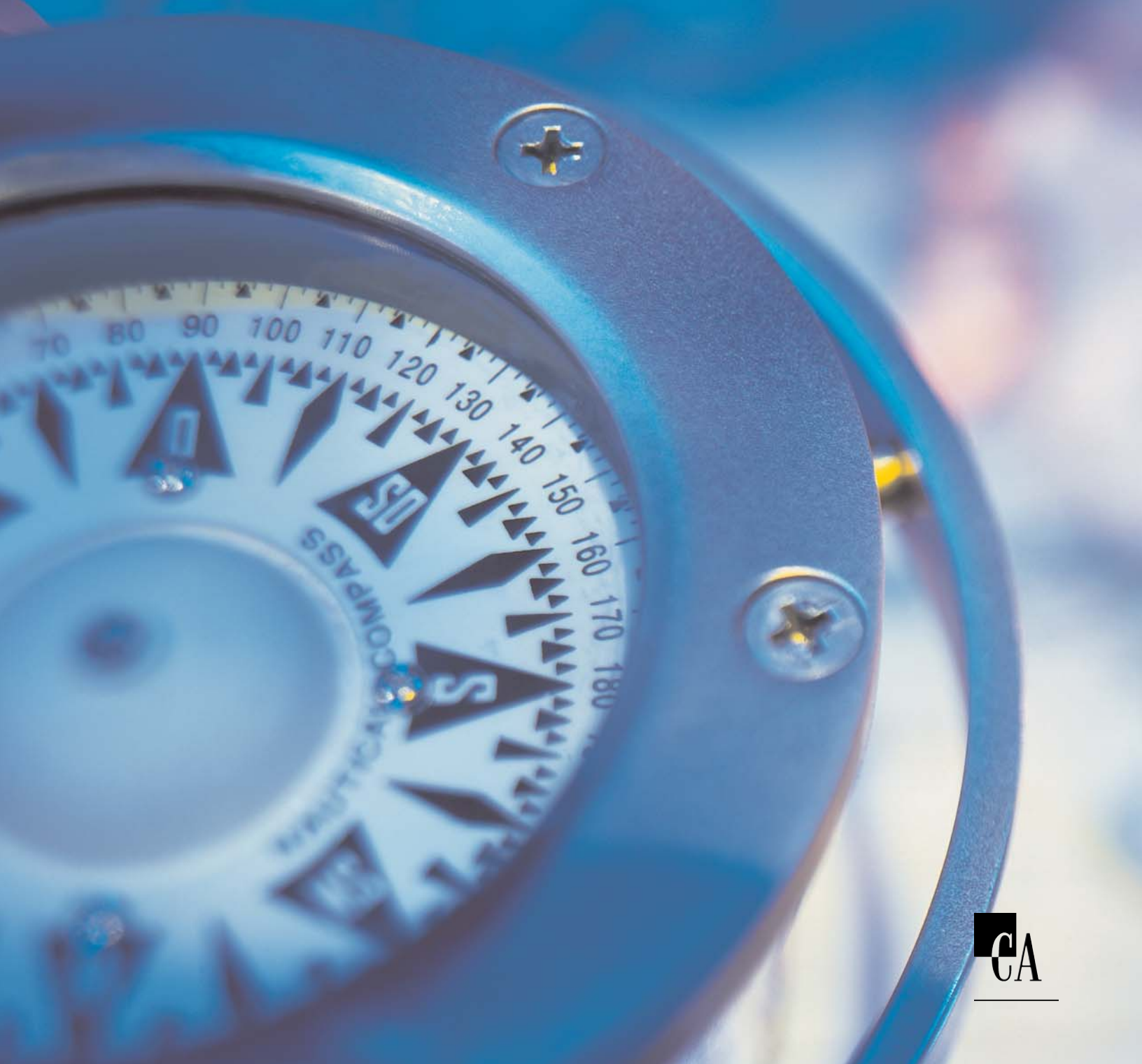


# LIVE WORK INVEST

# INMB

**MB**  
Check-Up  
2006

Charting a  
new course



**CA**

## live

**Real personal disposable income per capita** is the amount of income available after taxes and net of inflation. It illustrates changes in potential purchasing power and savings.

**Financial vulnerability** is the ratio of total debt (both personal and mortgage) to personal disposable income<sup>1</sup> and reflects individual economic well-being.

### Social well-being:

- **Cost of living** is expressed as the percentage of household expenditure spent on basic shelter.
- **Youth at risk** is defined as the percentage of the labour force aged 19 to 24 without a high school diploma.
- **Dependence on social safety net** is defined as the percentage of the population using social assistance.<sup>2</sup>
- **Crime rate per capita** reports on the number of property and personal crimes per 10,000 population.

**Air quality** reports on the fourth highest annual ground-level ozone measurement, which is the basis for a Canada-Wide Standard.

**Health** is measured by provincial government health care expenditures per capita based on Statistics Canada data.

## work

**Educational attainment** is expressed as the percentage of the labour force between ages 25-64 with post-secondary accreditation.<sup>3</sup>

**Unemployment rate** is the number of unemployed persons as a percentage of the labour force (people aged 15 and older who are employed or actively looking for work).

**Real average hourly wage** captures labour force earnings, net of inflation.

**Pay equality** is represented by the female/male wage ratio for full-time workers in the labour force.

**Job creation** is represented by the annual change in the number of employed workers.

## invest

**Innovation** is measured using the following:

- **R & D intensity** is the ratio of R&D spending by industry and higher education institutes as a percentage of GDP and reflects innovation at its conception.
- **Proportion of high technology jobs**<sup>4</sup> reflects the relative dominance of technological jobs in the labour force and has a strong correlation to current innovation activity.
- **Patents per capita** is the annual ratio of newly registered approved patents per million population and represents the later stages of innovation.

**Effective provincial tax** for unattached individuals earning \$80,000 illustrates the provincial tax burden placed on high-income taxpayers.<sup>5</sup>

**Real labour productivity** is the amount of real GDP produced per hour worked and measures the efficiency of the workforce.

**After-corporate income tax profits to private-sector GDP rate** takes into account the influence of provincial taxation on the ability of firms to earn a competitive rate of return on a business investment.

**Taxpayer-supported provincial debt to GDP rate** reflects the province's tax burden. It excludes self-supported debt (i.e., debt owed by commercial crown corporations and agencies) and focuses on the debt taxpayers are paying down directly.

<sup>1</sup> The measure of debt used is that calculated by chartered banks, credit unions, and caisses populaire - which represent approximately 3/4 of all financial lending institutions in Canada - but excludes trust and mortgage loan companies, life insurance companies, non-depository credit intermediaries, NHA mortgage-backed securities, and special-purpose corporations.

<sup>2</sup> Those persons on Employment Income Insurance have been excluded to avoid potential double reporting.

<sup>3</sup> Post-secondary accreditation is a post-secondary certificate, diploma, or higher. It includes diploma programs at colleges as well as trades and technical certification programs.

<sup>4</sup> Number of workers employed in natural/applied sciences and related occupations as a percentage of total labour force.

<sup>5</sup> \$80,000 is selected to represent a high income level. The top tax bracket varies by province. Tax data is from the BC Budget Papers and is evaluated for a number of tax brackets. Effective provincial tax includes income tax, property tax, sales tax, fuel tax, and health care premiums/ payroll tax.

# introduction

Manitoba has a highly diversified economy and excellent geographic proximity to some of the world's fastest-growing economies and export markets but its prosperity is still linked to some degree to traditional resource-based industries. This is a recipe for success but it also makes our province more responsive to external factors such as immigration trends, commodity price fluctuations and changes in global trade policy.

The Institute of Chartered Accountants of Manitoba produces the *MB Check-Up* each year to measure the province as a place in which to LIVE, WORK, and INVEST. This report not only considers what is happening now, but also explores economic trends and what they indicate for Manitoba's future. To provide context, the results for British Columbia, Alberta, Saskatchewan, Ontario and the national average are also included.

In 2005, Manitoba's economy grew 2.7%, its best showing in five years.<sup>6</sup> This was also the fifth year of significant productivity improvement for the province. While Manitoba continued to lose people to other provinces, international immigration to the province has more than doubled since 2000, reversing emigration losses. In 2005, the province had a net gain of just over 2,500 people due to international immigration. Manitoba businesses continued to increase investment in machinery and equipment, reflecting efforts to remain competitive and enhance future productivity.

Here's a glance at how the province looked in 2005:

- As a place to LIVE, Manitoba stood out in affordability with the lowest cost of living and the second-lowest debt to personal disposable income ratio. Health care spending increased modestly. Areas where Manitoba did not fare as well were the number of youth without high school diplomas and disposable income, which dropped to last place in our comparison.
- As a place to WORK, Manitoba excelled in male/female pay equality and had the second lowest unemployment rate. The percentage of the labour force with post-secondary accreditation increased but Manitoba continued to have the lowest level of educational attainment. Areas requiring improvement are job creation and real wages.
- As a place to INVEST, Manitoba had a moderate level of taxpayer-supported debt to GDP. Despite tremendous growth in patents per capita, the province had the second-lowest showing in all three of the innovation sub-indicators. Manitoba continued to have the highest effective tax rates and, while showing improvement, the province also had the lowest productivity and the lowest after-tax profits to GDP.

In addition to reporting on the indicators, the fifth annual *MB Check-Up* takes a closer look at three areas - personal disposable income, job creation, and labour productivity - assessing how Manitoba's performance shapes our economic outlook.

<sup>6</sup> Statistics Canada, *The Daily*, April 26, 2006.

Manitoba's progress in improving its live indicators last year was mixed. In absolute terms, Manitoba had the lowest cost of living (17.0%), the best air quality (42 ppb) and the second lowest personal debt ratio (0.65) in the comparison jurisdictions in 2005. The province had middle-of-the-road performance in crime (659/10,000 population), expenditures on health care (\$2,643), and people dependent on social assistance (5.2%). Areas where Manitoba did not fare as well as other jurisdictions were the number of youth without high school diplomas (14.1%) and personal disposable income (\$21,705).

Over the past year, disposable income in Manitoba dropped to the bottom of our comparison as it decreased by 1.3%, the only decline in the reviewed regions. Despite recording the largest increase in indebtedness (6.6%) Manitoba has the second lowest debt to income ratio. Cost of living and social assistance dependence experienced minor increases (less than 0.5 percentage points) and crime decreased by 9.7%. Manitoba was the only province to have a measurable increase in youth at risk (1.4 percentage points). Air quality improved as ozone exposure decreased by 25.8% and the province increased health expenditures per capita by 3.3% between 2004 and 2005.

**Table 1.1: Summary of LIVE Key Indicators <sup>7</sup>**

LIVE Indicator	BC	AB	SK	MB	ON	CAN	
Real Personal Disposable Income per Capita	\$23,339	\$28,672	\$21,953	\$21,705	\$25,223	\$24,099	2005 VALUE
Debt to Personal Disposable Income	1.24	0.78	0.62	0.65	0.97	0.91	
<i>SOCIAL INDICATORS</i>							
<i>Cost of Living</i>	20.2%	18.6%	17.8%	17.0%	20.5%	19.2%	
<i>Youth at Risk</i>	9.2%	12.1%	10.8%	14.1%	10.5%	11.4%	
<i>Dependence on Social Safety Net</i>	3.5%	2.7%	4.9%	5.2%	5.4%	5.3%	
<i>Crime</i>	745	597	747	659	356	468	
Annual 4 <sup>th</sup> Highest Daily Max Ozone Level (ppb)	50	48	49	42	71	n/a	
Health Expenditures per Capita	\$2,662	\$2,654	\$2,681	\$2,643	\$2,495	\$2,561	
Real Personal Disposable Income per Capita	1.5%	4.1%	0.3%	-1.3%	0.2%	0.9%	2004-05 % CHANGE
Debt to Personal Disposable Income	6.0%	1.3%	1.6%	6.6%	3.2%	3.4%	
<i>SOCIAL INDICATORS</i>							
<i>Cost of Living</i>	-0.3 ppt	0.3 ppt	0.6 ppt	0.4 ppt	0.2 ppt	0.3 ppt	
<i>Youth at Risk</i>	0.3 ppt	-1.7 ppt	-1.2 ppt	1.4 ppt	-0.9 ppt	-0.6 ppt	
<i>Dependence on Social Safety Net</i>	-0.4 ppt	-0.2 ppt	-0.3ppt	0.2 ppt	0.0 ppt	-0.1 ppt	
<i>Crime</i>	-6.2%	-3.1%	-9.3%	-9.7%	-4.0%	-4.9%	
Annual 4 <sup>th</sup> Highest Daily Max Ozone Level (ppb)	4.2%	-9.4%	-25.8%	-25.0%	-21.1%	n/a	
Health Expenditures per Capita	1.8%	7.7%	11.4%	3.3%	7.1%	4.4%	
Real Personal Disposable Income per Capita	4.1%	11.1%	7.4%	1.4%	-1.2%	3.1%	2000-05 % CHANGE
Debt to Personal Disposable Income	22.8%	16.4%	10.7%	22.6%	26.0%	24.7%	
<i>SOCIAL INDICATORS</i>							
<i>Cost of Living</i>	-0.6%	1.4%	1.6%	0.1%	1.3%	0.7%	
<i>Youth at Risk</i>	-1.3%	-1.7%	-1.7%	-2.3%	-2.3%	-2.0%	
<i>Dependence on Social Safety Net</i>	-3.0%	0.5%	-1.4%	-0.3%	-1.5%	-1.5%	
<i>Crime</i>	-2.9%	8.3%	-2.5%	-0.5%	-16.4%	-7.7%	
Annual 4 <sup>th</sup> Highest Daily Max Ozone Level (ppb)	11.1%	-9.4%	n/a	2.4%	-4.1%	n/a	
Health Expenditures per Capita	16.3%	22.5%	35.4%	22.0%	27.8%	21.2%	

<sup>7</sup> Cost of Living and Annual 4<sup>th</sup> Highest Daily Max (ppb) are 2004 value and % changes are from 2003 to 2004 and 2000 to 2004, ppt = percentage point.

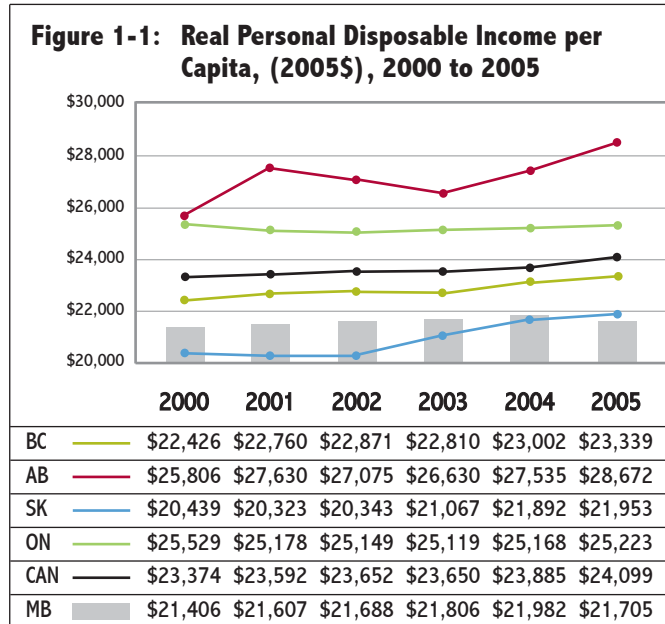
## Taking a Closer Look at Real Per Capita Disposable Income

Personal disposable income provides a useful measure of individual economic well-being, as it indicates what each of us has left, net of inflation, after taxes and mandatory deductions, such as CPP. Manitoba was the only province to see a decrease (-1.3%) in real per capita disposable income in 2005 and lapsed into last place, falling behind Saskatchewan for the first time in over a decade.

In 2005, GDP per capita growth (2.0%) was the highest it has been since 2000, indicating that the province's overall economic performance was not the cause of per capita disposable income deterioration last year.

The primary driver of pre-tax personal income growth in 2005 was employment income but this rise was very small (3.2%). The real wage rate decreased slightly (-0.4%) and does not explain the increased pre-tax personal income growth, nor does last year's low full-time employment growth (0.2%).

Where job gains and losses occur also affect income growth. In 2005, the goods-producing jobs saw no gains and service sector jobs increased by only 0.9%. However, new jobs last year tended to be in higher-paying industries in both the goods and service sectors and the substitution of higher-paying jobs for lower-paying ones appears to be the main underlying reason for last year's per capita income growth before taxes.



Source: Statistics Canada

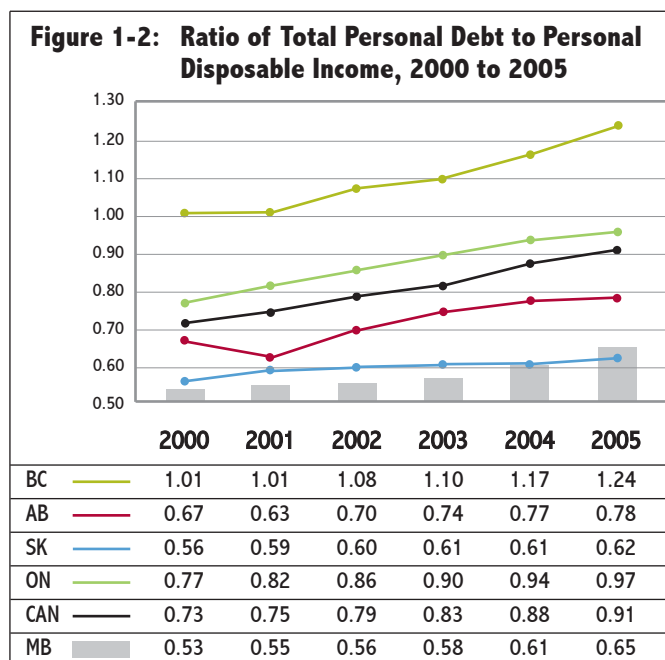
Reduced farm incomes also suppressed Manitoba's overall disposable income growth. Real per capita accrued net income of farm operators from farm production declined from \$278 million in 2004 to -\$38 million in 2005.<sup>8</sup> Manitoba's small increase in income growth in combination with a small increase in population, the rate of inflation, and an increase in real direct taxes per capita paid served to push real per capita disposable income into the negative last year.

Looking forward, real GDP is forecast to be higher in 2006 than last year and to be in line with the Canadian average. Employment growth is expected to be double what it was in 2005 and to exceed population growth. The province is also expected to have lower inflation (1.9%). In addition, the Manitoba government has cut personal tax rates. All of these factors in combination point to moderate gains in real per capita disposable income in 2006.

## Financial Vulnerability

Financial vulnerability is the ratio of total debt (both personal and mortgage) to personal disposable income and is a useful measure of personal economic well-being. Manitoba has the second lowest debt to personal disposable income ratio (0.65) after Saskatchewan.

Housing prices and mortgage debt are the main factors affecting the debt to personal income ratio. Manitoba has the second lowest housing prices<sup>9</sup> and the second lowest proportion of mortgage debt to total debt<sup>10</sup> among the comparison jurisdictions. However, Manitoban's indebtedness increased the most within our comparison last year (6.6%) and has been on an upward trend over the past five years.



Source: Statistics Canada

<sup>8</sup> Source: Statistics Canada. CANSIM. Provincial Economic Accounts.

<sup>9</sup> Manitoba's average housing prices was \$133,854 in 2005 versus \$218,266 to \$332,224 in the other jurisdictions excluding Saskatchewan (\$122,765).

<sup>10</sup> Statistics Canada, Credit Union Central of BC, Credit Union Central of AB Ltd., Deposit Insurance Corporation of Ontario, Concentra Financial of SK, and Credit Union Central of MB and author's calculations.

## Social Well-Being

Manitoba's social well-being, as defined by our four sub-indicators - cost of living, youth at risk, dependence on social safety net and crime - was mixed last year. The crime rate dropped significantly, the number of youth at risk increased and both cost of living and social assistance dependence were essentially unchanged<sup>11</sup>, although both edged higher. However, there has been minor improvement in all four indicators over the last five years.

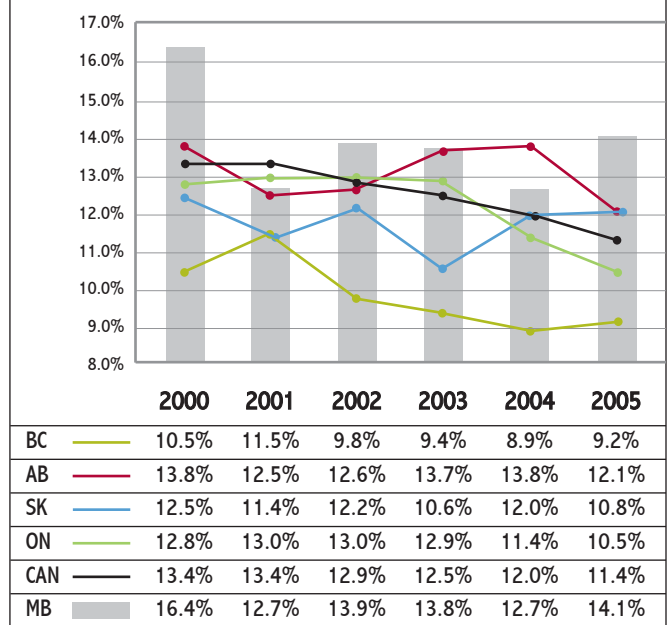
**Cost of Living** - Manitoba has the lowest cost of living (17.0%), just edging out second place Saskatchewan (17.8%). This is not surprising given that they also had the second lowest and lowest housing prices. The principal difference between the two provinces is Manitoba's 30% lower cost for water, fuel and electricity that offsets its higher rental (21%) and home owner costs (4%).<sup>12</sup>

**Youth at Risk** - Manitoba was the only jurisdiction to see a measurable increase (1.4 percentage points) in the percentage of the population age 19 to 24 without high school accreditation in 2005. Over the past five years, Manitoba has had either the highest or second highest proportion of youth at risk. Overall, this rate has been decreasing (-2.3 percentage points), likely due to provincial initiatives aimed at this problem and the increasing education and training qualifications as a requirement of basic employment.

**Dependence on the Social Safety Net** - Manitoba ranked fourth in social assistance dependency (5.2%) last year, the highest rate amongst the western provinces but on par with Ontario, the Canadian average and only slightly higher than Saskatchewan. This rate has remained virtually unchanged over the past five years, contrasting with reductions ranging from 1.5 to 3.0 percentage points in the other jurisdictions, except Alberta which has consistently had the lowest dependency rate.

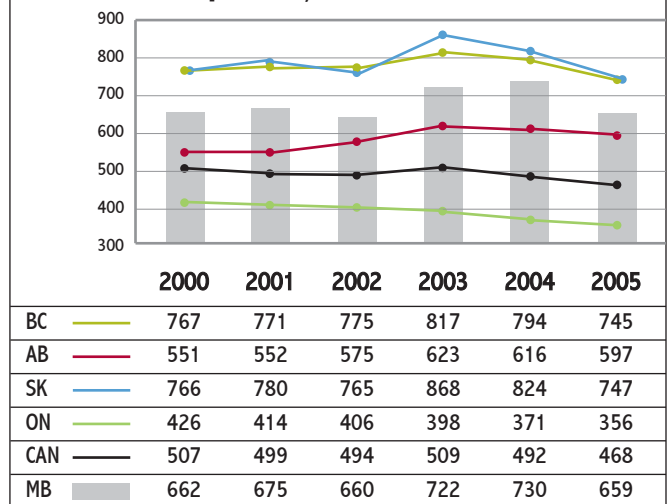
**Crime Rate** - In 2005, Manitoba's crime rate (659 incidents per 10,000 people) was the second lowest amongst the western provinces after Alberta but still 60-85% higher than the Canadian average and Ontario. Amongst cities within our comparison jurisdictions with over 100,000 population, Winnipeg had the highest rate of both vehicle thefts (171.2) and robberies (26.3) and tied Saskatoon for the third highest homicide rate (0.37) after Edmonton and Regina.

**Figure 1-3: Percent of Labour Force Ages 19-24 with less than High School Education, 2000 to 2005**



Source: Statistics Canada

**Figure 1-4: Property and Violent Crimes per 10,000 Population, 2000 to 2005**



Source: Statistics Canada

<sup>11</sup> Cost of living and social assistance dependence increased by 0.4 and 0.2 percentage points last year or less than one percentage point, which is within the margin of statistical error.

<sup>12</sup> Statistics Canada

## Air Quality

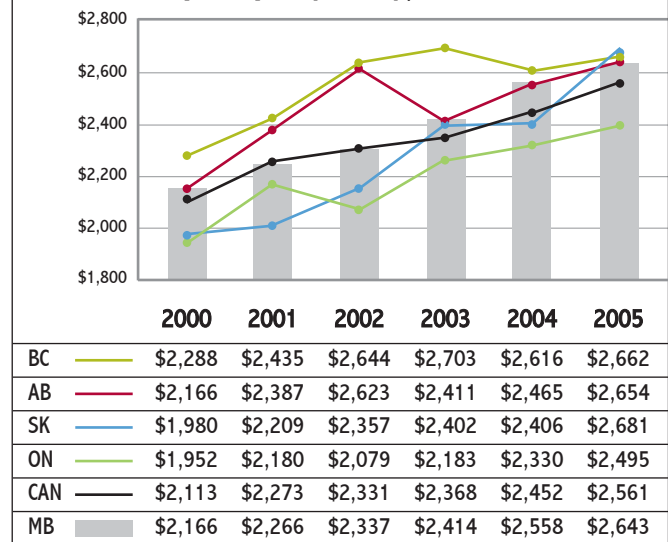
Winnipeg's air quality in 2004 was the best among the compared cities, with fourth highest annual ground-level ozone readings of 42 ppb. Air quality was significantly improved from 2003 largely because of more moderate summer temperatures. Winnipeg partly owes its good air quality to its topography, as there are no mountains or valleys to trap pollutants and compounds are better able to mix and dilute than in other regions. Manitoba also relies primarily on clean hydro-electricity and thus has lower CO<sub>2</sub> emissions per capita than any other Prairie province.

## Health

Manitoba's health care spending per capita has consistently been in line with that of the other western provinces and, while the lowest of these provinces in 2005, it is still within \$11 to \$38 per person of the other western provinces and is higher than both Ontario and the Canadian average. Manitoba also had the highest percentage of GDP (7.4%)<sup>13</sup> and the highest proportion of its 2005 provincial operating budget (43.0%) spent on health care<sup>14</sup> in 2005.

However, in a recent Conference Board of Canada's benchmarking report that, for the first time, compares and evaluates the performance of provincial health care systems,<sup>15</sup> Manitoba scored tenth out of ten in the overall rankings. No province scored highly in everything and Manitoba did well in health outcomes, speaking highly of the quality of its medical professionals and services, but it also ranked last in health status and health-care utilization and performance. The report offers two interesting insights - first, higher spending does not necessarily equate to better performance, and second, good performance does guarantee patient satisfaction.

**Figure 1-5: Real Provincial Health Care Expenditures per Capita (2005\$), 2000 to 2005**



Source: Statistics Canada

<sup>13</sup> Health expenditure data is available by fiscal year and GDP and its price index are available by calendar year. Mixing fiscal and calendar in the numerator/denominator is not technically correct. However, quarterly data is NOT available for either series, so it is not possible to convert calendar to fiscal or vice versa. This method of calculation introduces a slight bias but no big spikes occurred during the overlap quarter so the net effect is insignificant.

<sup>14</sup> Manitoba Finance. *Budget 2006*.

<sup>15</sup> The report notes that data was not available for all indicators from all provinces and rankings could have been different had data been universally available.

# work

Manitoba's work environment in 2005 improved on all fronts, except for the real wage rate but these improvements were not enough to lift it from its middle-of-the-pack status. Manitoba led the pack in pay equality (0.899) and had the second lowest unemployment rate (4.8%). Real wage rates decreased in 2005, moving Manitoba to last place (\$19.34) among the six regions reviewed. The province also had the lowest job creation (3,700 net new jobs) and lowest educational attainment (55.7%).

Comparing 2004 to 2005, educational attainment in Manitoba had a strong jump (2.6%) but not enough to move out of last place. The unemployment rate decreased slightly (-0.5 percentage points) but this was more a function of low labour force growth due to out-migration than to high job growth. The female/male wage ratio increased (1.0%). Real wages decreased (-0.4%) making them the lowest wages in the comparison jurisdictions. Job creation was up 0.6%, but this was the lowest rate of job growth across the six regions.

**Table 2.1: Summary of WORK Key Indicators** <sup>16</sup>

WORK Indicator	BC	AB	SK	MB	ON	CAN	
Educational Attainment	59.8%	61.0%	57.0%	55.7%	64.1%	63.1%	2005 VALUE
Unemployment Rate	5.9%	3.9%	5.1%	4.8%	6.6%	6.8%	
Real Wage Rate	\$21.05	\$21.97	\$19.85	\$19.34	\$21.93	\$21.02	
Female/Male Wage Ratio	0.845	0.801	0.884	0.899	0.860	0.856	
Job Creation	67,800	26,900	3,800	3,700	81,200	222,700	
Educational Attainment	0.8%	3.6%	1.6%	2.6%	2.2%	2.3%	2004-05 % CHANGE
Unemployment Rate	-1.3 ppt	-0.7 ppt	-0.2 ppt	-0.5 ppt	-0.2 ppt	-0.4 ppt	
Real Wage Rate	-0.5%	1.0%	1.4%	-0.4%	0.1%	0.3%	
Female/Male Wage Ratio	-2.4%	1.5%	2.7%	1.0%	2.0%	0.7%	
Job Creation	3.3%	1.5%	0.8%	0.6%	1.3%	1.4%	
Educational Attainment	6.4%	7.0%	10.0%	6.7%	9.6%	9.4%	2000-05 % CHANGE
Unemployment Rate	-1.2 ppt	-1.1 ppt	0.0 ppt	-0.2 ppt	0.8 ppt	0.0 ppt	
Real Wage Rate	-1.8%	-0.9%	-0.3%	0.4%	-2.9%	-1.8%	
Female/Male Wage Ratio	3.0%	4.4%	8.9%	10.2%	4.1%	4.4%	
Job Creation	10.3%	12.7%	2.1%	5.1%	10.0%	9.5%	

## Manitoba Migration Trends

Manitoba gained just over 2,500 additional residents through migration in 2005, marking the third year in a row of net population gain. However, unlike the previous two years when the net gain was due to both increased international migration and a decline in inter-provincial outflow, 2005's performance was entirely due to an increase in international immigration.

Manitoba will continue to face stiff labour market competition from both Alberta and British Columbia, where job and economic growth are much stronger. Manitoba's GDP growth and job growth are forecast to improve this year, but GDP growth is still expected to fall short of the other western provinces and job growth is expected to be slower than in all other provinces except Saskatchewan. The challenge for Manitoba will be to reduce or stabilize inter-provincial population loss.

**Table 2.2: Net Migration Components, Manitoba, 2000-2005**

	2000	2001	2002	2003	2004	2005
Net Inter-provincial Migration:	-3,456	-4,323	-4,344	-2,875	-2,565	-3,832
Net International Migration:	2,574	3,230	3,584	3,616	6,090	6,349
Total: Net-Migration	-882	-1,093	-760	741	3,525	2,517

Source: Statistics Canada (July 1st to June 30th annual data).

<sup>16</sup> Note: ppt = percentage point.

## Taking a Closer Look at Job Creation

Overall, Manitoba added 3,700 jobs to its economy in 2005. This represented a growth rate of only 0.6%, the lowest rate of job growth across the six regions reviewed.

The services sector drove Manitoba's job growth adding 3,800 new jobs while the goods-producing industries lost 100 workers in total. Employment growth in services was led by an outstanding 17.4% gain in finance and insurance, representing almost 30 percent of all new jobs in the province, and was followed by a 7.4% gain in accommodation and food services and a 7.3% gain in educational services.

While some service sectors saw strong job growth in 2005 other services experienced significant losses, representing 75% of the total jobs lost in the province. Health care & social assistance (-2,300) and public administration (-1,900) represented almost 50% of the downward pull. Employment in the goods-producing sector remained flat in 2005. However, within the sector there was a 2.2% increase in mining, oil & gas employment and a 1.8% increase in construction employment. The remainder of the goods-producing industries, for the most part, recorded either no change or a loss in employment numbers.

The finance and insurance business grew faster in Manitoba than elsewhere in the country last year. This industry added 3,700 new jobs, representing almost a third of all new jobs in Manitoba in 2005. In comparison to the other regions reviewed, Manitoba was the employment growth leader in this sector with an impressive increase of 17.4%.

Winnipeg is the headquarters for many national and international financial and insurance companies, including the head offices of two of Canada's major financial corporations - Great West Life and Investors Group - as well as National Leasing Group Inc. and Wawanesa Insurance.<sup>17</sup> Despite the industry concentration in Winnipeg, Manitoba's total number of finance and insurance establishments (3,483) represented only 3.1% of the finance and insurance businesses in Canada in 2005.

As the central province, Manitoba is two time zones from BC and two time zones from Nova Scotia, ideally situated to conduct banking services within a reasonable daily time frame. In addition, it represents a central point of departure for U.S. commercial financing. As a result of free trade, Manitoba's focus is increasingly on the major centers to the south including Minneapolis, Denver, Kansas City and Chicago, all of which are closer than Ontario.<sup>18</sup>

With a diverse mix of goods-producing and service industries, and innovation within industries, economic health is forecast. Business growth in other areas will also drive the demand for financial services since most industries have a high degree of interdependence with the finance and insurance sector.

**Table 2.3: Top 5 Job Growth and Job Loss, Manitoba, 2005**

Industry	New Jobs	Industry	Jobs Lost
1. Finance & Insurance	3,700	1. Health Care & Social Assistance	-2,300
2. Educational Services	3,100	2. Public Administration	-1,900
3. Accommodation & Food Services	2,600	3. Business, Building & Other Support Services	-1,300
4. Other Services (auto repair, household services)	1,600	4. Wholesale Trade	-900
5. Construction	500	5. Non-durable Manufacturing	-700

Source: Labour Force Survey

<sup>17</sup> Government of Manitoba, *Budget 2006 - at a Glance*, March 6th, 2006.

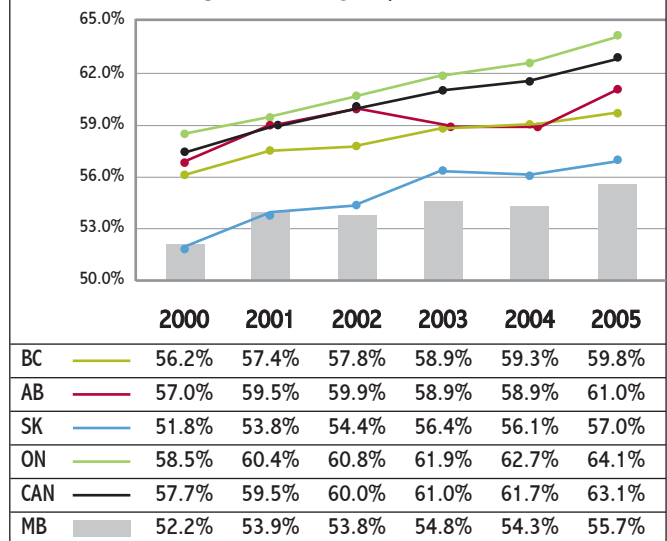
<sup>18</sup> Business Council of Manitoba, *Conference Keynote Address by H. Sanford Riley*, November 2002.

## Educational Attainment

Manitoba had the second largest increase in educational attainment (2.6%) last year, however the province continues to have the lowest level of all of the six regions reviewed at 55.7%.

The largest educational group to increase in Manitoba was people with a bachelor's degree (4,500). The province also gained 2,200 workers with post-secondary certificates or diplomas. However, Manitoba was the only region that decreased its number of workers with a masters or higher level education (-2,300), contrasting sharply with the 9.5% increase in 2004.

**Figure 2-1: Percent of Labour Force Age 25-54 with a Post-Secondary Certificate/Diploma or Higher, 2000 to 2005**



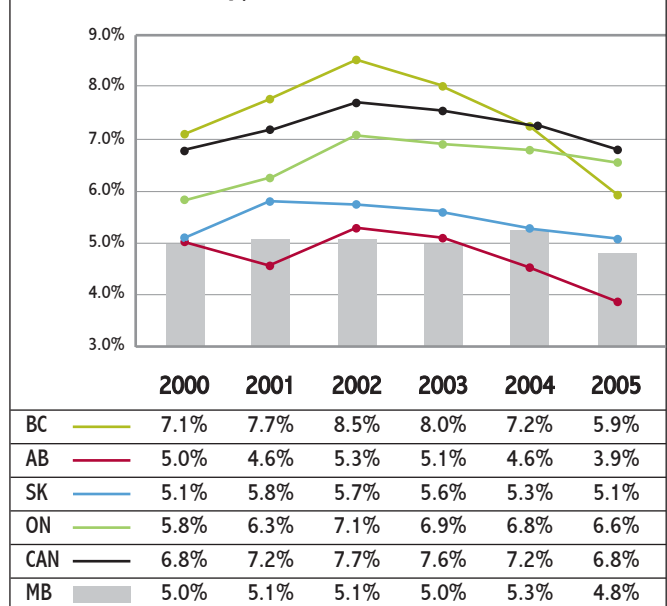
Source: Statistics Canada

## Unemployment Rate

In 2005, Manitoba's unemployment rate averaged 4.8%, two percent below the national average and second only to Alberta (3.9%). It slightly decreased from the previous year (-0.5 percentage points) but this was more a function of low labour force growth due to out-migration than to high job growth. Since 2000, Manitoba's unemployment rate has decreased steadily as employment has grown across a wide range of mostly service sectors, resulting in one of the lowest unemployment rates in the country for the last decade.

The unemployment rate in Manitoba fell for most age categories in 2005. Youth (aged 15-24) unemployment decreased from 10.9% to 9.7%, the second lowest rate among the comparison jurisdictions. The rate for workers aged 60-64 fell from 3.8% to 3.3% and the unemployment rate for workers aged 50-54 dropped to 2.9%, its lowest level since 1976.<sup>19</sup>

**Figure 2-2: Unemployment Rate (Population Aged 15+), 2000 to 2005**

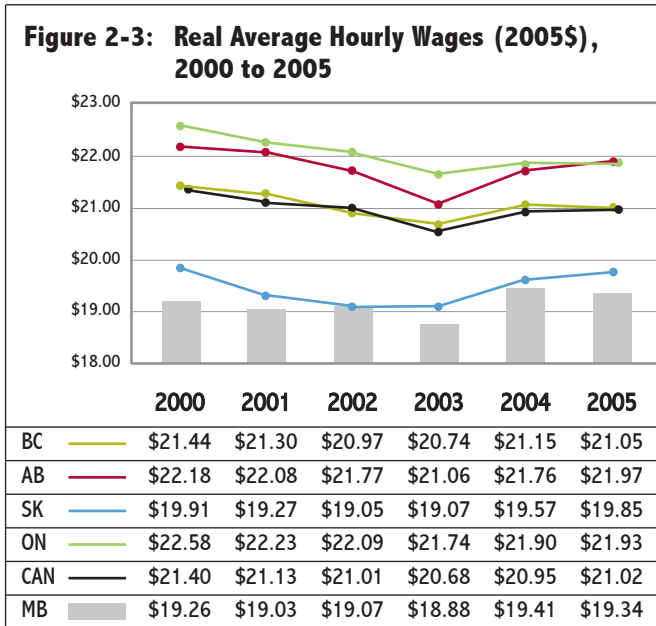


Source: Statistics Canada

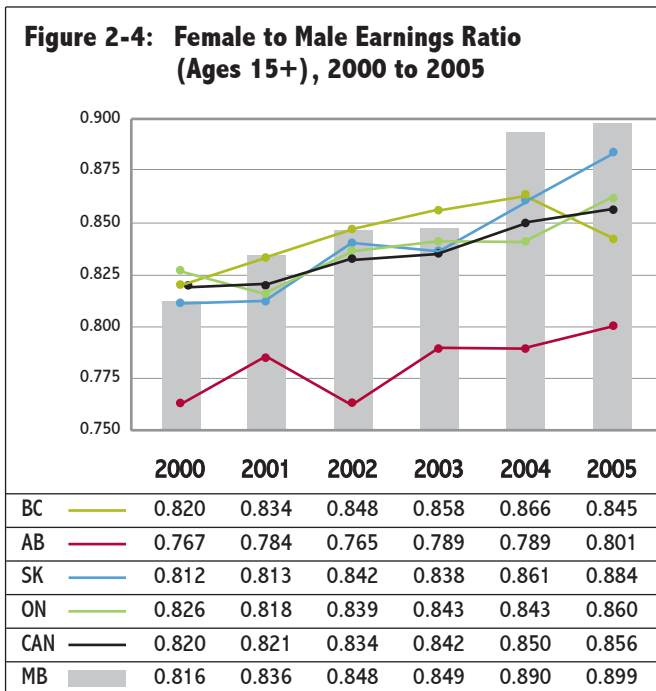
<sup>19</sup> Service Canada, *Labour Market Bulletin*, 2006.

## Real Wages

Manitoba took last place with a real average hourly wage of \$19.34<sup>20</sup> in 2005. The province's high rate of inflation (the highest of all regions reviewed) contributed to the net decrease in real wages. However, Manitoba's real wage position relative to the other regions improved as it was the only province whose real wages were higher in 2005 than they were in 2000 and the gap between Manitoba's real wages and the highest wage region has shrunk from \$3.32 per hour in 2000 to \$2.63 per hour in 2005.<sup>21</sup>



Source: Statistics Canada



Source: Statistics Canada

## Pay Equality

Manitoba upheld its first place standing in 2005 among the comparison jurisdictions in pay equality, with female workers earning almost 90 percent as much as men in the province.<sup>22</sup> Since 2000, this ratio has increased 10.2%, the highest rate of change of all regions reviewed.

Since 2000, wages for women have increased almost 22%, while men's average wages increased 10.5%. The narrowing gap between women's and men's wages in Manitoba arose from increases for women within female-dominated industries such as health care (81% female workers), the finance, insurance, real estate and leasing sector (employing 64% women), and education (62% women).

<sup>20</sup> Statistics Canada - Survey of Employers, Earning and Hours

<sup>21</sup> Statistics Canada, *Labour Force Survey*, 2005.

<sup>22</sup> Ibid.

# invest

Manitoba did not fare well compared to the other jurisdictions as a place to invest in 2005, despite having the third lowest taxpayer-supported debt to GDP ratio (18.3).<sup>23</sup> The province ranked fifth in the six comparison jurisdictions for all the innovation indicators - R&D intensity (0.82%), proportion of high technology jobs (4.9%) and patents per million population (44.1). The province also had the lowest real labour productivity (32.3), the lowest after-tax profits to GDP (8.04%) and the highest provincial effective personal tax rate for unattached individuals earning \$80,000 (17.8 %).

From 2004 to 2005, Manitoba experienced a surge in patents per capita (51.5%). However, the other innovation indicators decreased slightly and there was no change in the provincial effective tax rate for \$80,000 income. Real labour productivity increased (2.9%), marking the fifth year of significant productivity improvement in Manitoba but it was not enough to move the province out of last place. Manitoba also saw some progress as after-tax profits to GDP increased minimally (0.1 percentage point) and the taxpayer-supported debt to GDP decreased (-3.7%).

Manitoba's business investment as a percent of provincial GDP rose to 13.6% in 2005 after several years of little change. Most of these dollars appear to be going toward investment on machinery and equipment, with a smaller share being spent on non-residential construction. This suggests that Manitoba's businesses are making comparatively rapid changes to their processes in an effort to remain competitive. The results of strong capital investment today will have positive effects on future productivity.

**Table 3.1: Summary of INVEST Key Indicators** <sup>24</sup>

INVEST Indicator		BC	AB	SK	MB	ON	CAN	
INNOVATION	<i>Patents per Capita</i>	36.0	63.9	57.3	44.1	53.3	47.1	2005 VALUE
	<i>R&amp;D Intensity</i>	1.16%	0.85%	0.76%	0.82%	1.96%	1.64%	
	<i>Proportion of High Technology Jobs</i>	6.4%	7.6%	4.3%	4.9%	7.3%	6.9%	
	Provincial Effective Tax Rate at \$80K Bracket	10.1%	10.2%	13.6%	17.8%	14.6%	15.3%	
	Real Labour Productivity	35.8	40.7	35.7	32.3	39.1	37.6	
	After-Tax Profits to GDP	8.75%	20.11%	15.87%	8.04%	8.48%	10.24%	
	Taxpayer Supported Debt to GDP	16.3	0.0	19.4	18.3	21.0%	20.4	
INNOVATION	<i>Patents per Capita</i>	-9.3%	9.6%	18.6%	51.5%	0.2%	3.5%	2004-05 % CHANGE
	<i>R&amp;D Intensity</i>	-3.9%	-6.2%	-18.1%	-3.8%	-1.6%	-2.5%	
	<i>Proportion of High Technology Jobs</i>	0.5 ppt	0.4 ppt	0.3 ppt	-0.4 ppt	0.4 ppt	0.3 ppt	
	Provincial Effective Tax Rate at \$80K Bracket	-0.1 ppt	0.0 ppt	0.1 ppt	0.0 ppt	0.7 ppt	0.2 ppt	
	Real Labour Productivity	1.1%	3.0%	2.6%	2.9%	2.6%	2.5%	
	After-Tax Profits to GDP	0.6 ppt	2.6 ppt	1.8 ppt	0.1 ppt	-0.4 ppt	0.4 ppt	
	Taxpayer Supported Debt to GDP	-10.4%	0.0%	-4.4%	-3.7%	-13.6%	-8.1%	
INNOVATION	<i>Patents per Capita</i>	16.5%	40.1%	60.5%	58.1%	8.8%	23.3%	2000-05 % CHANGE
	<i>R&amp;D Intensity</i>	12.5%	18.8%	0.9%	0.6%	-1.4%	3.5%	
	<i>Proportion of High Technology Jobs</i>	0.0 ppt	0.9 ppt	0.8 ppt	-0.4 ppt	0.0 ppt	0.2 ppt	
	Provincial Effective Tax Rate at \$80K Bracket*	n/a	n/a	n/a	n/a	n/a	n/a	
	Real Labour Productivity	4.1%	3.8%	8.5%	6.6%	4.5%	5.6%	
	After-Tax Profits to GDP	3.1 ppt	4.2 ppt	2.2 ppt	2.8 ppt	1.2 ppt	2.1 ppt	
	Taxpayer Supported Debt to GDP	-15.1%	-100.0%	-16.7%	-15.7%	-30.2%	-23.6%	

\* Consistent data is not readily available to compare 2000-05% change.

<sup>23</sup> Excludes self-supported debt i.e. that owed by Commercial Crown corporations and agencies.

<sup>24</sup> R&D spending by business and higher education institutes uses a 2003 value and % changes are calculated for 2002 to 2003 and 2000 to 2003.

## Taking a Closer Look at Labour Productivity

Short and long term trends in labour productivity often explain the fundamental reasons for economic growth or stagnation. Internationally, Canada's relative productivity has been declining in the past quarter century. Canadian productivity ranked fourth highest out of 24 OECD countries in the 1970s, but this slipped to 17th place by 2004.<sup>25</sup> And Manitoba has a lower productivity level than Canada, about 86% of the Canadian average in 2005.

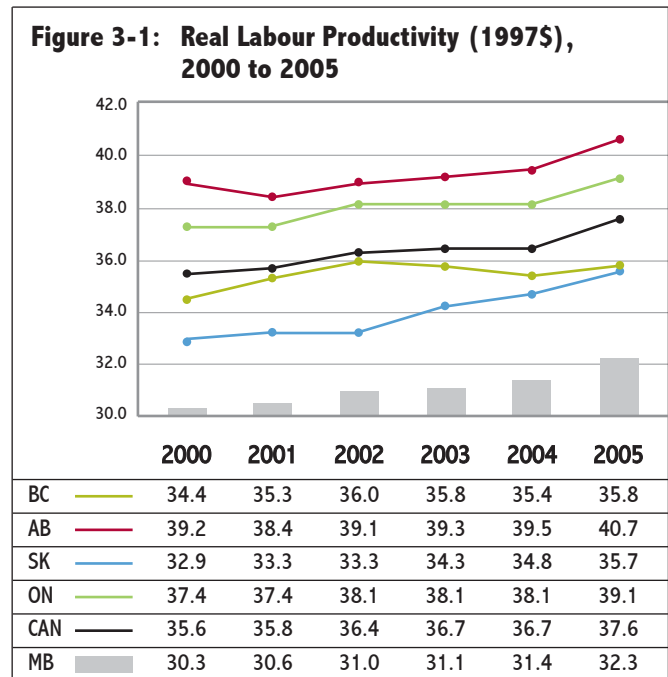
In 2005, Manitoba continued to have the lowest labour productivity (32.2) among the comparison jurisdictions, despite its impressive gain of 2.9% from the previous year.

Manitoba also had the lowest ranking of all jurisdictions with regard to labour productivity in 2000 but it has started to close some of the gap. Between 2000 and 2005, Manitoba productivity grew by 6.6%, the second fastest of all jurisdictions.

Contributing to improved productivity, Manitoba's labour force is becoming better educated. The province has also seen better utilization of its labour force, consistently having the lowest unemployment rate of the reviewed regions next to Alberta. And the ratio of full-time to part-time jobs has increased over the past decade.

Capital investment is critical and has been an important driving force behind Manitoba's productivity gains. Statistics Canada data shows that between 2000 and 2005, real investment in machinery and equipment rose by 32.3% in Manitoba. Real business investment to GDP has been rising overall in the province,<sup>26</sup> meaning there is growing capital intensity in Manitoba's production processes and, consequently, greater labour productivity.

It appears that Manitoba's labour force is acquiring the education and the physical means to work smarter and produce more without working longer. Productivity improvements today mean accelerated economic growth and improved standard of living tomorrow and if this trend is sustained, it will be the basis of Manitoba's long term prosperity.



Source: Statistics Canada

## Innovation

Innovation is complex and multi-faceted, ranging from initial R&D to application and market diffusion. There are many ways to quantify it and so *MB Check Up* uses three sub-indicators - R&D intensity, proportion of high technology jobs and patents per capita - to reflect innovation in its various stages.

**R&D Intensity** - R&D is an early and critical input into the innovation process. The higher the degree of R&D intensity, the higher the rate of discovery and dissemination of new technology. Canada itself has a relatively low ratio of R&D spending to GDP and Manitoba lags behind most other Canadian jurisdictions. In 2003, the Canadian average of R&D share of GDP was 1.64% while Manitoba was half that, at 0.82%.<sup>27</sup>

<sup>25</sup> Source: BC Progress Board (April 10, 2006). Boosting Incomes, Confronting Demographic Change: BC's Productivity Imperative. [http://www.bcpboard.com/2006Report/ProductivityReport/Productivity\\_Final.pdf](http://www.bcpboard.com/2006Report/ProductivityReport/Productivity_Final.pdf)

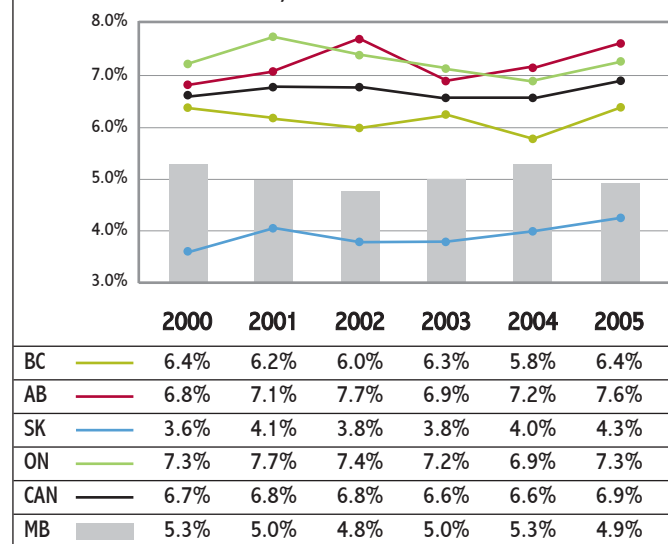
<sup>26</sup> Includes investment on machinery and equipment, and on non-residential structures.

<sup>27</sup> Data only available to 2003. The level of R&D drives future innovation and so 2003 levels of R&D spending to GDP reflect the current innovation environment.

*Proportion of high technology jobs* - The extent of technological dissemination in the labour force is captured by the employment share of natural/applied sciences and related occupations as percentage of total labour force. In 2005, Manitoba had the second lowest (4.9%) share of natural/applied science workers, slightly higher than Saskatchewan (4.3%) and well back of third place BC (6.4%). In fact, Manitoba was the only province to see a decline (-0.4 percentage points) in its labour share of technical workers in 2005. This ratio has been comparatively static since 2000, although the overall five year trend was also one of decline (-0.4 percentage points).

*Patents per capita* is defined as the annual ratio of newly registered approved patents per million population. This ratio represents the final stage of innovation for a variety of products and processes. Manitoba's patents per capita took a jump (52%) in 2005 after the prior year's dip but the province's number of patents (44.1) was the lowest among the comparison jurisdictions. The overall five year trend has been one of steady gains. A review of the Canadian Intellectual Property Office database shows that in 2004 and 2005 many patents applied for in Manitoba were in the Biotechnology and the Information, Communication and Technology sectors, particularly in the field of medical research.

**Figure 3-2: Employment Share of Natural/Applied Sciences, 2000 to 2005**



Source: Statistics Canada - Labour Force Survey

## Effective Provincial Tax

In 2005, Manitoba continued to have the highest provincial effective tax rate (17.8%)<sup>28</sup> at the \$80,000 income level among the comparison jurisdictions.

Higher rates of taxation can depress labour force productivity at all income levels, skew investment decisions, and possibly drive workers to other labour markets with lower taxation. Recent economic studies have shown that the "difference of tax burden on highly skilled employees explains more regional growth differences than company [corporate] taxation".<sup>29</sup>

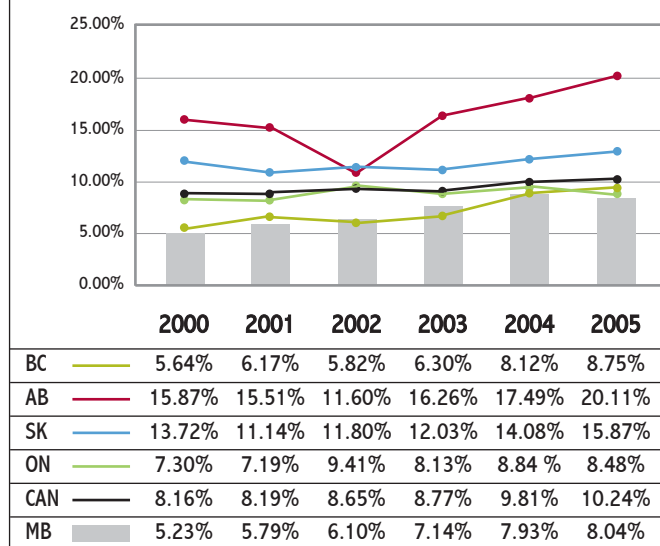
Manitoba has started to reduce its taxation rates but it still has a considerable distance to go in order to catch up to the other western jurisdictions. On January 1, 2006, the middle bracket of personal income was reduced to 13.5% and will be further reduced to 13% on January 1, 2007.

<sup>28</sup> Health Care Premiums are levied in BC and Alberta and approximately 50 percent of the Premiums are paid by employers on behalf of their employees with the remainder paid by individuals. Payroll Taxes are levied in Manitoba and Ontario and are paid by the employer. The cost to employers of Payroll Taxes and Health Care Premiums paid on behalf of employees is often reflected in reduced wages. This is why the cost of the Health Care Premiums and Payroll Taxes have been included in calculating the effective tax rate. The effective tax rate would be reduced by 2.1 percentage points in Manitoba when the payroll taxes are excluded.

<sup>29</sup> Eichler, Martin, BAK Basel Economics (July 2006). *Impact of Tax Burden on Regional Productivity Growth*. OECD Workshop: Effective Corporate Taxation. <http://www.oecd.org/dataoecd/40/18/37039658.pdf>

## After-tax Profits to GDP<sup>30</sup>

**Figure 3-3: Ratio of After-Tax Profits to GDP, 2000 to 2005**



Source: Statistics Canada

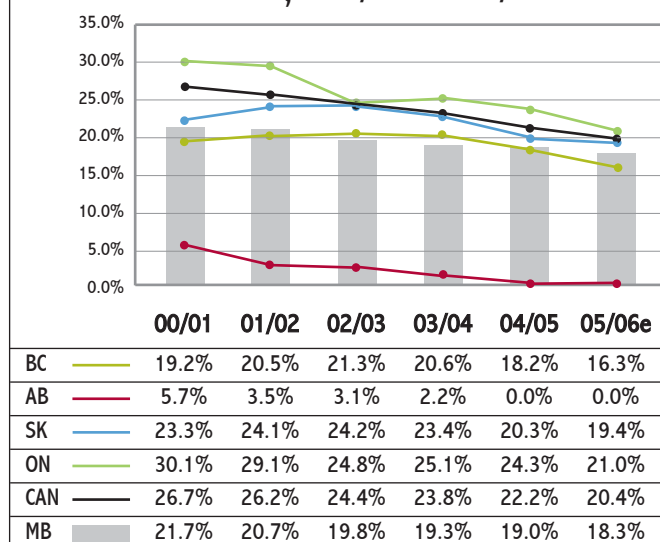
Manitoba again posted the lowest ratio of after-tax profits to GDP (8.04%) among the comparison jurisdictions in 2005.<sup>31</sup> In addition to its comparatively low level, the province saw minimal improvement (0.1 percentage point) in the after-tax profits/GDP indicator from 2004 to 2005.

Pretax corporate profits rose 6.3%,<sup>32</sup> in Manitoba in 2005 but the province continues to have one of the highest corporate tax rates of all jurisdictions, reducing the after-tax profit share of Manitoba's GDP.

For the past five years, Manitoba has consistently exhibited a low after-tax profits/GDP ratio. However, the Manitoba government has been working to reduce the personal and corporate tax burden. Manitoba reduced its general corporate tax rate from 17% in 2001 to 15% in 2005 and will reduce the rate to 14%<sup>33</sup> on January 1, 2007. There has been a corresponding decline in the tax on small business (5% in 2004) with a further cut to 3% in 2007.<sup>34</sup> These tax reductions will improve Manitoba's rate of return but the province is not cutting as quickly or as much as the other regions.

## Taxpayer-supported Debt to GDP

**Figure 3-4: Provincial Taxpayer Supported Debt to GDP Rate, 2000/01 to 2005/06**



Source: TD Bank

Manitoba ranked third among the regions reviewed in 2005 with a debt to GDP ratio of 18.3%, below the Canadian average of 20.4%. Between 2004 and 2005, the province decreased its taxpayer-supported debt to GDP ratio by 3.7%.

Between 2004/05 and 2005/06, Manitoba's actual government debt rose from \$7.6 billion to \$7.7 billion. However, its debt/GDP ratio declined during this time from 19% to 18.3%,<sup>35</sup> due in part to real GDP growth in 2005, greater revenue from electricity sales, and a more diversified economic base.

Manitoba sustained a small surplus of \$3 million in 2005/06 and modest government surpluses are projected until 2009/10.

<sup>30</sup> Profits from government business enterprises (Crown Corporations) are excluded from this analysis while the estimate of corporate taxes paid includes those from both business and government business enterprises. As a result, our estimates of the after-tax profits are likely underestimated, especially for regions with a significant presence of government business enterprises.

<sup>31</sup> Provincial corporate tax data is only available up to 2003. Estimates of total taxes are made for 2004 and 2005 assuming that they comprise the same percentage of total profits as in the previous two years. Generally speaking, this is a fairly stable relationship.

<sup>32</sup> Statistics Canada, CANSIM table 384-0001.

<sup>33</sup> TD Bank Financial Group, Budget Analysis (March 6, 2006) *The 2006 Manitoba Budget*.

<sup>34</sup> Ibid.

<sup>35</sup> TD Bank Financial Group (March 2006). *The 2006 Manitoba Budget*.

<http://www.td.com/economics/budgets/mn06.pdf>

## ***MB Check-Up***

The *MB Check-Up* has been produced by the Chartered Accountants of Manitoba and designed in conjunction with consulting economists, who also compiled the data. As leaders in analysing and validating information, CAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It's with this goal in mind that the Chartered Accountants of Manitoba prepare the *MB Check-Up*. It is our hope that the *MB Check-Up* will make a positive public policy contribution to the province by stimulating debate and discussion about how to make Manitoba a better place in which to live, work, and invest.

The *MB Check-Up* is available online at [www.icam.mb.ca](http://www.icam.mb.ca).

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