

2.1 Introduction and Methodology

LIVE focuses on a set of social, economic and environmental indicators to present an objective measure of quality of life in Manitoba compared to other western provinces, Ontario and Canada as a whole, and to monitor our province's progress in these areas over the last year and last five years.

In previous editions of this report, the LIVE indicators, which represented adaptations of the UN Human Development Index (HDI)¹, remained relatively constant from year to year. This year, we have revised some LIVE indicators to capture timely or new issues, such as personal financial vulnerability and youth who are at social/economic risk. The revised indicators draw on the work of the UN and OECD, as well as other reputable agencies. However, when attempting to make comparisons between provinces, our choice of indicators is to some extent driven by the availability of both current and historic data for all jurisdictions under comparison. The LIVE indicators comprise the following five measures:

- **Real Personal Disposable Income per Capita** illustrates changes in potential purchasing power and savings in real after tax earnings.
- **Financial Vulnerability** measured by total debt (both personal and mortgage)² calculated by the chartered banks per capita is a timely measure of personal economic well-being given that interest rates are expected to increase in the near future.
- **Social Well Being** uses four sub-indicators:
 - Cost of Living – expressed as the percentage of household income spent on basic shelter reflects the trend in actual household purchasing power.
 - Youth at Risk – defined as the percentage of the labour force age 19 to 24 without high school education is used to highlight the proportion of under-educated youth that is vulnerable to current and future economic and social hardship. This primary indicator is supplemented by the percentage of the total population in this age category who are neither in the labour force nor in school.
 - Dependence on Social Safety Net – defined as the percentage of the population on social assistance³ measures the proportion of the population already experiencing economic and social hardship.

¹ The HDI was developed to supplement Gross Domestic Product as a measure of quality of life, and includes four key socio-economic indicators – life expectancy, adult literacy, school enrolment and income – that are well-suited for international comparisons, but reveal few distinctions in Canadian inter-provincial comparisons.

² The measure of debt used is that calculated by chartered banks only, which represents 2/3 of all financial lending institutions in Canada but excludes trust and mortgage loan companies, credit unions, life insurance companies, non-depository credit intermediaries, NHA mortgage-backed securities and special purpose corporations. For this reason, debt per capita may not match other national estimates.

³ Those persons on Employment Income Insurance have not been included to avoid any potential for double-reporting.

- **Crime Rate per Capita** – reports on the number of property and personal crimes per 10,000 population, which is the most commonly accepted measure of personal and public safety.
- **Air Quality** is a basic measure of environmental quality affecting our health. The indicator reports on the 4th highest day of ground level ozone exposure. Ozone is the main component of “smog”. As ozone data is collected and reported by community (and not by province), only data for the largest urban centres in each studied jurisdiction is presented.
- **Health**, in particular health care spending, is a key area of public concern throughout Canada today. As a result, the primary indicator used this year is government health care expenditure per capita⁴. We recognize that health care expenditures are not an “outcome” indicator, but it is the best annual, up-to-date indicator available for comparing provincial resource allocation.

Before examining changes in the LIVE indicators, this year’s report also adds an overview of Manitoba’s net migration trends over the last year and five years, which very likely are an outcome of changes in quality of life and thus provide a context for the subsequent discussion.

2.2 Net Migration

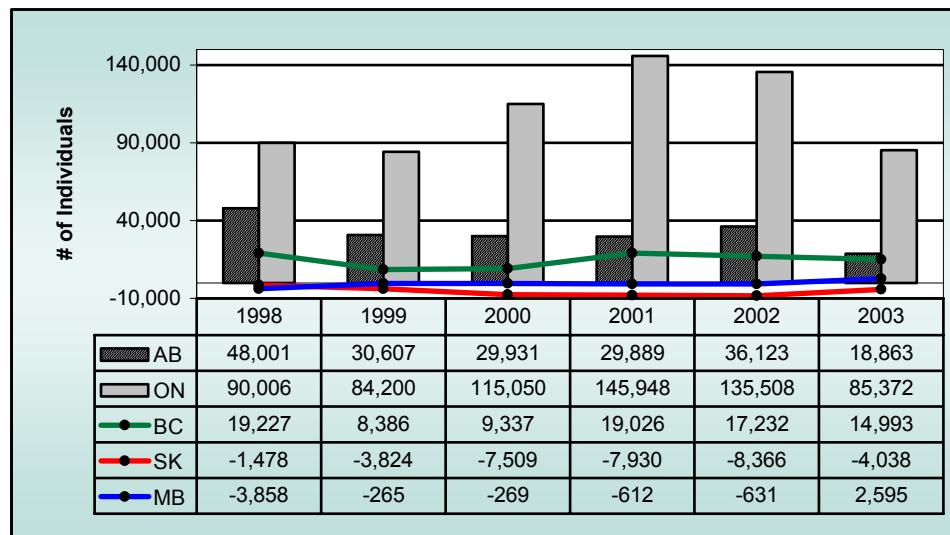
While each of the LIVE indicators offers insight into quality of life in Manitoba, there is no better measure of how this is perceived by residents and non-residents than how they “vote with their feet”. Despite many advantages, including plentiful natural resources, a clean and healthy natural environment, safe communities, and some of the most affordable housing in Canada, Manitoba like much of the rural, agricultural US Midwest and large segments of rural Saskatchewan has been struggling with net out-migration.

Last year for the first time since 1998, net migration added to Manitoba’s population after five years of consecutive loss. In fact, total net in-migration reached a 20-year high for the province⁵. This turn around is largely due to a significant reduction in inter-provincial population loss last year, although it remained negative and continues to be a serious problem for Manitoba. Since 1998, Manitoba has lost almost 21,000 people to other provinces, mostly to Alberta, Ontario and British Columbia, which respectively attracted 30, 29 and 18 percent of Manitoba’s outflow. Over the five-year period, close to 108,000 Manitobans moved to other provinces, while over 87,000 people from other parts of Canada relocated to Manitoba. International immigration, although small compared to the other jurisdictions except Saskatchewan, has steadily increased over the last five years, and was enough to offset the lower inter-provincial population loss.

⁴ 2003 statistics on doctors per capita, the measure used in previous years, are released too late for incorporation in this report, and other measures related to health-outcome (e.g. mortality rates for specific conditions, such as cancers or heart attack) or health-service (e.g. wait lists) are either dated or unavailable for all jurisdictions under comparison.

⁵ Press Release, Province of Manitoba, March 2004 Source: <http://www.gov.mb.ca/chc/press/top/2004/03/2004-03-22-04.html>

Figure 2-1: Net Migration, Provinces and Canada, 1998-2003



Source: Statistics Canada

After four consecutive years of increasing net inter-provincial population losses, Manitoba's net outflow last year was reduced to one-quarter of what it was in 2002. Many view inter-provincial migration as a combination of "push" factors that pressure a migrant to seek better opportunities, and "pull" factors that attract a migrant to a particular location⁶. However, Manitoba's average unemployment rate of 5.1 percent over the last five years was lower than Alberta (5.7 percent), Ontario (6.6 percent) and British Columbia (8.1 percent), the provinces that attract most Manitoba residents, and its GDP per capita of \$33,000 was somewhat higher than British Columbia's \$30,000 per capita, which tends to suggest that other factors may also be at work.

Table 2-1: Net Migration Components, Manitoba, 1998-2003

	1998	1999	2000	2001	2002	2003
Net Inter-provincial Migration	-5,276	-2,113	-3,456	-4,323	-4,344	-1,189
Net International Migration	1,418	1,848	3,187	3,711	3,713	3,784
Total: Net-Migration	-3,858	-265	-269	-612	-631	2,595

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

Like Saskatchewan, climate may be a factor, particularly for those near or at retirement age, which would explain British Columbia's attraction of Manitobans. However, broad socio-economic and demographic trends may also be a contributing factor for population loss in rural Manitoba.

⁶ Statistical analysis carried out by British Columbia shows that fluctuations in net inter-provincial migration correlate closely to relative differences with other provinces in unemployment rates and economic growth, as measured by real Gross Domestic Product (GDP).

The 2001 Census⁷ highlighted that Canada is becoming increasingly an urbanized nation, with 80 percent of all Canadians living in urban centres of 10,000 people or more. Metropolitan areas⁸, whose economies are based on manufacturing or services, are growing rapidly, and are increasingly the engines of Canada's economic growth. The percentage of Manitoba's population that resides in urban areas⁹ (71.9 percent) is less than the national average (79.7 percent) and the other provinces in our comparison (80.9 percent to 84.7 percent) with the exception of Saskatchewan (64.3 percent). In fact, Winnipeg accounts for 60 percent of the province's total population, and it is Winnipeg and its surrounding area that are growing, whereas large segments of rural Manitoba are in population decline¹⁰. This may help to explain why Manitoba's inter-provincial population loss over the last five years was one-third less than neighbouring and more rural Saskatchewan.

A recent controversial study in Ontario¹¹ concluded that much of rural Ontario and by implication rural Canada is unsustainable, with rapidly ageing populations that inevitably decline as young people leave to seek economic opportunities and rural industries and services that require increasing subsidization. Putting aside this rather bleak and politically unpalatable prognosis, the challenges that Manitoba faces to retain and, more importantly, attract much needed skilled workers are put into sharp perspective.

Internationally, the volume of immigration is controlled by federal policy, but its distribution within Canada is largely a matter of choice by immigrants themselves, in some instances encouraged by proactive recruiting programs by both the provincial government and various professional organizations. A recent survey of immigrants¹² to Canada found that the majority chose their destination based on the fact that they had a spouse, partner or other family member currently living there. The second most important reason was the prospect of a job.

Given these factors, Manitoba faces greater challenges than most of the other jurisdictions in our comparison. Metropolitan areas tend to attract international migrants, especially those with large existing immigrant populations. The percentage of population that is immigrant in Winnipeg is 16.5 percent, considerably smaller than either Vancouver (37.5 percent) or Toronto (43.7 percent) which draw the most immigrants. Not surprisingly, Manitoba has consistently attracted fewer international immigrants than every other province in our comparison except Saskatchewan. Nevertheless, net international immigration is up by almost 60 percent since 1998, particularly from the Asia-Pacific region¹³ and, more specifically, the Philippines. Furthermore, this increase is the highest within our comparison.

To Manitoba's credit, the government has been very proactive in trying to attract immigration to the province. In recent years, Manitoba has actively promoted the province's attributes and

⁷ Statistics Canada, *Census 2001, Highlights & Analysis*.

⁸ Urban centres with 100,000 population or more.

⁹ Statistics Canada, *Census 2001- Population and Dwelling Counts – Rural and Urban*.

¹⁰ Statistics Canada, *Census 2001: Highlights; Sub-provincial population dynamics*.

¹¹ *Small, Rural and Remote Communities: The Anatomy of Risk*, 2004.

¹² Statistics Canada, *Longitudinal Survey of Immigrants to Canada: Process, Progress and Prospects*, Catalogue no. 89-611-XIE, October 2003.

¹³ In 2002, those originating from Asia and Pacific comprised of 44.71 percent of Manitoba's immigrants.

advantages with its campaign, “Manitoba Advantage”. Manitoba has also been a leader in the Provincial Nominee Program, which targets skilled workers and business people who are then nominated by the Province for landed immigrant status. Nominees accounted for 83 percent of the increase in international immigrants in 2003¹⁴. In 2002, the Province of Manitoba also announced its intention of doubling immigration to 10,000 annually through the Canada-Manitoba Immigration Agreement. The reduction of inter-provincial population loss last year, together with Manitoba’s outstanding efforts to promote in-migration from elsewhere in Canada and internationally, seem to be bearing results and bode well for the future. However, continued attention will need to be paid to both attracting immigrants and retaining population if shortages in skilled labour are to be addressed.

2.3 Summary of Key LIVE Indicators

Table 2-2 presents the changes in the LIVE indicators in the last year and over the previous five years in each of the western provinces, Ontario and Canada as a whole. Improvement in quality of life is indicated by increases in disposable income and decreases in financial vulnerability, the social sub-indicators and ground-level ozone levels. However, in the case of health care, neither increased nor decreased expenditure necessarily equate to improved health outcomes and quality of life, although undoubtedly there are some who will debate this point from both perspectives. Nevertheless, as most authorities, including both the Romanow and Kirby Commissions on Health Care, point to the need for more money rather than less for health care, we have treated increased government expenditure as positive.

¹⁴ The Economy, 2004 Manitoba Budget Papers, Province of Manitoba, 2004.

Table 2-2: Summary of LIVE Key Indicators

		British Columbia	Saskatchewan	Manitoba	Alberta	Ontario	Canada
Real Disposable Income per Capita (% Change)	2002-2003	-1.0%	1.8%	-1.2%	-1.9%	-1.4%	-0.9%
	1998-2003	4.9%	6.1%	4.4%	9.6%	4.0%	6.9%
Financial Vulnerability ¹ (% Change)	2002-2003	6.6%	7.9%	5.4%	9.5%	7.6%	8.4%
	1998-2003	34.1%	17.3%	29.9%	53.0%	51.4%	44.4%
Social Issues ² (% points Change > 1 % point / % Change)	2002-2003	SSN: -1.5% pt CRM: 4.9%	YAR: -1.9% pt CRM: 13.3%	CRM: 9.2%	YAR: 1.0% pt CRM: 8.1%	CRM: -1.0%	CRM: 2.8%
	1998-2003	YAR: -4.1% pt SSN: -3.1% pt CRM: -5.3%	YAR: -2.1% pt SSN: -1.8% pt CRM: 12.1%	SSN: -1.2% pt CRM: 6.4%	CRM: 2.6%	COL: -1.1% pt SSN: -4.1% pt CRM: -15.6%	YAR: -1.9% pt SSN: -3.0% pt CRM: -8.4%
Air Quality ³ (% Change)	2002-2003	-6.5%	17.9%	2.0%	0.0%	2.4%	N/A
	1998-2003	-4.4%	-32.7%	15.6%	8.3%	13.0%	N/A
Health ⁴ (% Change)	2002-2003	2.3%	4.6%	0.4%	-6.6%	1.0%	0.0%
	1998-2003	26.8%	24.1%	37.3%	4.8%	16.5%	22.3%

¹ Financial Vulnerability is measured by total personal and mortgage debt per capita.

² Social Issues is measured by: cost of living (COL) - average shelter as a % of average total expenditure; youth at risk (YAR) - percent of labour force between ages 19 & 24 with less than high school education; dependence on social safety net (SSN) - % of population receiving social assistance; and crime rate per capita - property & violent crimes per 10,000 population.

³ Air Quality is measured by annual 4th highest daily maximum ground-level ozone (ppb).

⁴ Health is measured by provincial government expenditure on health per capita.

Over the last five years, improvement in the LIVE indicators was fairly mixed in all jurisdictions. Overall, Saskatchewan, followed closely by British Columbia, showed the most improvement in our comparison. Saskatchewan's highlights include the most improvement in (Regina's) *Air Quality* and the third highest increase in *Personal Disposable Income* over the last five years as well as the lowest increase in *Financial Vulnerability*. Although British Columbia's five year performance in these indicators was relatively good, it was not as strong as Saskatchewan's.

On the other hand, British Columbia's highlights over the last five years were the second largest increase in *Health* expenditures and second best improvement in *Social Well Being*, which included the largest reduction in *Youth at Risk*, second largest reduction in *Dependence on the Social Safety Net* within our comparison, and the only reduction in *Crime* among the western provinces.

At the other extreme, Alberta and Ontario showed the least progress over the last five years. Alberta led the group by a significant margin in growth of *Disposable Income* but lagged behind the others in every other indicator, except (Calgary's) *Air Quality*, which deteriorated but not as much as Winnipeg and Toronto. Ontario's only distinction over the last five years was to have the most improvement in *Social Well Being*, which included the only measurable reduction in *Cost of Living* and the largest reductions in *Dependence on the Social Safety Net* and *Crime*. Overall, Manitoba fared better over the last five years than Alberta and Ontario but not quite as well as the Canadian average. Manitoba's only highlights over the last five years were the largest increase in *Health* expenditures and the second lowest increase in *Financial Vulnerability*.

Last year, improvement to quality of life showed very little positive progress in all jurisdictions. Saskatchewan and British Columbia made the most progress in improving quality of life. Saskatchewan posted the only increase in *Personal Disposable Income* last year as well as the highest increase in *Health* expenditures. British Columbia recorded the most improvement last year in *Air Quality* and second highest increase in *Health* expenditures as well as the second lowest increase in *Financial Vulnerability*. Both provinces showed mixed progress in *Social Well Being*, Saskatchewan reduced *Youth at Risk* whereas British Columbia reduced *Dependence on the Social Safety Net* but both posted increases in *Crime*. In addition, Saskatchewan's crime rate increase last year was the largest within our comparison by a wide margin.

Alberta had the worst performance last year, which included the largest decline in *Disposable Income* and *Social Well Being* and the highest increase in *Financial Vulnerability*. Alberta was also the only jurisdiction to reduce *Health* expenditures per capita last year. Ontario's performance last year was better than Alberta's in all indicators, particularly in improving *Social Well Being*, where it was the only jurisdiction to post a decline in *Crime*. Manitoba's progress last year relative to the other jurisdictions was mid range in most indicators, except for *Financial Vulnerability*, where it recorded the lowest increase within our comparison. As a result, its progress ranked more or less in fourth place as it has over the last five years.

The following briefly reviews changes and trends in each indicator. Tables indicating the absolute values in all indicators are included in the appendix.

Disposable Income per Capita increased in all jurisdictions over the last five years as a result of Canada's positive economic climate, but experienced modest set backs last year in all areas except Saskatchewan.

In Manitoba, personal disposable income per capita rose from \$17,799 in 1998 to \$18,585 in 2003, an increase of 4.4 percent, although it was down slightly (-1.2 percent) from 2002. More detailed discussion of this indicator is included in Section 2.4.

Driven primarily by the oil and gas sector, Alberta showed the largest five year jump in disposable income per capita with a 9.6 percent increase since 1998, growing from \$20,156 in 1998 to \$22,094 in 2003. This increase was more than double the growth seen in Ontario, British Columbia and Manitoba. In fact, no other province exceeded the Canadian average increase of 6.9 percent over the last five years, although Saskatchewan came fairly close at 6.1 percent, due to a combination of relatively high personal income growth and reductions in direct taxes per capita¹⁵. Saskatchewan's 1.8 percent increase last year, in contrast to declines ranging from 0.9 percent for Canada overall to 1.9 percent in Alberta, no doubt contributed to its relatively positive five year standing.

Financial Vulnerability also increased significantly across the board both last year and over the last five years, largely as a result of low interest rates.

In Manitoba, total personal debt per capita increased by 29.9 percent since 1998, growing from \$6,772 in 1998 to \$8,796 in 2003, and was up 5.4 percent last year compared to 2002. More detailed discussion of this indicator is included in Section 2.4

Total indebtedness¹⁶ per capita increased the least in Saskatchewan over the last five years and in Manitoba last year, whereas it increased the most in Alberta over both periods. Interestingly, increased indebtedness grew most in Alberta, Ontario and Canada as a whole in that order, rather than British Columbia, which is known for having the highest housing prices in the country throughout this period.

Social Well Being showed very little change over the last year or last five years, with the exception of the *Crime Rate*.

As a result of low inflation, *Cost of Living* hovered around zero last year across the board, and only Ontario registered just over a one percentage point¹⁷ change (reduction) over the last five years. In Manitoba, the *Cost of Living* has remained virtually unchanged.

Youth at Risk has declined slightly in Canada as a whole, Saskatchewan and, particularly British Columbia since 1998, but showed virtually no change in Alberta and Manitoba. Last year, only

¹⁵ Saskatchewan's growth in personal income per capita was 17.3 percent behind only Alberta (24.7%) and Canada as a whole (18.2%), while its reduction of direct taxes per capita of 15% was second only to BC (15.3%).

¹⁶ Personal debt and mortgage debt calculated by the chartered banks.

¹⁷ One percent or less change is inconsequential and could be attributed to rounding error.

marginal change occurred in Saskatchewan (1.9 percentage point decline) and Alberta (1 percentage point increase).

Dependence on the Social Safety Net also declined slightly (1.2 to 4.1 percentage points) over the last five years everywhere except Alberta, which remained unchanged. Only, British Columbia showed a measurable change last year with a 1.5 percentage point reduction. Manitoba recorded a small reduction in this percentage (-1.2 percentage points) over the last five years but saw no change last year. Both *Youth at Risk* and *Dependence on the Social Safety Net* in Manitoba are discussed in more detail in Section 2.4.

The *Crime Rate* over the last five years increased in the three Prairie Provinces, whereas it decreased in British Columbia, Ontario and Canada as a whole. Last year, however, the crime rate went up in all jurisdictions in our comparison except Ontario (1 percent decline). Saskatchewan had the largest increase in its crime rate over both time periods, recording a 12.1 percent increase over the last five years and a 13.3 percent increase from 2002 to 2003. However, Manitoba had the second highest increase over both periods, rising by 6.4 percent over the last five years and 9.2 percent last year. At the opposite extreme, Ontario's crime rate decreased the most, posting a 15.6 percent decrease since 1998. In British Columbia, the crime rate went down by 5.3 percent over the last five years but bounced back up last year by 4.9 percent.

Air Quality improvement was most apparent in Regina since 1998. Its annual ozone level dropped more than 30% and was the lowest in 2003 by a significant margin of the cities in the other jurisdictions. Winnipeg's ground-level ozone level climbed the most (15.6%) over the five year period, while downtown Toronto had the highest ozone level in 2003 at 87 ppb, well above the Canada Wide Standard of 65 ppb¹⁸. Downtown Vancouver experiences relatively low ozone levels for a large city core visited by many vehicles on a daily basis because prevailing eastward blowing winds shift slow forming ozone to more inland Lower Mainland communities, such as Chilliwack. The annual 4th highest daily maximum ozone level for Chilliwack was 62 ppb in 2002, almost 50 percent more than Vancouver's figure of 43 ppb.

Health expenditures per capita by government increased everywhere over the last five years and in British Columbia and Saskatchewan last year.

Increased spending per capita is not surprising given escalating health care costs as a result of increasing demand by an ageing population, spiraling drug, procedural and technological costs and staffing shortages coupled with wage demands. Ironically, despite increased spending and decreases in both premature mortality and injury rates, the confidence of Canadians in their ability to access health care services has dropped by 6 percent since 1998¹⁹, and health care remains a major public concern. These factors explain both the provincial pressure on the

¹⁸ The 65 ppb target level is not currently in effect; all provinces and territories (except Quebec) have agreed to use this level as a common target starting in 2010. As well, achievement (or lack thereof) will be assessed by using rolling three-year averages rather than an annual average.

¹⁹ Canadian Council on Social Development, *Personal Security Index 2003*.

federal government to increase health care expenditure and its prominence in the recent federal election.

Manitoba had the highest five year growth in health care expenditures per capita, increasing by 37.3 percent since 1998. Last year, however, expenditures leveled off and remained virtually unchanged from the prior year (0.4 percent increase). In absolute terms, Manitoba now spends \$2,097 per person on health care, which is the second highest amount after British Columbia (\$2,412) within our comparison. This amount is slightly higher than the national average (\$2,018 per capita) and 8 to 30 percent higher than Saskatchewan, Alberta and Ontario.

British Columbia's five year increase in health care expenditures per capita was the second highest at 26.8 percent. In contrast, Alberta had the lowest increase of 4.8 percent, no doubt aided by its relative young population compared to the other jurisdictions. Increases in per capita spending on health care in Saskatchewan (24.1 percent) and the Canada as a whole (22.3 percent) were fairly comparable to British Columbia over the last five years, while Ontario's increased spending was lower (16.5 percent).

Last year, health care expenditures per capita grew the most in Saskatchewan (4.6 percent) followed by British Columbia (2.3 percent) but remained basically stable in Ontario (1 percent increase) and Canada as a whole (0 percent), as they did in Manitoba. In contrast, last year expenditures per capita in Alberta dropped by 6.6 percent.

2.4 Taking a Closer Look

Manitoba's improvement in quality of life over the last five years was mixed and very modest. In addition, compared to the other jurisdictions in our comparison, Manitoba's performance in improving quality over the last five years, while slightly better than Alberta and Ontario, underperformed the Canadian average. Last year, although positive improvements in the LIVE indicators were quite limited in all jurisdictions, Manitoba remained unchanged or regressed slightly but again fared somewhat better than Alberta and Ontario.

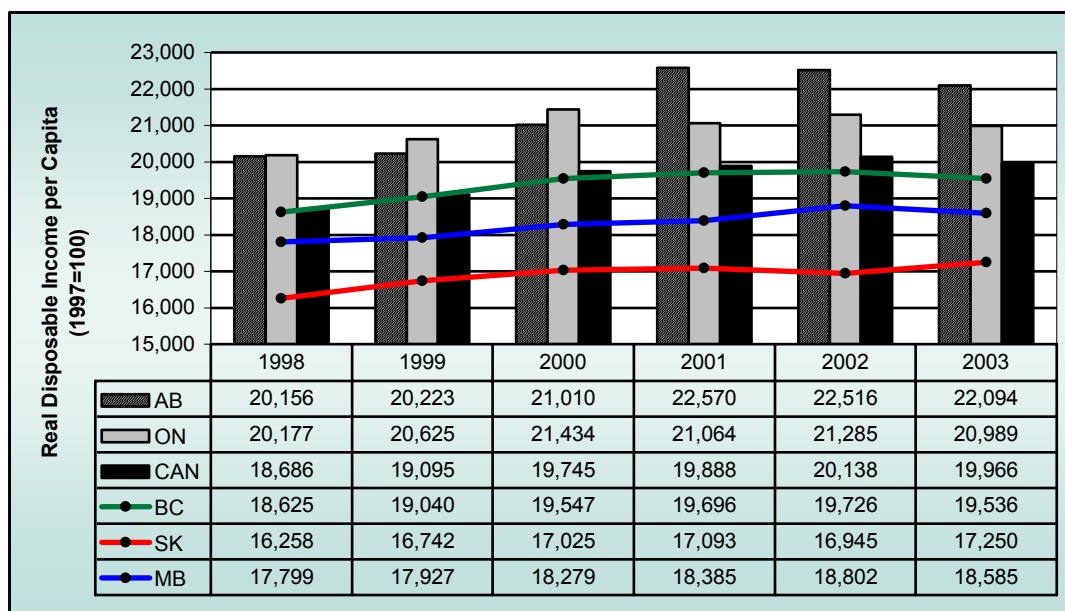
The last five years have had few distinctions for Manitoba, the exceptions being the highest increase in government expenditures on *Health* and having the second lowest increase in *Financial Vulnerability* over the last five years and the lowest increase last year. With these exceptions, Manitoba was neither the best nor the worst and followed the majority trend in changes in *Disposable Income*, *Financial Vulnerability*, and *Health*. It registered no discernible change in *Social Well Being*, except for a 1.2 percent reduction in recipients on social assistance since 1998 and the second highest increase in *Crime* over both time periods.

Despite these lackluster results, two indicators are worthy of closer scrutiny. The first is *Disposable Income*, chosen because Manitoba had the second lowest growth in personal disposable income over last five years. The second is *Financial Vulnerability*, chosen largely because of the magnitude of change that has occurred in all jurisdictions over the last year and last five years, coupled with the prospect of interest rate increases.

2.4.1 Personal Disposable Income

Canada's strong economic performance over the last five years has translated into positive gains in personal disposable income throughout the country, including Manitoba. Despite slight setbacks last year in a number of jurisdictions, real personal disposable income per capita in Canada rose by just under 7 percent since 1998, and only receded marginally in 2003 (0.9 percent).

Figure 2-2: Real Personal Disposable Income per Capita, Provinces and Canada, 1998-2003



Source: Statistics Canada

Manitoba, while emulating this overall trend, lagged considerably behind the Canadian average with an increase in per capita personal disposable income of 4.4 percent since 1998, the second lowest growth rate within our comparison ahead of only Ontario. In addition, its 2003 retraction of 1.2 percent was higher than the Canadian average, representing the third highest loss after Alberta and Ontario. The result is the gap in personal disposable income between Manitoba and both the Canadian average and leader, Alberta, has grown. In 1998, per capita personal disposable income in Manitoba was 5 percent less than the Canadian average and 12 percent less than Alberta, whereas this gap grew to 7 and 16 percent below these comparators in 2003, which is a significant problem for Manitoba.

Two main factors account for this underperformance, namely low growth in personal income and higher taxes than some other jurisdictions. Growth in personal income per capita was the second lowest within our comparison after British Columbia since 1998, and fell to last place in 2003. Personal income per capita rose by 14.7 percent over the last five years in Manitoba, which was 1.5 and 2.6 percentage points less than neighbouring Ontario and Saskatchewan, 10 percentage points less than Alberta which saw the highest growth and 3.5 percentage points

less than the Canadian average. In 2003, Manitoba's personal income per capita increased only marginally by 0.7 percent, compared to increases that ranged from 1.1 to 3.4 percent in the other jurisdictions.

Seemingly contrary to these findings, Manitoba's labour force participation, despite a slight drop of 0.7 percent in 2003, increased by 2 percent over the last five years, and remains the second highest after Alberta in our comparison. Unemployment has also gone down slightly (0.5 percent) over the same period, and has consistently been the lowest along with Alberta since 1998. Similarly, although job creation was the second lowest (6.2 percent) within our comparison over the last five years, so too was population and labour force growth. Furthermore, while Manitoba, along with Saskatchewan, has consistently had the lowest real wages in our comparison, it had the best performance in maintaining real wages over the last five years, registering the smallest decline in real wages of any jurisdiction, and the second smallest decline after Saskatchewan last year (See WORK for more details). This helps to partly explain Manitoba's absolute standing in per capita personal disposable income but does not elucidate Manitoba's poorer performance in personal income growth.

By elimination, the reason for lower per capita income growth appears to be the nature of Manitoba's job growth. Despite gains in total employment since 1998, the number of jobs in the higher paying goods-production sector has declined by 3.4 percent due to job losses in agriculture and primary resource industries, particularly in mining (See WORK for more details). In fact, only Manitoba and Saskatchewan posted losses of goods-producing jobs within our comparison over this period.

On a positive note, however, Manitoba saw a gain of 1.2 percent in good-producing jobs in 2003 after two consecutive years of losses, which was higher than the Canadian average (1.1 percent), Ontario (0.8 percent) and Saskatchewan (-3.0 percent) but still significantly lower than both British Columbia (5.7 percent) and Alberta (3.9 percent). Nevertheless, zero growth in service sector jobs, resulting in virtually no overall job growth and the lowest increase (0.3 percent) within our comparison also explains Manitoba's last place in per capita personal income growth in 2003.

Table 2-3: Income Data, Manitoba, 1998 - 2003

	1998	1999	2000	2001	2002	2003
Personal Income per Capita	23,053	23,572	24,800	25,511	26,250	26,434
Direct Taxes per Capita	3,614	3,623	3,887	3,851	3,697	3,690
Contributions to SI Plans per Capita	1,294	1,321	1,433	1,550	1,664	1,729
Other Current Transfers to Gov't per Capita	122	122	137	143	150	150
Total Taxes, Contributions & Transfers	5,031	5,067	5,457	5,544	5,511	5,568
Disposable Income per Capita	18,022	18,505	19,344	19,967	20,739	20,866
Consumer Price Index, All Items (1997=100)	101.3	103.2	105.8	108.6	110.3	112.3
Real Personal Disposable Income per Capita ²⁰	17,799	17,927	18,279	18,385	18,802	18,584

²⁰ There may be slight differences in this derivation of personal disposable income per capita due to rounding.

Source: Statistics Canada (*Note: SI Plans refers to Social Insurance Plans*)

The second contributing factor to Manitoba's underperformance in increasing personal disposable income per capita is taxes. While real direct taxes per capita have been cut across the board within our comparison, Manitoba's cuts were less severe than some other jurisdictions. Manitoba reduced direct taxes per capita by 7.3 percent, which is equal to the Canadian average and better than Ontario (7.2 percent) but well below Alberta, Saskatchewan and British Columbia, which reduced taxes by 10.1 to 15.3 percent over the last five years. Last year, Manitoba improved its position, reducing taxes by 2.6 percent, which equaled Ontario and was second only to Saskatchewan's drop of 3.9 percent.

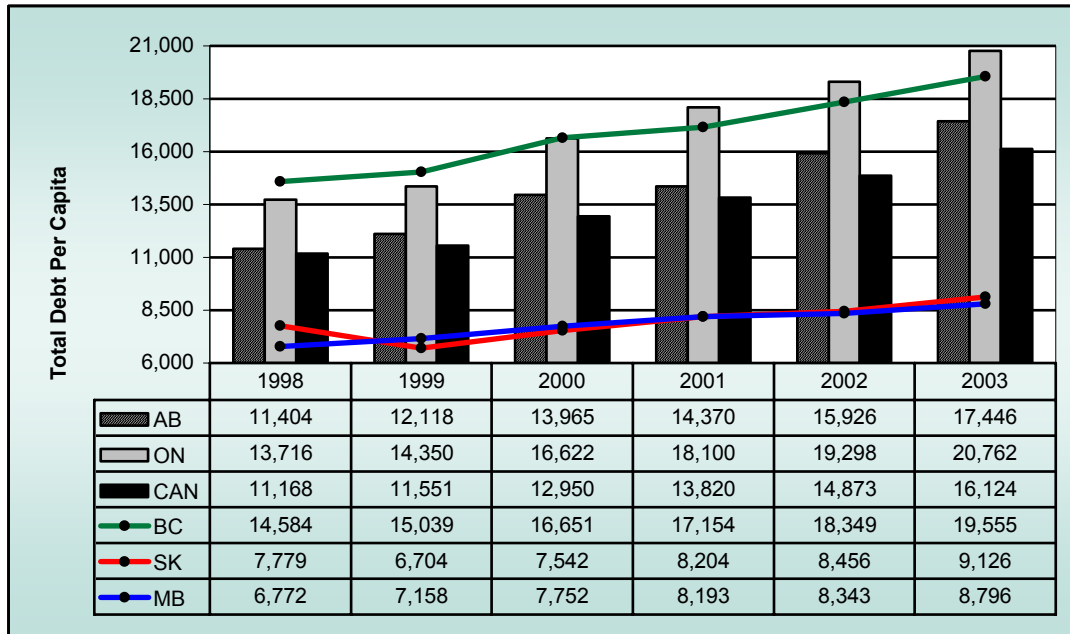
Other factors considered but rejected include inflation, which was the second lowest within our comparison over the last five years and the lowest last year, and contributions to social insurance and transfers to government, which have increased but less than the Canadian average and most other jurisdictions.

In summary, Manitoba appears to have enjoyed many positive factors that favoured gains in personal disposable income per capita, including high labour force participation, job creation in keeping with population and labour force growth, relatively low unemployment, low inflation, stable real wages, and comparably lower increases in social insurance and government transfer deductions from personal income. What appears to have held back Manitoba's growth of personal disposable income per capita over the last five years relative to other jurisdictions was the loss of goods-producing jobs and lesser cuts in real direct taxes per capita. However, three consecutive years of direct tax cuts and last year's gain in goods-producing jobs may point to more promising results in future, providing that all other factors continue to remain in place.

2.4.2 Financial Vulnerability

In recent years, the economy has benefited from low interest rates that fueled consumer spending and housing investment. However, the outcome has been that personal indebtedness in all jurisdictions has risen dramatically over the last year and last five years, and now stands at historic high levels.

Figure 2-3: Total Debt per Capita, Provinces and Canada, 1998-2003



Source: Statistics Canada

To the good, Manitoba distinguished itself by having the second lowest increase (29.9 percent) in debt per capita over the last five years behind Saskatchewan, and the lowest increase (5.4 percent) last year. Since 1998, increased indebtedness per capita ranged from a low of 17.3 percent in Saskatchewan to a high of 53 percent in Alberta. Manitoba's increase last year was half that of the leader Alberta (9.5 percent), and also well below the national average growth rate (8.4 percent). Furthermore, in absolute terms, Manitoba remains in good shape. Per capita debt has been the lowest in our comparison for the last three years and is about half of what it is in the other jurisdictions except for Saskatchewan.

The composition of total debt per capita split between personal consumer debt and mortgage debt also differs within our comparison. Manitoba has consistently had the second lowest ratio of mortgage debt to total debt over the last five years, and currently stands at 56.8 percent. By comparison, the range within the other jurisdictions is 53.9 percent in Saskatchewan to 72.2 percent in British Columbia. This is not surprising given that Manitoba has consistently had the lowest average housing prices along with Saskatchewan within our comparison over the last five years. The difference between Manitoba's average house value is now one-third less than Alberta to two-thirds less than British Columbia, the highest priced real estate market in our comparison and the country, and only 11 percent higher than neighbouring Saskatchewan.

Table 2-4: Debt per Capita Components, Manitoba, 1998-2003

	1998	1999	2000	2001	2002	2003
Personal Debt per Capita	2,395	2,695	3,214	3,233	3,473	3,802
Mortgage Debt per Capita	4,376	4,462	4,537	4,960	4,870	4,994

Total: Debt per Capita	6,772	7,158	7,752	8,193	8,343	8,796
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Source: Statistics Canada.

Even though mortgage debt per capita in Manitoba has increased by 14.1 percent since 1998, its percentage of total indebtedness per capita has gone down by 8 percent, as growth in personal consumer borrowing outpaced mortgage borrowing by more than four to one. In contrast, consumer debt per capita has gone up by 58.7 percent. Manitoba is not alone in this trend. In fact, only Saskatchewan had a lower increase in personal consumer borrowing (2.3 percent) over the last five years. Consumer debt per capita in the other jurisdictions increased by 63.9 percent (Canadian average) to 79.3 percent (Ontario).

The picture is much the same last year as it has been over the last five, except that Saskatchewan has joined the majority trend to higher growth of consumer debt as compared to increased mortgage indebtedness. Manitoba had the lowest increase in mortgage indebtedness per capita (2.5 percent) and the second lowest increase in per capita consumer borrowing (9.5 percent) last year. By comparison, mortgage debt per capita grew by 4.8 to 7 percent and consumer indebtedness increased by 8.6 to 15.7 percent in the other jurisdictions.

However, borrowing for both consumer goods and housing investment has outpaced personal disposable income growth and brought down personal savings rates²¹. Personal savings rates in Canada have declined from 13 percent in 1992 to 2.4 percent in the second half of 2003.²² Total real personal debt as a percentage of real personal disposable income in Manitoba grew by 2 percentage points last year and almost 5 percentage points over the last five years, but again these increases were lower than everywhere except Saskatchewan which saw a one percentage point decline over the last five years. Furthermore, at 42 percent of personal disposable income, indebtedness in Manitoba is significantly lower than every other jurisdiction. By comparison, this ratio ranges from 46 percent in Saskatchewan to a high of 91 percent in British Columbia.

Some economists argue that growing indebtedness, while worrisome, does not necessarily point to a retrenchment of consumer spending or dire consequences. This perspective is based on the premise that rising indebtedness and the majority of total per capita debt is based on home investment that eliminates rent payments and serves to accumulate wealth (providing that housing does not devalue). Furthermore, the debt-service ratio²³ is at the lowest level in a decade and projected to increase only modestly in 2004²⁴, suggesting that most Canadians can cope with their debt burden.

Given these arguments, Manitoba with the second lowest mortgage debt as a proportion of total debt is perhaps not as well positioned as the other jurisdictions. Nevertheless, given that

²¹ Statistics Canada, *The Daily – Review of Personal Disposable Income*, 2003.

²² TD Economics, *Outlook for Consumer Spending and Labour Markets supportive of Small Business*, November 2003.

²³ Interest payments to personal debt as a proportion of personal income.

²⁴ TD Economics, *Outlook for Consumer Spending and Labour Markets supportive of Small Business*, November 2003.

the actual amount of debt per capita is half that in every other jurisdiction except Saskatchewan, and represents so much less of a proportion of personal disposable income, Manitoba remains in fairly good shape. However, for those who have not locked in longer term mortgage rates, have maximized both their leverage and budget for mortgage payments, and counted on housing prices to remain stable, such economic generalizations may prove to be cold comfort.

2.5 Conclusions

Quality of life in Manitoba as defined by the LIVE indicators improved slightly over the last five years but this progress for the most part lagged behind the Canadian average and was at the lower end within our comparison. On the positive side, Manitoba had the highest increase in expenditures on *Health*. It also recorded both a modest increase in *Personal Disposable Income* per capita as well as a slight decrease in the percentage people receiving *Social* assistance. However, these improvements were the second lowest within our comparison and below the Canadian average. Manitoba's only other distinction was having the second lowest increase in *Financial Vulnerability* over this period. Still, this latter achievement is somewhat dubious in that it is not so much an improvement in quality of life but simply a less negative result than other jurisdictions.

Progress last year in improving the LIVE indicators was fairly limited in every jurisdiction in our comparison. Manitoba was no exception and quality of life as defined by the LIVE indicators remained unchanged or regressed slightly, although not as much as in Alberta and Ontario. Manitoba's sole distinction was having the lowest increase in *Financial Vulnerability* last year. *Health* care expenditures remained virtually unchanged as did *Social Well Being* apart from having the second highest increase in the *Crime Rate*. Finally, although Manitoban's disposable income per capita shrank last year by 1.2 percent, this loss was not as severe as Ontario or Alberta.

Collectively, trends in these numerically based measures over the last five years and even last year point to continued challenges for Manitoba and for that matter, all the jurisdictions in our comparison to return to positive gains in all the LIVE indicators. However, Manitoba relative to some other provinces appears to be for the most part stable and has a number of factors in its favour, including an increasingly diversified economy, high labor force participation and low unemployment that may contribute to positive gains in the future. In addition, our indicator-based analysis ignores the considerable qualitative advantages that Manitoba offers and the proactive efforts by the province and various professional organizations, including the "Manitoba Advantage" campaign and Provincial Nominee Program that appear to be bearing fruit. A particularly promising sign is recent progress that Manitoba has made in reversing inter-provincial population loss. This success appears to point to new optimism about the province's future that has yet to be reflected in the LIVE indicators.