



Are we there yet?

Established in 1980, the Manitoba Employers Council (MEC) is the largest confederation of employer associations in Manitoba, representing more than 24,000 individual employers and in excess of 300,000 Manitoba jobs.

MEC thanks the following organizations for their assistance with the 3rd Edition of the Manitoba Prosperity Report: Canadian Federation of Independent Business, Canadian Manufacturers and Exporters, Manitoba Chambers of Commerce, Manitoba Home Builders Association, Manitoba Hotel Association, Merit Contractors Association of Manitoba, Manitoba Trucking Association, Mining Association of Manitoba and the Winnipeg Construction Association.

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INTRODUCTION

Employers, like all Manitoba residents, want to create a prosperous province where all individuals can reach their potential. In a changing world, Manitoba must compete with many other jurisdictions for the people and investment needed to fulfill this vision.

Manitoba can only attract and retain these resources if we create a competitive provincial environment that provides the conditions and tools for families and businesses to survive, thrive and prosper.

By reviewing key economic, government and taxation indicators, Manitobans can determine whether our provincial government is building a wealth generating climate compared to our closest neighbours and largest resource competitors, the provinces of British Columbia, Alberta, Saskatchewan and Ontario. All references to provincial comparisons within this report refer only to these 5 provinces and cover the time period 2005-2014.

The third edition of the Manitoba Prosperity Report, created by the Manitoba Employers Council, updates this list of indicators to advance discussion about the conditions needed for Manitoba to grow at its full potential.

All rankings are based on actual performance in 2014 rather than relative change over the decade studied, except for Gross Domestic Product (GDP), Population and Labour Force Growth. Given changes to data sources and definitions, some indicators explored may not be directly comparable to those in previous report editions.

EXECUTIVE SUMMARY

Over the decade 2005-2014, Manitoba remained the least prosperous province West of Quebec. While some indicators improved over the ten year period, including one that outperformed all provinces, Manitoba continued to rank last in most major economic indicators. Compared to Saskatchewan - the province whose population and economy most closely resembles Manitoba – the prosperity gap grew in many categories.

Manitoba's Gross Domestic Product (GDP) per capita, the most basic measurement of wealth, provides a clear example of this overall trend. Manitoba GDP per capita growth led all five provinces by increasing, on average, nearly 1.5% annually over the decade (see Figure 2). However, Manitoba continued to have the smallest GDP per capita amongst the provinces at \$45,539, nearly \$1,900 less than Ontario, the 4th ranked province (see Figure 1).

Underperformance of Manitoba's economy through the last decade was visible in many variables, including:

- Lowest population growth amongst the provinces;
- Smallest per capita expenditures on research and development;
- Lowest average weekly earnings by employed residents;
- Lowest percentage of labour force with a university degree;
- Second lowest per capita spending on private capital investment;
- Second lowest median family employment income; and
- Fewest employer businesses per 1,000 population.

In other areas Manitoba's economic performance resulted in a middle ranking compared to other provinces, including:

- Modest labour force growth; and
- Average unemployment rates.

Combined, these underperforming and mediocre indicators stem from the province's personal and business taxation climates, which discourage investment and dampen our ability to attract and retain workers and residents. While Manitoba has reduced taxes on both individuals and businesses, other provinces have moved faster and farther in providing tax relief. As a result, Manitobans now face the following realities:

- Highest Provincial Sales Tax rate (tied with Ontario);
- Highest general corporate tax rate (tied with Saskatchewan);
- Highest payroll tax rate;
- Smallest Basic Personal Exemption for personal income taxes; and
- Lowest small business corporate tax exemption.

Unless significant action is taken to control provincial government spending and balance the Manitoba budget on an annual basis, taxation levels will remain unnecessarily high and dissuade investment and population growth. This, in turn, will dampen economic growth and wealth creation for all Manitoba residents.

To stimulate Manitoba's wealth generating sectors, the following actions are needed by the provincial government:

- Shrink the size/cost of the provincial government and improve the efficacy of its operations:
 - Implement a plan to eliminate Manitoba's chronic budget deficit;
 - Create a long term plan to reduce the province's debt load; and
 - Improve educational outcomes for all Manitobans.
- Reduce the overall taxation burden on businesses and families:
 - Lower personal income taxes through a combination of rate reductions, increased brackets and a much higher basic personal exemption;
 - Eliminate the payroll tax on private sector employers; and
 - Reduce the Provincial Sales Tax rate.
- Remove regulatory burdens that restrict innovation and business investment:
 - Review minimum wage policies to ensure wage rates reflect the economic realities of both employers and employees; and
 - Legislate an ongoing red tape accountability process to minimize the regulatory burden faced by employers in all industries.

While by no means exhaustive, this broad policy outline provides a path forward to create a vibrant and growing province. Manitoba must increase business investment and attract more families to choose our province as their home if we are to reach our goal of being one of Canada's most prosperous provinces. Without the changes outlined above, Manitoba will fail to reach its prosperity potential and continue to be the least prosperous province West of Quebec.

Aggregate Prosperity Indicators

Gross Domestic Product (GDP) Per Capita

Manitoba ranking: 5th

At \$45,539 in 2014, Manitoba's GDP per capita continues to make Manitoba the least prosperous province (see Figure 1).

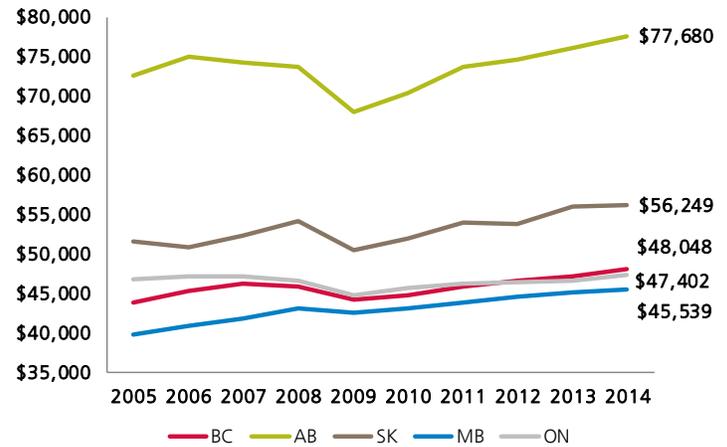
While Manitoba's GDP avoided a significant downturn during the 2009 recession, its moderate annual growth rate of approximately 1.5% makes it difficult to achieve parity levels with better performing provinces.

Over the decade 2005-2014, Manitoba GDP per capita increased from \$39,707 to \$45,539 (see Figure 1), an increase of 14.7% (see Figure 2). Despite this growth, Manitoba GDP per capita remains \$1,863 per person less than that of 4th place Ontario residents.

Indicator definition:

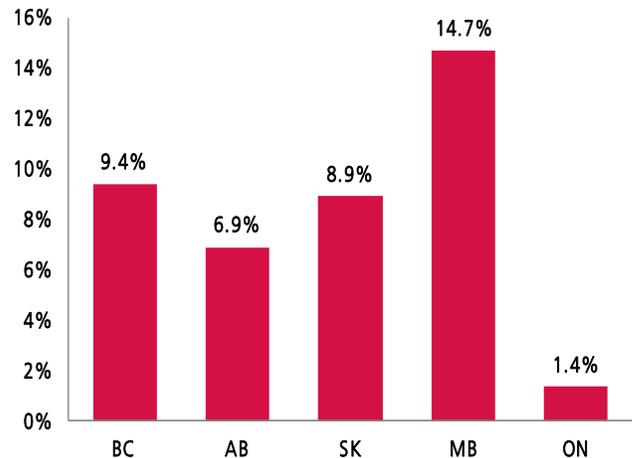
GDP per capita takes a jurisdiction's GDP divided by its total population. An increase in per capita GDP indicates economic growth and tends to show as a corresponding increase in productivity.

Figure 1:
Provincial GDP per capita, 2005-2014
(chained 2007 dollars)



Source: MEC calculation, Statistics Canada, CANSIM Table 051-0001, Estimates of population, by age group and sex for July 1, Canada, provinces and territories, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial.

Figure 2:
Provincial GDP per capita growth, 2005 to 2014 (%)



Source: MEC calculation, Statistics Canada, CANSIM Table 051-0001, Estimates of population, by age group and sex for July 1, Canada, provinces and territories, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial.

Population Growth

Manitoba ranking: 5th

Manitoba's population increased by 101,946 people over the study's ten year period (see Table 1). At 8.7%, this increase ranked last amongst the provinces (see Figure 3).

*Table 1:
Population, 2005 - 2014*

Province	2005 Population	2014 Population	Population Change
BC	4,195,764	4,638,415	442,651
AB	3,321,638	4,120,897	799,259
SK	993,523	1,122,283	128,760
MB	1,178,296	1,280,242	101,946
ON	12,527,990	13,677,687	1,149,697

Source: Statistics Canada, CANSIM Table 051-0001, Estimates of population, by age group and sex for July 1, Canada, provinces and territories.

GDP Growth

Manitoba ranking: 2nd

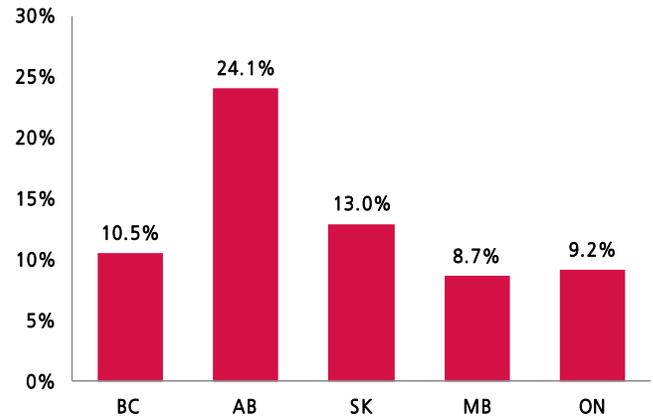
*Table 2:
GDP, 2005 – 2014
(chained 2007 dollars, millions)*

Province	GDP 2005	GDP 2014	GDP Change
BC	184,267	222,868	38,601
AB	241,330	320,113	78,783
SK	51,312	63,127	11,815
MB	46,786	58,301	11,515
ON	585,843	648,352	62,509

Source: Statistics Canada, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial.

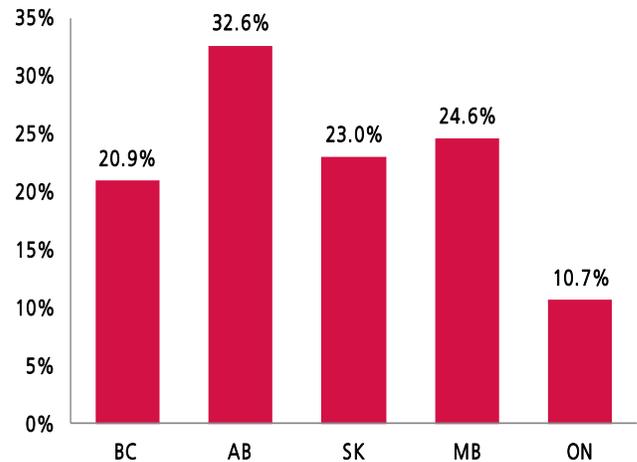
Increasing by nearly \$11.5 billion over the 10 year period, Manitoba's GDP grew by nearly 25% (see Table 2 and Figure 4). This growth ranked second amongst the provinces studied, with the majority of provinces recording similar growth rates.

*Figure 3:
Population growth, 2005 to 2014 (%)*



Source: Statistics Canada, CANSIM Table 051-0001, Estimates of population, by age group and sex for July 1, Canada, provinces and territories.

*Figure 4:
GDP growth, 2005 – 2014 (% change)*



Source: Statistics Canada, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial.

Business and Labour Prosperity Indicators

Total Number of Businesses

Manitoba ranking: 5th

In 2014, there were over 40,000 businesses that employed Manitobans, the lowest number of establishments amongst the provinces (see Table 3). Similarly, Manitoba ranked last for entrepreneurial intensity, recording fewer than 32 employer businesses per 1,000 individuals (see Figure 5).

Table 3:
Number of employer businesses, 2014

Province	Employer Businesses
BC	190,363
AB	179,670
SK	43,834
MB	40,461
ON	442,659

Source: Statistics Canada, CANSIM Table 552-000.

Indicator definition:

Statistics Canada Business Registry includes all businesses that have at least one of the following: a corporate income tax account; employees; or a GST account. Registry definitions recently changed, making a 2005 comparison unavailable.

Head Offices

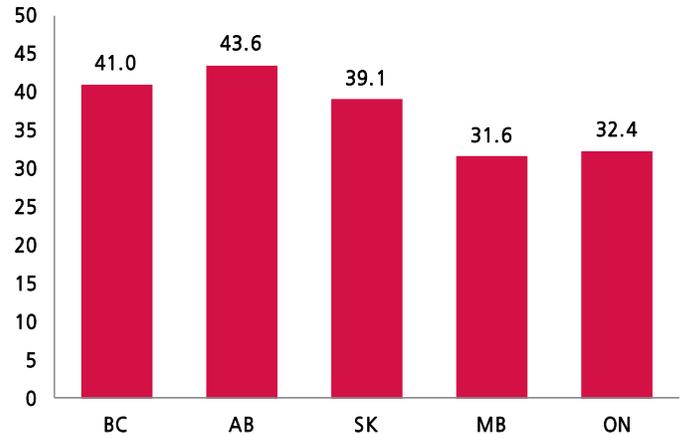
Manitoba ranking: 4th

Manitoba is home to 19 of the largest 500 Canadian companies. This figure includes four crown corporations and ranks Manitoba second last amongst provinces (see Figure 6).

Indicator definition:

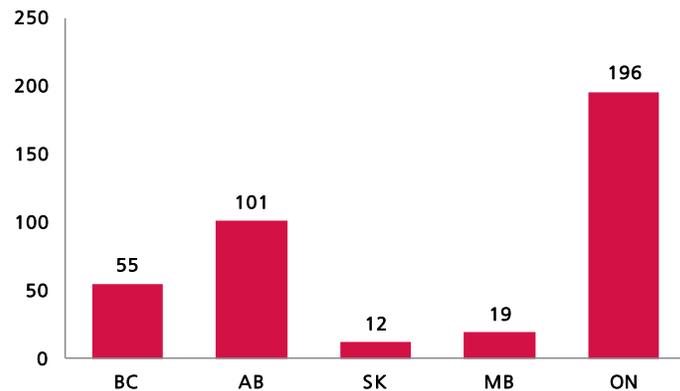
The Financial Post's FP500 includes Canada's largest 500 corporations by annual revenues. Included are both privately held, publicly traded, and government owned companies.

Figure 5:
Number of employer businesses per 1,000 population, 2014



Source: MEC calculation, Statistics Canada, CANSIM Table 552-0001, Canadian business patterns, location counts with employees, by employment size and North American Industry Classification System (NAICS), Canada and provinces, December 2014, CANSIM Table 051-0001, Estimates of population, by age group and sex for July 1, Canada, provinces and territories.

Figure 6:
Canadian corporate head offices, 2014



Source: Financial Post, FP 500 Rankings, 2015.

Private Capital Investment Per Capita, Excluding Government Sources

Manitoba ranking: 4th

Despite increasing over the last decade, Manitoba's private capital investment per capita remains well below levels seen in competing provinces. This indicator excludes investments made by government or crown corporations.

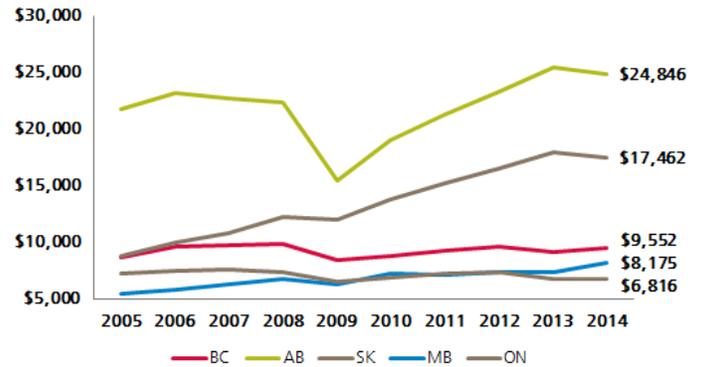
Between 2005-2014 annual Manitoba private capital investment per capita grew from \$5,415 to \$8,175, a 51% increase (see Figures 7 and 8). A significant portion of this increase is due to a surge in 2014.

While this indicator shows significant growth, Manitoba continues to have the second lowest level of private capital investment per capita amongst the provinces evaluated. By total dollars invested, Manitoba has the least capital investment amongst the provinces, recording just half the investment of 4th ranked Saskatchewan - \$10 billion and \$19 billion, respectively.

Indicator definition:

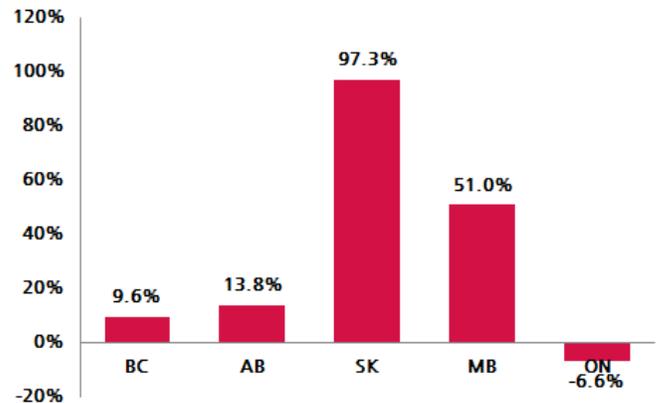
Private Capital Investment measures the total value of acquisitions, less disposals, of fixed assets during the reference period, plus the activity related to certain additions to the value of non-produced assets (such as mineral deposits or major improvements to the quantity, quality or productivity of land) owing to the productive activity of institutional units.

Figure 7: Total private capital investment per capita excluding government spending, 2005 – 2014 (2007 dollars)



Source: MEC Calculation, Statistics Canada, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial. Business gross fixed capital formation - does not include non profits.

Figure 8: Total private capital investment per capita excluding government sources, 2005 – 2014 (% Change)



Source: MEC Calculation, Statistics Canada, CANSIM Table 384-0038, Gross domestic product, expenditure-based, provincial and territorial. Business gross fixed capital formation - does not include non profits.

Research and Development (R&D)

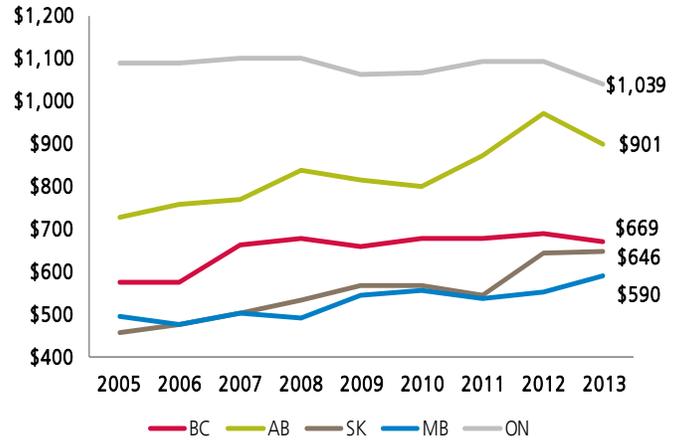
Manitoba ranking: 5th

While Manitoba's provincial gross domestic expenditure on research and development (GERD) per capita has increased over the ten year period, Manitoba's ranking fell to last place. Manitoba's GERD per capita increased from \$494 in 2005 to \$590 in 2014, a 19% increase (see Figures 9 and 10).

Statistics Canada recommends caution 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, i.e. – equipment and supplies may be purchased from other locations, and cross-border labour mobility can occur.

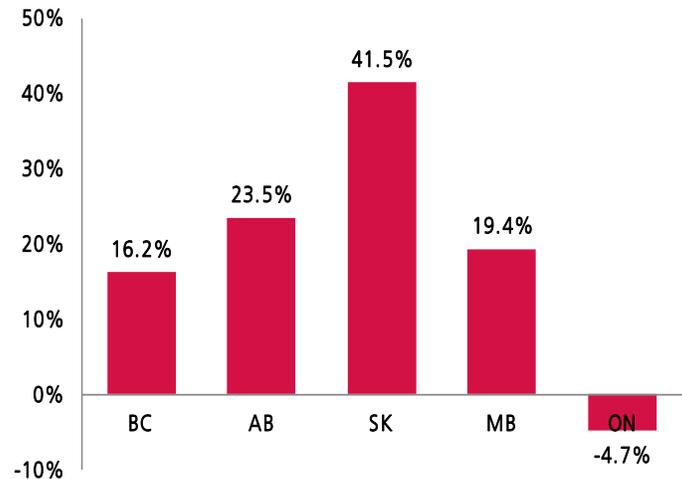
Indicator definition:
 Gross Domestic Expenditures on Research and Development (GERD) refers to all monies expended for Research and Development (R & D) performed within the province in a given year. The Research and Development funding may come from government, business enterprise, private non-profit, higher education or foreign sources.

Figure 9:
 Gross domestic expenditures on research and development (GERD) per capita, 2005 - 2013 (current prices)



Source: MEC Calculation, Statistics Canada, CANSIM Table 358-0001, Gross domestic expenditures on research and development, by science type and by funder and performer sector. Ontario figures include federal government expenditures on research and development performed in the National Capital Region.

Figure 10:
 GERD per capita, 2005 to 2013 (% change)



Source: MEC Calculation, Statistics Canada, CANSIM Table 358-0001, Gross domestic expenditures on research and development, by science type and by funder and performer sector. Ontario figures include federal government expenditures on research and development performed in the National Capital Region.

Labour Force

Manitoba ranking: 3rd

Manitoba's labour force grew by nearly 57,000 individuals, or 9.4%, from 2005 - 2014 (see Table 4 and Figure 11). While this growth rate ranks third on a relative basis, Manitoba's work force grew the least of any province in absolute terms.

Table 4:
Labour force, 2005 – 2014 (thousands)

Province	2005 Labour Force	2014 Labour Force	Labour Force Change
BC	2219.7	2425.4	205.7
AB	1895.3	2386.2	490.9
SK	507.5	593.7	86.2
MB	605.2	662.1	56.9
ON	6834.1	7418.6	584.5

Source: Statistics Canada, CANSIM Table 282-0001, Labour force survey estimates (LFS), by sex and detailed age group, unadjusted for seasonality.

Indicator definition:

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).

Unemployment Rate

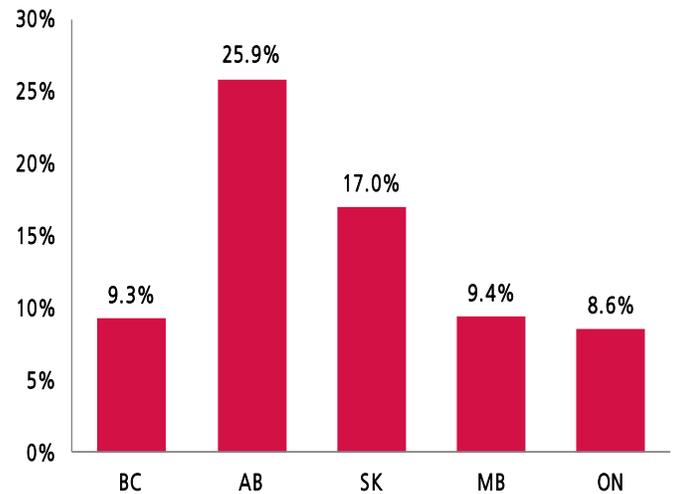
Manitoba ranking: 3rd

Manitoba has maintained a respectable unemployment rate ranking. Over the entire ten year period, Manitoba maintained its rate at less than 6%, an accomplishment matched only by Saskatchewan (see Figure 12).

Indicator definition:

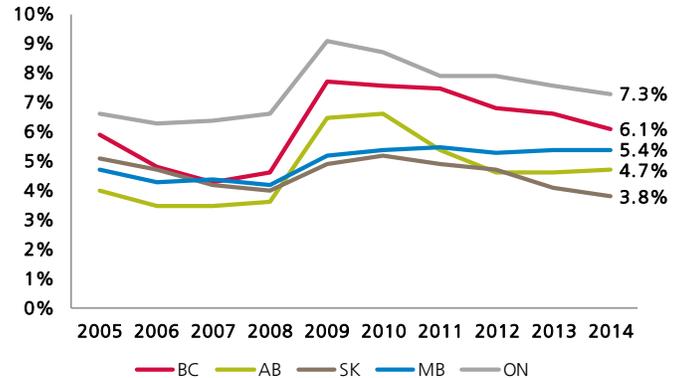
The unemployment rate measures those individuals over the age of 24 that are currently without work, available to work and seeking work.

Figure 11:
Labour force growth, 2005 to 2014 (% change)



Source: Statistics Canada, CANSIM Table 282-0001, Labour force survey estimates (LFS), by sex and detailed age group, unadjusted for seasonality.

Figure 12:
Unemployment rate, 2005 - 2014



Source: Statistics Canada, CANSIM Table 282-0002, Labour force survey estimates (LFS), by sex and detailed age group.

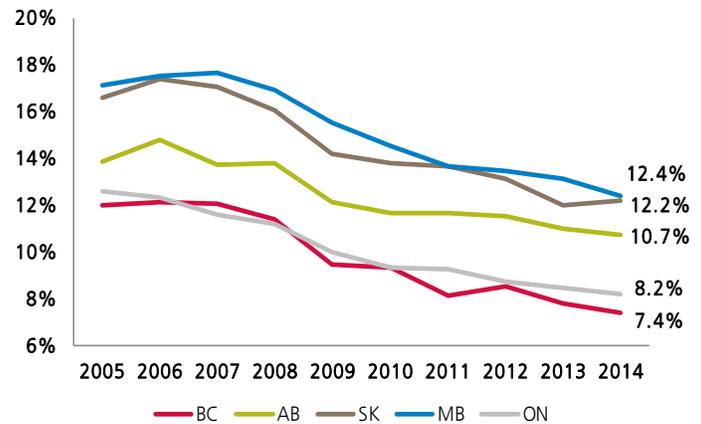
High School Graduation Rates

Manitoba ranking: 5th

Manitoba lags all provinces with the highest percentage of workers in the labour force without a high school degree (see Figure 13). While this figure has decreased 28% from 2005, all other provinces improved their performance faster, leaving Manitoba as the worst ranked province.

The economic consequences of failing to complete high school are significant, both for the provincial economy and each individual.

Figure 13:
Labour force with no degree/certificate/diploma,
2005 – 2014 (%)



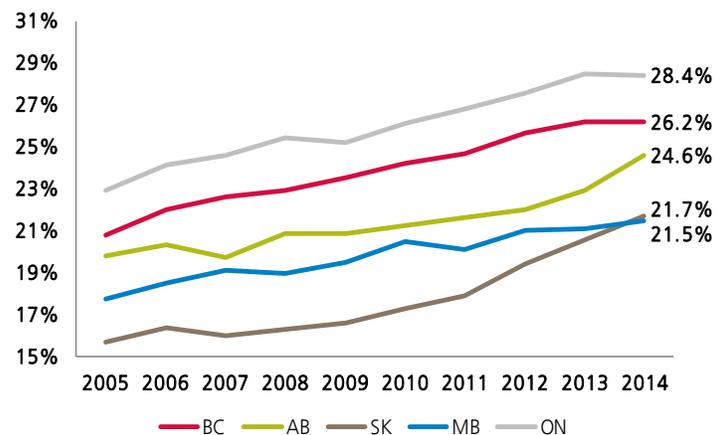
Source: MEC Calculation, Statistics Canada, CANSIM Table 282-0209, Labour force survey estimates (LFS), by educational degree, sex and age group, CANSIM Table 282-0001, Labour force survey estimates (LFS), by sex and detailed age group, unadjusted for seasonality.

Post Secondary Graduation Rates

Manitoba ranking: 5th

Over the study period Manitoba dropped to 5th for the percentage of the labour force with a university degree (see Figure 14). Despite a 21% increase in this indicator - from 17.7% in 2005 to 21.5% in 2014 – Manitoba's ranking dropped as other provinces improved their performance faster. For example, Saskatchewan recorded a 39% increase in university degrees within their labour force.

Figure 14:
Labour force with a university degree,
2005 - 2014 (%)



Source: MEC Calculation, Statistics Canada, CANSIM Table 282-0209, Labour force survey estimates (LFS), by educational degree, sex and age group, CANSIM Table 282-0001, Labour force survey estimates (LFS), by sex and detailed age group, unadjusted for seasonality.

Total Manitoba Employment by Industry

Employment growth has not been equal across all sectors of the economy over the timeframe.

The most significant employment growth during the decade occurred in the following industries: Construction (57%), Forestry, fishing, mining, quarrying, and oil (23%) and Healthcare and Social Assistance (32%) (see Table 5).

On the other hand, the largest industry employment declines occurred in Agriculture (20%), Business, building and support services (12%), and Information, culture and recreation (10%).

Overall, service industries accounted for 80% of all job growth over the decade (see Table 6). Considering that many service jobs are within economic sectors dominated by government - such as the Education and Health care and social assistance categories - there is concern that Manitoba is becoming more reliant on government derived employment rather than private sector positions.

Table 5:
Total employment by industry, 2005-2014

	2005	2014	Total Change 05-14	% Change 05-14
Agriculture	30,100	24,100	-6,000	-19.9%
Forestry, fishing, mining, quarrying, oil	5,600	6,900	1,300	23.2%
Utilities	6,700	8,200	1,500	22.4%
Construction	27,900	43,900	16,000	57.3%
Manufacturing	67,700	63,800	-3,900	-5.8%
Wholesale trade	18,500	21,500	3,000	16.2%
Retail trade	66,000	72,100	6,100	9.2%
Transportation and warehousing	33,400	37,500	4,100	12.3%
Finance, insurance, real estate	32,700	33,800	1,100	3.4%
Professional, scientific and technical services	24,800	24,700	-100	-0.4%
Business, building and other support services	19,500	17,100	-2,400	-12.3%
Educational services	45,000	49,400	4,400	9.8%
Health care and social assistance	75,300	99,200	23,900	31.7%
Information, culture and recreation	24,300	21,800	-2,500	-10.3%
Accommodation and food services	36,600	39,500	2,900	7.9%
Other services	27,200	28,400	1,200	4.4%
Public administration	35,200	34,600	-600	-1.7%
Total, all industries	576,500	626,500	50,000	8.7%

Source: Statistics Canada, CANSIM Table 282-0008, Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group.

Table 6:
Total employment, goods and services industries, 2005-2014

	2005	2014	Total Change 05 - 14	% Change 05 - 14
Services- producing sector	438,600	479,500	40,900	9.3%
Goods-producing sector	137,900	146,900	9,000	6.5%

Source: Statistics Canada, CANSIM Table 282-0008, Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group.

Average Weekly Earnings

Manitoba ranking: 5th

Growth of the average weekly earnings (AWE) of Manitoba workers showed moderate progress over the decade, but the indicator continues to rank last amongst the provinces.

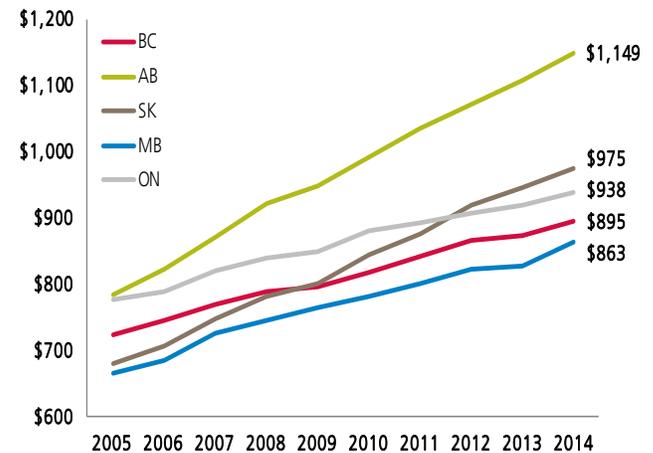
From 2005 to 2014, Manitoba workers saw their labour income increase nearly 30%, from \$666 to \$863 (see Figures 16 and 15). In hourly terms, wages increased from approximately \$16.65 to \$21.58 per hour.

Despite this progress, the gap between Manitoba's 5th place ranking and the 4th ranked province more than doubled over the decade. In 2005, Manitoba's AWE was \$15 less than 4th place Saskatchewan. By 2014 the gap had more than doubled to \$32 compared to 4th ranked British Columbia.

Indicator definition:

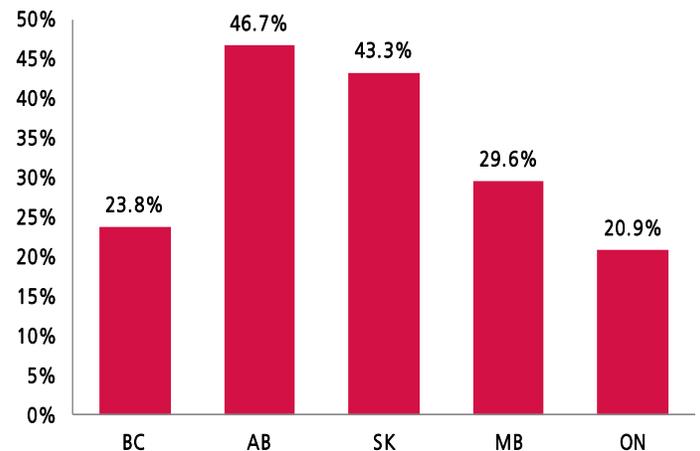
Average weekly earnings show the financial return from paid employment and are viewed as an important measure of the quality of paid employment as well as an indicator of well-being within the highlighted jurisdiction.

Figure 15:
Average weekly earnings, 2005 - 2014
(current dollars)



Source: Statistics Canada, CANSIM Table 281-0027, Survey of Employment, Payrolls and Hours (SEPH), average weekly earnings by type of employee, overtime status and detailed North American Industry Classification System (NAICS), industrial aggregate excluding unclassified businesses.

Figure 16:
Average weekly earnings, 2005 to 2014
(% change)



Source: Statistics Canada, CANSIM Table 281-0027, Survey of Employment, Payrolls and Hours (SEPH), average weekly earnings by type of employee, overtime status and detailed North American Industry Classification System (NAICS), industrial aggregate excluding unclassified businesses.

Employment Income of Families

Manitoba ranking: 4th

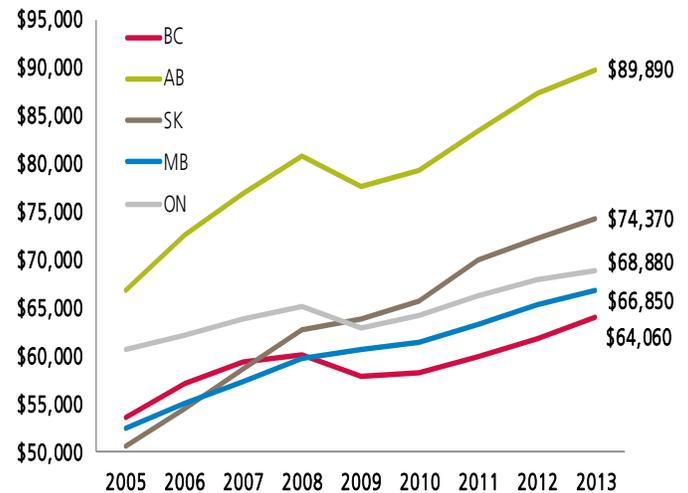
Manitoba's median employment income of families grew over the study period but still recorded a 4th place ranking in 2013 (last year of data available). The improvement was the result of both modest Manitoba growth and a noticeable decrease in British Columbia's income midway through the period studied.

Manitoba family income grew from \$52,500 in 2005 to \$66,850 in 2013, a 27% increase (see Figures 17 and 18). While this equated to the median provincial growth rate, family incomes remain the second lowest east of Quebec.

Indicator definition:

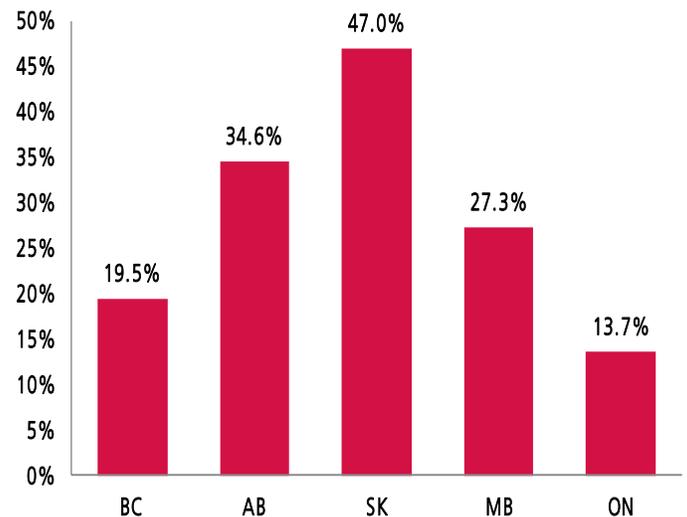
Median employment income of families includes wages and salaries, commissions from employment, training allowances, tips and gratuities, and net self-employment income (business, professional, commission, farming and fishing income). Median is the middle number in a group of numbers, where exactly half are greater than or equal to the median and that the other half is less than or equal to the median.

*Figure 17:
Median employment income of families, 2005 - 2013
(current dollars)*



Source: Statistics Canada, CANSIM Table 111-0009, Family characteristics, summary, median employment income of families.

*Figure 18:
Median total family income, 2005 to 2013 % change
(current dollars)*



Source: Statistics Canada, CANSIM Table 111-0009, Family characteristics, summary, median employment income of families.

Government Indicators

Provincial Net Debt

Manitoba ranking: 4th

Since the global economic recession of 2008/2009, Manitoba's net debt as a percent of GDP steadily increased from its modern historic low of 21.4% in 2007 to 29.6% in 2014 (see Figure 19).

Manitoba's net debt as a percentage of GDP increased 13.7% over the decade starting in 2005 (see Figure 20). Alberta and Saskatchewan have seen their net debt drop while British Columbia's net debt remains nearly unchanged. Ontario saw its net debt increase by 41% over the timeframe.

Indicator definition:

Net debt is a government's financial assets minus total liabilities with the remaining liability requiring financing by future revenues. It is also an important measure utilized by credit rating agencies.

Provincial Budget Balance

Manitoba ranking: 4th

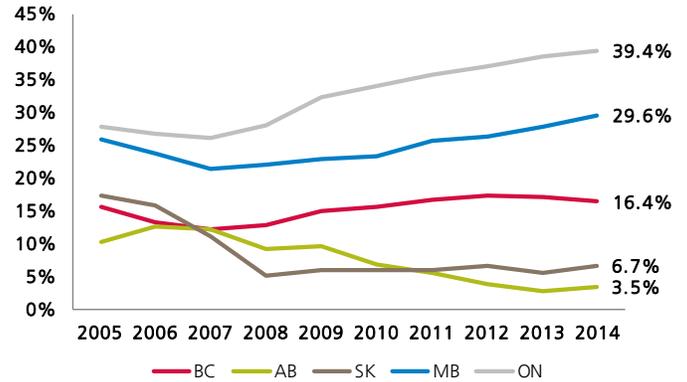
Over the timeframe covered, Manitoba's tradition of surplus budgets has been replaced by chronic budget deficits (see Figure 21). Only Ontario has shown a worse level of performance in creating sustainable government budgets.

Indicator definition:

Deficits measure a government's annual revenue shortfall compared to the year's incurred expenses. Accumulated deficits turn into a province's long term debt.

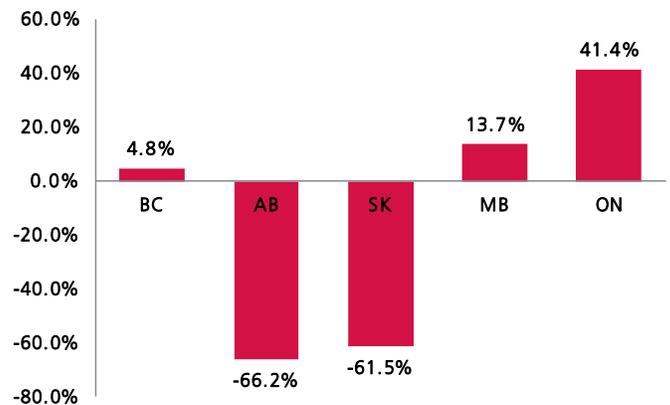
In Figure 20, a positive position indicates a surplus budget while a negative position signifies a deficit budget.

Figure 19:
Provincial net debt % of GDP, 2005 – 2014



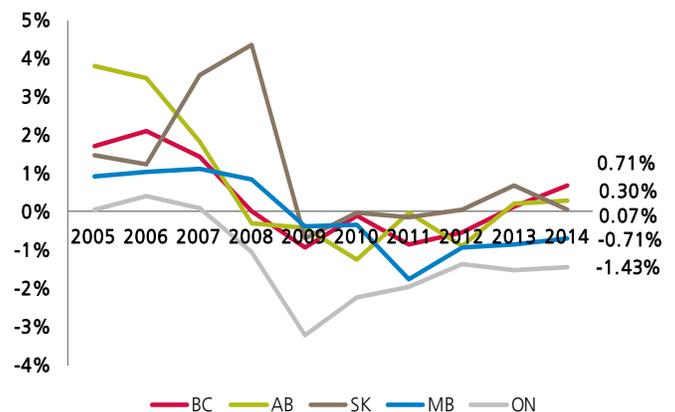
Source: MEC calculation, Statistics Canada, CANSIM Table 384-0038. Provincial Budgets, 2005 – 2014.

Figure 20:
Provincial net debt % of GDP, 2005 – 2014 % change



Source: MEC calculation, Statistics Canada, CANSIM Table 384-0038. Provincial Budgets, 2005 – 2014.

Figure 21:
Provincial budget balance % of GDP, 2005 - 2014



Source: MEC calculation, Statistics Canada, CANSIM Table 384-0038. Provincial Budgets, 2005 – 2014.

Provincial/Municipal Public Sector Employment

Manitoba ranking: 5th

Manitoba leads the provinces with the largest sub-national (i.e. provincial and municipal) public sector employment per 1,000 residents (see Figure 22).

As one of the main cost drivers in any government, sustainable staffing levels must be a priority to ensure balanced budgets and decreasing levels of debt. Significant focus is needed to bring Manitoba's ratio back into alignment with those of other provinces.

Figure 22:
Provincial/Municipal public sector employment per 1,000 residents, 2013



Source: *The Size and Cost of Atlantic Canada's Public Sector*, Atlantic Institute for Market Studies, 2014.

Provincial Tax Comparisons

Provincial tax systems are a key driver of competitiveness amongst jurisdictions for business investment and worker attraction and retention. A review of these tax systems for both business and families provides a clearer understanding of Manitoba's poor performance in the preceding business and labour prosperity indicators.

General Corporate Tax Rate

Manitoba ranking: Tied 5th

Despite efforts to reduce corporate income rates, Manitoba is tied with Saskatchewan for maintaining the highest general corporate tax rate west of Quebec at 12% (see Figure 23).

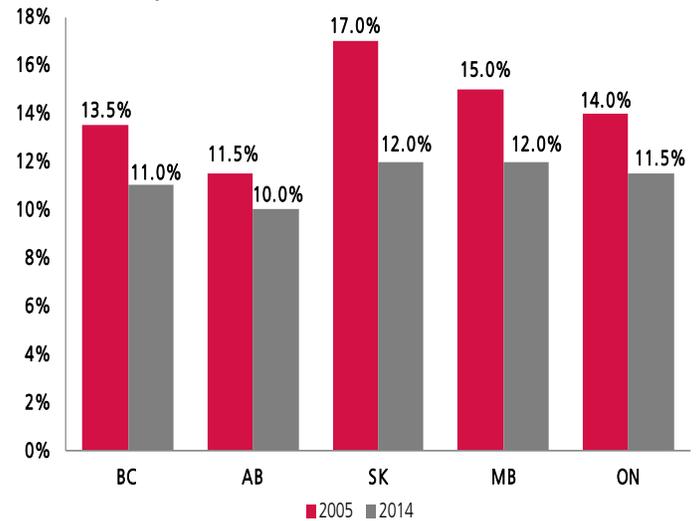
Small Business Tax Rate and Exemption Level

Tax Rate ranking: 1st
Exemption Level ranking: 5th

Manitoba made significant progress over the decade reducing corporate taxes on Manitoba's smallest businesses, which now pay no income tax if taxable income falls below the small business exemption threshold (see Figure 24 and Table 7).

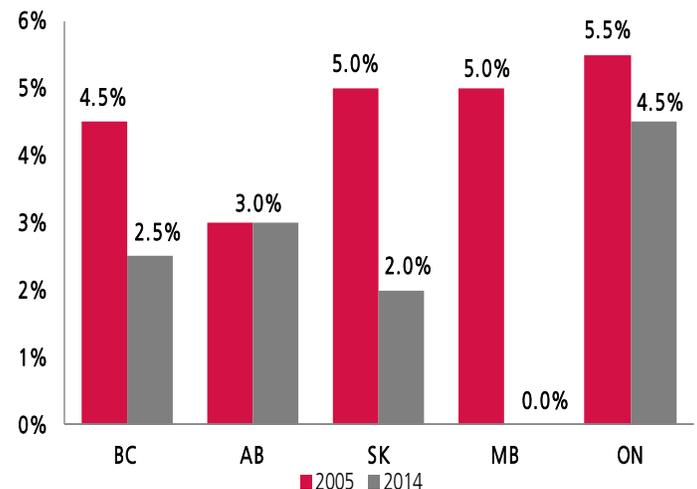
This advantage is mitigated by the fact Manitoba is the only province west of Quebec to maintain their small business exemption level - the level at which a business begins to pay income taxes at the general corporate rate - of less than \$500,000 (see Table 7). This lower threshold creates a significant marginal tax disparity with other provinces as entrepreneurs approach \$500,000 in taxable income.

Figure 23:
General corporate tax rate, 2005 and 2014



Source: Government of Manitoba, Budget 2005, 2014.

Figure 24:
Small business tax rate, 2005 and 2014



Source: Government of Manitoba, Budget 2005, 2014

Table 7:
Small business tax threshold, 2005 and 2014

	2005	2014	Change 2005 to 2014
BC	\$400,000	\$500,000	\$100,000
AB	\$400,000	\$500,000	\$100,000
SK	\$300,000	\$500,000	\$200,000
MB	\$400,000	\$425,000	\$25,000
ON	\$400,000	\$500,000	\$100,000

Source: Government of Manitoba, Budget 2014, BDO Tax Facts 2005.

Payroll Tax

Manitoba ranking: 5th

As one of only two provinces with a Payroll Tax, Manitoba significantly erodes its business competitiveness. Known as the Health and Post Secondary Education Tax Levy in Manitoba – the Employer Health Tax in Ontario – the profit insensitive tax is highest in Manitoba with a general rate of 2.15% of payroll (see Table 8).

Both provinces provide a small business exemption to their payroll tax. In Manitoba, firms with a payroll of less than \$1.25 million do not pay the tax. Ontario's exemption ends when payroll exceeds \$450,000.

Sales Taxes

Manitoba ranking: Tied 5th

With the exception of Alberta, all provinces collect a sales tax. Manitoba ties Ontario for maintaining the highest sales tax rate at 8% (see Table 9).

The Ontario sales tax is harmonized with the federal Goods and Services Tax (GST) while British Columbia, Saskatchewan and Manitoba maintain provincial sales taxes.

*Table 8:
Payroll tax highest marginal rate*

	2005	2014
BC	N/A	N/A
AB	N/A	N/A
SK	N/A	N/A
MB	2.15%	2.15%
ON	1.95%	1.95%

Source: Government of Manitoba, Budgets 2005, 2014.

*Table 9:
Sales tax rates, 2005 and 2014*

Province	PST Rate	PST Rate	PST Rate
	2005	2014	Change
BC	7%	7%	0%
AB	0%	0%	0%
SK	7%	5%	-2%
MB	7%	8%	1%
ON	8%	8%	0%

Source: BDO Canada Tax Facts, 2005, 2014.

Personal Income Tax (PIT) Rates

Highest PIT rate ranking: 5th

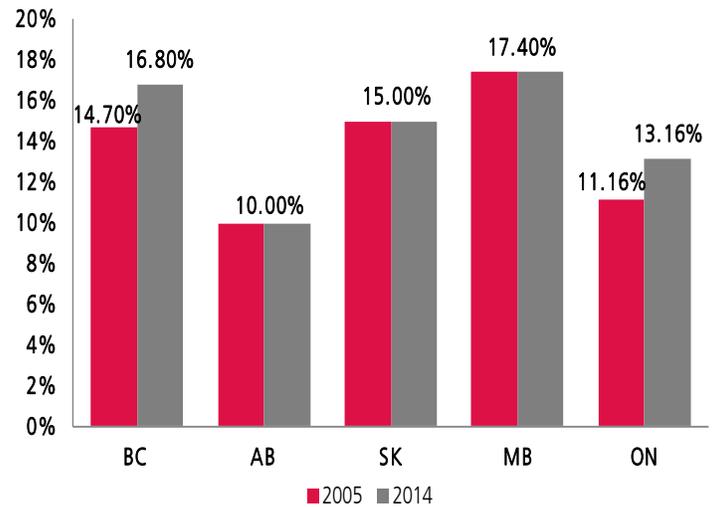
Lowest PIT rate ranking: 4th

There are several components to personal income taxes, including tax brackets, tax rates, and the basic personal exemption (the amount one can earn before paying PIT). While all provinces have worked to reduce the PIT burden on families, Manitoba has made the least progress. As a result, Manitoba families at all income levels face significantly higher tax burdens than families in most other provinces.

Manitoba's top marginal personal income tax rate remains the highest west of Quebec before surtaxes at 17.4% (see Figure 25). With surtaxes included, Ontario's rate becomes the highest at 20.53%.

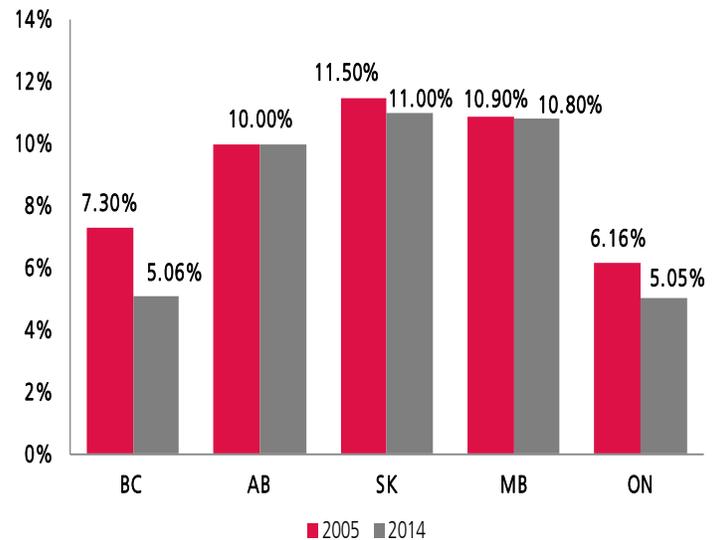
Manitoba's lowest marginal tax rate remains the second highest west of Quebec (see Figure 26). While the Prairie Provinces are closely aligned on this tax variable, provincial Basic Personal Exemptions (BPE) diverge significantly, which directly impacts the marginal tax rate faced by taxpayers in the first tax bracket. British Columbia and Ontario have chosen a different path, opting for a low initial tax rate and a concomitantly lower BPE.

Figure 25:
Highest marginal PIT rate, 2005 and 2014



Source: Canada Revenue Agency, BDO Canada Tax Facts, 2005, 2014.

Figure 26:
Lowest marginal PIT rate, 2005 and 2014



Source: Canada Revenue Agency, BDO Canada Tax Facts, 2005, 2014.

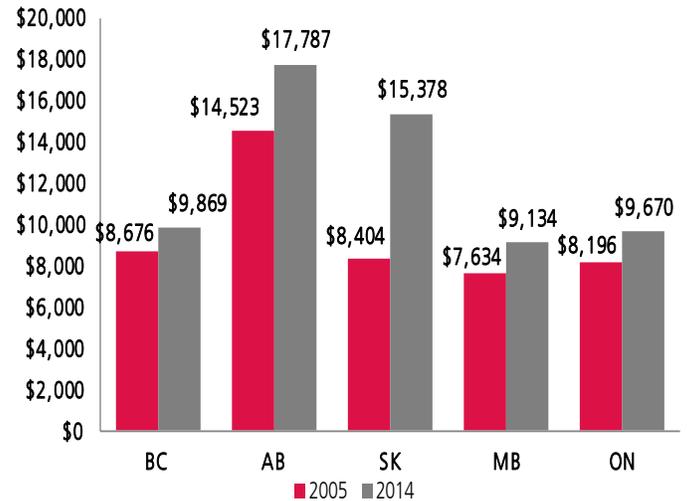
PIT Basic Personal Exemption

Manitoba ranking: 5th

Manitoba maintains the lowest BPE amongst the provinces at \$9,134. While Manitoba's BPE increased by \$1,500, or nearly 20% over the decade, it remains the lowest amongst the provinces (see Figure 27). This is in stark contrast to Saskatchewan, which has raised its BPE by 83% over the decade (see Figure 28).

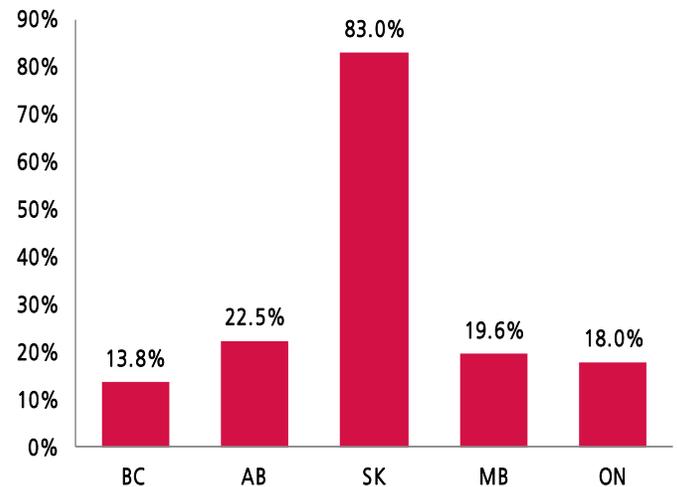
Manitoba is the only province that does not annually index its personal tax system to inflation amongst these provinces.

Figure 27:
Basic personal exemption, 2005 and 2014



Source: Canada Revenue Agency, TD1 forms.

Figure 28:
Basic personal exemption, % change, 2005 to 2014



Source: Canada Revenue Agency, TD-1 Forms.

Family Tax Comparisons

Combining the tax incidence of various tax system components into a total provincial tax burden provides a clearer picture of how the system affects families. In this evaluation, which includes personal income taxes, provincial sales taxes, gas taxes, and health premiums (where applied), Manitoba families face one of the highest levels of tax burden in the provinces

Single Parent Family Earning \$30,000

Manitoba ranking: 4th

At \$429, Manitoba families at this income level rank 4th for their total tax burden. While the family pays significantly less tax than families in 5th ranked British Columbia, they pay significantly more than families in the other provinces (see Figure 29). In fact, in Alberta and Saskatchewan no tax is paid by this family.

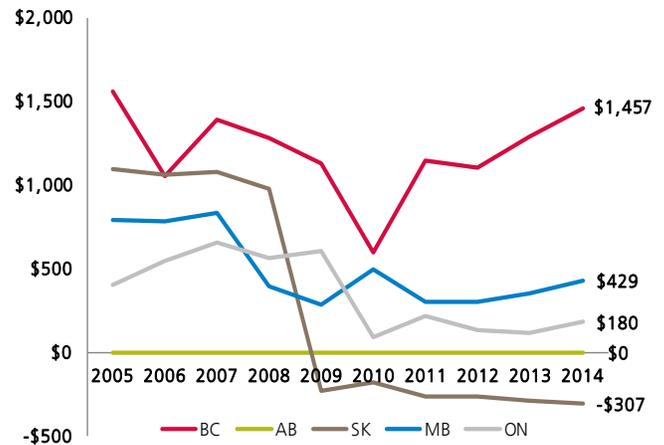
Manitoba has reduced the tax burden affecting these families over the last decade, but the tax relief provided was less than that offered in other provinces (see Figure 30). Equally concerning, the tax burden has begun increasing again since 2012.

Indicator definition:

Total taxes paid is composed of: provincial sales tax, provincial income taxes, and health premiums. Provincial sales tax is based on an average expenditure basket for each level of total income from the 2011 Survey of Household Spending, Statistics Canada, and inflated to 2014 values using each province's Consumer Price Index. Health premiums are annual premiums for hospital insurance and medical services in provinces which levy them.

Figure 29:

Total taxes paid, 2005 - 2014, single parent family earning \$30,000



Source: Government of Manitoba, Budgets 2005 - 2014.

Figure 30:

Total taxes paid % change, 2005 - 2014, single parent family earning \$30,000



Source: Government of Manitoba, Budgets 2005 - 2014.

Dual Income Family of Four Earning \$60,000

Manitoba ranking: 5th

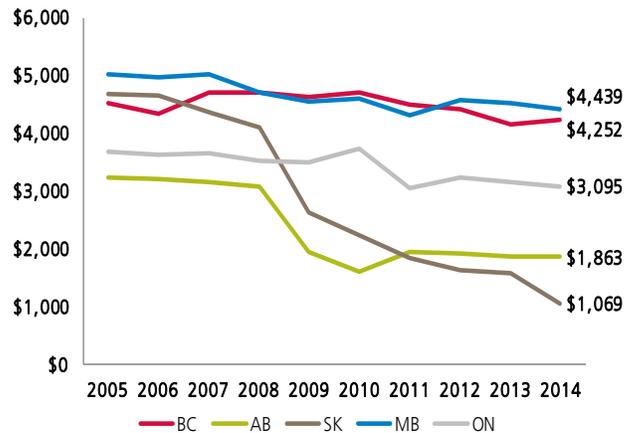
At \$4,439, Manitoba families at this income level saw a small decrease in their tax burden over the last 10 years, but continue to pay the most tax compared to similar families in other provinces (see Figure 31).

At nearly 12%, tax relief provided to these Manitoba families is dwarfed by the relief provided to families in Alberta and Saskatchewan – 43% and 77% respectively (see Figure 32).

Indicator definition:

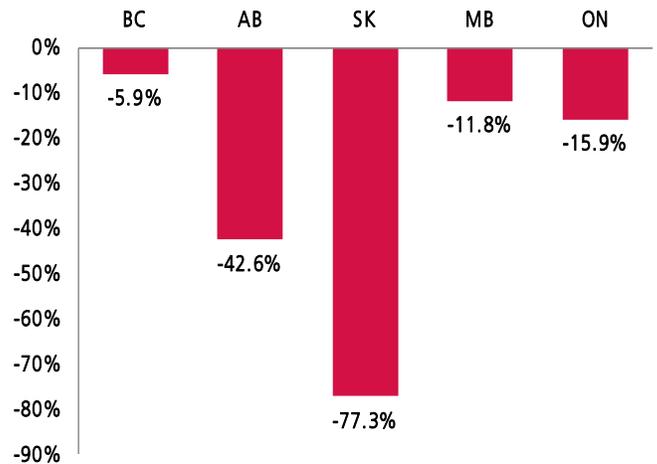
Total taxes paid is composed of: provincial sales tax, provincial income taxes, and health premiums. Provincial sales tax is based on an average expenditure basket for each level of total income from the 2011 Survey of Household Spending, Statistics Canada, and inflated to 2014 values using each province's Consumer Price Index. Health premiums are annual premiums for hospital insurance and medical services in provinces which levy them. There is a 60-40 split in income between the two earners.

*Figure 31:
Total taxes paid, 2005 - 2014, dual income family of 4 earning \$60,000*



Source: Government of Manitoba, Budgets 2005 - 2014.

*Figure 32:
Total taxes paid % change, 2005 - 2014, dual income family of 4 earning \$60,000*



Source: Government of Manitoba, Budgets 2005 - 2014.

Dual Income Family of Five Earning \$75,000

Manitoba ranking: 5th

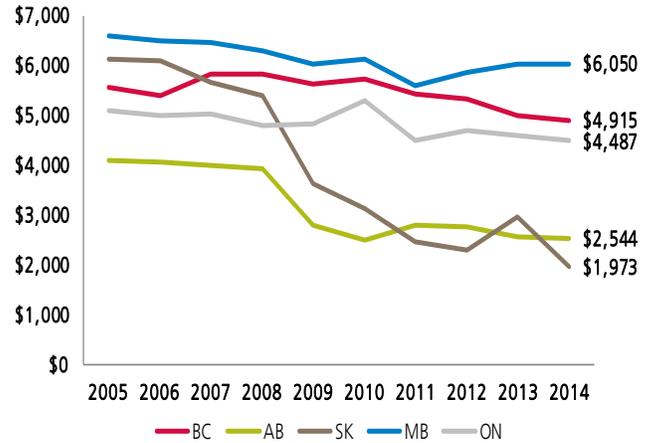
Manitoba families at this income level face an increasingly uncompetitive tax burden. At \$6,050, these families have the highest tax bill amongst the provinces and have seen their tax bill increase since 2011 (see Figure 33).

Additionally, the gap between 5th place Manitoba and the 4th ranked province has more than doubled from \$454 in 2005 to \$1,135 in 2014.

Despite recent tax increases, these Manitoba families have seen a slight overall tax decrease since 2005 (see Figure 34). At 8.4%, Manitoba provided the least tax relief of any provincial government over the timeframe.

Indicator definition:
 Total taxes paid is composed of: provincial sales tax, provincial income taxes, and health premiums. Provincial sales tax is based on an average expenditure basket for each level of total income from the 2011 Survey of Household Spending, Statistics Canada, and inflated to 2014 values using each province's Consumer Price Index. Health premiums are annual premiums for hospital insurance and medical services in provinces which levy them. There is a 60-40 split in income between the two earners.

Figure 33:
 Total taxes paid, 2005 - 2014, dual income family of 5 earning \$75,000



Source: Government of Manitoba, Budgets 2005 - 2014.

Figure 34:
 Total taxes paid % change, 2005 - 2014, dual income family of 5 earning \$75,000



Source: Government of Manitoba, Budgets 2005 - 2014.

CONCLUSION

Of the 26 comparative economic, government and taxation indicators included in this report, Manitoba ranked 5th in 16 indicators and 4th in another 7 indicators in 2014. Manitoba outperformed all other provinces in only one indicator, the small business corporate tax rate.

Given these findings, it is clear Manitoba failed to create the environment needed to achieve prosperity parity with neighbouring provinces during the decade under review. Until the provincial government seriously tackles the taxation and regulatory barriers to prosperity that currently exist, Manitoba's prosperity potential will continue to be unfulfilled.

To stimulate Manitoba's wealth generating sectors, the following actions are needed by the provincial government:

- Shrink the size/cost of the provincial government and improve the efficacy of its operations:
 - Implement a plan to eliminate Manitoba's chronic budget deficit;
 - Create a long term plan to reduce the province's debt load; and
 - Improve educational outcomes for all Manitobans.
- Reduce the overall taxation burden on businesses and families:
 - Lower personal income taxes through a combination of rate reductions, increased brackets and a much larger basic personal exemption;
 - Eliminate the payroll tax on private sector employers; and
 - Reduce the Provincial Sales Tax rate.
- Remove regulatory burdens that restrict innovation and business investment:
 - Review minimum wage policies to ensure wage rates reflect the economic realities of both employers and employees; and
 - Legislate an ongoing red tape accountability process to minimize the regulatory burden faced by employers and all industries.

While by no means exhaustive, this broad policy outline provides a path forward to create a vibrant and growing province. Manitoba must increase business investment and attract more families to choose our province as their home if we are to reach our goal of being one of Canada's most prosperous provinces. Without the changes outlined above, Manitoba will fail to reach its prosperity potential and continue to be the least prosperous province West of Quebec.