

LEADERSHIP AND VISION – BENCHMARKING FOR NORTH STAR 2010 Volume I – External Performance Review: Inter-Provincial and International

Backgrounder

The BC Progress Board has two mandates:

- Benchmarking BC's performance over time and relative to other jurisdictions; and,
- Providing strategic advice to the Premier and government on measures to improve BC's economic performance and its social policy supports.

The fourth annual benchmarking report of the BC Progress Board *Leadership and Vision: Benchmarking for North Star 2010*, confirms the leadership benchmarks established in the 2001 benchmarking report. The Board believes that British Columbia has all the attributes to be a leader in Canada by 2010.

The Board reports in detail on **over eighty** indicators and provides supplementary comparisons or analysis on topics of interest to explain data issues and provide further relevant information and commentary. The foundation of the Board's reporting consists of six core targets related to two overall goals for British Columbia. Twenty additional inter-provincial performance indicators, eleven province-state metrics, and eight international comparisons shed further light on BC's overall economic and social performance. On a regional basis, seventeen performance indicators provide an overview of urban-regional performance. These comparisons are supplemented by inter-regional comparisons where data permits.

Taken together with the investigative topic boxes, these comparisons provide the most comprehensive effort available benchmarking BC's economic and social performance externally (relative to other jurisdictions) and internally (urban versus rural and inter-regionally) on key outcome performance indicators.

Economy, Innovation and Education

In 2001, the Progress Board recommended that British Columbia work towards two overarching goals, with the first goal being: Make BC a Leader in Economy, Innovation and Education in Canada by 2010. To anchor this objective, the Board reports BC's progress on three core target measures: economic growth, standard of living and jobs.

- **Economic Growth**: Target 1st or 2nd among the provinces in the growth of real GDP per capita by 2010. In 2003, BC ranked fifth for the annual growth of real GDP per capita; this is up from BC's sixth ranked performance in 2002. BC ranked fourth for the level of real GDP per capita in 2003. Over the ten-year period 1994-2003, BC was tenth in the country for annual average improvement on this basic performance measure. Importantly, revised data show that BC placed above the national average growth rate of real GDP per capita in 2002 for the first time since 1993, and remained above the national average during 2003.
- **Standard of Living**: Target 1st or 2nd among the provinces for the level of real personal disposable income per capita by 2010. In 2003, BC held onto its third place rank among the ten provinces for the level of real personal disposable income per capita. BC continued to rank tenth for ten-year (1994-2003) improvement in this core target, unchanged from last year's benchmarking report.

- **Jobs:** Target 1st or 2nd for the employment rate by 2010. In 2003, BC ranked sixth for the employment rate (age 15-64) among Canadian provinces, an increase from its seventh place rank in 2002. BC's ten-year progress rank (1994-2003) remained in tenth place among the provinces, despite robust job growth in 2003.

The report contains thirteen additional performance indicators that provide further information on BC's inter-provincial economic performance; note that the most recent year of data and the relevant rank are provided in brackets. Five registered strong performance, ranking between first and third among the provinces: real average hourly wages (2003, ranked from the perspective of workers, 2nd), taxpayer supported debt (2003/04, 2nd), top personal marginal income tax rate (2004, 2nd), net interprovincial migration (2003/04, 3rd); and, university completion for those aged 25-54, (2003, 2nd). Six performance indicators registered middling performance (ranked between fourth and seventh): productivity (2003, 6th); per capita tax burden (2003/04, 6th); provincial deficit/surplus (2003/04, 7th); business gross fixed capital formation (2003, 6th); research and development spending as a percent of GDP (2001, 5th); and, employment in natural and applied sciences (2003, 4th). Two indicators registered in the weak category (i.e., ranked between eight and ten): total exports per capita (2003, 8th) and secondary school graduates (2001, 9th), although we were not able to update this indicator by the publication cut-off. Measured against past performance on BC's Dogwood Completion Rate (see page 22 of Volume II), BC has shown improvement every year from 74 percent in 1998/99 to 79 percent in 2002/03.

This year's report includes several supplementary topic boxes on *economy, innovation and education*. Brief highlights follow:

- ***Who and How? Top International Growth Jurisdictions*** - British Columbia competes with nations and sub-national jurisdictions across the globe. Successful competitors have relied on different strengths and policies. Despite the differences, there are certainly similarities among OECD nations that have enjoyed rapid and sustained economic growth in recent decades.
- ***A Ten Year Review of Key Trends in BC's GDP by Industry*** - British Columbia's economy has become more diversified by shifting away from natural resource extraction and processing industries in favour of "new" manufacturing and the service sector.
- ***Infrastructure, Market Connectivity and Economic Growth*** - Transportation and communication infrastructure are essential ingredients in the effort to increase productivity levels and promote economic growth.
- ***Discussion of Employment Measures*** - Employment in BC grew by 2.5 percent between 2002 and 2003 for a fourth place rank in 2003; BC's unemployment rate ranged from a high of 10.2 percent in 1992 to a low of 7.2 percent over the 1990 to 2003 period.
- ***Historical Comparison of Core Targets 1 through 3*** - In 2003, BC real per capita GDP was \$2,454 below the national average. On a positive note, after consistently trailing the national average growth rate, BC pulled ahead of the national average in 2002 and 2003.
- ***Productivity*** - Although Canada has had strong economic performance since 1995, national productivity vis-a-vis the US has deteriorated, especially in the 2000 to 2003 period. As a percent of the same measure in the United States, Canada's labour productivity (GDP per hour) went from a

relative peak of 89.4 percent in 1995 to 89.0 percent in 2000 and to 85.1 percent in 2003 - a level not seen since 1968.

- **Exports: Performance Factors, Border Risk and Seizing New Opportunities** - Openness to foreign trade and an emphasis on export focused production are factors broadly recognized as having a profound effect on both productivity and GDP growth.
- **Business Tax Competitiveness** - Increasingly, tax policy decisions must consider how tax levels compare relative to competing jurisdictions, both nearby and around the globe.
- **Benchmarking Key Business and Personal Tax Rates** - A general review of British Columbia's personal and corporate income tax rates in relation to those in the other provinces reveals BC is becoming more competitive.
- **Size of Government** - British Columbia ranked a strong 3rd in 2003/04, but its government spending as a percent of GDP (26.7%) was above Alberta's (17.8%) and Ontario's (22.9%). BC's government sector shrank by 5.2% between 1994/95 and 2003/04.
- **Population Changes in BC** - Between 1990 and 2004, BC enjoyed the highest growth in overall population of any Canadian province. British Columbia experienced a net outflow of people to other provinces in every year between 1997/98 and 2002/03, but net interprovincial migration to BC once again turned positive in 2003/04.
- **Math, Reading, Science and Problem Solving Scores** - British Columbia performs well on Program for International Student Assessment (PISA) testing earning the second rank in reading, fourth in mathematics, and fifth in both science and problem solving among 41 jurisdictions.
- **Foundation Skills Assessment (FSA) Results** - In 2003/04, 80% of grade four and seven students in BC met or exceeded expectations in reading comprehension, 91% of grade four students and 90% of grade seven students achieved expectations in writing, and 88% of grade fours and 83% of grade sevens met or exceeded expectations in numeracy.
- **Education Spending and Outcomes** - British Columbia spends more, on a per student basis, than most other provinces. British Columbia's spending was the second-highest in Canada in 1996/97 through 1998/99 and 2002/03 and the highest from 1999/00 through 2001/02.
- **Apprenticeship Training** - Statistics Canada data indicates that BC has the third highest number of "registered apprentices" in Canada at 0.69 per 1,000 population (2001), behind first place Alberta and second place Saskatchewan.
- **The Innovation Equation** - Innovation provides for the development of new technologies, ideas and business processes – all of which play an integral role in increasing productivity and GDP growth relative to competing jurisdictions.
- **Internet Connectivity and Technology Diffusion** - In 2003 BC, at 70.6%, had the highest percentage of households connected to the internet. Alberta was second at 68.8%, while Ontario ranked third at 68.4%. The national average was 64.2%.

- **Technology Transfer and Patents** - Evidence suggests that BC Universities are among the top institutions in terms of sponsored research expenditure and are among the most successful in Canada on measures of technology transfer.

Environment, Health and Society

The second overarching goal is: Make BC a leader in Canada on Environmental Quality, Health Outcomes and Social Condition in Canada by 2010. To anchor this objective, the Progress Board's report includes three specific targets:

- **Environmental Quality:** Target 1st among the provinces for environmental quality by 2010. BC's first place overall rank in 2003 on the Board's environmental quality index, which averages provincial performance on urban air quality, wastewater treatment, greenhouse gas emissions per capita, and protected areas, remains unchanged since the first Progress Board report. Data limitations continue to prevent ten-year progress reporting.
- **Health Outcomes** (life expectancy at birth): Target 1st among the provinces for life expectancy at birth by 2010. In 2002/03, BC ranked first among the provinces on this key measure of overall health outcomes, unchanged from its first place position in 2001/02 and 2000/01. British Columbia exhibited the best overall improvement among the provinces through the ten-year period ending in 2002/03.
- **Social Condition** (low income incidence): Target 1st or 2nd in Canada for having the smallest percentage of families and unattached individuals living below the low income cut-off (LICO) level by 2010. In 2002 (the most recent data), BC ranked tenth, down from its ninth place rank for 2001. BC ranked ninth for ten-year improvement on the percent below LICO between 1993 and 2002. British Columbia has historically had a high Low Income Cut-Off (LICO) ratio. Other than third and fourth place ranks in 1980 and 1981, respectively, BC's LICO ratio has persistently ranked in the bottom five.

There are seven additional indicators used to measure BC's performance on **environment, health and society**; note the most recent year of data and the relevant rank are provided in brackets. Four of the performance indicators registered strong performance, ranking between first and third among the provinces: air quality (2002, 3rd); greenhouse gas emissions per capita (2002, 3rd); protected areas (2003, 1st); and, cancer mortality (1999, 1st). Wastewater treatment (1999, 5th), and the low birth weight rate (2002, 5th) were the two middling performance indicators. Personal and property crime rate (2003, 9th) was the only weak performance indicator.

This year's report also contains a number of special topic boxes related to **environment, health and society**. Brief highlights follow:

- **Additional Environmental Measures** - To supplement our core environmental quality index and the four indicators that underpin it, a number of additional measures less commonly used and frequently without comparison in other jurisdictions enhance our understanding of BC's overall environmental performance.
- **Potential Years of Life Lost** - Potential Years of Life Lost represents the number of years lost when a person dies prematurely. British Columbia ranked first in terms of Potential Years of Life Lost in

2002 with an indicator value of 48.4 years per 1,000 population, ahead of Ontario at 48.8 and Quebec at 52.4.

- **Health Care Spending and Health Outcomes** - In 2003/04 preliminary provincial rankings, BC ends up third in overall provincial government health care spending per capita at \$2,703. British Columbia does very well on health outcome indicators relative to other provinces. However, drawing a causal connection between high provincial government health care spending and health outcomes requires caution.
- **Low Income Incidence** - An alternative to the relative measure is to estimate the cost of a basket of necessities and keep track of the number of people who cannot afford that basket. This approach generates what is usually referred to as absolute measures.
- **Persistence of High LICO Ratios in British Columbia** - British Columbia has historically had a high Low Income Cut-Off (LICO) ratio based on the percentage of families under the (1992 base) after-tax low income line. Other than third and fourth place ranks in 1980 and 1981, respectively, BC's LICO ratio has persistently ranked in the bottom five. Between 1980 and 2002, BC ranked sixth, seventh or eighth in nearly 70 percent of the years.
- **Citizen Participation: Voter Turnout** - To get a sense of how BC measures up within a Canadian context, we look at British Columbia relative to overall Canadian voter turnout, along with Alberta, Ontario, and Quebec. At 63.6 percent in the 2004 federal election, BC placed ahead of Alberta (59.4%), Ontario (61.7%) and Quebec (60.5%).
- **British Columbia and International Protected Areas** - British Columbians enjoy a high degree of biological and ecological diversity. BC's natural diversity of both species and ecosystems have been a distinct element in the province's unique social, economic, and environmental heritage. BC's natural surroundings have provided recreational activities for the province's residents and visitors, and form part of the foundation for our active and healthy society.
- **Mortality from Cardiovascular Disease** - British Columbia has the lowest mortality rate from cardiovascular disease in Canada at 206 people per 100,000 population (1999).
- **Health Risk Factors** - Cancer and heart disease account for the deaths of well over half of all Canadians, and are by far the largest threats to life expectancy and well-being of British Columbians. Obesity, smoking and inactivity are also key health risk factors.
- **Crime Rates in North American Metropolitan Centres** - A common way to monitor crime levels is to examine police reported crimes. Statistics Canada recently investigated crime data reported in Canada and the United States. The results show that, consistent with ranks reported for British Columbia, Vancouver has the highest combined violent and property rate among major Canadian and American cities. While Vancouver has high property crime rates it ranks much better on violent crimes, with rates well below those found in all the US cities profiled.

Supplemental US Comparisons

The Progress Board has continued its supplemental comparisons of BC performance relative to the states of Washington, Oregon and California and the provinces of Alberta, Ontario and Quebec, where there is

comparable cross-jurisdictional data. The most recent year of data and the relevant rank are provided in brackets in the following list.

On eight indicators of **economy, innovation and education**, none placed in the strong category (i.e., first or second place). For five performance indicators, BC placed in the middling category (rank between three and five) – economic growth (real GDP per capita, 2001, 4th), per capita tax burden (2001/02, 5th), top marginal personal income tax rate (2004, 3rd), surplus / (deficit) as a percent of GDP (2001/02, 4th), and net inter-provincial (state) migration (2003, 3rd). BC registered weak performance (sixth or seventh rank) on standard of living (real personal disposable income per capita, 2003, 6th), jobs (employment to population ratio, 2003, 6th), and, research and development spending as a percent of GDP (2001, 6th).

Turning to supplemental US comparison measures for **environment, health and society**, comparable data is available for three indicators. The most recent year of data and the relevant rank are in brackets. British Columbia placed in the strong category for urban air quality (2002, 1st) and the low birth weight rate (2002, 1st). British Columbia placed in the weak performance category for personal and property crime rate (2003, 7th).

Supplemental North American Comparisons

To supplement the US State and Key Competitors comparison, this year's report introduces comparisons using all sixty-one sub-national jurisdictions in North America; ie: the Canadian provinces, the US states and the District of Columbia. Comparisons are presented for two core targets and four performance indicators. The classification categories range from first place to twentieth for strong, twenty-first to fortieth for middling and forty-first to sixty-first for weak.

British Columbia earned weak designations for three indicators: real personal disposable income per capita (54th, 2003), employment rate (47th, 2003) and personal and property crime rate (60th, 2003). British Columbia had middling ranks for net inter-provincial (state) migration (22nd, 2003) and research and development as a percent of GDP (40th, 2001). British Columbia had a strong rank for the low birth weight infant rate (5th, 2002).

Supplemental International Comparisons

This year's report continues to include supplemental international indicators benchmarking BC against the 30 member nations of the Organization for Economic Cooperation and Development.

Similar to US supplemental comparisons, the Progress Board has benchmarked BC where comparable data is available; note that the most recent year of data and the relevant rank are in brackets. Looking at **economy, innovation and education**, BC's performance is middling on all five of the available indicators: economic growth (real GDP per capita, 2002, 17th), jobs (employment to population ratio for the working age population, 2003, 11th), international exports of goods and services (2002, 16th), gross fixed capital formation (2003, 19th), and, R&D as a percent of GDP (2001, 20th).

For **environment, health and society**, BC placed strong on two performance indicators, life expectancy at birth (2002, 2nd) and low birth weight rate (1993 - 2000 average, 7th). For greenhouse gas emissions BC was weak in an OECD context (2001, 23rd).