

# Tree Planting: An Industry at Risk?

By John Betts, Executive Director Western Forestry Contractors' Association

Photo courtesy of Replant.ca

The Western Forestry Contractors' Association (WFCFA) represents the BC forestry services sector, including silviculture contractors, consulting foresters and seedling producers.

In late summer each year, the WFCFA hosts a strategic business and market workshop to review the pending and long-term demand for forestry services. The event also provides owners with a chance to exchange their views and observations about emerging labour market, policy and practice trends.

More than 40 firms participated in the event this year. Represented were consulting foresters, the majority of seedlings producers in BC, and contractors who plant 200 million of the 260 million seedlings planted annually. The session was assisted by presentations made by BCTS Seedling Services, MFLNRORD Forests for Tomorrow and the BC SAFE Forestry Program, along with information from the Forest Enhancement Society of BC.

## The expanding provincial reforestation program

Just a few years ago, the primary topics of the WFCFA business and market summits were the timing and possible outcomes of the expected collapse in reforestation demand (due primarily to a reduced timber supply and its consequences). However, that is no longer the case.

Over the last two years, our provincial and federal 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 Canada's 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 BC—an alarming trend some experts are forecasting to continue for years. The threat of wildfire has also galvanized public sentiment

and support for restoring the landscape as stakeholders increasingly 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 of these factors have the reforestation sector on track for annual sowing and planting numbers to rise to around 300 million seedlings by 2020 and 2021, levels not seen in decades—in fact, since the Forest Resource Development Agreement (FRDA) programs of the 80s. These figures come with some caveats, however. They may underestimate demand due to factors in play that cannot be fully taken into account yet, e.g., licensee activity and recent (and possible future) events still being assessed, or overestimate (or at least distort) the expansion and its

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 just a few hundred.

Of those hired, many were less productive in comparison to previous seasons' hires. Furthermore, judging from an increasing number of no-show recruits, it has become obvious that applicants are applying to numerous employers and taking the most attractive offers. Firms hiring experienced planters only also reported being shorthanded this year as veterans increasingly opt out of the sector for better-paying and easier work elsewhere in the economy. None of this helped during an already challenging year of disrupting delays, floods and fire. As a result, the summer plant was not a clean finish, with

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implications given that demand can be shaped. As an example, 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 for owners around capital and human resource investments given the short business planning horizon. Nevertheless, for the first time in years, employers are beginning to feel they have the wind at their backs in the supply demand cycle.

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

At the session, almost all reforestation employers reported a critical shortage of

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 appear, the problems afflicting firms that rely heavily on recruiting new trainees will begin to affect those that hire veterans exclusively; this may already be happening.

It was clear at the session that the sudden downturn in capable applicants was unexpected. Previously, retaining skilled supervisors and managers had been the main concern of human resource departments.

## Wages and the need to raise them

To make matters worse, the 2015 BC Silviculture Workforce Initiative surveyed tree-planting incomes and found that a



majority of the workers polled reported earning less than the minimum wage based on piecework earnings during their best pay period.

The WFCFA has tracked the estimated provincial average piecework rate since 2002, and results showed that in 2017 it was 40 per cent below where it should be to keep pace with inflation. During this time, employers continued to charge workers camp costs and motel accommodation for workers situated in remote sites. Also eating into workers' take-home pay were work and camp equipment costs, transportation, days-off expenses, injury days, etc. Meanwhile, tuition, rent, food and the cost of living have continued to rise.

That being said, tree planting remains appealing seasonal work for many people. However, the experience must include being rewarded fairly for productivity, especially in a sector in which workers are expected to produce at exceptionally high levels and contend 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 for less productive workers. Also discussed

were the ways in which low rates and the high minimum wage were threatening to undermine the piecework system as it gains on average earnings.

In the end, contractors agreed that their workers needed to see a significant raise in piecework rates as an incentive for their productivity, and for employers to attract and maintain the high-quality employees the sector needs. Raising piecework rates to increase staff earnings is considered the most important improvement, offering the best potential uplift for the sector.

#### **General best-practices guidelines recommendations**

The following represent the actions contractors agreed would put the sector on a positive track in terms of workforce, and ensure that BC remains able to plant the trees it needs to maintain a sustainable industry:

- Contractors should raise piecework rates sufficiently for the sector to continue to attract and retain motivated, productive workers.
- Contractors should eliminate camp costs, through either the market or legislation. Although 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.

- All contractors should commit to effectively training new workers to occupational competency guidelines established by the sector in order to deepen the pool of skilled employees, in order to sustain and grow the workforce.
- Contractors need to negotiate longer-term contracts with private and public clients to ensure more certainty for the investments they will be required to make in their businesses and their people, and as a way to offer more employment security to their employees.
- Contractors should establish a means to share workers, not only between tree-planting employers but also to fill seasonal gaps in the consulting and nursery sectors.
- Going forward, the WFCFA should work with government and industry clients to shape the demand for reforestation during the field season

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Cost increases to planting 2018 to 2019								
Variable cost increases: these need to rise		Fixed cost increases: these will occur in 2019						
Wage Correction	End Camp & Motel Charges	Minimum Wage Increase	Recruit & Train	Employer Health Tax	CPP Raise	Fuel Costs	WCB Base Rate	Average Increase
8%	5%	3%	6%	1%	.06%	2%	5%	~30%+

and over the annual program year-to-year.

- The WFCA should work with employers to develop better recruitment practices.
- The WFCA should exploit opportunities through social media to better promote the reforestation sector.

#### The estimated cost lift required

The following table is a select list of price determinants that will increase next year by law, along with others contractors agree need to rise in order for the sector to effectively address its workforce challenges. Given the differences in business models and hiring practices between firms, there is some variability between the estimates

averaged here. These are represented as needed minimum increases to overall revenues.

Looking at each item shown:

#### Increasing wages to meet workers' expectations and sustain capacity

The employers surveyed estimated pay-out increases of one cent per tree (to five cents per tree) as needed to sustain the productivity of the piecework 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 practised since the 1970s. In 2000, regulation was brought in putting limits on what employers can charge; camp costs are at a maximum of \$25 per day. Rather than charge, most employers in today's economy generally pay workers when they have to stay in camps or motels.

#### Minimum wage increases in BC and Alberta

BC's minimum wage will rise annually from \$12.65 to \$15.20 by June 2021. The main cost is the top-up paid by employers to ensure their piecework trainees earn



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minimum wage until they become fully skilled and productive. A range of factors, including the number of trainees hired each season, will affect employers' costs. Using today's figures and practices, employers estimate that top-ups in BC will double at a minimum. Topping up workers will accelerate given that the industry requires more trainees.

### Recruiting and training

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

### BC Employer Health Tax

Introduced in the BC 2018 provincial budget, the EHT will take effect in January 2019.

### Canada Pension Plan

From 2019 to 2023, the contribution rate for employers will rise gradually by one percentage point (from 4.95 per cent to 5.95 per cent).

### Fuel prices

Gas prices in summer 2018 were 30 per cent higher than at the same time last year. The yearly inflation rate for the same period was around 2 per cent.

### WorkSafeBC base rate

At the time of writing, WorkSafeBC has advised employers that the base rate for tree planting could rise by 5 per cent next year.

Based on these figures, we estimate that reforestation costs need to correct by a minimum of 25–30 per cent to sustain the sector's productivity, and attract and retain quality workers and managers. "This is a huge adjustment that may impact the entire forest industry if it does not materialize," notes Betts.

Even though contractors operate on different competitive models, when it comes to the overall health of the industry

contractors recognize that they are in it together. The same should apply 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 change in how the industry does business, particularly with respect to its workers and their rates of pay.

Citing price increases as necessary to ensure the sustainability of the reforestation sector—similar to what is being echoed by the logging contractor sector as it struggles through a sustainability review—is not something any part of the industry wants to hear. Nonetheless, there is a real feeling among contractors that failure to implement the changes outlined here leaves the industry in peril of falling short. Without a correction in tree-planting rates, the entire sector—and by extension, the forest industry itself—may be put at risk. Conversely, if the changes are made, the sector has a much better chance of rising to the growing challenges, and continuing to provide the same reliable service it has for decades.▲



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