



Are we there yet?

THE MANITOBA PROSPERITY REPORT

TABLE OF CONTENTS

- 1) Introduction
- 2) Executive Summary
- 3) Income / Jobs
 - Average weekly earnings
 - Disposable income
 - Labour Force
 - Employment by industry
- 4) Tax Environment
 - Corporate tax rates
 - General Corporate Tax rates
 - Small Business Tax rates
 - Small Business threshold
 - Personal income taxes
 - Top marginal rates
 - Personal income taxes paid
 - Basic personal exemption
 - Payroll tax
- 5) Skills Training/Education
 - High school graduation rates
 - Post secondary graduation rates
 - Job-related training
 - Interprovincial migration
- 6) Productivity/Innovation/Entrepreneurship
 - Number of Head offices
 - GDP per capita
 - Research and Development spending
 - Total number of business establishments
 - Entrepreneurial intensity
 - Business bankruptcies
- 7) Conclusion

INTRODUCTION

The Manitoba Employers Council (MEC), established in 1980, is the largest collective of individual employers and employer associations in Manitoba.

MEC represents the interests of Manitoba employers in matters relating to employment, including: labour relations, human resource management, employment standards, and workers compensation and workplace safety and health.

Manitoba is a great place to do business – but there is more that we can do to create jobs, increase opportunities for business success and generate greater wealth for all Manitobans.

By reviewing and analyzing a number of key economic indicators over the last ten years we can determine whether Manitoba has achieved its prosperity potential relative to neighbouring jurisdictions (BC, Alberta, Saskatchewan and Ontario) and, if not, present policy recommendations to achieve that prosperity.

The Manitoba Employers Council has chosen the indicators used in the Prosperity Report based on their focus on determinants of wealth creation and prosperity. The indicators are crucial to determining whether or not Manitoba is a competitive environment in which to do business – and if not – will give the business community a better understanding of the measures that need to take place to increase prosperity in this province.

EXECUTIVE SUMMARY

Prosperity can be an elusive measurement. How do we accurately and reasonably measure success in terms of our economic wellbeing?

By any account Manitoba has a stable, diverse economy, relatively immune to booms and busts. Of all the decade-long measurements undertaken in this analysis there has been improvement.

However, we must recognize that we exist in a competitive world, that people and businesses have choices in terms of living and investing. When viewed from a lens encompassing our more immediate competitors we discover that prosperity is relative.

Highlights include:

- Manitoba's personal disposable income has increased by 20 per cent, but ranks last among its neighbours;
- Manitoba's labour force has increased 12 per cent, but ranks last among its neighbours;
- Manitoba's personal income taxes, for a two-earner family of 4 @\$60,000, have decreased 15 per cent, but are, on an annual basis, the highest;
- Approximately 11 per cent of Manitoba's labour force has less than a high school education, down from 16.5 per cent;
- Manitoba is the only province to post a net interprovincial migration loss each year;
- Manitoba is home to 35 of the top 800 largest companies in Canada, up from 27; and
- Manitoba's entrepreneurial intensity remains unchanged at 63 businesses per 1,000 population, below the 79 businesses per 1,000 population average.

Average weekly earnings

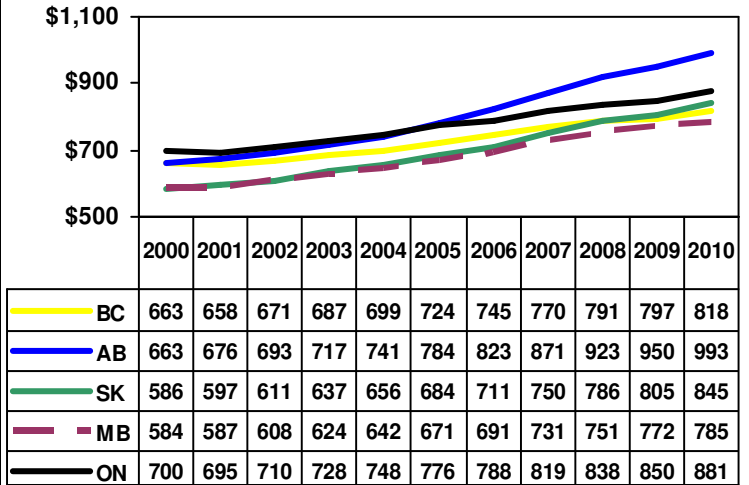
Average weekly earnings show the financial return from paid employment and are viewed as an important measure of the quality of paid employment as well as an indicator of well-being within the highlighted jurisdiction.

Since 2000, all jurisdictions have shown increases to their respective average weekly earnings, from a high of 54 per cent as is the case with Alberta, to a low of 23 per cent for BC. (see figure 1, 2)

In Manitoba, the average weekly earnings have increased \$201 or 34 per cent in the last decade. However, while this is good enough for third place in terms of percentage increase, what is striking is that Manitoba remained in last place among the five provinces every year.

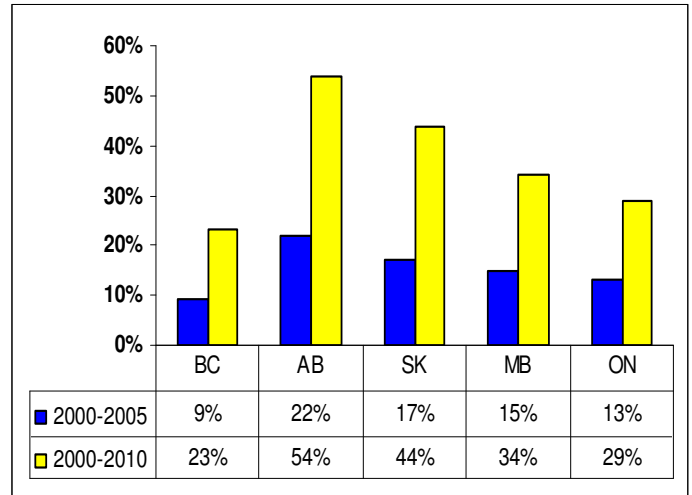
As well, Manitoba's average weekly earnings gap (the difference between 5th and 4th place) continues to grow, from a \$2 difference with Saskatchewan in 2000 to a \$33 difference with BC in 2010.

Figure 1: Average weekly earnings 2000 to 2010 (current dollars)



Source: Statistics Canada

Figure 2: Average weekly earnings % change 2000-2005, 2000-2010 (current dollars)



Source: Statistics Canada

Personal disposable income

Personal disposable income is the amount of income an individual has remaining after payment of personal direct taxes, including personal income taxes, contributions to social insurance plans ie. Canada Pension Plan and Employment Insurance.

It is a measure of the funds available for personal expenditure on goods and services and personal saving for investments.

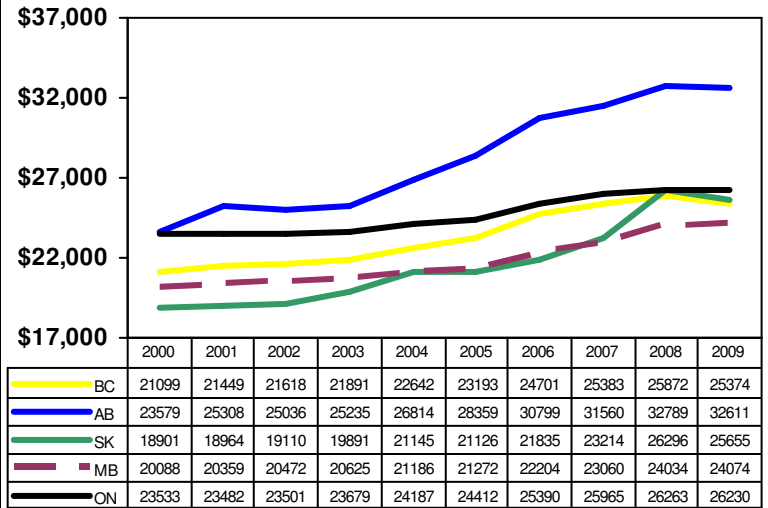
From 2000 to 2009, all reviewed provinces have shown consistent increases to per capita personal disposable income. (see figure 3)

Alberta has held the number one position for each year reviewed, while Manitoba has fallen from 4th place in 2000 to 5th place in 2009.

In terms of growth, Manitoba's per capita personal income has grown 20 per cent, lower than Alberta's 38 per cent growth or Saskatchewan's 36 per cent growth, but tied with BC and higher than Ontario's 12 per cent growth rate. (see figure 4)

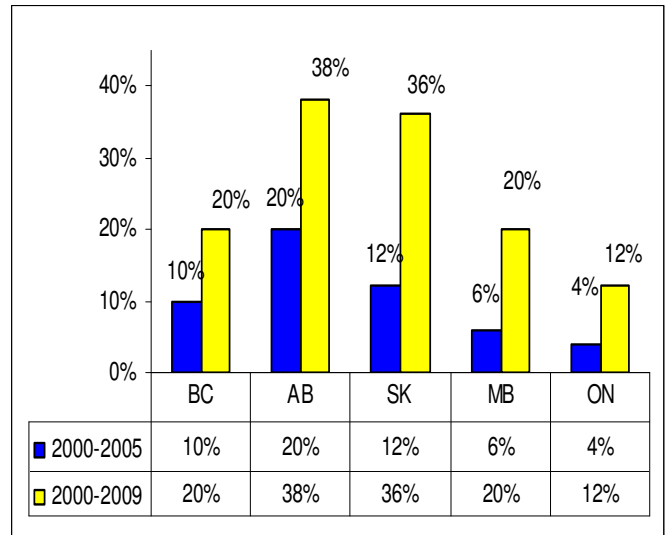
It is worth noting that Manitoba is the only province, of the five reviewed, where personal disposable income per capita did not decrease in 2009.

Figure 3: Personal disposable income per capita 2000 to 2009 (\$2002)



Source: BC Stats, Economic Statistics Report, February 9, 2011

Figure 4: Personal disposal income per capita, 2000-2005 & 2000-2009 (\$2002 % change)



Source: BC Stats, Economic Statistics Report, February 9, 2011

Labour Force

A province's labour force is the total number of all the employed (persons having a job or business) and the unemployed (persons currently without work, available to work and seeking work).

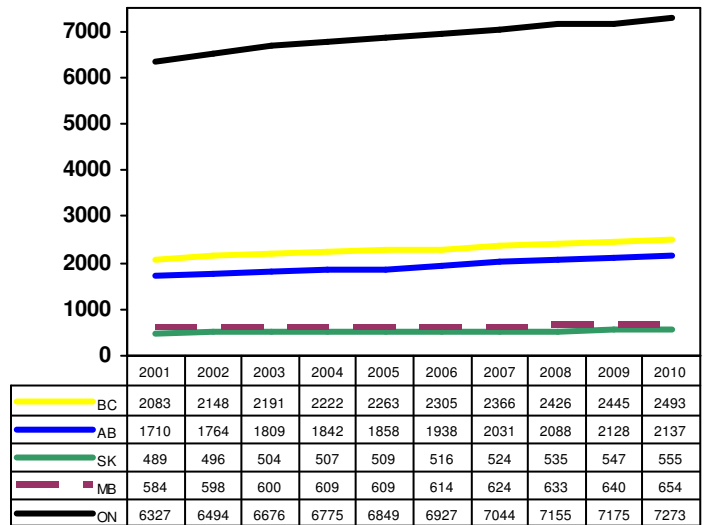
All provinces have shown steady growth in their respective labour forces from 2001 to 2010. (see figure 5)

With the considerable growth in the Alberta economy during the last decade, it is not surprising that their labour force growth of 427,000 or 25 per cent leads the provinces.

While Manitoba's labour force has grown by 70,000 or 12 per cent, it is the lowest growth rate among the reviewed provinces.

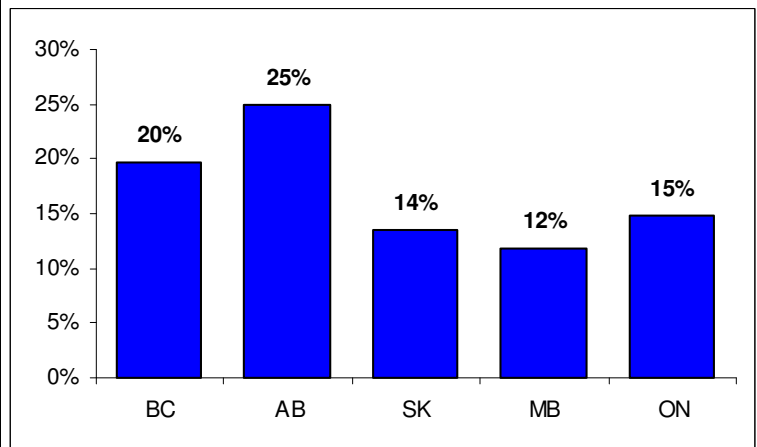
BC has seen growth of 410,000 or 20 per cent; Ontario has seen growth of 946,000 or 15 per cent and Saskatchewan has seen growth of 66,000 or 14 per cent. (see figure 6)

Figure 5: Labour force 2001 to 2010 (thousands)



Source: Statistics Canada, 2010 stats are average year-to-date (Jan-Nov)

Figure 6: Labour force growth 2001 to 2010 (% change)



Source: Statistics Canada, 2010 stats are average year-to-date (Jan-Nov)

Total Employment by Industry

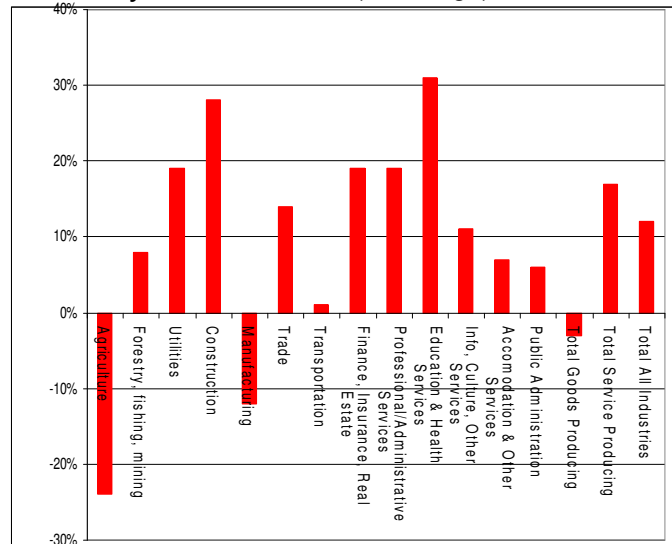
Manitoba's total employment has, from 2000 to 2010, increased by 64,700 or 12 per cent. The employment total for service producing industries has increased 68,300 or 17 per cent as compared to a 3,700 or 3 per cent decrease in total goods producing industries. (see figures 7, 8)

The largest fluctuations during the timeframe have, on the growth side, been 'education and health services' which has seen employment increase of 33,600 or 31 per cent, followed by 'construction' at 10,900 or 28 per cent and 'utilities' and 'professional and administrative services' and 'finance, insurance, real estate and leasing' all tied at 19 per cent.

On the negative side, only two industries have seen a decrease in employment, 'agriculture' by 7,900 or 24 per cent and 'manufacturing' by 8,400 or 12 per cent.

'Transportation' at an increase of 500 or one per cent in employment over the last decade showed the least change among all industries.

Figure 7: MB Total Employment by Industry 2000 vs 2010 (% change)



Source: Statistics Canada, MB Bureau of Statistics

Figure 8: MB Total Employment by Industry 2000 vs 2010

	2000	2010	Change
Agriculture	33,300	25,400	(7,900)
Other primary (Forestry, Fishing and Mining)	6,600	7,100	500
Utilities	6,800	8,100	1,300
Construction	28,500	39,400	10,900
Manufacturing	70,800	62,400	(8,400)
Trade	81,600	93,200	11,600
Transportation Services	35,000	35,500	500
Finance, Insurance, Real Estate & Leasing	29,700	35,300	5,600
Professional & Admin Services	39,900	47,400	7,500
Education & Health Services	108,900	142,500	33,600
Information, Culture & Recreation	20,100	22,400	2,300
Accommodation & Other Services	60,300	65,200	4,900
Public Administration	33,100	35,200	2,100
TOTAL: GOODS PRODUCING	146,000	142,300	(3,700)
TOTAL: SERVICE PRODUCING	408,500	476,800	69,300
TOTAL: ALL INDUSTRIES	554,400	619,100	64,700

Source: Statistics Canada, MB Bureau of Statistics

General Corporate Tax Rate

In 2000, Manitoba’s General Corporate Tax rate of 17 per cent was tied for highest with Saskatchewan. While Manitoba’s rate has fallen to the current level of 12 per cent, it remains tied for highest with Saskatchewan. (see figure 9)

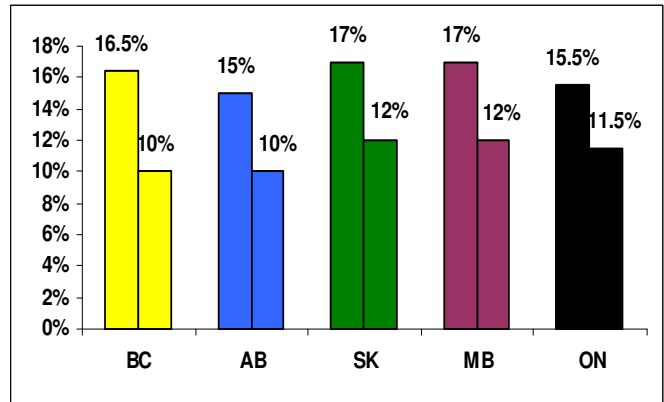
Small Business Tax Rate

When it comes to the Small Business Tax, Manitoba holds the distinction as the only province that has eliminated the tax, effective December 1, 2010. The only other province publicly committed to the elimination of this tax is BC, effective April 1, 2012. The remaining rates range from a high of 4.5 per cent in Ontario to a low of 2 per cent in Saskatchewan. (see figure 10)

Small Business Threshold

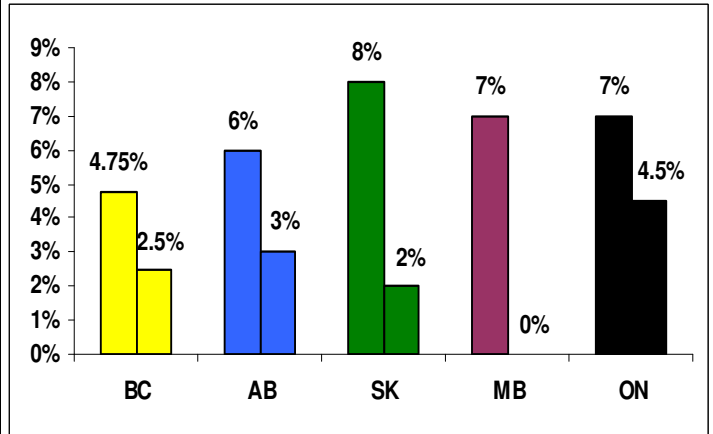
The small business threshold represents the level at which a business begins to pay corporate income taxes at the general corporate rate. In 2000, all provinces had a threshold of \$200,000, but by 2011 Manitoba’s threshold of \$400,000 was 20 per cent lower than the other provinces’ threshold of \$500,000. (see figure 11)

Figure 9: General Corporate Tax 2000 vs 2011



Source: Gov’t of Manitoba, Budget 2000, 2011

Figure 10: Small Business Tax 2000 vs 2011



Source: Gov’t of Manitoba, Budget 2000, 2011

Figure 11: Small business tax threshold 2000 vs 2011

	2000	2000 Rank	2011	2011 Rank
BC	\$200,000	1	\$500,000	1
AB	\$200,000	1	\$500,000	1
SK	\$200,000	1	\$500,000	1
MB	\$200,000	1	\$400,000	2
ON	\$200,000	1	\$500,000	1

Source: Gov’t of Manitoba, Budget 2000, 2011

Personal Income Tax (PIT)

There are several measurements to review personal income tax, from tax brackets, tax rates, basic personal exemptions, to tax paid. There has been general progress among the provinces in terms of reducing the personal income tax burden.

Manitoba's top marginal personal income tax rate remains virtually unchanged, having been reduced from 17.5 per cent to 17.4 per cent since 2001. Only Ontario's unchanged rate of 17.41 per cent remains on par with Manitoba. (see figure 12)

PIT and family of four @ \$30,000*

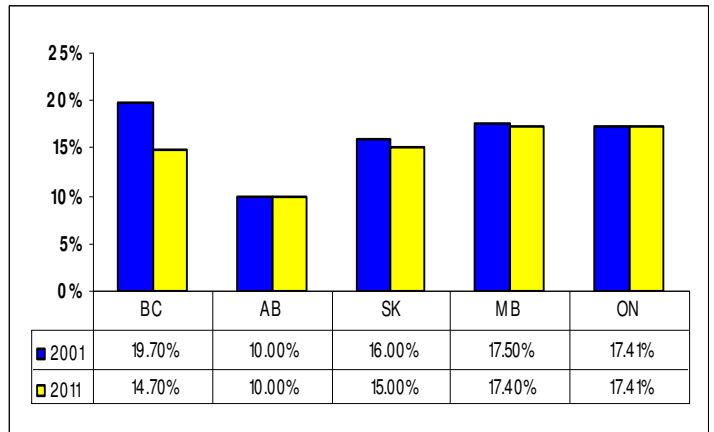
In Figure 13, comparing personal income taxes paid in 2001 versus income taxes payable in 2011, a two-earner family of four @ \$30,000 will pay:

- \$949 less in BC;
- \$150 less in Alberta
- \$954 less in Saskatchewan;
- \$282 **more** in Manitoba; and
- \$679 less in Ontario

Personal income tax paid, for this low-income family, declined 100 per cent in BC, 100 per cent in Alberta, 100 per cent in Saskatchewan, and 129 per cent in Ontario, but increased 128 per cent in Manitoba. (see figure 14)

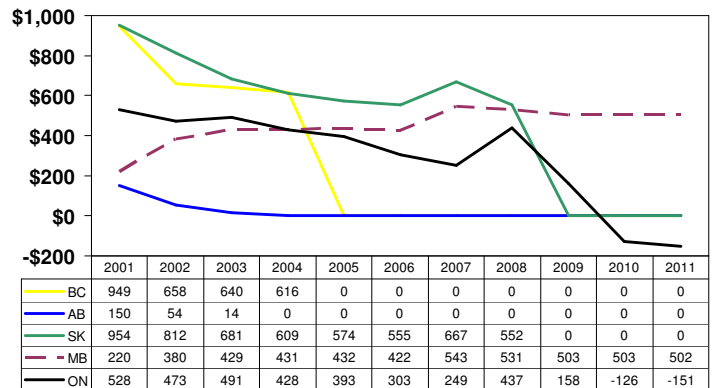
* BC's 2011 Budget reflects information as of February 1, 2011 and therefore does not take into account income tax changes resulting from the 2011 budgets of AB, SK, MB or ON. For example, MB's 2011 Budget changes will result in tax savings of \$27 for an individual and \$54 for a couple in 2011. However, BC Budget(s) provide personal income tax scenarios unique from those found in MB Budget(s), allowing for additional comparisons.

Figure 12: Top marginal PIT rate 2001* vs 2011



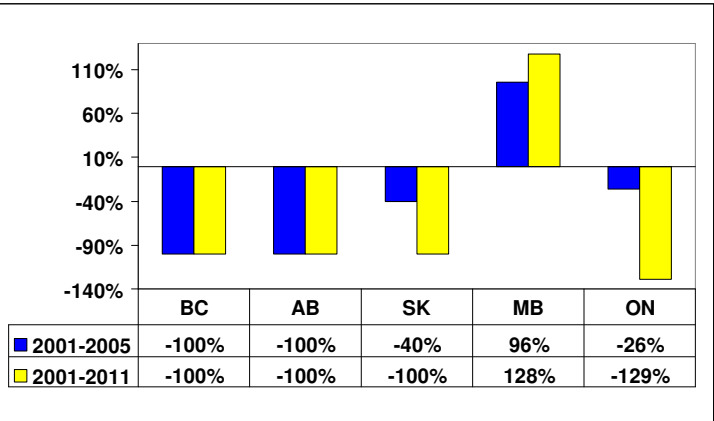
Source: Gov't of MB, Budgets 2001, 2011
* 2001 chosen as it was the first full year of TONI (tax on net income) system in MB.

Figure 13: PIT paid, 2001 to 2011 (two-earner family of 4 @ \$30,000)



Source: Gov't of BC, Budgets 2001-2011

Figure 14: PIT paid, % change (two-earner family of 4 @ \$30,000)



Source: Gov't of BC, Budgets 2001-2011

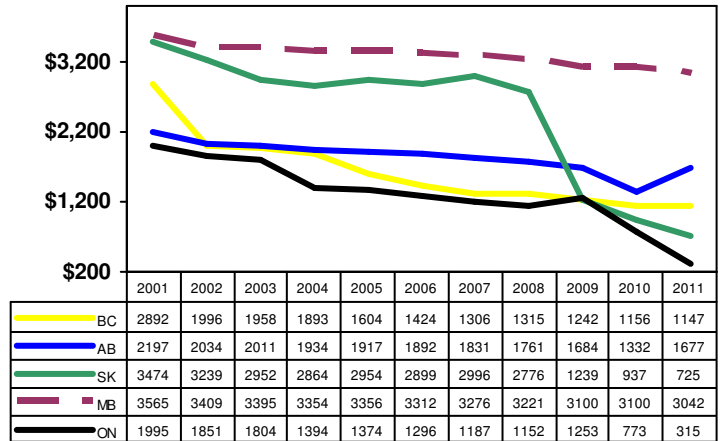
PIT and family of four @ \$60,000

In Figure 15, comparing personal income taxes paid in 2001 versus income taxes payable in 2011, a two-earner family of four @ \$60,000 will pay:

- \$1,745 less in BC
- \$520 less in Alberta;
- \$2,749 less in Saskatchewan;
- \$523 less in Manitoba; and
- \$1,680 less in Ontario.

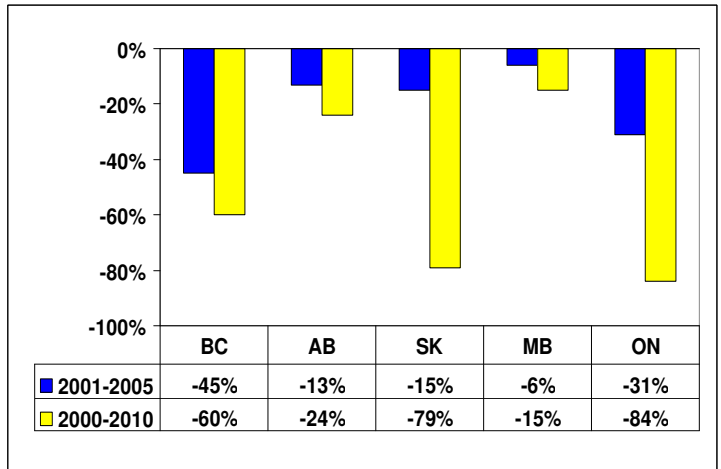
Personal income tax paid, for this middle-income family declined across the board, but whereas it declined 60 per cent in BC, 24 per cent in Alberta, 79 per cent in Saskatchewan and 84 per cent in Ontario, it declined 15 per cent in Manitoba. (see figure 16)

Figure 15: PIT paid, 2001 to 2011 (two-earner family of 4 @\$60,000)



Source: Gov't of MB, Budgets 2001-2011

Figure 16: PIT paid, % change (two-earner family of 4 @\$60,000)



Source: Gov't of MB, Budgets 2001, 2005, 2011

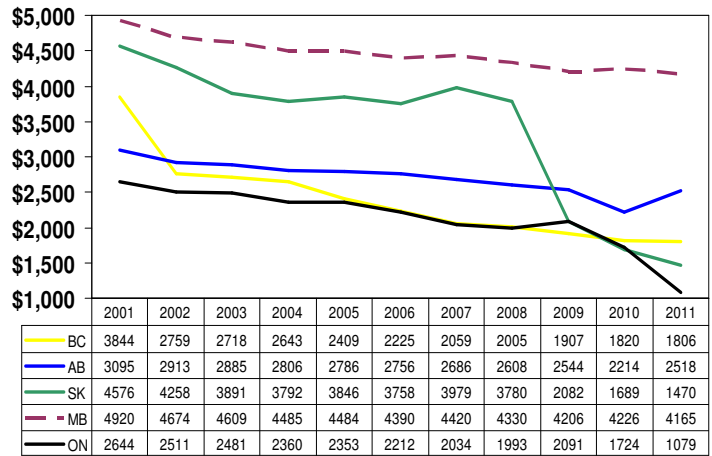
PIT and family of five @ \$75,000

In Figure 17, comparing personal income taxes paid in 2001 versus income taxes payable in 2011, a two-earner family of four @ \$75,000 will pay:

- \$2,038 less in BC
- \$577 less in Alberta;
- \$3,106 less in Saskatchewan;
- \$755 less in Manitoba; and
- \$1,565 less in Ontario.

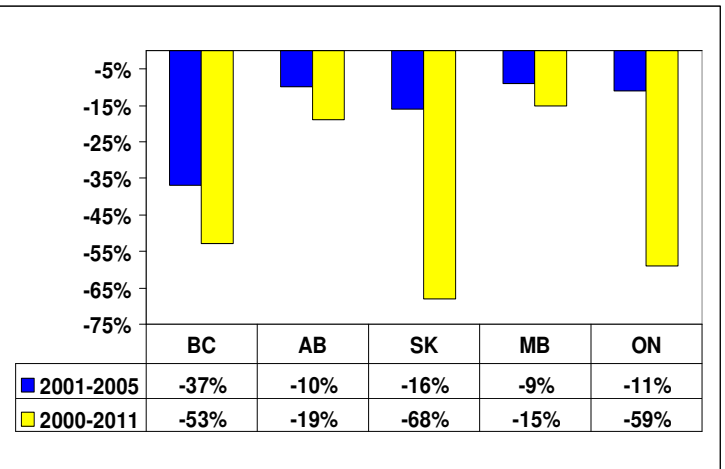
Personal income tax paid for this middle-income family declined, but whereas it declined 53 per cent in BC, 19 per cent in Alberta, 68 per cent in Saskatchewan and 59 per cent in Ontario, it declined 15 per cent in Manitoba. (see figure 18)

Figure 17: PIT paid, 2001 to 2011 (two-earner family of 5 @\$75,000)



Source: Gov't of MB, Budgets 2001-2011

Figure 18: PIT paid, % change (two-earner family of 5 @\$75,000)



Source: Gov't of MB, Budgets 2001-2011

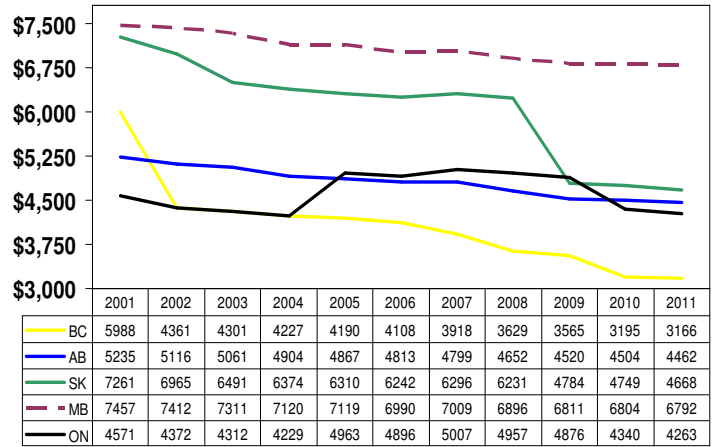
PIT and family of four @ \$90,000*

In Figure 19, comparing personal income taxes paid in 2001 versus income taxes payable in 2011, a two-earner family of four @ \$90,000 will pay:

- \$2,822 less in BC
- \$773 less in Alberta;
- \$2,593 less in Saskatchewan;
- \$655 less in Manitoba; and
- \$308 less in Ontario.

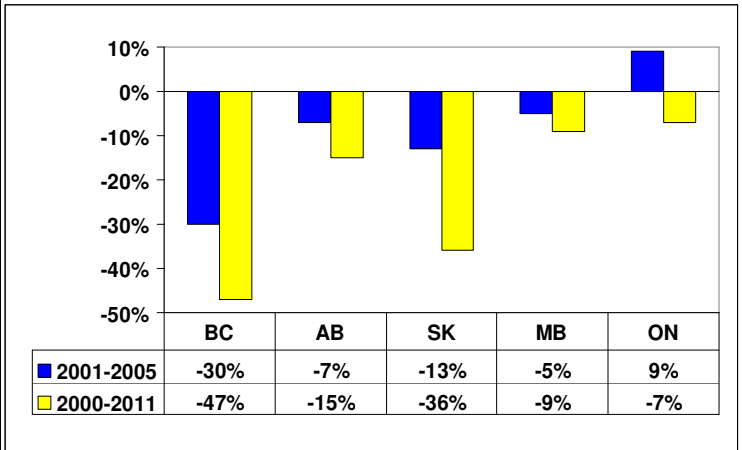
Personal income tax paid for this high-income family declined, but whereas it declined 47 per cent in BC, 15 per cent in Alberta, 36 per cent in Saskatchewan and seven per cent in Ontario, it declined 9 per cent in Manitoba. (see figure 20)

Figure 19: PIT paid, 2001 to 2011 (two-earner family of 4 @ \$90,000)



Source: Gov't of BC, Budgets 2001-2011

Figure 20: PIT paid, % change (two-earner family of 4 @ \$90,000)



Source: Gov't of BC, Budgets 2001-2011

* BC's 2011 Budget reflects information as of February 1, 2011 and therefore does not take into account income tax changes resulting from the 2011 budgets of AB, SK, MB or ON. For example, MB's 2011 Budget changes will result in tax savings of \$27 for an individual and \$54 for a couple in 2011. However, BC Budget(s) provide personal income tax scenarios unique from those found in MB Budget(s), allowing for additional comparisons.

What Canadians can earn before paying PIT

Figure 21 illustrates what different categories of taxpayers can earn, in 2010, prior to paying PIT.

For Manitoba, which ranked 5th in each category, to tie the province that currently holds 4th place, the following would have to occur:

- A single individual could earn, tax free, \$3,165 or 30 per cent more;
- A married couple could earn, tax free, \$2,613 or 13 per cent more;
- A married couple with two children could earn, tax free, \$4,842 or 18 per cent more;
- A single parent with two children could earn, tax free, \$971 or four per cent more;
- A single senior could earn, tax free, \$1,136 or six per cent more; and
- A married senior couple could earn, tax free, \$3,691 or 11 per cent more.

Figure 21: What Canadians can earn before paying PIT, 2010

	BC	AB	SK	MB	Rank	ON
Single individual	\$18,849	\$17,844	\$16,281	\$10,604	5	\$13,769
Married couple	\$31,414	\$34,875	\$32,575	\$20,335	5	\$22,948
Married couple (2 children)	\$31,414	\$45,112	\$42,281	\$26,572	5	\$43,311
Single parent (2 children)	\$25,015	\$45,216	\$37,297	\$24,044	5	\$40,724
Single senior	\$21,569	\$22,811	\$21,886	\$19,113	5	\$20,249
Married senior couple	\$42,762	\$45,620	\$41,519	\$33,560	5	\$37,251

Source: Gov't of Alberta, Budget 2011

Basic personal exemption (BPE)

The basic personal exemption is the amount of income an individual can earn before they are subject to personal income tax.

In 2001 Manitoba’s BPE of \$7,412 was the lowest among the provinces. The other provinces’ BPEs for 2001 ranged from \$7,426 in Ontario to \$12,900 in Alberta. (see figure 22)

While Manitoba’s BPE has increased to \$8,384 by 2011, it remains the lowest among the provinces which range from \$9,104 in Ontario to \$16,977 in Alberta.

While Manitoba’s BPE has increased, relative to the other provinces the growth has been minimal. As noted in Figure 23, in 2001, as compared to Manitoba:

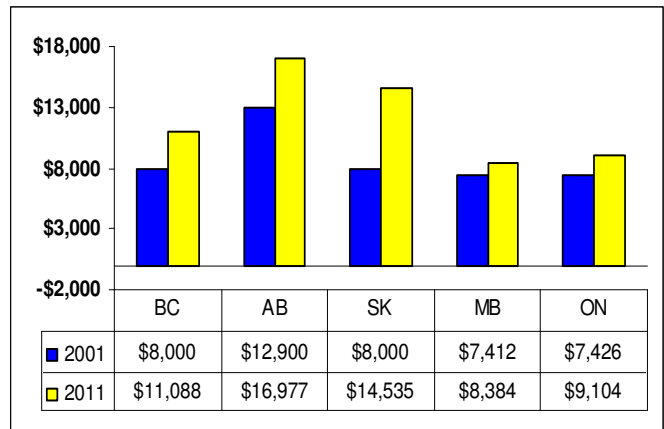
- BC’s BPE was 8 per cent higher;
- Alberta’s BPE was 74 per cent higher;
- Saskatchewan’s BPE was 8 per cent higher; and
- Ontario was essentially tied.

By 2011 the gap between Manitoba and the other province has increased:

- BC’s BPE is 32 per cent higher;
- Alberta’s BPE is 102 per cent higher;
- Saskatchewan’s BPE is 73 per cent higher; and
- Ontario’s BPE is nine per cent higher.

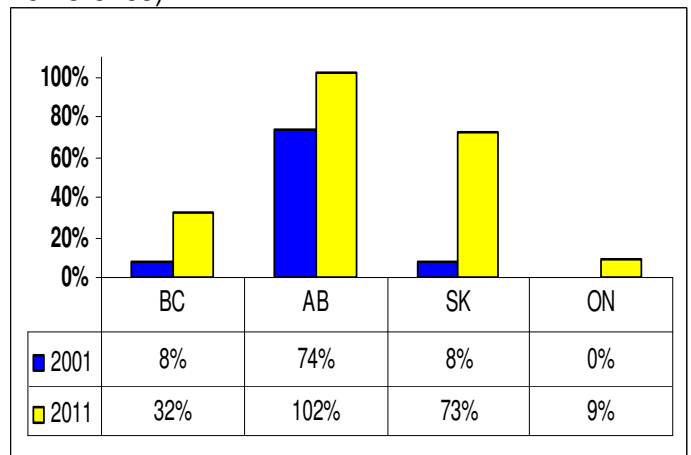
Manitoba is the only province in this review that does not index its personal tax system to inflation which is a contributing factor for the increasing gap.

Figure 22: BPE, 2001 vs 2011



Source: Canada Revenue Agency

Figure 23: Manitoba’s BPE vs BC, AB, SK & ON: 2001 & 2011 (% difference)



Source: Canada Revenue Agency

Payroll Tax

The payroll tax or the Employer Health Tax, as it is officially known as in Ontario, or the Health and Post Secondary Education Tax Levy, as it is officially known as in Manitoba, is essentially a tax on a business's payroll. The profitability of a business, in terms of actual income, within a given year has no bearing on the application of the tax.

Among the western provinces, including Ontario, only two provinces charge a payroll tax...Ontario and Manitoba. (see figure 24)

In the effected provinces, once thresholds have been reached, a business's entire payroll is subject to the tax. In the case of Manitoba, 2.15 per cent and in the case of Ontario, 1.95 per cent.

Figure 24: Payroll Tax

	2000	2000 Rank	2011	2011 Rank
BC	No	1	No	1
AB	No	1	No	1
SK	No	1	No	1
MB	2.15	3	2.15	3
ON	1.95	2	1.95	2

Source: Gov't of Manitoba, Budgets 2000, 2011

High School Graduation Rates

The rate of high school graduation is a key component in the assessment of an education system. The economic consequences of failing to complete high school are significant, both for the provincial economy, but for the individual as well.

In a published interview in October 2008 published in *Le Soleil*, Pierre Fortin, economist, indicated that the difference in lifetime earnings for an employee with a high school diploma, plus additional health care costs, equals approximately \$460,000. This cost is assumed both by society and the individual.

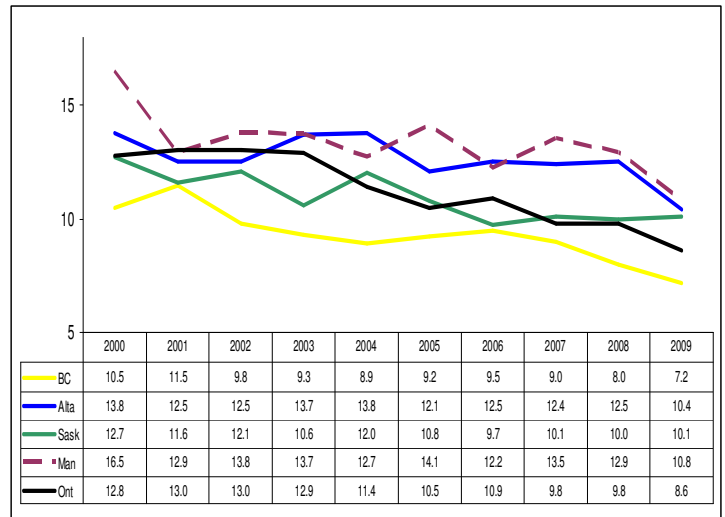
As noted in Figure 25, in 2009, 10.8 per cent of Manitoba's labour force had less than a high school education, down 5.7 percentage points from nine years earlier. While this represents improvement, Manitoba had or was tied for the highest dropout rate in seven of the nine years reviewed.

Post Secondary Graduation Rates

The higher an individual's education attainment, the higher their earning potential. Figure 26 represents the quantity of the best educated workers a province has each year.

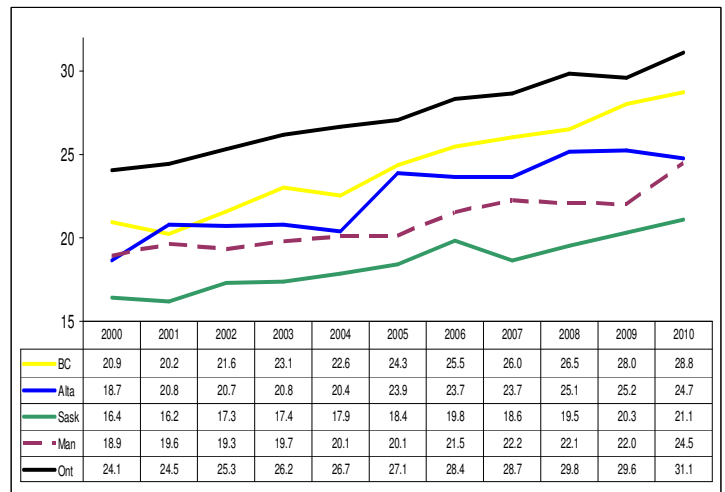
In 2010, 24.5 per cent of the population had a university degree, up 5.6 percentage points since 2000. However, Manitoba's ranking during that timeframe slips from third in 2000 to fourth in 2010.

Figure 25: Percent of labour force with less than high school education, 2000-2009 (ages 19-24)



Source: Statistics Canada

Figure 26: Percent of labour force with university degree 2000-2010 (ages 25-54)



Source: Statistics Canada

Job-related training

Figure 27 relates to the number of individuals who have taken job-related course training. Job-related courses include any learning activity provided through a course, workshop, seminar or tutorial. Self-directed learning is not included and the course had to have been taken for a current or future job as opposed for personal or other reasons.

In 2008, 39.3 per cent of Manitobans had taken job-related training. This represents an increase of four percentage points as compared to 2002. However, in 2002, Manitoba ranked number one in this measurement, slipping to third in 2008.

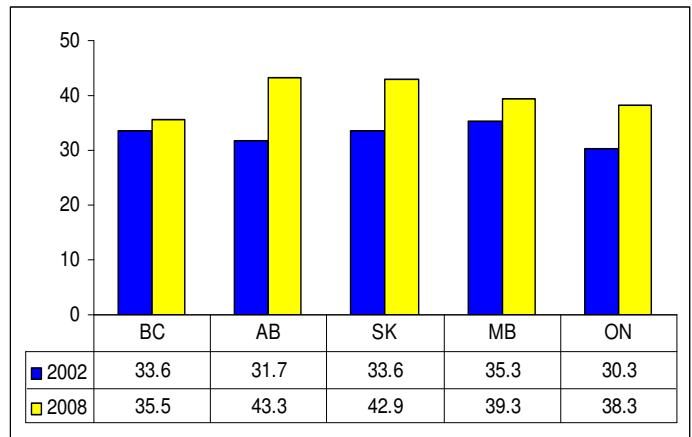
Net interprovincial migration

Net interprovincial migration represents the number of individuals who have either immigrated or emigrated from another province.

From 2000 to 2010, Manitoba lost a total of 47,836 persons through interprovincial migration. Other provinces, excluding Alberta, showed decreases, both annually and for the total timeframe, but only Manitoba posted a loss each of the ten years reviewed. (see figure 28)

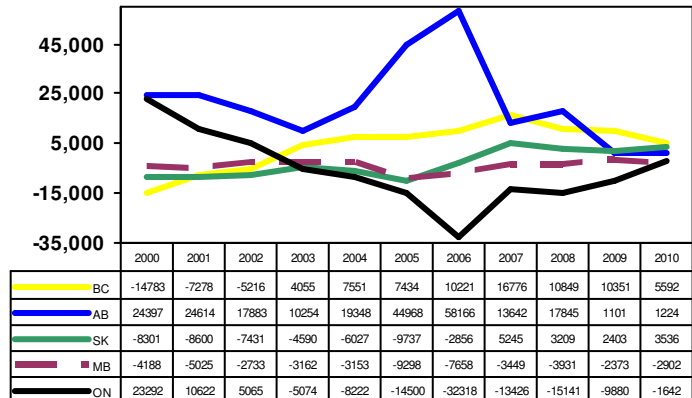
Manitoba's losses range from a low of 2,373 people in 2009 to a high of 9,298 people in 2005. (see figure 29)

Figure 27: Proportion of persons who have taken job-related training, 2002-2008 (ages 25-64)



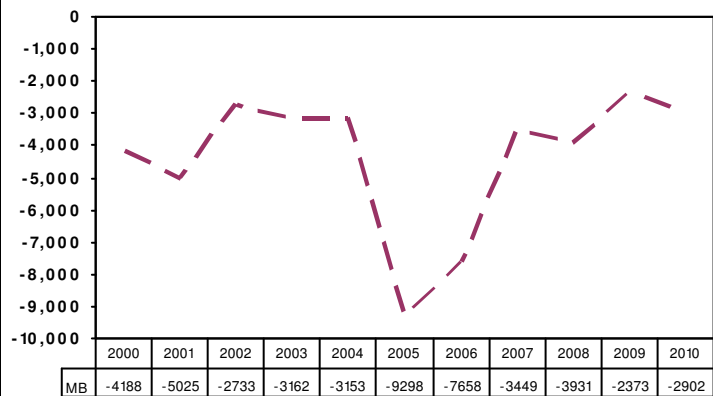
Source: Statistics Canada

Figure 28: Net interprovincial migration 2000-2010



Source: Statistics Canada

Figure 29: Manitoba's net interprovincial migration 2000-2010



Source: Statistics Canada

Head offices

The Financial Post's FP500 offers a picture of Canada's largest 500 corporations, along with the next 300 largest. Included are both privately held and publicly traded companies as well as Crown Corporations. The FP rankings are based on annual revenues.

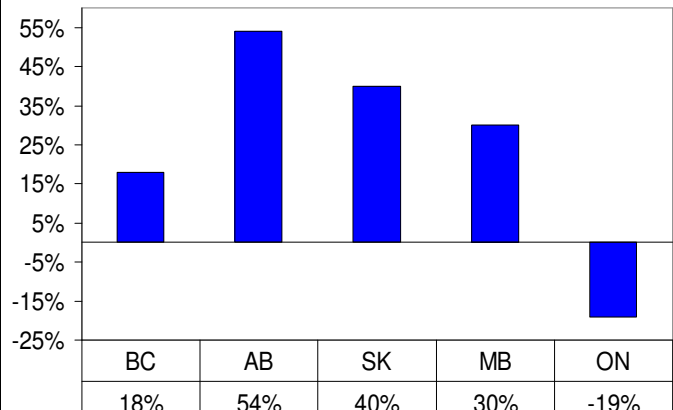
Manitoba has seen a 30 per cent growth in terms of its share of the 800 largest companies in Canada. (see figure 30) This is significantly better than Ontario's 19 per cent decrease as well as BC's 18 per cent increase, but does not equal Saskatchewan's 40 per cent growth or Alberta's 54 per cent growth.

According to the most recent data, Manitoba is home to 16 of the top 500 companies in Canada, down from 18 in 2000. (see figure 31 and 32)

Manitoba's growth in the top 800 has been driven exclusively by the increase in the 'next 300' category where it was 9 in 2000 and 19 in 2009.

Overall, Manitoba accounts for 35 of the 800 biggest companies in Canada, 4 per cent, up from 27 or 3 per cent in 2000.

Figure 30: Canadian Corporate Head Offices 2000-2009 (% change)



Source: FP 500

Figure 31: Canadian Corporate Head Offices, 2000

2000	BC	AB	SK	MB	ON
Top 500	49	63	11	18	236
Next 300	27	34	4	9	162
Top 800	78	97	15	27	398
% of the largest 800	10%	12%	2%	3%	50%

Source: FP500

Figure 32: Canadian Corporate Head Offices, 2009

2009	BC	AB	SK	MB	ON
Top 500	48	93	14	16	202
Next 300	44	56	7	19	121
Top 800	92	149	21	35	323
% of the largest 800	12%	19%	3%	4%	40%

Source: FP500

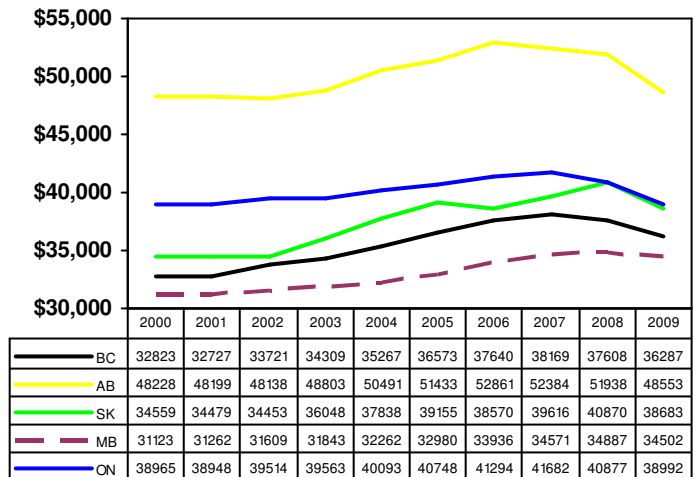
Gross Domestic Product (GDP) per Capita

Essentially, GDP per capita takes a jurisdiction's GDP divided by its total population. It is considered especially useful when comparing one jurisdiction to another because it shows the relative performance of the jurisdiction. A rise in per capita GDP indicates economic growth and tends to show as an increase in productivity.

Manitoba's GDP per capita has, since 2000, increased from \$31,123 to \$34,502. (see figure 33)

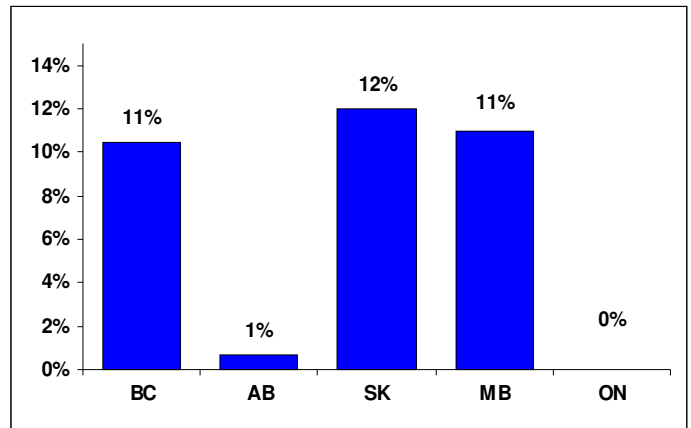
While this increase of 11 per cent is second only to Saskatchewan at 12 per cent, see figure 34, Manitoba remained in last place among the provinces each year reviewed.

Figure 33: Provincial GDP per capita 2000-2009 (chained \$2002)



Source: BC Stats

Figure 34: Provincial GDP per capita 2000-2009 (% change (chained \$2002))



Source: BC Stats

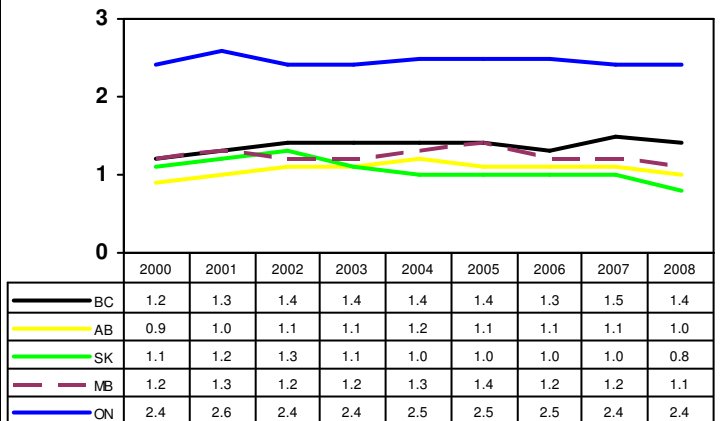
Research and Development (R&D)

The ratio of provincial gross domestic expenditure on research and development (GERD) to provincial GDP for Manitoba has remained consistent, ranging from a high of 1.4 to a low of 1.1. (see figure 35) Only BC and Alberta show a higher ratio in 2008 as compared to 2000.

As noted by Statistics Canada, caution must be applied in the interpretation of provincial R&D expenditure data. The expenditures data are associated with the province of the R&D activities, however not all R&D expenditures may occur in this location, ie – equipment and supplies may be purchased from other locations, and cross-border labour mobility can occur.

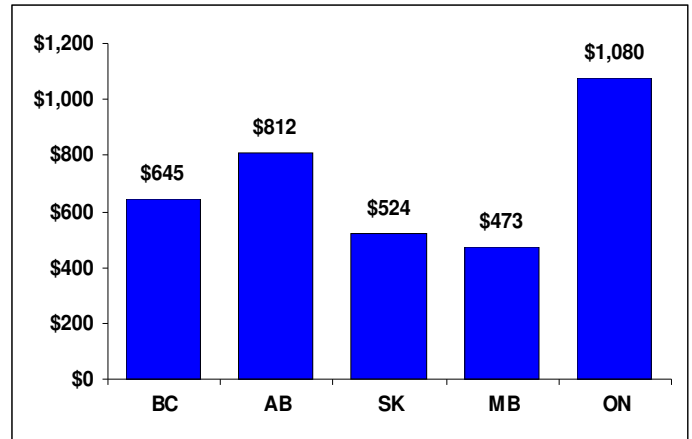
An additional means of reviewing R&D intensity is by reviewing GERD on a per capita basis. (see figure 36) While Manitoba showed a higher provincial GERD to provincial GDP than Alberta and Saskatchewan, it reported the lowest GERD per capita of \$473, while Saskatchewan had a per capita value of \$524 and Alberta had a per capita value of \$812.

Figure 35: Provincial distribution of GERD, 2000-2008 (ratio)



Source: Statistics Canada

Figure 36: GERD per capita, 2008



Source: Statistics Canada

Total number of businesses

Statistics Canada maintains a count of business establishments through its Business Registry. To be included, a business must meet at least one of the following criteria: it must have at least one paid employee, it must have annual sales revenues of \$30,000, or it must be incorporated and have filed a federal corporate income tax return at least once in the three previous years.

Using this criteria, there are 77,288 business establishments in Manitoba as of June 2009. While the number of business establishments has both increased and decreased among the provinces throughout the years, there has been an overall growth trend. As noted in Figure 37, from 2000 to 2009 there was a seven per cent increase in the number of business establishments in Manitoba. This is higher than Saskatchewan's increase of four per cent, but lower than the 25 per cent increase in BC, 27 per cent increase in Ontario and 32 per cent increase in Alberta during the same timeframe.

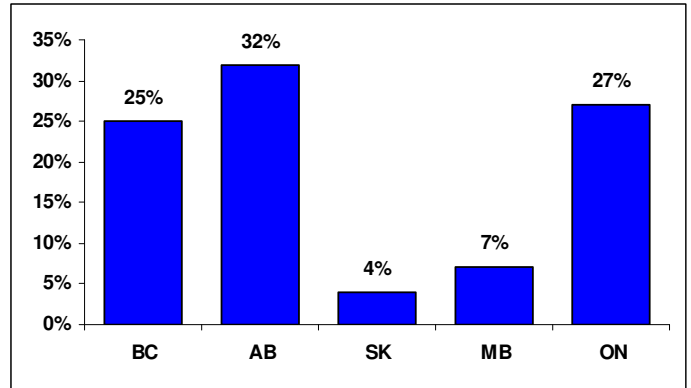
Entrepreneurial Intensity

Entrepreneurial intensity can be measured, in part, by reviewing the number of businesses per 1,000 population within a province.

In 2000, Manitoba's entrepreneurial intensity was 63, second lowest among the provinces. By 2009, all other provinces saw an increase, excluding Manitoba which remained unchanged at 63. (see figure 38)

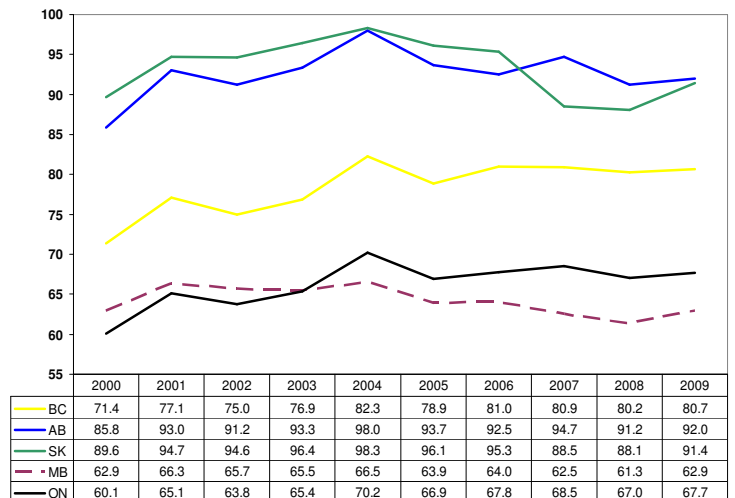
In 2009, the average among the provinces was 79 businesses per 1,000 population.

Figure 37: Total no. of businesses establishments, 2000-2009 (% change)



Source: Industry Canada, Key Small Business Statistics

Figure 38: Total no. of businesses per 1,000 population, 2000-2009



Source: Industry Canada, Key Small Business Statistics

Annual Business bankruptcies

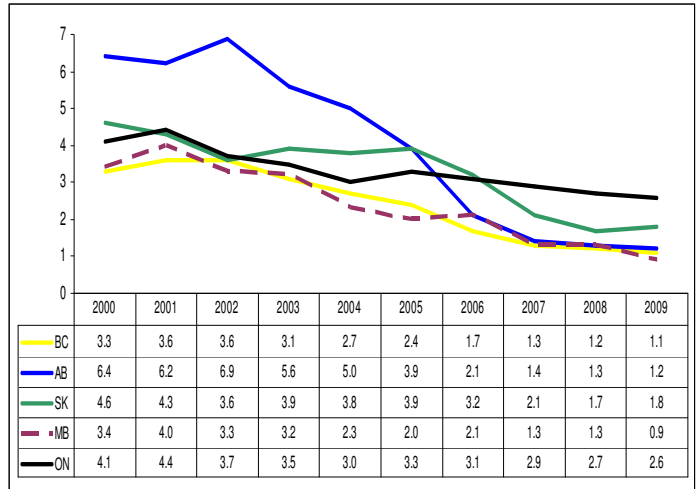
Manitoba's annual business bankruptcy rate has ranged from a high of 4 per cent to a low of 0.9 per cent. The rate of bankruptcies in Manitoba has consistently been at or near the bottom of the provinces.

All provinces have shown a declining bankruptcy rate since 2000. (see figure 39)

In terms of actual business bankruptcies, Manitoba has seen a decrease from 253 in 2000 to 68 in 2010. (see figure 40)

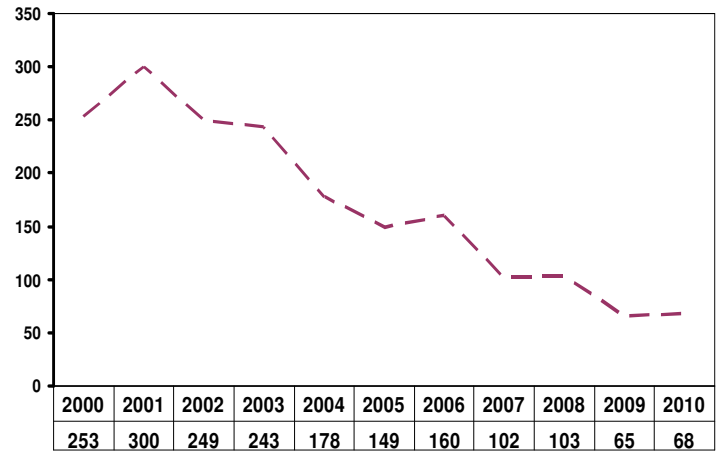
Over the last decade an average of 170 Manitoban businesses have declared bankruptcy each year.

Figure 39: Annual business bankruptcy rate, 2000-2009 (%)



Source: Industry Canada, Office of the Superintendent of Bankruptcy Canada

Figure 40: Actual business bankruptcies in MB, 2000-2010



Source: MB Bureau of Statistics

Conclusion

The goal of prosperity can be ever elusive, goalposts change as do what people consider to be measures of prosperity.

Regardless, prosperity cannot be achieved, much less maintained, without a growing and diverse business sector. It has often been commented upon that governments do not create wealth, but only the conditions for wealth creation.

Over the last decade we have seen Manitoba's economy grow in a slow, yet steady manner. Despite this we find ourselves in many instances falling further behind neighbouring jurisdictions.

For example, with our ever-changing society and evolution towards a knowledge-based economy, career-long learning is a critical component of a quality labour force. However, Manitoba has the highest percentage of its labour force with less than a high school education and Manitoba's ranking, in terms of persons who have taken job-related training, has slipped from 1st to 3rd.

When it comes to the small business tax, Manitoba has taken the lead by eliminating the tax altogether on December 1, 2010 (BC will eliminate its small business tax on April 1, 2012). Yet, with a small business tax threshold of \$400,000, businesses in Manitoba are subject to the general corporate tax rate 20 per cent sooner than in other provinces.

Finally, our economy is largely driven by consumer spending. A competitive personal income tax system is central to a strong economy, ensuring that current taxpayers have a high level of disposable income and that we can attract new taxpayers. Unfortunately, for

a two-income family of four earning \$30,000, \$60,000 or \$90,000 they pay the highest personal income tax levels and the gap is increasing.

The purpose of this report is not to disparage Manitoba. Instead, this report is meant to identify and review opportunities for Manitoba to truly realize its prosperity potential. It is meant to solicit and evoke discussion and debate so we are all, economically speaking, rowing in the same direction.

Specifically, Manitoba must take action on several fronts:

- Growing our labour force, in part by reversing the annual net interprovincial migration losses;
- Following through on commitments to reduce the general corporate tax rate;
- Increasing the small business threshold;
- Lowering personal income taxes through a combination of reducing rates, increasing brackets/exemptions and indexing to inflation;
- Reducing/eliminating the payroll tax, thereby enhancing our ability to increase our share of head offices; and
- Increasing high school and post-secondary graduation rates.

Special acknowledgement for this report goes to:

Canadian Manufacturers and Exporters
Credit Union Central Manitoba
Manitoba Chambers of Commerce
Manitoba Heavy Construction Association
Manitoba Hotel Association
Manitoba Motor Dealers Association
Manitoba Trucking Association
The Winnipeg Chamber of Commerce
Winnipeg Construction Association