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**Western Forestry Contractors' Association  
2018 Annual Business and Market Summit Report  
12 September 2018  
Kamloops, B.C.**

### **The WFCA Annual Business and Market Summit**

The Western Forestry Contractors' Association represents the B.C. forestry services sector including silviculture contractors, consulting foresters and seedling producers. In late summer each year it hosts a strategic business and market workshop to review the pending and long term demand for forestry services. Besides this outlook owners exchange their views and observations on emerging labour market, policy and practice trends. This year more than 40 firms participated representing consulting foresters, the majority of seedlings produced in B.C. and 200 million of the 260 million seedlings planted. The session was assisted by presentations from BCTS Seedling Services, MFLNRORD Forests For Tomorrow, the BC SAFE Forestry Program along with information from the Forest Enhancement Society of BC.

### **Summary of principal findings<sup>1</sup>**

- Today's best estimates<sup>2</sup> show that the provincial reforestation program, driven largely by public investments, will continue to expand for at least the next three years creating strong demand for forestry services.
- This expansion comes during a strengthening economy and a tightening labour market meaning all reforestation firms are straining to recruit and retain reliable workers. Tree planting contractors are particularly vulnerable largely due to, among a variety of factors, the sector's failure to keep average piece work rates apace with inflation and their seasonal workers' expectations.

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<sup>1</sup> These findings are focused primarily on the tree planting sector. Reports on consulting and seedling production are in the works

<sup>2</sup> <https://wfca.ca/2018/09/wfca-2018-business-market-summit-forestry-demand-best-estimates-09-28-18/>

- Planting employers need to modernize their wage structures, adapt their recruitment and training practices and accommodate other rising cost determinants through a significant recalibration in pricing.
- The WFCAs estimates these needed adjustments will require a price lift in the order of a minimum 15 to 25 percent.
- If the forestry services market fails to correct it is possible the sector's capacity will not be able to keep pace with expansion, possibly even shrinking due to a shortage of capable workers and managers.

### **The expanding provincial reforestation program**

Just a few years ago the primary topic of the WFCAs business and market summits was the timing and possible outcomes of the expected collapse in reforestation demand due primarily to a reduced timber supply and its consequences. That is not the case now. Over the last two years our governments have announced the creation and funding of the Forest Enhancement Society of BC, implemented a provincial climate change strategy relying in large part on carbon sequestration through reforestation and signed a federal/provincial forest restoration agreement as part of the federal Low Carbon Economy Fund. The demand for reforestation has also been helped by two consecutive years of substantial timber and plantation losses due to wildfire in B.C.—an alarming trend some experts forecast to continue for years. The threat of wildfire has also galvanized public sentiment and support for restoring the landscape as they connect the dots between climate change, the state of the forests and their community's safety. Meanwhile lumber prices and demand have remained strong.

All these factors have the reforestation sector on track for annual sowing and planting numbers rising to around 300 million seedlings by 2020 and 2021: levels not seen for decades since the FRDA programs of the 80s.<sup>3</sup> These figures need some caveats though. They may underestimate the demand being there are factors in play that can't be taken fully into account yet involving licensee activity and recent (and possible future) events still being assessed. They might overestimate or at least distort the expansion and its implications being the demand can be shaped. As one contractor remarked, "We shouldn't try to plant all the trees in May." Likewise, stock size can influence nursery capacity. The three-year outlook, although good news, carries with it challenges around capital and human resource investments for owners being it remains a short business planning horizon. Nevertheless, for the first time in years employers are beginning to feel they have the wind at their back in the supply demand cycle. The headwind may be maintaining and increasing their own and the sector's capacity.

### **Workforce capacity: recruiting and retaining capable seasonal workers and managers**

At the session almost all reforestation employers reported a shortage of skilled and capable workers. Many planting contractors described how new workers applying for work had dropped by half; from a thousand or more annually to a few hundred. Of those hired many were less

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<sup>3</sup> Ibid.

productive compared to previous seasons' hires. Judging from an increasing number of no-show recruits it was obvious applicants were applying to numerous employers and taking the best offer. Firms only hiring experienced planters also reported being short-handed this year as more veterans opted out of the sector for better paying and easier work in the rest of the economy. None of this helped what was an already challenging year of disrupting delays, floods and fire. As a result the summer plant was not a clean finish with some seedlings being stored and held over.

There are numerous business models active among planting contractors. But they all share the same labour pool. Since veterans do not spontaneously generate, problems upstream among firms who rely heavily on recruiting new trainees will find their way to those who exclusively hire veterans. This may already be happening. It was clear at the session that the sudden downturn in capable applicants was unexpected. What human resource concerns there were previously had mostly focused on how to keep skilled supervisors and managers. Employers summarized the sector's and their own shortcomings variously, including complacency in hiring practices, not everyone pulling their weight on hiring new workers, uneven training regimes ranging from indifference to exemplary, the low value attached to planting labour on a C.V., and an overall industry failure to better promote forestry employment opportunities versus the rest of the labour market. Notwithstanding these opportunities for improvement, the single issue everyone agreed on was the hampering impacts of the low average wages being paid to the majority of planters.

### **Wages; the need to raise them**

The 2015 BC Silviculture Workforce Initiative surveyed tree planting incomes and found the majority of the workers polled reported earning less than the then minimum wage based on piece work earnings during their *best* pay period.<sup>4</sup> The WFCA has tracked the estimated provincial average piece work rate since 2002 showing in 2017 it was 40 percent below where it should be to keep pace with inflation.<sup>5</sup> During this time employers continued to charge workers camp costs and motel accommodation for work in remote sites.<sup>6</sup> Also eating in to workers' take home pay were their work and camp equipment costs, transportation, days off expenses, injury days and so on. Meanwhile tuition, rent, food and the cost of living kept rising.

Tree planting remains appealing seasonal work to many. But the work experience has to include being rewarded fairly for productivity—especially in a sector that expects people to produce at exceptional levels and put up with harsh conditions. At the session employers discussed the costs of the rising minimum wage and the growing amounts they were paying in top ups. They

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<sup>4</sup> BC Silviculture Workforce Initiative Report <https://wfca.ca/wp-content/uploads/2015/07/LMI-Report-2014.pdf>

<sup>5</sup> BC SAFE Forestry Program Safety Advocate

<https://wfca.ca/2018/09/wfca-2018-business-market-summit-workforce-expectations-forest-safety-advocate-report-09-28-18/>

<sup>6</sup> Camp and accommodation costs are regulated <https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/silviculture-workers>

also discussed how it threatened to undermine the piece work system as it gains on average earnings. Employers agreed their workers need to see a significant raise in piece work rates as an incentive for their productivity and to attract and maintain the high-quality employees the sector needs. Raising piece rates to increase worker earnings is the most important, and one of the largest uplifts, the sector needs.

### **General Best Practice Guidelines Recommendations.**

The following list represents the actions contractors at the session agreed would put the sector on a positive track on workforce and related matters:

- Employers should raise piece work rates sufficient so that the sector can continue to attract and retain motivated and productive workers.
- Employers should eliminate camp costs either through the market or legislation. Eliminating camp costs should not be considered a substitute for the substantive earnings increases needed to motivate and ensure productivity. It will remove an unattractive feature of the sector that discourages workers and applicants.
- Employers should all commit to effectively training new workers to occupational competency guidelines established by the sector in order to deepen the pool of skilled employees to sustain and grow the workforce.
- Employers need to negotiate longer term contracts with private and public clients to ensure more certainty for the investments they will have to make in their businesses and their people and as a way to offer more employment security to their employees.
- Employers should establish a means to share workers not only between tree planting employers but to fill seasonal gaps in the consulting and nursery sectors as well.
- The WFCAs should work with government and industry clients to shape the demand for reforestation over the field season and over the annual program year to year going forward.
- The WFCAs should work with employers to develop better recruitment practices.
- The WFCAs should exploit opportunities through social media to better promote the reforestation sector

### **The estimated cost lift**

The following table is a select list of price determinants that will increase next year by law and ones contractors agree need to rise for the sector to address its workforce challenges. Given the differences in business models and hiring practices among firms there is some variability between the percentage estimates submitted by contractors and averaged here. These are represented as needed *minimum* increases to overall revenues.<sup>7</sup>

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<sup>7</sup> The sample includes a representative range of tree planting firms in terms of payroll, trainees, operating areas etc. These figures are the average of minimums reported. Recognition and thanks to those firms who provided confidential business information for this synopsis.

| Cost increases to planting 2018 to 2019 |                          |   |                 |                     |           |            |               |                  |
|---|--------------------------|---|-----------------|---------------------|-----------|------------|---------------|------------------|
| Variable cost increases                 |                          | Fixed cost increases – these will occur in 2019 |                 |                     |           |            |               |                  |
| Wage correction                         | End Camp & motel charges | Min wage raise                                  | Recruit & Train | Employer Health Tax | CPP Raise | Fuel Costs | WCB Base Rate | Average Increase |
| 8%                                      | 5%                       | 3%  | 6%              | 1%                  | .06%      | 2%         | TBA           | ~25%+            |

- **Minimum wage increases in BC and Alberta:**

BC’s minimum wage will raise annually from \$12.65 to \$15.20 by June 2021. Alberta’s minimum is \$15.00 starting this fall.<sup>8</sup> The main cost is the top-up paid by employers to ensure their piece work trainees’ earn minimum wage until they become fully skilled and productive. Costs to employers will be affected by a range of factors including the number of trainees they hire each season. Employers estimate, using today’s figures and practices, that at a minimum, top-ups will double in B.C. Topping-up will increase as the industry requires more trainees.

- **Increasing wages to meet workers’ expectations and sustain capacity**

Employers surveyed estimated payout increases of 1 cent per tree to 5 cents per tree as needed to sustain the productivity of the piece work system and properly remunerate and incentivize their employees. Managers and supervisors also need to be paid appropriately for their critical work.

- **Eliminating camp and hotel costs:**

Charging employees for camp and motel costs when they work away from home in remote sites has been widely practiced since the 1970s. In 2000 regulation was brought in putting limits to what employers can charge. Camp costs are maximum of \$25 per day.<sup>9</sup> Most employers in today’s economy generally pay workers when they have to stay in camps or motels rather than charge them.

- **BC Employer Health Tax:**

Introduced in the BC 2018 Budget the EHT will take effect January 2019.

<sup>8</sup> Many firms operate in both provinces.

<sup>9</sup> <https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/silviculture-workers>

- **Canada Pension Plan**

From 2019 to 2023, the contribution rate for employers will gradually increase by one percentage point (from 4.95% to 5.95%)

- **WorkSafeBC Base Rate**

Earlier this year WorkSafeBC advised employers the base rate for the tree planting may rise next year if their classification unit is moved to a new rate group.

- **Fuel Prices**

During the summer of this year gas prices had risen more than 30% since the same time last year. The yearly inflation rate for the same period was around 2%.

- **Recruiting and training**

Many employers anticipate having to change their hiring and training practices which will affect their costs. With an expanding program there will be an expansion in hiring and training as well leading to more costs. BC employers will also be competing with improving prospects for planters in Ontario and Quebec. These provinces had been a supply of experienced workers as they migrated west for better opportunities.

### **The WFCFA total costs estimate**

Based on these figures the WFCFA estimates that reforestation costs need to correct at a minimum of ~25% to sustain the sector's productivity and attract and retain quality workers and managers.

### **In conclusion:**

Even though contractors operate on different competitive models, when it comes to the overall well-being of the industry contractors recognized they are in it together. The same applies to our government and industry clients. If the reforestation industry falls short so will they. The findings and recommendations of this report are intended to drive substantive changes in how the industry does business, particularly with regards to its workforce. Proposing that price increases need to happen might be seen as self-serving coming from an industry group. But there is real feeling among contractors that without the changes outlined here the industry risks falling short. Likewise, if changes are made, the sector has a better chance to rise to growing expectations and continue to provide reliable service as it has for decades.