

# **MB Check-Up 2005**

## **Back Up Report**

### ***WORK Section***

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### 3.1 Introduction and Methodology

Manitoba has the most diversified economy of all four western provinces and includes a number of industries that require highly skilled workers such as biotechnology, pharmaceutical and aerospace manufacturing. Traditional industries such as agriculture are also using increasing amounts of technology to remain internationally competitive. Demand for technically skilled workers is growing internationally and while Manitoba has done a good job of attracting international immigrants in high need areas through the use of its provincial nominee program the province continues to lose residents to other provinces, albeit at a slower rate in 2004.

To assess what it is like to work in Manitoba the following five indicators are used and compared with British Columbia, Alberta, Saskatchewan, Ontario and Canada. The job creation indicator will be of particular interest as we examine the increasingly prominent role that public sector employment is taking in the Manitoba labour market later in the *Closer Look* section.

- **Educational attainment** – The productivity and competitiveness of the economy depends to a large degree on the skill level of its labour force. Our indicator, expressed as the **percentage of labour force between ages 25-64 with post-secondary accreditation**<sup>38</sup>, measures the education aspect of its human capital.
- **Employment Opportunity** – This is reflected in the **Employment Rate**, expressed as the number of employed persons as a percentage of the population aged 15 and older.
- **Labour Compensation – Real Average Hourly Wage** captures labour force earnings, net of inflation. This is evaluated from the perspective of *workers*.
- **Pay Equality – Female/Male Wage Gap** is the ratio of female to male hourly wages (full time workers) in the employed labour force and indicates the degree of pay equality in the labour market.
- **Job Creation/destruction – Absolute or percentage net change in number of employed workers.** This shows where new opportunities or losses have occurred in the various economic sectors.

### 3.2 Summary of Key WORK Indicators

Table 3-1 presents the changes in the WORK indicators over the last year in each of the western provinces, Ontario and Canada as a whole. A positive increase in the value of any of these indicators means an improvement in the quality of the province's work environment.

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<sup>38</sup> Post secondary certificate, diploma or higher.

From the perspective of a worker in Manitoba the work environment in 2004 improved in all of the indicators except educational attainment. Last year was particularly good for women working in the province as their wages increased by 7 percent and resulted in Manitoba leading all other regions in wage equity. Manitoba's employment rate also remained high in 2004 and was second only to Alberta. Real wage rates had strong growth in 2004 but because Manitoba's rates were low to begin with the province remained in 5<sup>th</sup> position among the six regions reviewed. Two areas in which Manitoba did not shine in comparison to other regions were educational attainment and job creation in which the province finished in last place or tied for last. The details behind these numbers are examined in greater depth in the sections that follow.

Table 3-1: Summary of WORK Key Indicators

WORK Indicator	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Canada	
Educational Attainment	59.3%	58.9%	56.0%	<b>54.3%</b>	62.6%	61.6%	2004 Value
Employment Rate	60.8%	70.2%	64.4%	<b>65.4%</b>	63.8%	62.7%	
Real Wage Rate	\$18.48	\$17.75	\$16.33	<b>\$16.51</b>	\$18.40	\$17.70	
Female/Male Wage Ratio	0.867	0.789	0.862	<b>0.890</b>	0.843	0.850	
Job Creation	45,500	40,000	4,500	<b>5,400</b>	108,000	284,600	
Educational Attainment	0.4%	0.0%	-0.5%	<b>-0.5%</b>	0.7%	0.6%	2003-04 % Change
Employment Rate	0.5%	0.4%	0.5%	<b>0.1%</b>	0.1%	0.3%	
Real Wage Rate	1.9%	3.4%	2.6%	<b>2.8%</b>	0.7%	1.3%	
Female/Male Wage Ratio	0.9%	-0.1%	2.9%	<b>4.8%</b>	0.0%	1.0%	
Job Creation	2.3%	2.3%	0.9%	<b>0.9%</b>	1.7%	1.8%	

The following reviews changes and trends for each indicator.

### ***Educational Attainment***

Educational attainment measures the percentage of the population aged 25-54 that have received some level of post-secondary certification. This certification is commonly broken into three groups:

- post-secondary certificates or diplomas which include diploma programs at colleges as well as trades and technical certification programs;
- bachelor degrees; and;
- masters and higher level degrees which includes such things as law and medical degrees as well as doctoral degrees.

Manitoba's educational attainment rate of 54.3 percent in 2004 extended a three year trend of being the lowest of all of the six regions reviewed. Manitoba was also one of only two regions that actually saw their level of educational attainment drop in 2004 (the other being Saskatchewan). The largest educational group to decrease in Manitoba in 2004 was people with post secondary certificates or diplomas as 1,400 of these workers left the province.<sup>39</sup> Overall, Manitoba experienced a net out flow of population to Alberta and British Columbia last year so it is reasonable to expect that many of these workers who left were trades and other technically certified workers who migrated west to work in the burgeoning oil and gas or construction sectors. Three hundred Manitobans with bachelor degrees also left in 2004, but the interesting trend in university level attainment was the 9.5 percent increase in people with masters and other higher level degrees, particularly as this education level decreased in all other regions reviewed.

Part of the explanation for Manitoba's jump in higher level university educated residents is the province's highly effective provincial nominee program which is used to attract skilled workers in high demand areas such as health care, engineering and information technology which accounted for half of the increase in international immigration in 2004<sup>40</sup>. Manitoba also capped university tuition fees and offers some of the most affordable tuition rates in the country as tuition fees have fallen by 9.4 percent since 2000.<sup>41</sup> Manitoba has also fostered the growth of a life science industry cluster and has seen jobs in life sciences increase by a staggering 960 percent between 1989 and 2004,<sup>42</sup> and one third of Canada's pharmaceutical exports come from the province.<sup>43</sup> Recent expansions to federal and university research facilities and well as expansions at companies such as Biovail are likely driving demand for increasing numbers of Manitobans with higher level university degrees.

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<sup>39</sup> Statistics Canada, Labour Force Survey

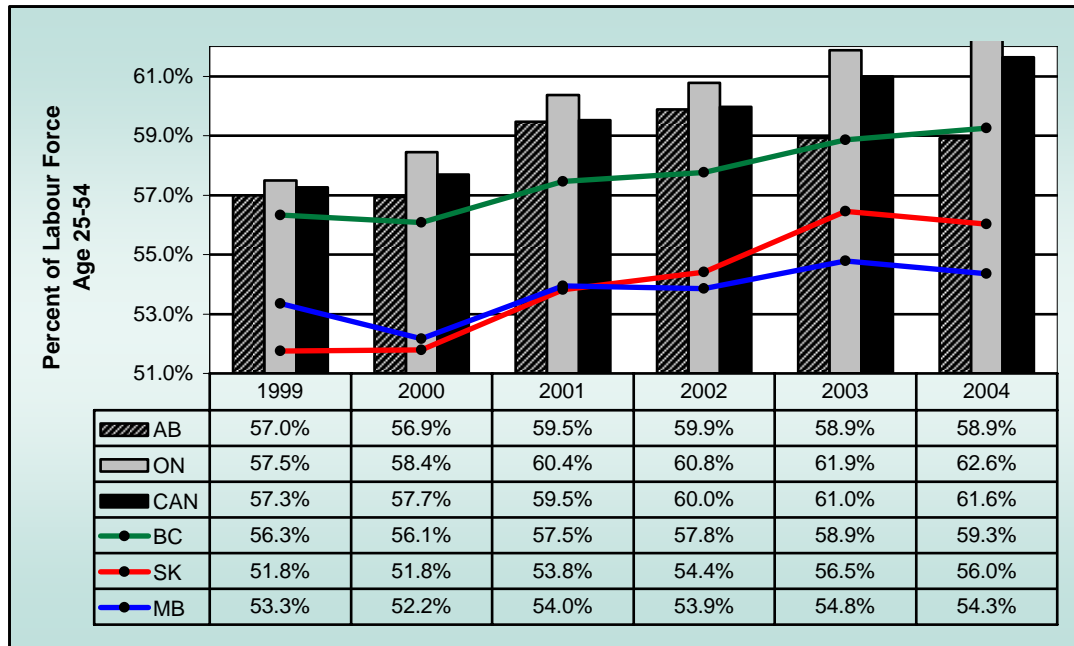
<sup>40</sup> The 2004 Manitoba Budget Papers

<sup>41</sup> Statistics Canada, The Daily September 2, 2004

<sup>42</sup> National Research Council – Institute for Biodiagnostics

<sup>43</sup> BioBusiness Magazine, Summer 2005

**Figure 3-1 Percent of Labour Force Age 25-54 with a Post-Secondary Certificate/Diploma or Higher, Provinces and Canada, 1999-2004**



Source: Statistics Canada – Labour Force Survey

In looking at Manitoba’s educational attainment performance over the past five years, the trend has been generally one of improvement. Last year’s decline in educational attainment may be the downside of Manitoba’s stable diversified economy being located near the currently booming economies in Alberta and British Columbia that are luring some people away, particularly those with skills useful to the construction and oil & gas industries. As the relative strength of these provinces slows it may be reasonable to expect some Manitobans will migrate back home. This future homecoming combined with Manitoba’s attractive post secondary tuition rates, continued strong international immigration, and growing life sciences industry may help to raise Manitoba’s future educational attainment level.

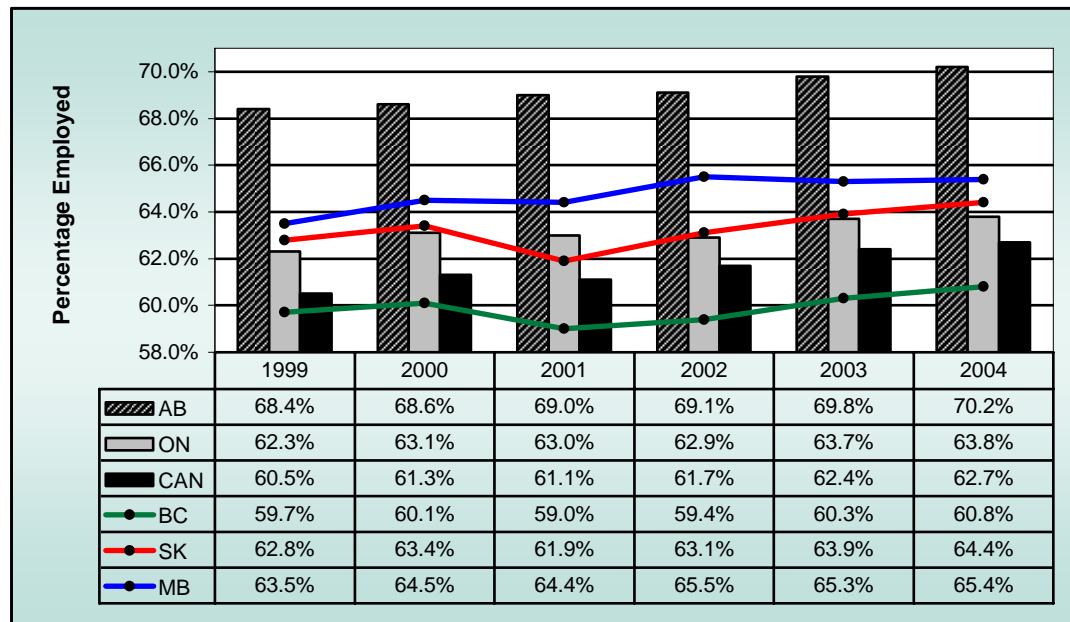
### **Employment Rate**

Manitoba’s employment rate – the number of people working divided by the provincial population aged 15 and older – maintained its high level of employment (65.4 percent) in 2004 as it has for the last three years, which placed Manitoba in the number 2 position behind Alberta. Manitoba’s diversified economy created positive but not startling employment growth of 0.9 percent<sup>44</sup> in 2004 which was matched by a comparable increase in the province’s working age population as increased international in-migration of 7,852 people more than offset a net outflow of 2,095 Manitobans to other provinces. Areas of strength in Manitoba in 2004 included health care and social assistance, durable manufacturing, mining, oil & gas, real estate & leasing and public administration. Full-time employment continued to grow for the

<sup>44</sup> Statistics Canada – Labour Force Survey

third year in a row, increasing by 6,800 positions in 2004, while part-time work decreased for the second year, dropping 600 jobs.

**Figure 3-2 Employment Rate (Employed Population Aged 15+ as a Percentage of Total Population Aged 15+), Provinces and Canada, 1999-2004**



Source: Statistics Canada – Labour Force Survey

Manitoba's employment rate has increased steadily from 61.4 percent in 1996 to the 65 plus percent for the last three years as employment grew in the province's life sciences, aerospace, transportation manufacturing, furniture, health and education sectors over this nine year period. The result has been one of the lowest unemployment rates in the country for the last decade.

A solid and diversified employment base has provided steady, if moderate, employment growth in Manitoba. This combined with Manitoba's moderate population growth has resulted in an employment rate surpassed only by Alberta's booming oil and gas economy. As a result, most people who are looking for work can find it in Manitoba and this trend looks to be settling in for the long term as any downturns in one corner of the economy are offset by growth in another.

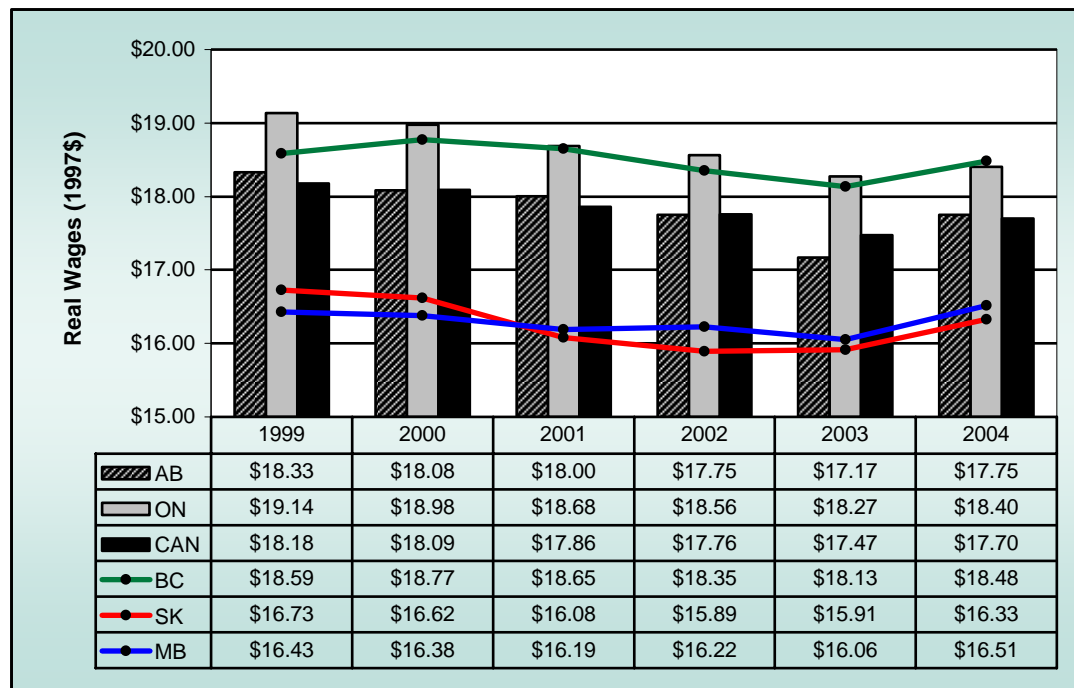
### Real Wages

In 2004 Manitoba saw its wages, adjusted for inflation, increased faster than all of the other regions reviewed, with the exception of Alberta, increasing 2.8 percent to \$16.51 per hour (salaried workers wages are converted to an hourly equivalent to create the single figure for all workers).<sup>45</sup> This strong growth was driven largely by wage increases in Manitoba's service

<sup>45</sup> Statistics Canada – Survey of Employers, Earning and Hours

industries whose wages increased by 5.1 percent compared to a 1.8 percent increase in the goods producing industries.<sup>46</sup> Services that witnessed particularly strong wage growth included: other services (automotive & machinery repair, household services) 8.9 percent; professional, scientific & technical services (legal, accounting, engineering, computer systems, research & development and advertising) 7.6 percent; business, building and other support services 6.7 percent; and, health care and social assistance 5.7 percent.<sup>47</sup> Although Manitoba had strong wage growth in 2004, the province's wage rates were low to start with and as a result the province's overall real wage position remained second to last, just in front of Saskatchewan.

**Figure 3-3: Real Average Hourly Wages Provinces and Canada, 1999 – 2004**



Source: Statistics Canada – Labour Force Survey

Over the last five years Manitoba's real wage position relative to the other regions has improved as it was the only province whose real wages were higher in 2004 than they were in 1999. Manitoba has achieved this distinction by recording steady growth in nominal wages while maintaining the second lowest inflation rate of all the regions reviewed (only British Columbia had a lower inflation rate). Subsequently, even though Manitoba remained the region with the second lowest wages, the gap between Manitoba's real wages and the highest wage region has shrunk from \$2.71 per hour in 1999 to \$1.89 per hour in 2004.

At first glance Manitoba's real wage position doesn't look too impressive with it being a distant 5th place out of six regions for the last four years. However, on closer inspection there are

<sup>46</sup> Statistics Canada – Labour Force Survey

<sup>47</sup> Ibid.

elements of strength that are rooted in the province's stable, diversified economy and low rate of inflation.

### ***Pay Equality***

Manitoba vaulted into first place among all regions in the area of pay equity between men and women in 2004 as wage rates for women workers climbed 7.1 percent to \$16.63 per hour from \$15.53 per hour the year before<sup>48</sup>. This increase placed average female wages to within 89 percent of those for men in the province.<sup>49</sup> The wage strength for women did not come from women assuming a larger proportion of senior positions in Manitoba because the percentage of female managers held steady at 37.3 percent.<sup>50</sup> Instead, women's wage increases arose from improvements in female dominated occupations such as health care and social assistance, public administration, finance, insurance and real estate. An interesting trend was women making wage gains within some industries in which men lost ground. For example in the health care and social assistance industry the average wage for women increased by \$1.25 per hour to \$17.49 in 2004 while men's wages in the same industry fell \$0.75 per hour to \$18.29. A similar trend was seen in agriculture while in other industries, such as public administration and finance, insurance and real estate, pay increases for women were much higher than those for men.<sup>51</sup> This phenomenon is likely the result of many senior workers (predominantly male) retiring, and a higher proportion of women moving into these positions.

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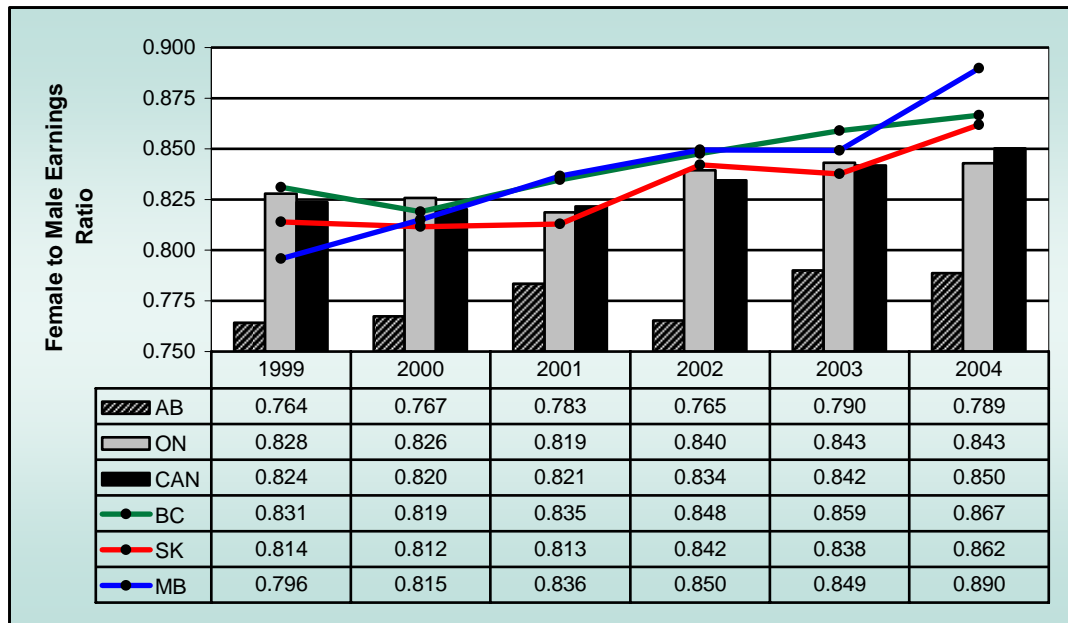
<sup>48</sup> Statistics Canada – Labour Force Survey

<sup>49</sup> Ibid

<sup>50</sup> Ibid

<sup>51</sup> Ibid

**Figure 3-4: Female to Male Earnings Ratio, Provinces and Canada, 1999 – 2004**



Source: Statistics Canada – Labour Force Survey

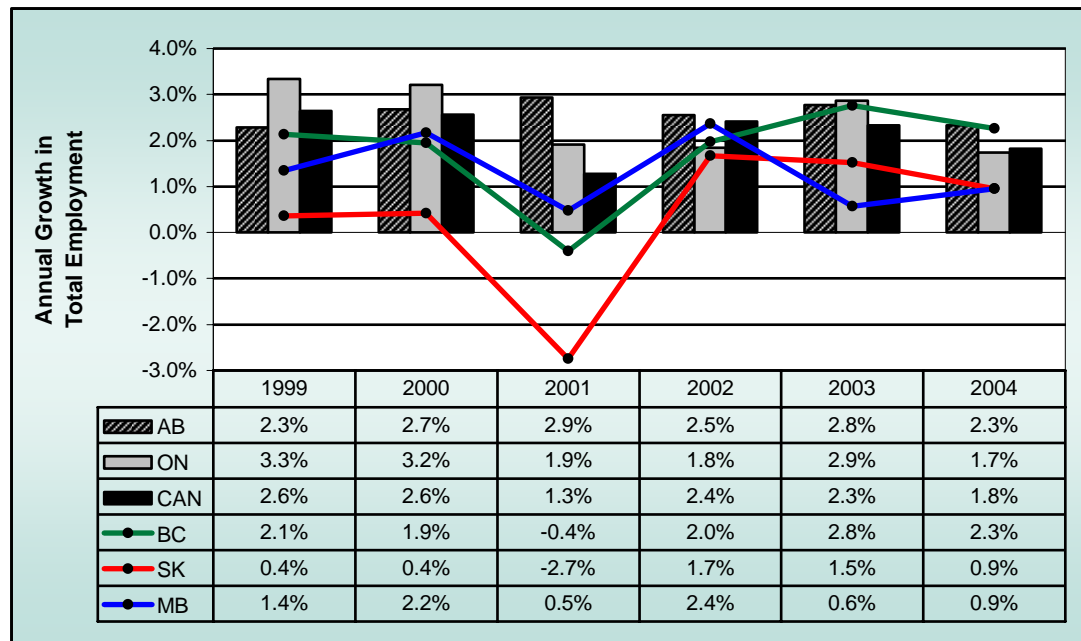
Pulling back and looking at Manitoba’s wage equity trend over the past five years shows a real Cinderella story as the province moved steadily from dead last amongst all six regions to the number one position in 2004. Women in Manitoba enjoyed the strongest wage growth of any of the jurisdictions over this five year period, with an increase of more than 24 percent. Men’s average wages did not perform nearly as well and this, too, was a reason for the rise in the comparative female/male earnings ratio.

As noted in the real wage section of this report, Manitoba’s wage rates continue to be significantly lower than those in the other jurisdictions. While women’s wages have made strong inroads in Manitoba, they remain the lowest among all the jurisdictions. However, the gap between real wages in Manitoba and the national average is closing.

### **Job Creation**

Manitoba added 5,400 jobs to its economy in 2004 which represented a growth rate of only 0.9 percent. This tied Manitoba for last place with Saskatchewan in terms of the rate of job growth across the six regions. Goods producing sectors pulled down the province’s overall employment growth rate, as agriculture and non-durable manufacturing continued their three year slides losing 200 and 2,800 jobs respectively in 2004. Three goods industries that did register job growth were durable-manufacturing that increased by 2,900 jobs, mining, oil & gas extraction up 1,200 positions and construction that employed 500 more workers. Public sector services led the way in services sector job growth as health care & social assistance and public administration added 4,400 and 2,100 jobs respectively. Real estate & leasing, business, building & other support services and retail trade each added 1,300 workers in 2004.

**Figure 3-5: Annual Growth in Total Employment, Provinces and Canada, 1999 – 2004**



Source: Statistics Canada – Labour Force Survey

Looking at Manitoba’s job creation record from the five-year perspective we see that service industries are responsible for all of the job growth, adding 40,700 jobs since 1999 while manufacturing has lost 3,700 workers over this same period.<sup>52</sup> The health care and social assistance sector saw the largest increase in jobs, adding 15,600 workers since 1999, as the provincial government has pursued an ambitious plan of upgrading healthcare facilities, increasing the number of nurses and doctors, and implementing a new home care delivery system. Durables-manufacturing, the only goods producing sector that saw increased jobs since 1999, experienced steady employment growth over the past five years adding 5,500 jobs on the strength of transportation equipment, chemicals, fabricated metal products and wood products. Other sectors with strong employment growth since 1999 include public administration, information, culture and recreation, retail sales and business, building and other support services.

Service sector growth has driven much of the job growth in Manitoba as in other regions. The difference over the five-year view was that Manitoba was one of only two regions to actually suffer a net loss of goods sector jobs, due to job losses in agriculture and the associated manufacturing of food products. While the beef industry looks poised to put its BSE troubles behind it, this year’s flooding problems may extend the troubled times for agriculture into 2005. On the services side, Manitoba has experienced very strong job growth in health care and social assistance services, like the rest of the country, as “boomers” age and require higher levels of health care. However, unlike other regions, Manitoba has also experienced double digit employment growth in the other public sector industries of education and public

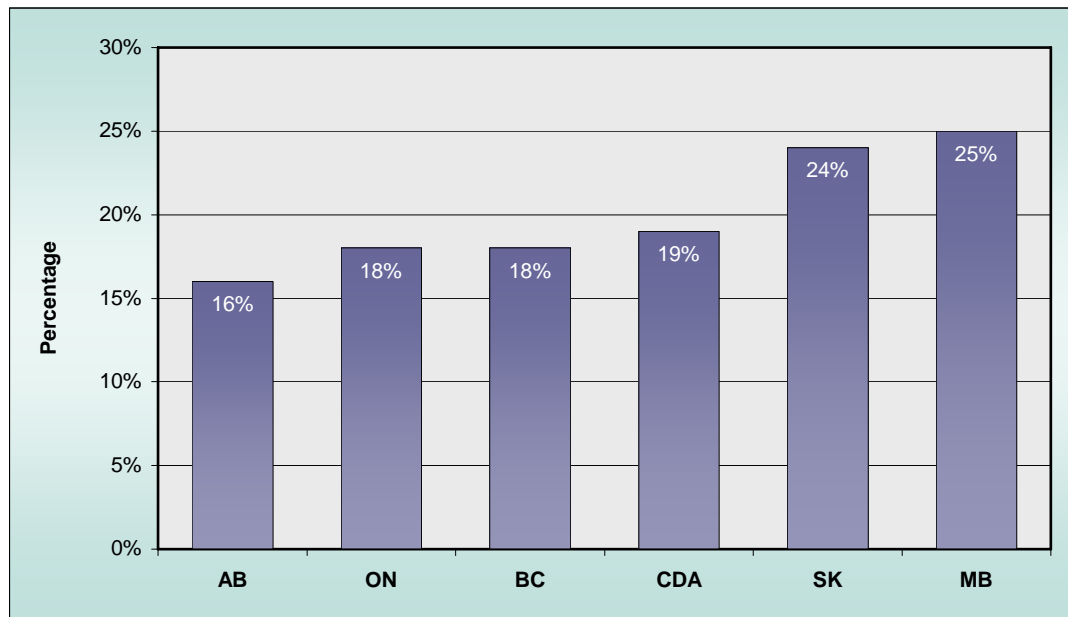
<sup>52</sup> Statistics Canada – Labour Force Survey

administration over the past five years. The following section will examine the role of public sector employment in Manitoba's overall employment picture.

### 3.3 Taking a Closer Look at Job Creation

Last year in Manitoba public sector employment increased by 7,000 jobs or 5 percent while the size of the private sector decreased by 1,400 workers or -0.4 percent.<sup>53</sup> The increasing importance of public sector employment is part of a decade long trend that has seen public sector employment as a percentage of private sector employment climb from 36 percent in 1995 to 43 percent in 2004.<sup>54</sup> Since 1999 public sector employment has increased by 25,700 workers. Placed into context, this represents almost three quarters (71 percent) of the 36,000 jobs created in the entire provincial economy during this five year period. One question that arises is whether such growth in public sector employment is sustainable. To answer this question we will look at where these public sector jobs are and which ones are putting in the big growth numbers.

**Figure 3-6: Public Sector Employment as a Percentage of Total Employment, Provinces and Canada, 2004**



Source: Statistics Canada – Labour Force Survey

<sup>53</sup> Ibid

<sup>54</sup> Ibid

Public sector employment is comprised of four main areas:

- general government – Federal, Provincial and local government agencies;
- health and social service institutions;
- education – primary & secondary system, post-secondary institutions; and,
- government business enterprises – Manitoba Public Insurance, Lotteries Corporation, Workers Compensation Board, etc.

The largest public sector group is general government which accounts for 35 percent (13 percent provincial, 11 percent federal and 11 percent local) of Manitoba's public sector employment. Health and social services comes in second accounting for 27 percent of the public sector's workers or 39,000 jobs in Manitoba. Education pulls into the third spot with 26 percent of the public sector workers, 25,000 of whom are employed in the kindergarten to grade 12 system and 13,600 in post-secondary education. Government business enterprises round out the group with 17,500 employees.<sup>55</sup>

So which of these groups are growing? The biggest gains were in post-secondary education, which has increased by 38 percent since 1999. While Manitoba has been increasing the capacity of its post-secondary system through initiatives like its college expansion program, the other area of increased activity is post-secondary research activity in support of the province's activities to establish Manitoba as a Canadian centre for life sciences research and commercialization. The federal government has undertaken related expansion of a number of its life science research centres in Manitoba including the Canadian Science Centre for Human and Animal Health, the National Research Council's Institute for Biodiagnostics, and the National Centre for Agri-Food Research in Medicine. Many of these institutions are classified as federal government business agencies which have grown by 61 percent in Manitoba over the last five years.<sup>56</sup>

Health and social service employment has increased by 17 percent in Manitoba since 1999; this increase is associated with the province rebuilding its healthcare system over the last five years. However, employment in the provincial government's two other primary areas of expenditure -- general government and primary & secondary education -- have seen no growth and a 5 percent decrease in employment respectively.

So is the growth in Manitoba public sector sustainable? Manitoba's debt to GDP ratio would seem to suggest so, as it is the third lowest of all the provinces after Alberta and British Columbia.<sup>57</sup> The public investments in the development of the life science cluster also seem to be yielding results as jobs in life sciences in Manitoba have increased by 960 percent since 1989, Winnipeg is Canada's third largest industrial life sciences cluster and the new National

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<sup>55</sup> Statistics Canada, CANSIM.

<sup>56</sup> CANSIM

<sup>57</sup> BMO Financial Group – Commentary Manitoba's 2004 Budget

Research Councils - Canadian Centre for the Commercialization of Biotechnology will open its doors in 2005.<sup>58</sup>

### 3.4 Conclusions

The work environment in Manitoba improved across all of the WORK indicators with the exception of educational attainment in 2004. The decline in educational attainment can be largely attributed to the loss of workers to British Columbia's and Alberta's booming construction and oil and gas industries. As these industries moderate it may be reasonable to expect some of these workers will return home. The employment rate remained strong as Manitoba highly diversified economy turned in modest but steady growth. Real wages took an up-swing but started from a low position and remained in 5<sup>th</sup> position out of the six regions reviewed. Manitoba closed the pay equity gap even further in 2004 and took the number one spot for all regions. Job growth in 2004 was lead by health care, durable-manufacturing and public administration.

In examining the prominent role public sector job growth has played in Manitoba's overall employment growth we found that investments in life sciences research activity at both the provincial and federal levels has helped to develop the province as a centre for life sciences activity. The other primary area of growth was in health care and social services which was the result of the provincial government's initiatives to rebuild the healthcare system. While the same rate of public sector growth may not be sustainable for the next five years, the province's debt to GDP ratio would suggest it has been manageable to this point.

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<sup>58</sup> NRC-Institute for Biodiagnostics