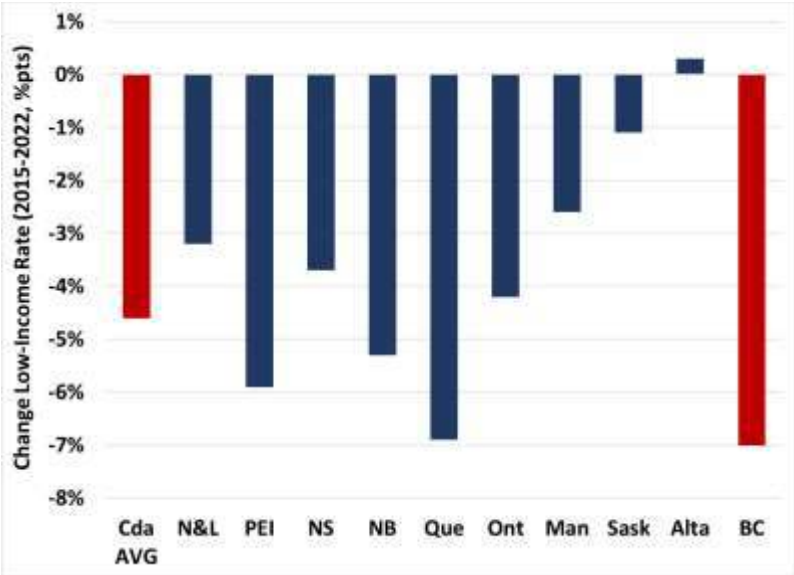
**Figure 20. Changing Income Shares in B.C., 2010-2022**



Source: Calculations from Statistics Canada Table 36-10-0221-01.

In fact, relative to overall GDP, corporate profits have increased as a share of GDP in B.C., compared to pre-pandemic norms. Net corporate operating surpluses equaled 13.5% of B.C. GDP in 2021 and 2022, about three percentage points higher than the ten-year pre-pandemic average (Figure 20). But labour compensation actually declined in the same period, falling by about 2 percentage points of GDP. So despite business complaints about B.C.’s regulations, taxes, and labour laws, the reality is that businesses (especially corporations) have expanded their share of the overall economic pie – an economic pie which, moreover, grew faster than almost anywhere else in Canada.

**Figure 21. Change in Low-Income Rate, 2015-2022**



Source: Calculations from Statistics Canada Table 11-10-0093-01.

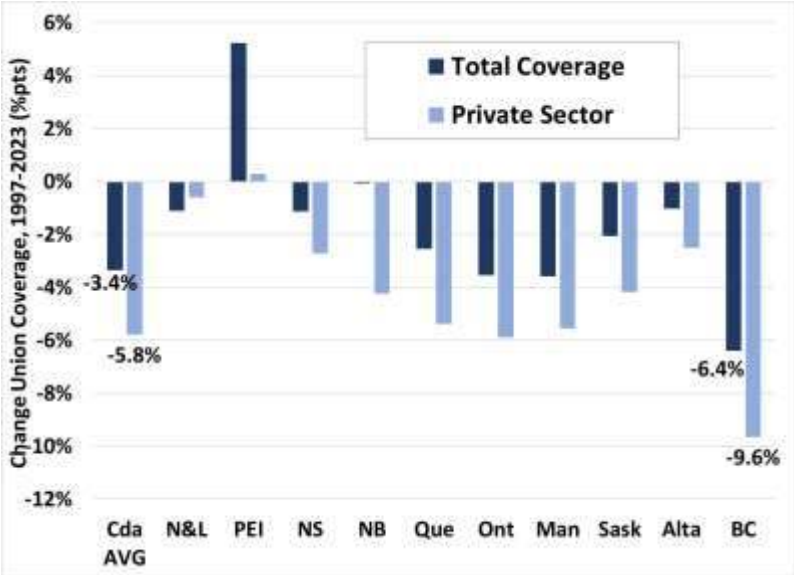
Two final indicators complete our review of the distributional dimensions of B.C.’s recent economic performance. Thanks again to a combination of strong labour market and wage conditions, and positive provincial income and social supports, B.C. has recorded the largest decline in low-income of any province. The share of provincial residents falling below Statistics Canada’s market basket low-income measure declined by 7 percentage points between 2015 and 2022. Poverty has fallen significantly in most provinces (Alberta being the only exception) in this period, thanks in part to federal child benefits and other policy reforms. But B.C. has experienced the largest decline in poverty of any province – and this partly reflects the province’s strong effort to direct the benefits of economic expansion further down the income ladder (through measures such as higher minimum wages, the in-sourcing of some public sector services, support for collective bargaining, and more). Poverty in B.C. is still too high: 11.6% of residents lived below the low-income cut-off, compared to 9.9% across Canada. But the province is heading in the right direction, and more forcefully than other provinces.

A more worrisome sign, however, is that the share of B.C. workers covered by a collective agreement has also declined faster than in any other province in Canada. The union coverage<sup>3</sup> rate for B.C. workers was 30.1% in 2023: slightly below the Canadian average, but more than 6 full percentage points lower than in

<sup>3</sup> Union coverage refers to workers whose wages and other terms of employment are determined by a union-negotiated collective agreement; it includes a small share of employees (about 2% of all employees) who are covered by such agreements but do not belong to a union. The unionization rate is thus slightly lower.

1997 (when Statistics Canada began collecting this data). The deunionization of work has been concentrated in the province’s private sector, where union coverage declined by almost 10 percentage points in the same time – also further than in any other province.

**Figure 22. Deunionization by Province, 1997-2023**



Source: Calculations from Statistics Canada Table 14-10-0070-01.

Once again, then, claims that B.C. has become too “union-friendly” are at odds with the empirical evidence. Union coverage in both the economy as a whole, and in the private sector, are below Canadian averages, and have fallen more steeply than in any other province. Despite recent reforms aimed at supporting more collective bargaining and union coverage in B.C., private sector union coverage shows no sign yet of recovering from those steep losses. This reinforces the conclusion that changes in the broader economy (including the shift to smaller workplaces, the rise of precarious employment, and the advent of digital platform work), as well as more strident and sophisticated union avoidance efforts on the part of private sector employers, are preventing most B.C. workers from accessing the benefits of collective representation and bargaining.

In this light, therefore, while B.C. has much to be proud of in its economic and labour market record, which demonstrates the virtuous effects of simultaneously promoting growth and ensuring that its benefits are widely shared, it is equally clear that more needs to be done. To that end, this review of the B.C. Labour Relations Code should reject arguments that B.C.’s existing labour policy settings have somehow undermined investment, profits, innovation, and productivity. We have presented ample evidence here to the contrary. And far from being too supportive of workers, wages, and benefits, it is clear that the province’s labour policies need to be strengthened to allow a larger share of the workforce to share in the benefits of good work and a strong economy.