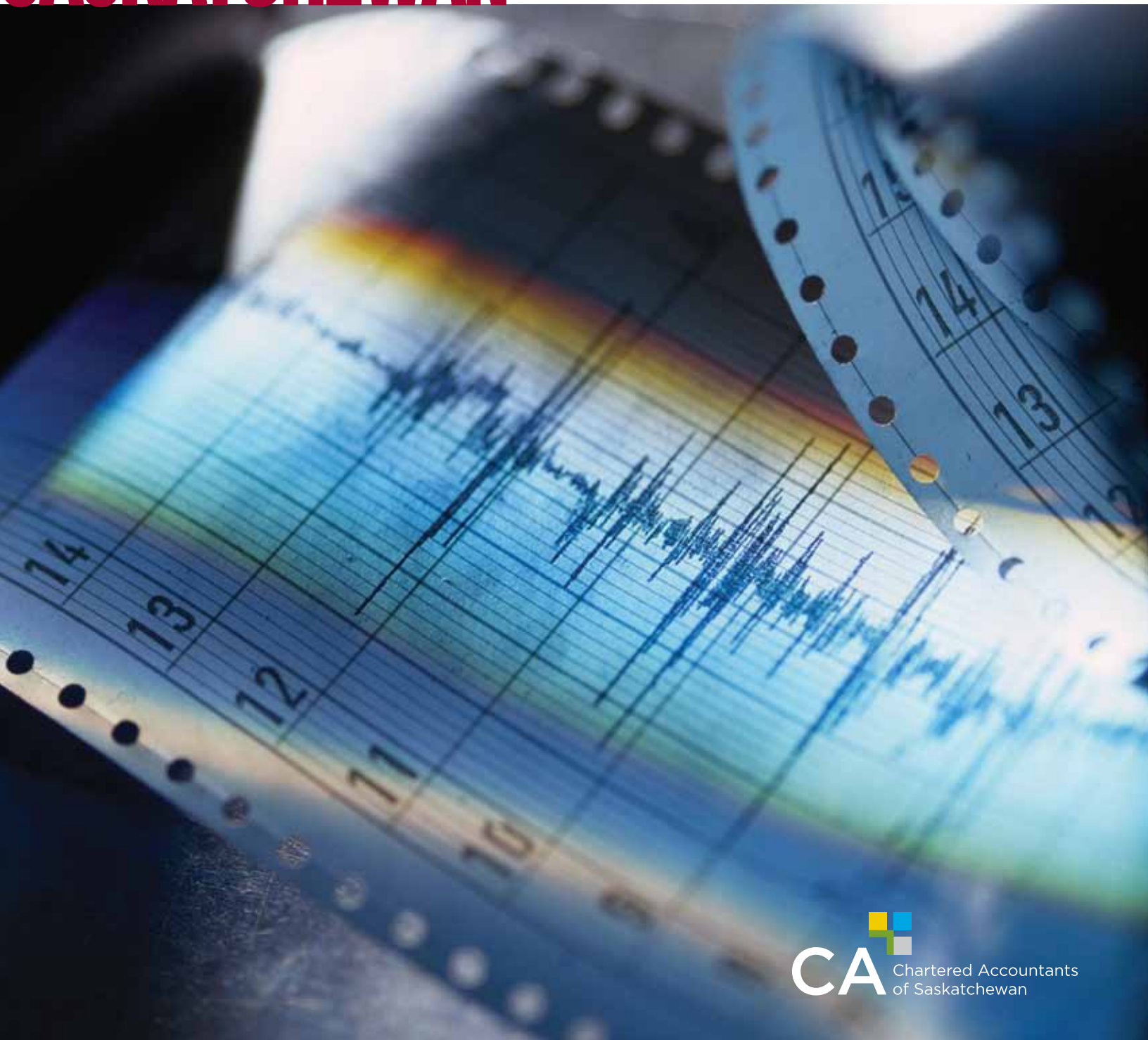


LIVE WORK INVEST **IN** SASKATCHEWAN

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Executive Summary

The Global Economic Crisis

For most major world economies, 2009 was a challenging year, and Canada and Saskatchewan were no different. The profile created by *Saskatchewan Check-Up's* economic data for 2009 is, on balance, very encouraging despite less than robust performance compared to the previous year. While the global economic crisis negatively impacted the provincial economy and government cash flows, it is encouraging that the province maintained its longer-term focus and remained on the positive course set in recent years.

The playmakers of this year's *Check-Up* are found in the "Work" section. Two leading indicators of Saskatchewan strength in the face of temporary economic challenges in 2009 were population and job growth.

Saskatchewan is a leading exporter, with 66% of gross domestic product (GDP) attributable to trade across its borders. Once the economic downturn impacted customers outside the province, it was inevitable that the effects would be felt locally. The global slump rapidly impacted the resource sector, a significant source of provincial revenue. The revenue was reduced by lower sales volumes and commodity prices, challenging the province's budget, lowering productivity and turning GDP negative.

Of particular note, potash is a major contributor to Saskatchewan's export economy. After record sales volumes and prices in 2008, the industry experienced an unprecedented reduction in demand in 2009. Prices fell considerably from 2008 levels and since the province is particularly leveraged to the price of this resource, the provincial budget was negatively impacted. Lower revenues from resources taxes, corporate income taxes and personal income taxes resulting from significant temporary layoffs across the potash industry contributed meaningfully to the province's 6.3% decline in GDP in the year.

However, relative to most other jurisdictions in Canada and abroad, Saskatchewan fared better through the downturn and its diverse economy appeared well positioned to rebound quickly.

Leading indicators posted in a difficult 2009 provided convincing evidence that the province had withstood the crisis well, would rebound quickly and was poised for strong continued growth:

- Real wage levels increased for five consecutive years. The 8.5% real growth rate (actual less inflation) was the second largest in our comparison group. The absolute wage level at \$23.87 per hour was still 12% behind Alberta but ahead of Manitoba and effectively equivalent to British Columbia and the Canadian average. Absolute wage growth over the five-year period was a vibrant 21.4%.
- The 12% inflation Saskatchewan experienced in 2009 was driven primarily by housing price increases. However, these prices placed the province in the middle of the comparative group in this category and are unlikely to be seen by potential migrants as a barrier to locating here. Saskatchewan residents committed only 17.2% of their overall household expenses to housing, the lowest of any jurisdiction reviewed.
- Job numbers increased by 7,900 last year, leading all other jurisdictions in new job creation. Over the past five years, 4.5% of Canada's new jobs were added in Saskatchewan, although the province accounts for only 3% of the Canadian labour force.
- The province enjoyed an inflow of 8,571 immigrants and the lowest unemployment rate among all jurisdictions reviewed.

Future Growth: Building on Saskatchewan's Strengths

The steady state is not an option in our province because of changing demographics. For much of the last century, Saskatchewan enjoyed a natural increase in population, with more births each year than deaths. Today, however, baby boomers are in their fifties and sixties and our demographic profile is aging. Saskatchewan will then begin to see more of its population in older age brackets, the number of retirees rising and the number in the workforce falling. We need change to survive.

In this edition of *Check-Up*, Saskatchewan Chartered Accountants point for consideration to measures in a number of areas where

appropriate policy could contribute to Saskatchewan's future growth. This year, we draw your attention to health spending, tax reform and education and training.

Health spending

In roughly thirty years, health's share of the provincial funds spent each year has increased from approximately 25% to more than 40%, by far the largest share of every budget. This share grows each year, and a combination of demographics and health care technology will drive this growth faster and higher in the near future. No matter its merits, any function of government that continues on this path becomes an issue.

This year's *Check-Up* reveals that the province's health spending per capita is up 55% over the five years ending in 2009, with a 12.3% increase in just the last year. The absolute level of spending reached \$3,636 per resident in 2009, several hundred dollars higher than in any other jurisdiction measured. Despite this leading-edge cost, the result as gauged in the Health Consumer Index placed Saskatchewan ninth out of ten spots in terms of health care delivery for the second consecutive year.

The central question is not value for dollar. Rarely mentioned but vitally important is the sustainability of the large and accelerating share of provincial funds absorbed each year by health care. This is where government has options: bring health spending increases into line with increase (or decrease) in available funds, or increase available funds. These options assume that government will not want to impact other areas to compensate for the need in health.

Containing costs is a challenge as the intensity of health care usage will no doubt rise with the changing demographics. Advancements in health technology and drug therapies are cost-drivers. By far the largest component in health spending is staffing, where additional demand must be met and salaries need to be attractive enough to draw and hold the required professional and support personnel. In health care delivery, it is hard to imagine cost containment as a stand-alone solution.

The other option is increasing the available funds for health care. This can be attained in various ways. One alternative is to increase the

funds that flow from non-tax sources, such as charitable, voluntary and other sectors. A second alternative is to increase funds from taxes. This can occur by raising taxes, or increasing the tax base so the same tax rate can generate higher revenue from a growing, and albeit younger, base. Tax rate increases gradually close off growth, and are at best a short-term option. Therefore, the challenge in health care becomes the same challenge that will benefit the province generally. It appears that the need to grow the economy serves more than a general purpose.

Tax reform

In the constantly changing world of tax policy, remaining static equates with falling behind. The market for investment is competitive. Investment does not only refer to business investment, but also personal investment of residents by attracting them to make Saskatchewan their home province. To ensure growth and prosperity, Saskatchewan needs to ensure workers are retained, and attract those looking for opportunity. Provinces continually seek to gain advantage, and those that do not adjust risk losing those investors.

History shows that growth results not from raising taxes on provincial residents to produce revenue, but from lowering taxes and attracting growth. The advantage is gained by being considered a competitive alternative, which results in an increased tax base from which government realizes increased revenue. Growth happens with an increase in skilled and educated workers, which promotes business opportunity and personal wealth and confidence in a province. This is important for long-term prosperity.

The most important guiding principle with respect to taxes is to remain competitive. In the last decade, Saskatchewan has made impressive changes to the tax environment, and the impact is illustrated in the recent results produced by *Check-Up*. We have gained ground by net in-migration for the past three years, increased the real labour compensation per employee by more than 15%, and were the only jurisdiction reviewed to see a reduction in the cost of living. In order to stay competitive, we need to be aware of the tax environment changes required to keep our province competitive and recognize balance in tax policy.

Education and training

Economic growth is increasingly a function of education.

Saskatchewan's level of educational attainment is rising. As of last year, 59% of people enjoy some post-secondary education, a peak achievement. Unfortunately, 59% still leaves us with the second-lowest percentage among the six jurisdictions, one point ahead of Manitoba and well off the pace of Alberta (64.3%) and the nation overall (66.4%). Not only do we lag in absolute attainment, but others are accelerating faster than Saskatchewan. Our five-year improvement (2.9%) is lowest of all.

Within this uninspiring context, bright spots shine, such as the five-year increases in bachelor-level degrees (14.4%), the 30.9% increase in advanced degrees and the 26.9% rise in professional, scientific and technical employment. Overall, science employment grew at the second-highest rate over the five years.

Saskatchewan's high-school dropout rates are a concern. This may reflect the increased demand for employees in the booming construction industry, or it may suggest low awareness of other options and of the long-term consequences of choosing immediate income over training.

If the benefits of growth are to be shared widely, Saskatchewan people must position themselves to take advantage of the opportunities. Fundamentally, this means acquiring knowledge and skills to participate in emerging sectors. Some results for 2009 open the question of how successfully local people are competing. In 2009, 7,900 new jobs opened here, and 8,571 new people immigrated to the province.

Broader Horizons

Saskatchewan is gradually playing a more aggressive game of outreach. We are moving from a defensive position to new emphasis on scoring points, wasting little time appealing whatever wrongs we may see in the calls of the referee. The confidence shows in the higher numbers of the self-employed and the fact that in the face of a biting global recession, capital investment here dipped only fractionally. Many signs suggest the province has reached a higher level.

As ever, people are Saskatchewan's great resource and advantage. The province's culture favours a hands-on, make-it-work attitude, an irreplaceable quality that powers innovation and turns risk into reward and success. In the past, the can-do outlook gave Saskatchewan expatriates an edge in other job markets. Today, it is more and more our play-at-home advantage.

Broader horizons are what drew people here a century ago, and they are what can keep them here in growing numbers today. Let's ensure we continue to be competitive by improving in the areas where we fall short and staying ahead of the rest in our strengths.

Saskatchewan's Chartered Accountants encourage you to review the economic indicators presented in this year's *Check-Up* report and make your own inferences about what you believe these results mean for Saskatchewan's future.

About the SK Check-Up

Since 2001, the Institute of Chartered Accountants of Saskatchewan (ICAS) has tracked Saskatchewan's development as a place to live, work and invest. In addition ICAS offers comment on results and suggestions for public consideration, and course of action it believes can enhance the province's future outcomes.

The quantitative analysis relies on data sourced largely from Statistics Canada, though other credible published sources are referenced to supplement or provide additional insights. All data is grouped into three categories – Live, Work, Invest – within each of which a set of indicators are used to measure key variables. Indicators are provided for one-year and five-year results. The analysis is given context by comparison with similar metrics for other Western provinces and Canada as a whole.

All research analysis and writing of the background report for *Saskatchewan Check-Up 2010* was undertaken by Chisholm Consulting in association with Gold Island Consulting, Fulford Consulting, and McDaniels Research.

LIVE IN SASKATCHEWAN

Saskatchewan as a Place to Live

Despite losing economic ground due to the global recession, Saskatchewan did see positive changes in at least two of the five LIVE indicators in **2009**. The province had by far the largest increase among all jurisdictions in health expenditures per capita: 12.3% compared to 5.3 % for Canada as a whole. In addition, Saskatchewan experienced a relatively low cost of living increase of 0.4 percentage points (ppts), the same as the country overall but well below that in Alberta (1.6 ppts).

Other indicators were not as clearly positive. In **2009** consumer debt growth in the province was the highest in the comparison group: 12.7% compared to 6.8% for Canada as a whole. And Saskatchewan was the only province to show an increase in the number of youth at risk.

Real Labour Compensation per Employee

Real labour compensation is the remuneration received by an individual for work done, in the form of wages or salary before deducting mandatory deductions.¹ This indicator takes into account the effects of inflation on purchasing power and is an effective measure of an individual's relative economic well-being over time.

Real labour compensation per employee in Saskatchewan in **2009** was \$44,065, the second lowest in the comparison group; only Manitoba had a lower rate at \$42,709. The impact of Alberta's high paying energy sector jobs put that province in first place with employees earning \$64,516. The increase in real labour compensation in **2009** was 1.1% in Saskatchewan, equal to the rate in Ontario but lagging behind that of Manitoba (1.2%), Canada as a whole (1.4%) and Alberta (1.6%). Only BC had a smaller increase (0.7%). Saskatchewan's position with respect to labour income growth was radically different in the previous five-year period. From **2004** to **2009** the increase in real labour compensation was 15.7%, second only to Alberta's increase of 20.7%.

Real Labour Compensation per Employee (2009\$)				
	2004	2008	2009	Change 08-09
Canada	\$45,033	\$47,926	\$48,612	1.4%
Saskatchewan	\$38,070	\$43,569	\$44,065	1.1%
Manitoba	\$39,064	\$42,183	\$42,709	1.2%
BC	\$42,112	\$44,276	\$44,568	0.7%
Alberta	\$53,454	\$63,531	\$64,516	1.6%
Ontario	\$47,682	\$49,100	\$49,633	1.1%

Source: Statistics Canada

Consumer Debt per Capita

Consumer debt per capita is defined as the sum of both personal loan, credit card, and mortgage debt, divided by the total population. The level of consumer debt in Canada has shown a continuous upward trend over the last 20 years. In fact by the end of **2009**, the debt to income ratio among Canadians reached an all time high of 144.4%.² Increasingly, Canadians are saving less and coming to rely upon their credit cards and lines of credit for everyday living expenses.³

¹ www.statcan.gc.ca/nea-cen/gloss/iea-crd-eng.htm. This indicator also includes employer's social contributions, such as retirement allowances, dental plans, and other benefits.

² Certified General Accountant's Association of Canada, 2009. 'Where the money is Now: The State of Canadian Household Debt as Conditions for Economic Recovery Emerge' Accessed at ...

³ CBC News May 26, 2010. www.cbc.ca/consumer/story/2009/05/26/canada-household-debt854.html.

Until recently, residents of Saskatchewan were among the most debt averse in Canada. This is no longer the case; in **2009** Saskatchewan's consumer debt rose by 10.9%, the second highest in the comparison group. Manitoba had the highest increase at 11.0%, followed by BC (7.1%), Alberta (6.5%), and Ontario (4.2%). The rate of increase in Saskatchewan was nearly double that for Canada as a whole (5.5%). The reason for this significant change in Saskatchewan's consumer debt levels is in part due to mortgage debt. In **2009**

Consumer Debt per Capita (2009\$)				
	2004	2008	2009	Change 08-09
Canada	\$22,069	\$29,372	\$30,978	5.5%
Saskatchewan	\$12,926	\$18,842	\$20,901	10.9%
Manitoba	\$13,011	\$18,434	\$20,463	11.0%
BC	\$26,750	\$36,601	\$39,217	7.1%
Alberta	\$20,654	\$31,013	\$33,031	6.5%
Ontario	\$23,301	\$28,050	\$29,241	4.2%

Sources: Statistics Canada; Credit Union Central of BC and Alberta; Insurance Deposit Corporation of Ontario

the average house price in Saskatchewan grew faster than in all other provinces except BC.⁴ Despite the inflationary real estate market, residents were able to manage their debt, as they showed (along with Manitoba) the lowest rate of increase in mortgage arrears and in personal bankruptcies in Canada.⁵

Shelter Costs as Percentage of Total Household Expenditures⁶

The shelter share of total household expenditures⁷ reflects the cost of living. In **2008**, shelter accounted for 17.2% of total household expenditures in Saskatchewan, the lowest share of any jurisdiction. In Manitoba housing accounted for the second-lowest share of total household expenditures, 18.2%, also well below the national average of 19.9%.

In **2008**, Saskatchewan's cost of living index rose by .4 ppt, consistent with the national average increase. Saskatchewan saw a surge of housing prices between late **2006** and early **2008**, with a subsequent slowdown throughout the rest of the year.⁸ In contrast, Manitoba housing prices heated up in 2008, resulting in a 1.1 ppt increase in the indicator. Alberta saw the highest increase that year, at 1.6 ppt, also driven by strong housing prices. Ontario actually registered a decline of .1 ppt. For those whose incomes did not rise at the same rate as the cost of shelter, any increase means less disposable income, as more household income is devoted to housing.

The increase in Saskatchewan's shelter share of total average household expenditures was reflected in the borrowing habits of residents. For the second year in a row, consumer debt held with chartered banks and credit unions grew at an unusually high rate (11.4% in **2007** and 15.4% in **2008**, compared with growth rates between 4% and 9% in all previous years).⁹ In a province with a long history of thrift and debt-aversion, it appears that higher shelter costs are compelling more home buyers to increase their borrowing.

Youth at Risk

Our youth at risk indicator is defined as the percentage of the labour force, aged 19 to 24, who have not completed high school. Failure to obtain a high school diploma has obvious long-term costs, both for the individual, in terms of increased unemployment and diminished earning potential and for society at large, in terms of increased dependence on social security and other support systems.

In **2009** Saskatchewan's youth at risk comprised 10.1% of the labour force, aged 19-24, putting the province in fourth place behind BC (7.2%), Ontario (8.6%) and Canada as a whole (10.0%). Only Alberta (10.4%) and Manitoba (10.8%) had higher numbers of youth at risk. In addition, Saskatchewan was the

⁴ CIBC Household Credit Analysis, October 6, 2009.

⁵ CIBC Household Credit Analysis, October 6, 2009.

⁶ Readers should note that the most recent statistics available on shelter costs pertain to 2008, as 2009 figures were not available at time of publication.

⁷ Household expenditure includes total current consumption, personal taxes, personal insurance payments and pension contributions, and gifts of money and contributions. Shelter costs include expenditures on principal accommodation (either owned or rented) and on other accommodation, such as vacation homes or accommodation while travelling. Expenditure on owned principal accommodation includes regular mortgage payments, if any.

⁸ RBC, Housing Trends and Affordability, March 2010.

⁹ Source: Stats Canada and SaskCentral. Growth rate of personal debt in 2009 was 12.7%.

only province in that year to show an increase (0.1 percentage points) in the number of 19-24 year olds in the labour force without a high school diploma.

Between **2004** and **2009**, the province was successful in reducing the number of youth at risk by 1.9 percentage points (ppts); Manitoba also managed a 1.9 ppt reduction. But all other jurisdictions except BC (which has consistently had the fewest youth at risk) achieved better results, especially Alberta (3.4 ppts decrease) and Ontario (2.8 ppts decrease).

Measured by the strength of its economy, its labour market and relative standard of living, Saskatchewan has made great strides forward in recent years. Investing in the necessary measures and programs to boost graduation and reduce the number of youth at risk will be essential in further strengthening the province's economic future.

Health Expenditures per Capita

The primary indicator — real provincial health care expenditures per capita — reflects the rate at which government expenditure on health care.¹⁰ This is augmented with a secondary indicator, the “Health Consumer Index”, which has been developed by the Canadian Frontier Centre for Public Policy to assess consumer satisfaction with health services offered.

In **2009**, Saskatchewan's real health care expenditures per capita rose by a dramatic 12.3%, the largest increase of all jurisdictions, to reach \$3,676. In **2010**, potash sales fell far short of the expected level, and the government has subsequently been compelled to cut costs. This will no doubt affect the portion of the 2010/11 budget that health care occupies.

	2004	2008	2009	Change 08-09
Canada	\$2,391	\$2,980	\$3,138	5.3%
Saskatchewan	\$2,372	\$3,273	\$3,676	12.3%
Manitoba	\$2,476	\$3,188	\$3,256	2.1%
BC	\$2,569	\$2,811	\$3,030	7.8%
Alberta	\$2,217	\$3,036	\$3,216	5.9%
Ontario	\$2,339	\$2,978	\$3,082	3.5%

Source: Statistics Canada

The Canadian Consumer Health Index was designed to assess provincial health care delivery according to five criteria— treatment outcomes, waiting time for treatment, primary care, patient rights, and “generosity.”¹¹ The idea of a consumer-based assessment of health care is new to Canada, and has come under criticism by some provinces, but it marks a new approach to measuring outcomes, and has been in use successfully in Western Europe for several years.

A comparison of the Health Consumer Index rankings for **2009** shows that Saskatchewan ranked ninth of all provinces in terms of health care delivery last year.

Health Consumer Index National Ranking¹²

Health Consumer Index National Ranking	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
2009	ON	BC	NB	AB	NS	PEI	MB	NL	SK	QC
2008	ON	BC	NS	NB	AB	PEI	MB	QC	SK	NL

Source: Canadian Consumer Health Index 2009

¹⁰ While growing health care expenditures poses a challenge from a fiscal policy perspective, it still serves as the best simple indicator of whether health care consumer needs are being met.

¹¹ This refers to the range of services provided in each province. The methodology has been developed and used by the Health Consumer Powerhouse, Europe's leading independent provider of consumer information, whose work has initiated improvement in healthcare systems in Europe.

¹² In 2008, the Winnipeg-based Frontier Centre for Public Policy collaborated with the Health Consumer Powerhouse in Brussels to produce its first annual Canada Health Consumer Index (CHCI), which assesses the consumer responsiveness of each province's healthcare system against the rest of the country. Rebecca Walberg and Arne Björnberg, *2009 Canada Health Consumer Index*, presented by Frontier Centre for Public Policy and Health Consumer Powerhouse.

WORK IN SASKATCHEWAN

Saskatchewan as a Place to Work

Saskatchewan saw improvement in four of the five WORK indicators in **2009**, and in the one that didn't improve — unemployment — Saskatchewan had the smallest increase of all jurisdictions reviewed and maintained the lowest unemployment rate. Saskatchewan lead the pack in job creation adding 7,900 new positions at a time when all other regions experienced job losses. Saskatchewan also recorded the second largest improvement in educational attainment, up 1.1% behind Alberta, and wage equity which increased by 2.2% just behind Ontario's 2.4%.

Real wages increased in Saskatchewan in **2009** but the increase was the lowest of any of the jurisdictions reviewed and Saskatchewan slipped back to 5th place behind BC. Provincial inflation was the culprit in this loss of real wage position.

Educational Attainment

Educational attainment measures the percentage of the labour force, aged 25-54, that has received some level of post-secondary education.¹³ A higher level of labour force educational attainment enhances labour productivity and economic competitiveness.

In **2009**, the educational attainment of Saskatchewan's labour force rose slightly by 1.1% percentage points to reach 59.0%.¹⁴ But while Saskatchewan achieved its highest ever level of labour force educational attainment in **2009**, it remained the second lowest of all jurisdictions, and well below the national average of 66.4%. This notwithstanding, the Prairie provinces gave the best performance in educational attainment growth in **2009**. Alberta realized the highest growth rate in this indicator in **2009** (up 2 percentage points to 64.3%), finally outstripping BC, as it attracted a surge of workers with post-secondary or bachelor's degree education to its oil and gas sector. Saskatchewan's growth rate of 1.1 ppt and Manitoba's 1.0 ppt put these provinces in second and third place respectively behind Alberta. Ontario and BC lagged with growth rates of .5 ppt and .4 ppt respectively.

Percent of Labour Force Age 25-54 with a Post-Secondary Certificate, Diploma or Higher				
	2004	2008	2009	Change 08-09
Canada	61.7%	65.6%	66.4%	0.8 ppt
Saskatchewan	56.1%	57.9%	59.0%	1.1 ppt
Manitoba	54.3%	57.0%	58.0%	1.0 ppt
BC	59.3%	62.7%	63.1%	0.4 ppt
Alberta	58.9%	62.3%	64.3%	2.0 ppt
Ontario	62.7%	67.5%	68.0%	0.5 ppt

Source: Statistics Canada, Labour Force Survey

All jurisdictions saw a surge of growth in labour force educational attainment during the past five years. The leaders were Alberta and Ontario, with respective growth rates of 5.4% and 5.3% between **2004** and **2009**, and the national average growth rate was 4.7%. Manitoba's educational attainment rate grew by 3.7%, on a par with that of BC, while Saskatchewan's growth rate lagged at 2.9%.

¹³ Post-secondary education includes post-secondary certificates or diplomas (including skilled trades training), bachelor degrees, and/or masters and higher level degrees.

¹⁴ Labour Force Survey, 2008.

Why does Saskatchewan continue to lag in labour force educational attainment? Part of this is explained by high dropout rates in secondary school, particularly in rural or smaller communities. The reasons are complex, but can be ascribed at least partly to a perceived lack of choices relating to post-secondary education and employment, financial obstacles arising from lower income and greater travel distances to school, and the difficulties of delivering programs in geographically scattered rural communities. It has also been shown high school graduates in the Western provinces are more likely to delay or not attend post-secondary education.¹⁵

The composition of the labour force is also driven to some extent by the economy and the sectors that dominate it. Saskatchewan is becoming more diversified with the production and refining of crude oil, potash, utilities and durable manufacturing activity, as well as a greater presence in research and development, particularly in the agricultural sciences. This has stimulated an inflow of workers with greater education and technical skills. Employment in Saskatchewan's professional, scientific and technical services sector grew by 26.9% between **2004** and **2009**, an increase of 4,600 workers. And during the same period, the number of workers with post-secondary education grew by 4.6%, while that of workers with a bachelor's degree rose 14.4% and those with degrees higher than a bachelors rose by an impressive 30.9%. Saskatchewan is slowly but surely moving towards a higher long-term level of labour force educational attainment, but will need time to catch up to its counterparts.

Unemployment Rate

The unemployment rate measures the number of unemployed persons as a percentage of the population aged 15 and older who are employed or actively looking for work. The unemployment rate in Saskatchewan increased from the record low of 4.1% in **2008** to 4.8% in **2009**.¹⁶ While this was a sizeable increase, Saskatchewan's unemployment rate is still half that of the national average (8.3%) and the lowest of all the jurisdictions reviewed. Saskatchewan was also the only jurisdiction to experience an increase in jobs in **2009** (+1.5 ppt). However, the province experienced an even larger increase in its work force which pushed up the percentage of people unemployed. This labour force growth is actually positive news as it shows Saskatchewan's efforts to attract foreign workers is continuing to pay dividends with an inflow of 8,571 immigrants in **2009**. Saskatchewan's solid job creation also resulted in a net influx of people from other provinces for the third straight year. All of these additional Saskatchewan residents have helped to offset the outflow of nearly 50,000 people from the province between **2000** and **2006**.¹⁷ Another unique feature of Saskatchewan's employment story in **2009** was the number of self-employed workers which increased by 6.1% or more than double the national average growth rate of 2.7%. Two thirds of these additional 5,700 self-employed workers came from three industries: construction (1,400); agriculture (1,200); and manufacturing (1,100).¹⁸

Over the last five years, Saskatchewan has had the largest decrease in unemployment, down 0.5 percentage points from 5.3% to 4.8%. Manitoba was the only other jurisdiction to also see a drop in unemployment since **2004**, in contrast with national unemployment which increased from 7.2% to 8.3% over this same period. Saskatchewan has excelled in job creation since **2004**, generating 4.5% of the nation's new jobs despite having only 3% of the labour force.¹⁹

¹⁵ Tomkowicz, J. and Bushnik, T. Who Goes to Post-secondary Education and When: Pathways Chosen by 20 Year Olds. Statistics Canada, Culture, Tourism and the Centre for Education Statistics Division, 2003.

¹⁶ Statistics Canada, Labour Force Survey, 2009.

¹⁷ Statistics Canada, CANSIM tables 051-0017, 051-0006.

¹⁸ Statistics Canada, Labour Force Survey, 2009.

¹⁹ Ibid.

Real Wages

The real wage indicator compares the change in average nominal wages for both hourly and salaried workers²⁰ against the increase in inflation reflected in the provincial consumer price index.

Saskatchewan saw the weakest growth in real wages in **2009** increasing by only 1.4% to \$23.87 per hour, this contrasted with 2.0% growth nationally and 3.6% increase in Alberta.²¹ As a result, Saskatchewan slipped back to fifth position of the six jurisdictions reviewed, behind Alberta, Ontario, BC and the national average. The reason for this weak growth was not due to the wages, which increased by an above-average 2.4%, but the effect of Saskatchewan's 1% inflation rate which undercut the wage increase. Higher housing costs contributed to drive the inflation rate.

Real Average Hourly Wages (2009\$)				
	2004	2008	2009	Change 08-09
Canada	\$22.63	\$23.59	\$24.06	2.0%
Saskatchewan	\$22.01	\$23.55	\$23.87	1.4%
Manitoba	\$20.91	\$22.01	\$22.58	2.6%
BC	\$22.40	\$23.43	\$23.89	2.0%
Alberta	\$24.73	\$26.30	\$27.24	3.6%
Ontario	\$23.34	\$24.03	\$24.48	1.9%

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours and Consumer Price Index*

Saskatchewan's real wage picture is encouraging when examined over the last five years. With real wage growth of 8.5% since **2004**, Saskatchewan was second only to Alberta's 10.1% growth. Like Alberta, Saskatchewan has experienced significant inflation since 2004, increasing by 12%, but also a much greater increase in wages which climbed by 21.4%. By comparison the five-year real wage growth for Canada was 6.3%, BC 6.7% and a mere 4.9% in Ontario.²² Saskatchewan's strong five-year wage growth rate came from solid job increases in the higher wage industries of construction, health care, mining, oil and gas extraction. Saskatchewan also implemented the final increases to its minimum wage in May, the third of three stages that raised the minimum wage from \$7.95 to \$9.25 between **January 2008** and **May 2009**. As a result of these activities, Saskatchewan has virtually closed the real wage gap with the national average which was 97% of the national average in **2004** and 99% in **2009**.

Pay Equality

In 2009, Saskatchewan's female-to-male wage ratio increased by 2.2% to reach .869, the highest in Canada. Thus for every dollar that a male earns in Saskatchewan, a female earns \$.87. In comparison, Ontario and Manitoba saw increases of 2.4% and 2.1% respectively, both well above the national average gain of 1.4%. Alberta and BC lagged Saskatchewan's growth rate, with 1.1% and .4% gains in pay equality. In absolute terms, Alberta continues to have the lowest female-to-male wage ratio in the country (.805), while BC holds the second lowest place at .84.

The longer term picture has been positive but somewhat lacklustre for Saskatchewan. The female-to-male wage ratio grew by only .9% between **2004** and **2009**, below the national average growth rate of 2.0%, and well behind Ontario, which led with a 4.3% gain during this period. Lagging all jurisdictions in this indicator was BC, which saw the wage ratio decline by 3% between **2004** and **2009**.

Although female labour force participation rose significantly in the past decade, and their wage rates grew steadily during this time, this was matched by the growth in men's wage rates. Moreover, the share of women in management positions in Saskatchewan has shrunk, from 38.8% in **2004** to 34.7% in **2009**.

²⁰ Salaried workers' wages have been converted to an hourly equivalent to create the single figure for all workers.

²¹ Statistics Canada, CANSIM tables 281-0024, 281-0027, 281-0038, 281-0030, 281-0036.

²² Statistics Canada, CANSIM tables 281-0024, 281-0027, 281-0038, 281-0030, 281-0036.

Job Creation

Job creation, or loss, measures the absolute change in the number of employed workers within each comparison jurisdiction. Saskatchewan was the only region reviewed to see employment growth in **2009**, with a gain of 1.5%, whereas Manitoba experienced no increase and Ontario and BC both saw declines of 2.4%.²³ Saskatchewan added more workers in healthcare (2,900), agriculture (2,400) public administration (1,800) education (1,800) and construction (1,700) which offset job losses in manufacturing (-2,400), retail trade (-1,800), accommodation & food services (-1,400) and utilities (-900).²⁴ Strong crop yields in **2008** and **2009** drove agricultural employment growth while demand for housing and completion of infrastructure projects fuelled construction activity.²⁵ Demand for public sector services such as health care and education increased with the province's recent population growth. As a result the ratio of public to private sector employment jumped to its highest ratio in more than a decade at 46.2% in **2009**.²⁶

Annual Growth in Total Employment (Ages 15+)				
	2004	2008	2009	Change 08-09
Canada	1.8%	1.5%	-1.6%	-3.1 ppt
Saskatchewan	0.8%	2.2%	1.5%	-0.7 ppt
Manitoba	1.1%	1.7%	0.0%	-1.7 ppt
BC	2.4%	2.1%	-2.4%	-4.5 ppt
Alberta	2.4%	2.8%	-1.3%	-4.1 ppt
Ontario	1.7%	1.4%	-2.4%	-3.8 ppt

Source: Statistics Canada, *Labour Force Survey*

Saskatchewan recorded the third highest rate of employment growth since **2004** at 8.5% behind the other western powerhouses of Alberta (13.1%) and BC (9.5%). The construction sector was in a job creation class of its own, growing by 60% or 14,500 workers, more than twice the growth rate of the nearest high growth sector: mining, oil and gas extraction which added 34% or 5,900 workers since **2004**.²⁷ Employment growth in services associated with construction and resource extraction was seen in sectors such as professional, scientific and technical services which grew by 27% or 4,600 workers. Health care and public administration rounded out the high employment growth industries adding 8,600 and 5,200 workers respectively. Sectors experiencing job losses over the past five years include the agriculture and non-durable manufacturing industries that lost 3,300 and 2,800 workers respectively as consolidation in both farming and associated processing of farm commodities reduced the number of required workers.^{28 29}



²³ Statistics Canada, *Labour Force Survey*, 2009.

²⁴ Statistics Canada, *Labour Force Survey*, 2009.

²⁵ Saskatchewan Labour Market Commission, "Labour Market Issues in Saskatchewan", May 2009.

²⁶ Statistics Canada, *Labour Force Survey*, 2009.

²⁷ Ibid.

²⁸ Statistics Canada, *Labour Force Survey*, 2009.

²⁹ Saskatchewan Labour Market Commission, "Labour Market Issues in Saskatchewan", May 2009.

INVEST IN SASKATCHEWAN

Saskatchewan as a Place to Invest

The year **2009** saw great losses in the world financial markets and the contraction of many economies worldwide. Canada was no exception, although it appears that good economic fundamentals – a more regulated banking system and a history of prudent fiscal policy – helped insulate our country from the worst of it. In Saskatchewan, real GDP contracted by 6.3% in **2009** as its key industries, especially potash, were impacted by a shrinking export market.³⁰ This and financial uncertainty combined to dampen the provincial investment climate. The total value of proposed investments on capital and machinery in Saskatchewan declined from \$14.7 billion in **2008** to \$14.3 billion in **2009**.³¹

Most of the **2009** INVEST indicators for Saskatchewan showed modest results compared to the other jurisdictions. With regard to the productivity indicator, Saskatchewan placed last, with a productivity decline of 5.3%, at a time when most jurisdictions saw improvement. Saskatchewan ranked second last out of all jurisdictions in terms of exports per workers. While all provinces saw their export values plunge in **2009**, Saskatchewan's was one of the most dramatic, with export value per worker declining by 28.2%.

Our province also showed mediocre results for employment in the sciences, a key measure of technical dissemination throughout the labour force. Saskatchewan's share of jobs in the sciences declined by .3 percentage points (ppt), the third lowest decline after BC (.6 ppt) and Manitoba (.4 ppt). Saskatchewan also has the dubious distinction as the jurisdiction with the lowest absolute ratio of science-related jobs in the labour force, 4.8% in **2009**, compared to the 7.1% national average.

Saskatchewan did stand out with regards to government net debt. While governments of all jurisdictions were compelled to boost spending in the face of economic turmoil in **2009**, Saskatchewan's ratio of government net debt to GDP rose by only .5 ppt, the lowest increase of all jurisdictions. Nevertheless, this did require a drawdown on the provincial Growth and Financial Security Fund (GFSF) in order to offset an operating deficit.

Value of Exports per Worker

International trade flows are a major element of provincial and national GDP. In Saskatchewan, exports comprise approximately 66% of provincial GDP, a much larger component than in any other province.³² This means our economy is robust, with a wide array of trading partners, but it also makes it sensitive to economic shocks in other parts of Canada and the world.

Due to data limitations, our analysis of exports focuses on the physical movement of tangible goods, calculated with Customs Canada data.³³ An increase in the value of exports per worker reflects an improvement in the international trade environment, with a commensurate effect on the investment climate.

³⁰ Statistics Canada. As cited in Leader-Post (April 28, 2010), Saskatchewan's Economy Shrinks in 2009 Due to Potash Production Cutbacks.

³¹ Statistics Canada, Public and Private Investment Intentions, Cat. 61-205-X. Expressed in \$1997.

³² Saskatchewan Bureau of Statistics, *Economic Review 2008*, Saskatchewan Economic Accounts, Table 12.

³³ GDP-based exports from Statistics Canada are not available for 2009 until later this year. Customs data does not capture trade in services or interprovincial trade.

Saskatchewan exports primarily petroleum and natural gas, potash, uranium, wheat and other grain, and livestock. Its key markets span the globe, but the US dominates, absorbing 70% of all provincial exports. Saskatchewan also counts China, India, Japan, the EU, Middle East, and Latin and South American as key export markets, and this is where future growth potential lies.

In **2009**, Saskatchewan exported \$39,616 of goods per worker, the highest value of all jurisdictions in our analysis. This was due to high energy and agrifood prices, and its small population. Alberta placed second with \$32,780 per worker, thanks to the importance of its oil and gas sector. In Ontario, the value of exports per worker was \$17,504, while the national average was \$18,202.

Neighbouring Manitoba lagged the national average with \$16,418 in exports per worker, while BC was the lowest at \$10,302, after the past few years of decline in the forest product sector.

Exports of Goods and Services per Worker (2002\$)				
	2004	2008	2009	Change 08-09
Canada	\$22,437	\$24,959	\$18,202	-27.1%
Saskatchewan	\$26,284	\$55,175	\$39,616	-28.2%
Manitoba	\$15,269	\$20,494	\$16,418	-19.9%
BC	\$13,956	\$13,667	\$10,302	-24.6%
Alberta	\$34,568	\$52,762	\$32,780	-37.9%
Ontario	\$26,427	\$22,900	\$17,504	-23.6%

Source: Statistics Canada

The global recession that began in **2008** slowed economic activity and consumer demand worldwide, reducing export

flows from Canada and most other countries throughout **2009**. The event was compounded by sharply declining commodity prices in the export market, particularly in energy, minerals, grain and forest products, as well as a strong Canadian dollar. Between **2008** and **2009**, the value of Saskatchewan exports per worker declined by 28.2% as the price of potash took a large and unexpected plunge, accompanied by smaller price declines in petroleum and grain. This was significant, but not as dramatic as the decline in Alberta (-37.9%) that arose from the slump in crude oil prices. BC's exports declined by 24.6% in **2009**, due to the downward spiral of its forest product prices and shipments, while Ontario saw a decline of 23.6%, as its automotive industry continued to rationalize. The average national decline in export value per worker was 27.1%.

The five-year trend shows that the value of Saskatchewan's exports per worker rose dramatically between **2004** and **2008**, thanks to growing world demand for its petroleum, potash, agricultural products and uranium. This direction was reversed in **2009**, but still left an enormous five-year average growth rate of 50.7%, unmatched by any other jurisdiction. Manitoba experienced a 7.5% increase in export value/worker over this period, but this indicator declined in Alberta by 5.2%.

There is little question that Saskatchewan's economy is resource-based, and no doubt prone to periodic commodity price cycles. Nevertheless, our province is blessed with a unique and rich array of resources that will form the basis of our future wealth.

Productivity

Real labour productivity measures the efficiency of the workforce, or the amount of real GDP per hour worked.³⁴ Saskatchewan's labour productivity declined by 5.3% in **2009**, at a time when most other jurisdictions realized productivity gains. BC saw the largest gain of any jurisdiction in this comparison, at 2.1%. Ontario's productivity increase was .8%, the second highest. Manitoba and Canada both experienced a .5% productivity gain. Alberta was the only other jurisdiction to see its labour productivity decline, by .5%.

Saskatchewan's productivity loss occurred because a significant decline in provincial output, particularly on the goods side of the economy, outstripped the decline in the number of hours worked. This also occurred in Alberta, although to a lesser extent. In Manitoba, BC, Ontario and Canada as a whole, however, the decline in hours of work lost exceeded reduced output, resulting in productivity gains.

³⁴ Ideally, a productivity measure should account for both labour and capital inputs used in production, but this is difficult, and labour productivity is generally used as a proxy measure for total change in productivity.

Between **2004** and **2009**, Saskatchewan's labour productivity declined by 2.9%, the only jurisdiction to see a loss of labour productivity during this period. The other jurisdictions realized productivity improvements during this period, with Manitoba leading at 8.7%. Ontario and Canada were on a par with 4% productivity gains, while BC productivity rose by 3.6% and Alberta gained at .6%. For all but Saskatchewan, output in all jurisdictions rose steadily from **2004** to **2008**, driven by strong demand conditions, and at a faster rate than the number of hours worked. This resulted in provincial and national productivity gains. Saskatchewan was the exception, as its hours worked grew at a faster rate than its output.

Government Net Debt as a Percentage of GDP

Government net debt is total accumulated government debt, minus sinking funds and other assets, and reflects past government spending and its ability to pay this off. Saskatchewan has enjoyed not only a declining net debt/GDP ratio since the early **2000s**, but also one of the lowest levels of government indebtedness of any province. But the recession of **2008-2009** and the plunge in revenues last year forced the Saskatchewan government into a deficit position in fiscal year **2009/10**, due largely to a major decline in revenue. Its operating deficit of \$85.6 million was offset by a transfer from the province's Growth and Financial Security Fund (GFSF) that allowed the government to report an operating surplus.³⁵

Buoyant economic growth coupled with prudent fiscal policy resulted in a decline in the debt/GDP ratios of most provinces between fiscal year **2004/05** and **2009/10**, and Saskatchewan led the pack with a significant 10.4 ppt decline. During this time, Manitoba's debt/GDP ratio declined by 2.6 ppt. BC and Alberta's debt/GDP ratios saw five-year declines of 1.6 and .6 ppt respectively, while the national average decline was 5 ppt. Only Ontario saw its debt ratio rise during this time, by 6.8 ppt.

Government Debt as a Percentage of GDP				
	2004/05	2008/09	2009/10	Change 08-09
Canada	42.6%	32.8%	37.6%	4.8 ppt
Saskatchewan	16.9%	6.0%	6.5%	0.5 ppt
Manitoba	27.0%	22.8%	24.4%	1.6 ppt
BC	17.2%	12.3%	15.6%	3.3 ppt
Alberta	-8.0%	-9.2%	-8.6%	0.6 ppt
Ontario	27.3%	28.2%	34.1%	5.9 ppt

Source: Royal Bank of Canada, Provincial Fiscal Tables

Saskatchewan's net debt/GDP ratio rose by .5 ppt to reach 6.5% in fiscal year **2009/10**. This debt ratio still rests well below the national level of 37.6%, and lagged only behind that of resource-rich Alberta, an enviable -8.6%. Dire economic conditions forced most provinces to raise their average debt/GDP ratio by an average of 4.8 ppt between fiscal years **2008/09** and **2009/10** to reach a national rate of 37.6%. Ontario's increase of 5.9 ppt, the largest one-year gain in all jurisdictions, boosted its ratio to 34.1%, BC saw its debt/GDP ratio rise by 3.3 ppt to 15.6%, while Manitoba's rose by 1.6 ppt to 24.4%.

Employment in the Sciences

The labour market share of workers in the natural and applied sciences captures the degree of technological dissemination throughout the workforce. In **2009**, 4.8% of Saskatchewan's labour force was employed in science-related occupations.³⁶ This was the lowest percentage of all our comparison jurisdictions, with Alberta leading at 8.2%, and Ontario and Canada slightly lower at 7.4% and 7.1% respectively. BC and Manitoba's shares of science-related employment lagged at 6.1% and 5.3% respectively.

³⁵ RBC Economics, *Saskatchewan Budget 2010*, March 25, 2010.

³⁶ Natural and applied sciences include professional occupations in physical and life sciences, engineering, architecture, planning, and a range of related technical occupations.

Saskatchewan's low proportion of workers in the sciences was compounded by a .3 ppt decline in this indicator in **2009**. BC, Manitoba and Ontario also saw the share of sciences in the labour force decline at .5 ppt, .4 ppt and .2 ppt respectively. Alberta enjoyed a .6 ppt increase in this indicator in the same year, while there was no change in the national average. Saskatchewan lost 1,400 workers in the science-related professions in **2009**, as demand for its principal exports of potash and energy products dipped, with a corresponding dip in resource and manufacturing jobs.³⁷

Natural/Applied Sciences Share of Total Employment				
	2004	2008	2009	Change 08-09
Canada	6.6%	7.1%	7.1%	0.0 ppt
Saskatchewan	4.0%	5.1%	4.8%	-0.3 ppt
Manitoba	5.3%	5.7%	5.3%	-0.4 ppt
BC	5.8%	6.6%	6.1%	-0.5 ppt
Alberta	7.2%	7.6%	8.2%	0.6 ppt
Ontario	6.9%	7.6%	7.4%	-0.2 ppt

Source: Statistics Canada, *Labour Force Survey*

Saskatchewan's labour force share of science-related employed has risen by .8 ppt over the past five years, the second-highest gain of all. Alberta led all jurisdictions with a 1.0 ppt gain between **2004** and **2009**. Ontario and Canada were on a par with a .5 ppt increase, while BC and Manitoba lagged at .3 and 0.0 ppt respectively.

Saskatchewan is slowly gaining ground in technology-related employment compared to the other comparison jurisdictions and the country as a whole. This is a very desirable development. By continuing to attract and retain a labour force with technical depth, Saskatchewan will influence long-term investment and boost future labour productivity.



³⁷ Statistics Canada Labour Force Survey.

Saskatchewan Check-Up

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Any opinions expressed in the *Saskatchewan Check-Up, 2010* do not necessarily reflect the opinions of individual CAs.

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