

Economic Profile Series: Vernon, British Columbia

Winter 2020

This series looks at communities across Canada and highlights key labour market statistics and the role that immigration has played or could play to help these communities flourish. It is important to note that predicting labour market demand can be challenging, as economies are always evolving. This profile uses current population and labour market trends to give a profile of how immigration might play a role in this community.

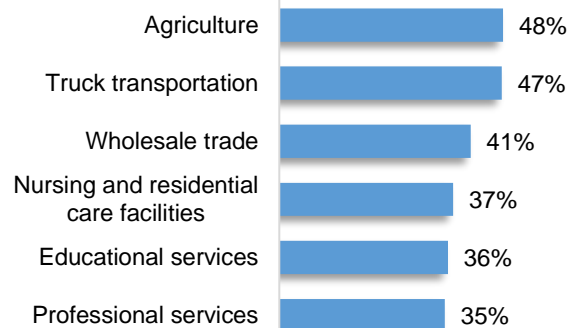
Ensuring Vernon remains an important hub in southern British Columbia: the role of immigration

The looming workforce challenge

The 2016 Census reported that 30% of workers in Vernon were over the age of 55, meaning that some 9,600 are likely to retire in the next decade or so. Nearly half of all workers in agriculture were 55 and older at the time of the Census (Figure 1), as were 47% of those working in truck transportation. Similarly, 41% of workers in wholesale trade and 37% in the nursing and residential care sector were over 55.

There are not enough young people coming through the education system to meet the demand of the current labour market, let alone provide the workforce for potential economic growth.

Figure 1: Share of the Vernon workforce over the age of 55—selected industries*



Source: Statistics Canada 2016 Census.

Vernon has an important economic role

Vernon¹ (population 65,300) is located in southern British Columbia, less than an hour's drive north of Kelowna and east of Kamloops. Agriculture is an important economic engine for the region, but in recent years construction, tourism and manufacturing have also expanded. The forest products sector employs more than 1,500 people.

¹ The data in this report is based on the Vernon census agglomeration area, which includes Vernon, Coldstream district municipality, North Okanagan B and North Okanagan C (regional district electoral areas), and 2 First Nations communities.

The city is also a services centre for a larger catchment area that includes more than 100,000 people. The population has been growing in recent years and increased more than 10% between 2009 and 2018. The city recognizes the importance of attracting more people to the community to help grow the workforce. In its [2019-2022 strategic plan](#), the City of Vernon has as a goal to “identify mechanisms to attract skilled labour to the area.”

The population is aging fast

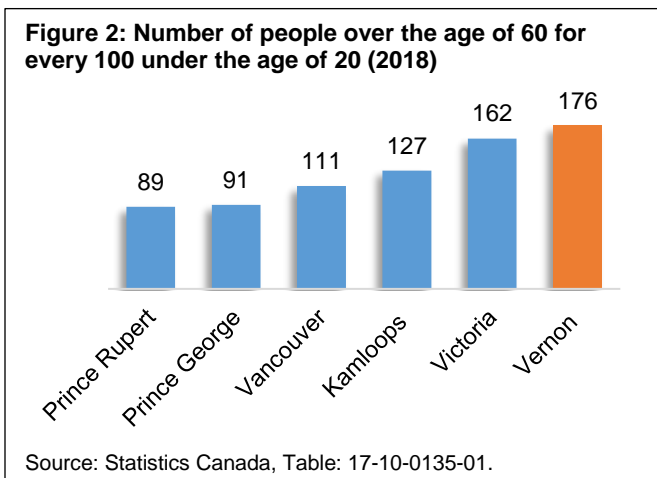
The main reason that population growth is a top goal for the community is the rapidly changing demographic picture. Vernon is one of the older communities in western Canada.

According to Statistics Canada, in 2018 there were 176 people over the age of 60 for every 100 under the age of 20. In comparison, there were 127 in Kamloops, 111 in Vancouver and only 91 in Prince George (Figure 2) over the age of 60 for every 100 under the age of 20.

As of the 2016 Census, the median age was 49.5, well above the provincial and national levels. The natural population growth rate

(births minus deaths) has turned negative in recent years and now there are only 70 births for every 100 deaths. By contrast, the ratio in Prince George is 144 births for every 100 deaths.

The good news is a lot of people are moving to Vernon each year—but many of them are older. In the past few years, well over half of the people who moved into the Vernon area from both elsewhere in British Columbia and from outside the province have been over the age of 50. Being an attractive place to retire is part of the Okanagan Valley’s brand. However, the region will also need to attract more young people to ensure there enough workers to meet labour market demand in the coming years.

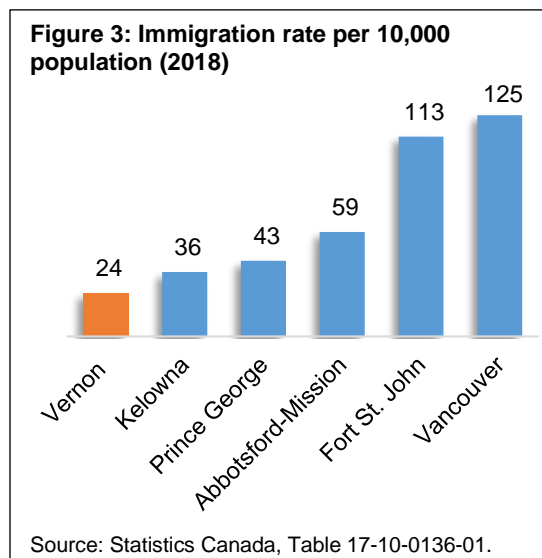


The aging workforce: a risk for the economy

This demographic shift is hitting the workforce and there are signs that it is starting to impact the economic potential of the community. The number of people in Vernon reporting employment increased by 8% between 2008 and 2017, while the number reporting Canada Pension Plan (CPP) income increased by 33%². Over that time frame, there was an increase of 2,700 people reporting employment income and nearly 5,000 more reporting CPP income.

There has been relatively little immigration to Vernon

There has been limited immigration to the community in recent years. In the past 5 years, Vernon has attracted, on average, just 140 immigrants per year. Adjusted for population size, Vernon has one of the lower immigration



² Source: Statistics Canada, Table 11-10-0007-01.

rates among small centres in western Canada. There were 24 new immigrants and non-permanent residents in 2018 per 10,000 people living in Vernon, compared to 43 in Prince George and 125 in Vancouver.









Without enough workers to replace retirees, what could be the impact to the economy?

Predicting labour market demand is not easy, but the community clearly understands the need for population growth. One of the main priorities of Vernon’s city council is to attract skilled labour to the area, as outlined in its [2019-2022 strategic plan](#).

But what industries could be at risk if labour market needs can’t be addressed? Table shows the industries for which Vernon has a much higher concentration of workers compared to the rest of the country. Adjusted for size, there are 4 times as many people working in forestry and logging compared to the country overall. There 6 times as many working in wood product manufacturing. The importance of tourism is highlighted by the high concentration of workers in accommodation services and amusement, gambling and recreation industries.

If the workforce continues to tighten, many of these strategically important industries could struggle to find workers, and some of this economic activity could move to other communities with a stronger talent pipeline.

Table 1: Vernon’s dominant industries: employment share compared to the national economy*

	Forestry and logging—4 times as many		Heavy and civil engineering construction—47% more
	Wood product manufacturing—6 times as many		Support activities for mining—45% more
	Accommodation services—82% more		Motor vehicle and parts dealers—double the employment
	Amusement, gambling and recreation industries—74% more		Hospitals—33% more

*For example, adjusted for size, Vernon has 33% more people employed in hospitals compared to the national economy. Source: Statistics Canada, 2016 Census.

Vernon’s aging entrepreneurs

The community’s entrepreneurs and small business owners are getting closer to retirement, which is an additional challenge for the local economy. There are 4,500 self-employed people in Vernon and about 42% of them are over the age of 55. Vernon could benefit from the attraction of a new generation of entrepreneurs to replace those who retire and to help drive growth in important industries such as trade, transportation and tourism.

Critical to sustained economic growth: ensuring there is a talent pipeline

The Vernon workforce is aging and the pipeline for younger workers is shrinking. There are a number of ways in which the community can expand the number of available workers in the years ahead:

- **Attract more students to the region**

Vernon is home to a campus of Okanagan College, which offers a wide variety of studies. There are other smaller specialty colleges in the community as well. If Vernon is able to attract more Canadian and international students, it will help to build a larger local talent pipeline to address workforce needs in the years ahead.

- **Encourage more people to join the workforce**

The tightening labour market creates employment opportunities for people who previously struggled to participate in the labour market, such as women re-entering the workforce or those with disabilities. From the 2016 Census, the labour market participation rate in Vernon among women was 53.9%, compared to 61.9% among men. Persons aged 55 and older who are not in the labour market could also be enticed back in by being offered flexible work and other benefits. The 2016 Census found the labour market participation rate in Vernon among those aged 55 and older was only 33%, compared to 40% in Vancouver and 43% in Prince George.

- **Attract people from outside the region**

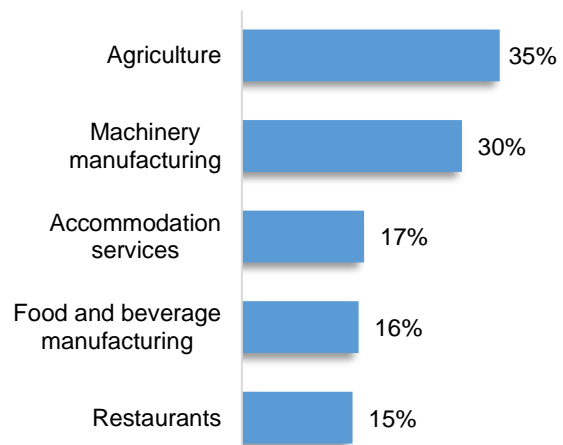
There is no doubt that one of the greatest opportunities involves the attraction of young people and families to Vernon. Since 2013, across Canada, all net growth in the labour market has come from immigrants³.

There is a direct correlation between immigrant attraction and workforce growth. The urban centres with the highest immigration rates have, by far, the fastest labour market growth.

As discussed above, Vernon has a relatively low immigration rate—but those who have immigrated are playing an important role. As shown in Figure 5, more than 30% of workers in the agriculture sector and in machinery manufacturing are immigrants. The tourism

industry has an above-average share of immigrant workers as well. A focused effort to attract more immigrants and retain them in the community may serve to ensure economic growth in the years ahead.

Figure 4: Immigrants as a share of the total Vernon workforce, by selected sector



Source: Statistics Canada, 2016 Census.

Immigration: boosting the Vernon talent pipeline

Along with other efforts to boost the workforce, increasing the number of immigrants settling in Vernon would be a strategic move to ensure that the talent pipeline is large and strong enough to meet local industry demands and provide a source of new entrepreneurs. These immigrants could come as students, workers and business owners filling important roles in the economy and boosting demand for local goods and services.

Vernon is part of the new [Rural and Northern Immigration Pilot](#) established to help smaller rural and northern communities attract and retain foreign skilled workers to meet their economic development and labour market needs.

³ The number of Canadian-born workers exiting the workforce is greater than the number of Canadian-born workers joining the workforce each year.

Helping to grow the local economy

Attracting more immigrants in the coming years would create new demand for local products and services. Every 100 new immigrant families with an average household income directly generate over \$8 million worth of new household expenditures, much of this spending in the local community⁴.

Statistics show that these 100 immigrant families would spend:

- \$1.5 million per year on housing costs such as mortgage payments, electricity and property taxes,
- \$1.3 million each year on transportation costs such as vehicle purchases and maintenance, and
- \$800,000 on food expenditures at local grocery stores and restaurants.

These 100 new families would also generate about \$2.2 million worth of taxes per year for local, provincial and federal governments.

Other positive effects

Attracting more immigrants to Vernon would help support a vibrant economic and social life in many other ways. Civic and business groups would have a growing pool from which to draw members. Youth sports clubs and leagues around the region would benefit from an increasing population of young residents.

Retaining and integrating newcomers

Retention will be critical to long-term population growth. In order to ensure the successful integration and retention of immigrants to Vernon, it is important that newcomers are welcomed into social life and quickly develop a strong sense of Canadian identity and social cohesion.

Helping to sustain high-quality public services

There is a direct relationship between economic growth and provincial and local government capacity to provide high quality-public services and public infrastructure such as roads, schools and hospitals. A growing economy and population in Vernon could lead to a greater public investment in services and infrastructure.

Older residents play an important role in the community

Residents of all ages contribute to the well-being of their communities and their province by working, paying taxes and giving back through volunteer and charitable activities. As residents of Vernon retire and move into a new stage in their lives, it creates new economic opportunities in health care, personal services, and recreation industries.

But these industries should not be considered a replacement for Vernon's important export-oriented industries such as forest products and tourism. In the years ahead, the community can benefit from the economic opportunities arising from more retirees and from attracting and growing the younger workforce.

Vernon in 2035

What will Vernon look like in 2035? Will it continue to be an important and growing economic hub in the Okanagan Valley?

In the years ahead, Vernon faces many opportunities to grow its local economy and build on existing successes in its forest products, manufacturing, tourism and local services industries. Increasing

⁴ Assumes the new household spending conforms to the current spending pattern in British Columbia.

immigration may be a critical piece that will help to secure a strong and vibrant economy in the region, and drive innovation and growth for years to come.

For more information on how immigration matters across Canada, visit canada.ca/immigration-matters.