Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

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As wealthiest speed past the rest of us, Manitoba needs to fight income inequality

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A Ferrari cruises down Portage Avenue past people lining the streets on lawn chairs on Sunday evening in Winnipeg. The $250,000 car purrs along the road, a symbol of incredible wealth.

Meanwhile, other Winnipeggers struggle to find bus fare to use our underfunded transit system.

The wealth of upper-income earners compared to the rest of is growing in Manitoba and Canada. When a segment of people drives way ahead, many others are left behind. But this is not inevitable; there are public policy remedies.

The top 10 per cent of earners are wealthier than ever – 44 per cent more so in Manitoba in 2014 than in 1976, according to a new study based on Statistics Canada data.

Last month the Canadian Centre for Policy Alternatives - Manitoba released *Manitoba Inequality Update: Low income families left behind* by Ian Hudson and Benita Cohen, which studies income for families with children and finds the majority of market gains in the past several decades have gone to the top earners.

While this might be good for the wealthy who like expensive cars, the data finds a growing gap between the rich and the rest of us. Market income is income from employment earnings, investment income but not government income. Economists use market income as a measure of inequality. The study finds lower-income people's made more market income in the 1970s than in 2014. So this means low income people's ability to earn money has been reduced over the past 30 years.

In 2014 the bottom 10 per cent earned 11 per cent less than in 1976 and the next lowest 20 per cent were also worse off. The middle deciles saw moderate gains.

Returning to the cruise-night analogy, this means 20 per cent of Manitoban families are standing still by the side of the road -- the working and middle class are walking along the sidewalk and the wealthiest 10 per cent of families are speeding away at an accelerated rate.

Our economy and society are losing out as a result. Those at lower levels of income cannot realize their full potential. Being from a lower income household impacts social mobility: children from low-income families are less likely to graduate high school on time and go on to post-secondary education. This, coupled with the rise in precarious, part-time work, results in stagnant wages for young people.

Recent policy changes in Manitoba will make it harder for low-income and working-class students to get ahead. The Manitoba government recently allowed post-secondary institutions to increase tuition by five per cent annually, plus the rate of inflation. Tuition could double in the next decade and along with this,

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the hope of social mobility for those with lower incomes is squashed.

But with more progressive public policy, this need not be the case.

A recent Canadian Centre for Policy Alternatives Manitoba study, Rising Tuition: Impacts for Access and Career Choice by Jesse Hajer and Zac Saltis, compared graduation rates from Organization for Economic Co-operative Development (OECD) countries. They find that increasing tuition brings down enrolment for low income students. Student loan programs do not increase enrolment from low-income students.

But countries with needs-based grant programs have increased post-secondary enrolment among low-income students.

At recent graduations across the province, families and friends witnessed the thrill of having a new degree in hand.

Imagine how different our province would be if everyone who wanted to go on to post-secondary education or training had the chance to do so without being burdened by student debt.

The human and economic potential if everyone had post-secondary education is significant: higher productivity, a stimulated economy and unleashed human talent.

Government has an important role to play to mitigate the huge disparities created by market inequality. Hudson and Cohen found that once government taxes and transfers are considered, the average income of bottom 10 per cent of Manitoban families with children increased from $4,500 to $23,000.

While this is an improvement, it is still below the poverty line of $28,000 for couple with children and $24,500 for single parents as measured by the Low Income Cut-Off After Tax measure, which Statistics Canada defines as the "threshold below which a family will likely devote a larger share of its income to food, shelter and clothing than average"). This is hardly enough to survive day to day. It is virtually impossible to go back to school for better education and training.

Rising inequality is not inevitable. Those who were around between 1940 - 1980 will remember we didn't have this big a gap between the wealthy and lower income people. This was due to progressive income tax transfers and strong public services to the poor and middle class.

Government took action to increase incomes of working people by allowing for unionization. Other important measures that would help are a minimum wage set to a living wage of $15/ hour, improvements to Employment Insurance and liveable basic needs benefits for those on assistance.

But recent changes in Manitoba will increase inequality, not alleviate it. Bill 7 - the proposed Labour Relations Amendments Act - makes it more difficult for workers to unionize in Manitoba. The Carbon Tax credit does little to help low-income people, returning only 20 per cent of the cost of this tax to those below the poverty line, according to new analysis by Harvey Stevens published by CCPA Manitoba.

But this need not be the case. We need truly progressive public policy and redistribution of resources so that those who drive Ferraris pay bit more in taxes and those of us along the side of the road can at least get on the electric bus.

Molly McCracken is the director of the Canadian Centre for Policy Alternatives - Manitoba

References available upon request.

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