

A Progressive Sustainable Jobs Agenda for British Columbia
The Role of B.C.'s Crown Corporations

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Introduction

British Columbia's Crown corporations occupy a unique place in the provincial economy. Managed at arm's length from government, the Crowns perform a variety of core functions, including everything from providing electricity, insurance, and public transportation services to regulating gambling and alcohol. The resources wielded by Crowns — in the form of capital, infrastructure, and regulatory control among other things — allow them to be major players in B.C.'s economy.

Crown corporations have a significant direct and indirect impact on the provincial job market. Crowns directly impact the job market as major employers in the province and in their regulation of businesses that employ yet more people. The Crowns indirectly impact the job market in the investments and activities they undertake and the quality and pricing of the services they provide. For example, the level and structure of BC Hydro's electricity rates can influence decisions by small or large businesses to start, expand, or cease operations, regulatory moves by the BC Lottery Corporation can have ramifications for the gaming and entertainment industry's scope of operations, and rates charged by ICBC and BC Transit can impact cost of living in the province, potentially affecting labour supply and wage expectations.

Given the clear impact Crowns can have on the provincial labour market, the government driven nature of their mandates, and their insulation to some degree from the profit motives that drive private employers, one might expect clear, comprehensive strategies to emerge on how best to utilize these resources to accomplish important public objectives. Crowns could utilize their resources to address issues of affordability, balance, and fairness that arise in a job market dominated by profit-driven enterprises. However, this is not the case. Not only is there no overriding strategy in B.C. on how best to use Crown resources to positively impact the labour market, most individual Crowns are limited and inconsistent in their approach.

This paper argues that the resources of Crown corporations are not being utilized in a coordinated or consistent way to meet important labour market objectives. This is a missed opportunity. The paper argues that the Crowns could best serve the provincial labour market by efficiently and effectively meeting their mandates of providing reliable, affordable services in an environmental and socially responsible way. Further, they are ideally placed to help address the barriers faced by those who are underrepresented in the professional workforce and/or face high unemployment. In particular, we focus on youth, Aboriginal peoples, women, immigrants, and ethnic minorities, as groups who face barriers

to employment and promotion in the general labour market and could be assisted by changes to Crown corporation employment strategies.

BC Hydro

There is no question that the development of new hydro and other power generating resources can significantly impact economic activity and employment throughout the province. Building Site C will require an investment of over \$8 billion and will directly and indirectly generate demands for thousands of workers over its construction period. Purchases of run-of-river and wind power will similarly directly and indirectly generate demands for construction and other workers, albeit on a much smaller scale for each individual project, but collectively still significant with greater geographic diversity and potentially a longer time frame than Site C.

The problem, however, is that generating jobs does not necessarily yield net benefits. If Site C is built before it is needed, British Columbians will have to pay more for their electricity than necessary. Sure there will be greater demand for construction workers, but this will be offset by jobs losses resulting from the impact of higher electricity bills on other household spending, and the impact of higher electricity costs on commercial and industrial profitability, activity, and investment.

This same problem, even moreso, arises with the purchase of high cost, low value run-of-river and wind projects. Sure there will be jobs associated with these projects, but there will also be job losses due to the impacts these purchases will have on electricity rates.

It is a serious economic mistake to look at economic impacts as a justification for project or other spending if those projects or spending are not needed or justified. There were jobs generated by BC Hydro's construction of the heavily subsidized Northwest transmission line but those subsidies have what economists call an opportunity cost. They have to be paid for and as a result other spending, activity and jobs will be foregone.

The best way BC Hydro can support sustainable economic development and employment in British Columbia is by doing what it for many years has been mandated to do – providing reliable, low cost electricity supply to all British Columbians in a socially and environmentally responsible way. And what the government can and should do through its policies and legislation is ensure that the benefits of that low cost supply are shared equitably by British Columbians, as opposed to being disproportionately allocated to large new and existing electric intensive loads.

What we need from BC Hydro is the preservation and enhancement of the great value of its hydro system for the benefit of all British Columbians – investment in supply and demand side resources (energy efficiency and conservation) that add, not diminish value so British Columbians will have more disposable income and opportunity to spend and invest on other things.

With regard to specific employment strategies, it is not, in any event, the creation of jobs per se that British Columbia requires. Virtually all labour market forecasts indicate that there will soon be shortages of workers in most trades, sectors and regions – shortages that will be exacerbated by spikes in demand for major projects.

What is required is much greater effort in training, apprenticeship and targeted employment commitments so that British Columbians, particularly British Columbians that face significant social, educational or other barriers to more effective participation in the labour force, are better able to take advantage of the jobs that become available.

BC Hydro has programs aimed at providing work experience and employment opportunities to youth. Given the number of people BC Hydro employs in the skilled trades, it follows that they would be active in providing apprenticeships. Indeed, BC Hydro provides apprenticeships in ten different areas, along with a one year pre-apprenticeship employment stream for aspiring power line technicians. For post-secondary students, four-month co-op opportunities are available, both within BC Hydro workplaces, and in special traveling “outreach representative” positions that travel the province educating people about BC Hydro. Further, the Youth Hires Program provides a chance to try a BC Hydro position over summer employment to those who have recently graduated from post-secondary or who have demonstrated a keen interest in the company.

In terms of more substantive work experience and training programs, BC Hydro offers a two year Engineers-in-Training program, with competitive pay rates, to recent engineering graduates. Lastly, they have two and four year technologist training programs which mix class room and hands on job training, including placements at multiple locations across the province, and pay 75% of a full technologists salary.

These are strong programs, but could be enhanced with specific goals or targets —as with the one used for Aboriginal peoples as described below — on the number of young workers BC Hydro wants to add year to year. This is particularly important, given the aging nature of the workforce, particularly in the trades.

In addition to its youth-oriented programs, BC Hydro also has programs for minority and immigrant as well as Aboriginal employment. Visible minorities represent 18% of BC Hydro workers and 23.9% of managers. BC Hydro has crafted a variety of diversity programs including an in-house cultural buddy program to help immigrants adapt to a Canadian workplace.

BC Hydro is currently engaged in a ten year Aboriginal hiring strategy which largely mirrors the youth hiring streams — youth hires, trades has trainee, co-op, and apprenticeship — but specifically targets Aboriginal candidates. The project also participates in community education, skill, and employment initiatives to help candidates develop the skills to apply successfully. The stated goal of the strategy is to build a

workforce that represents the number of Aboriginal peoples in British Columbia. Currently, 2.5% of their employees and 1.6% of their managers identify as Aboriginal.

BC Hydro's diversity programs provide a good base, especially with the clear targets they have set for Aboriginal workers. Aboriginal employment is still far short of the approximately 5.4% share of the population that Aboriginal peoples represent in British Columbia. Nevertheless, setting a goal with a ten year plan is a good start. Similar goals could be considered for their ethnic minority worker population, which is far short of the 27.3% of the population they represent in B.C.

Insurance Corporation of British Columbia (ICBC)

ICBC was established in 1973 to provide universal, compulsory public auto insurance to all British Columbians. Since then, the Corporation has assumed responsibility driver licensing and vehicle registration. ICBC operates as a monopoly in the provision of compulsory basic auto insurance. It competes with private companies in the provision of extended insurance.

ICBC was designed to operate on a not-for-profit basis, offering affordable rates and a strong service quality to citizens of the province. ICBC's rate and service levels are overseen by the British Columbia Utilities Commission. ICBC employs approximately 5,000 full-time equivalents across the province. Most are concentrated in the Lower Mainland and Vancouver Island, but a variety of ICBC offices also operate in other parts of the province.

The impact of ICBC's activities on the provincial labour market is smaller in scale than BC Hydro's, but are still significant. Since basic insurance is compulsory for residential and commercial clients, and driving is an essential need for the vast majority of residents and many businesses, the rates set by ICBC have a clear impact on the cost of living and the competitiveness of B.C. businesses and industry.

In its early years, ICBC was firmly driven at providing accessible and affordable auto insurance. However, in recent years ICBC has found itself increasing rates and facing service issues. Two primary reasons have been cited for the increase in rates and move away from affordability.

First, the massive increase, particularly in the last 20 years, in the average cost per claim has had a significant upward pressure on rates. This has been exacerbated in recent years by the massive increase in the representation rate — the rate at which customers making insurance claims seek legal representation in reconciling their claim. The increase in claim costs was met in the mid-90s with the introduction of road safety and loss prevention techniques, but the cost per claim rate has continued to increase.

Second, moving away from being a self-contained, not-for-profit corporation, since 2003 ICBC has been paying an increasingly significant transfer to the provincial government —

essentially turning it into a for-profit government business. Further, ICBC has been barred from using profits from the sale of extended insurance to cover costs for basic compulsory insurance to help keep rates down. Rather than using all of their revenues to balance the books and deliver the most affordable rates possible, the provincial government has been using ICBC to generate revenues in a less direct and politically hazardous way than simply raising taxes or government administered user fees.

Like BC Hydro, the best way ICBC can support sustainable economic development and employment in British Columbia is by doing what it for many years has been mandated to do: ensuring affordable basic insurance rates for individuals and businesses — especially small businesses. This may require careful review of its profit and dividend requirements and as well further expansion and diversification its operations to promote greater efficiencies and support lower rates.

In a very direct way ICBC could also implement programs that support employment and training of youth and disadvantaged groups. Currently, ICBC has very limited employment programs that target any particular population. For youth, ICBC offers single term coop employment for university students in information technology and human resources, as well as a three-year certified general accountant trainee program. It also has articling positions for recent graduates. Notably, however, it has no program aimed at youth that provides permanent employment opportunities.

Recently, the Corporation has begun initiatives to increase their employment of ethnic minorities. However, the plan is mostly focused on the basics of diversity hiring, such as diversifying the publications that positions are advertised in and asking whether there are clear barriers for minorities in the hiring scheme. These are important first steps, but do not represent a comprehensive, outcome-based strategy for hiring minorities.

ICBC has no specific initiatives for Aboriginal people. There is also no specific program for women, but ICBC's female representation is comparatively high, with women making up 44% of management and executive positions.

Given the different levels of experience and diverse employment positions ICBC fills, the traditionally long term nature of the jobs, their providing training and advancement opportunities could be significant in enhancing employment opportunities for people who face barriers to employment. An expansion of youth employment and work experience programs, in line with the BC Hydro model, and with a focus on long-term career opportunities could help address youth unemployment and workplace transience issues while also revitalizing ICBC's own aging workforce. The Corporation could as well develop targeted opportunities, as BC Hydro has, for Aboriginal peoples.

British Columbia Lottery Corporation (BCLC)

The BCLC was established in 1985 to administer a provincial lottery. Previously, British Columbia had spent ten years as part of the umbrella Western Canada Lottery Foundation. Since then, the BCLC has gradually expanded outside of the lottery into other forms of provincially administered gaming and the regulation of private gaming across the province. The regulatory role began in 1997 and 1998 when the BCLC took over responsibility for slot machines and table gaming respectively. The next major expansion occurred in 2004 when an online gambling site — playnow.com — was introduced.

The Corporation employs 900 employees directly, but through the regulation of gaming across the province supports 37,000 jobs in the gaming industry. Revenues from gambling through the Corporation are in excess of \$2 billion with \$1.2 billion — or approximately 2.7% of the overall provincial budget — being transferred to the government.

While the internal staff of the BCLC is comparatively small, the 37,000 employees within their regulatory reach is significant. The Corporation has overseen an expansion in gaming in the province, both through their own lotteries and games, but more importantly through the growth in the size and number of casinos in the province. Most recently, the proposed expansion of the Edgewater Casino on PavCo administered land will make it the largest casino in Western Canada. Thus, gaming expansion has contributed to job growth in the province and it is certainly possible that this could continue in the future.

As noted above, the revenues from gaming that find their way into the provincial budget are in excess of \$1.2 billion per year. Within this, the BCLC service plan notes that \$146.3 million is directed specifically towards a special health care account and \$6.2 million is directed towards responsible gambling initiatives. Thus, it could clearly be argued that the revenues generated from the BCLC are driving job creation within government. However, it is unclear whether their revenues are actually leading to job creation, or simply leading to a shift in government revenues, allowing for a reduction in direct taxation. It is also unclear whether the amount dedicated to responsible gambling initiatives is sufficient to address the family and broader social costs of gambling addiction.

Unlike the other crowns that are profiled in this paper, the BCLC has seen almost constant expansion through its existence and is naturally disposed towards expanding its operations and that of private gaming facilities. As noted above the BCLC has essentially two ways to drive job growth: 1) by using its regulatory powers to allow expansion in gaming and casinos, creating new jobs to administer these services, and 2) expanding revenues to increase their transfers to the government. Both of these routes have issues inherent in them, but also some potential.

Expansion of gaming and casinos over the last 30 years has seen the BCLC significantly increase their revenues. Clearly, BCLC believes that this is a process that should continue, as evidenced by the Edgewater Casino project and the Corporation's oft-stated focus on gaming innovation. However, there are clear issues with gaming expansion and the impacts it can have on the population, particularly those in low income households and those who

suffer from gambling addiction. The impacts are broadly acknowledged by the Corporation; their annual report advocates the engagement of new and old customers and maximizing revenues, while also ensuring negative impacts are minimized. The BCLC engages in responsible gambling initiatives aimed at ensuring gaming is within the bounds of leisure. However, the Corporation recently saw a drop in awareness of their responsible gambling activities from 78% in 2012/13 to 68% in 2013/14 — 12% below their target. The Corporation explains that this is likely due to a move away from mass media advertising and towards more targeted promotions and interventions aimed at impacting the most vulnerable groups. However, this measure — knowledge of the GameSense program — doesn't actually indicate whether or to what degree it is having an impact. Thus, while thoughtful measures are being taken, it is safe to say that the impacts of the initiative, particularly in relation to gaming expansion, are unclear.

It seems fair to argue that there will always be a tension as a result of competing pressures in the BCLC. There is an awareness that gambling can have a substantial negative impact on individuals, but greater restrictions and slower growth of gambling would impact BCLC's revenues. As a result of this, any expansion needs to be carefully considered and managed. Any expansion that could increase occurrences of gambling addiction or otherwise cause harm to vulnerable groups should be avoided or be combined with adequate mitigating actions. This would suggest that preference should be given to expansion into areas patronized by those with significant disposable incomes or that are less likely to encourage addictive gambling. Further, expansion of non-gambling entertainment — such as music or theatre shows — in casinos could provide expansion without adding more gaming opportunities. This would create new jobs while better balancing social responsibility, building a model where the BCLC is a player in the entertainment market as opposed to a way for government to profit off of the suffering of vulnerable populations.

With respect to employment programs, BCLC doesn't appear to have any specific targeted hiring programs, nor do they require any such programs of the casinos and other gaming facilities they regulate. Their most recent service plan has made mention of a new recruitment strategy which includes an expansion of coop opportunities, but no such opportunities are listed on their website or elsewhere.

As with ICBC, it is clear that the BCLC could have a substantive impact on the hiring of groups who face barriers to work. The BCLC itself is comparatively small, though big enough that some altered hiring practices could have an impact, particularly in Kamloops where their head office resides. However, the major opportunity for the BCLC to provide opportunities to these groups is through casino regulation. By requiring new casinos or casino expansions to hire from groups facing barriers to employment, not only could the BCLC have an impact on job creation for vulnerable groups, but could also provide additional social good to balance against some of the social cost of its operations.

B.C. Pavillion Corporation (PavCo)

PavCo was established during Expo 86 to manage the B.C. Pavilion. Since then it has evolved to manage two major pieces of provincial infrastructure: BC Place Stadium and the Vancouver Convention Centre. Its stated mandate via these pieces of infrastructure is to “increase economic benefit to British Columbia through the management of two world-class public facilities located in downtown Vancouver...” and “to generate economic and community benefit for the people of British Columbia through prudent management of public facilities”. According to their annual report, PavCo “contributes significantly to the growth of the tourism and hospitality industries, as many out-of-town patrons travel throughout British Columbia before and after attending events at its facilities”. PavCo employs over a thousand people in the operations of BC Place, the Vancouver Convention Centre, and its own internal staff.

Besides the employment of staff to run its two facilities, PavCo supports economic activity and employment in the tourism and hospitality industries. The input-output model estimates of GDP and employment impacts that PavCo and others commonly report tend to grossly exaggerate the net impacts and benefits its facilities in fact have. Those estimates typically ignore the diversion of spending from other activities as well as the opportunity cost of the government funds used to build and operate the facilities. Nevertheless, there can be incremental impacts and benefits. The issue is how strategic and valuable PavCo’s investments and activities are, not simply how much it builds and spends.

PavCo is something of an unusual entity. It has a broad and sweeping mandate — promoting economic growth through promotion of tourism and economic activity — but has limited capacity to accomplish these goals as it only manages two facilities, both of which are in downtown Vancouver. If the goal of PavCo is to be an entity that allows government resources go towards the promotion of tourism and economic activity, it seems plausible that it could be expanded. This could include diversifying its facilities and services in Metro Vancouver or trying to find opportunities to yield comparable benefits in other parts of the province. What is critically important, however, is that a broader scope and geographic range of investments and activities be considered, with much more careful focus on the incremental impacts and net benefits they offer.

Much like BCLC, PavCo doesn’t have a specific strategy for hiring youth or any specific minority or disadvantaged group. PavCo is focussed on being an employer of choice for both permanent professional staff and part-time event staff, but their recruitment strategy doesn’t seem to have anything aimed at particular segments of their workforce.

Since a significant amount of PavCo’s work is based around events and requires part-time and/or temporary staff, one would think that an explicit strategy aimed at hiring groups who face employment barriers would be obvious and simple. Further, work experience or ladder work opportunities could be provided to youth who have an interest in the tourism, commerce, event-planning, or large large-scale hospitality industries. Not only could this help with retention of employees and help rejuvenate the PavCo workforce, but could help ensure that students who are educated in B.C. stay in B.C. after their degrees are

completed by giving them exciting work at the forefront of the province's efforts in these industries.

Conclusion

In conclusion, British Columbia's Crown corporations have a significant impact on the economy and labour market of the province. However, there are clear choices on how to manage the scope and nature of this impact. While BC Hydro has made commendable strides towards extending experience and work opportunities to groups who face employment barriers, other Crowns are lagging behind, missing an opportunity to help address a serious social problem while also addressing some of their own internal labour market challenges.

What is needed is a coordinated, comprehensive approach. With clear goals and targets based on the nature of the individual Crown's operations and activities, plus transparent reporting on performance and outcomes, the Crowns could be leaders in ensuring progressive job growth in the province.