

CCPA

Prairie Update

February 2017

Doing Austerity in Saskatchewan and Manitoba



artwork: Justin Petkau

CCPA-MB

205- 765 Main St.
Winnipeg
Manitoba
R2W 3N5

PHONE

204.927.3200

EMAIL

CCPAMB@
POLICYALTERNATIVES.CA

WEBSITE

WWW.
POLICYALTERNATIVES.CA

BLOG

WWW.POLICYFIX.CA

TWITTER

@CCPAMB

Doing Austerity in Saskatchewan and Manitoba

In the Fall 2016 Monitor, Canadian Centre for Policy Alternatives (CCPA) Saskatchewan's Simon Enoch penned *Getting to Know Brad*, introducing Canada's most popular premier – Brad Wall – to the country. He ran down Wall's list of "accomplishments". What made Simon's analysis so interesting (and at the same time, disheartening) was how Wall has rolled out such a regressive agenda while remaining so popular. He noted that the rest of Canada needed to pay attention to Wall as he was beta-testing a number of conservative policy experiments that we could see replicated elsewhere.

Here in Manitoba, we take Simon's warning seriously. We can be sure that Manitoba's Brian Pallister is paying close attention to Wall's comings and goings. After all, they're both conservative premiers of similar provinces that share a common border. Both provinces have important agricultural sectors and a relatively small population - of which a larger than average proportion is Indigenous. Many aspects of their climate, history and culture spill into each other, both from an Indigenous and settler perspective. The two provinces hold the two highest rates of Indigenous child poverty in Canada, with Manitoba's off reserve rate at 39 per cent and Saskatchewan's at 36 per cent. To date neither premier has indicated an interest in trying to address this appalling situation.

At the moment both premiers are very popular (the two most popular premiers in Canada according to a December 2016

Angus Reid poll) so why wouldn't they start a conservative tag team and build off each other's strengths?

Any plans Pallister may have to mimic Wall's actions, however, will have to be tempered by a few key differences between the two provinces. Wall's long-run success has been partly supported by Saskatchewan's strong resource sector. When global demand is high, oil and potash production bolster the economy and royalties paid to government makes balancing the books a lot easier, especially in an era of ever-lower taxes. And when the voice of reason demands prudence around fossil fuel extraction, the message provides Wall with a rallying cry to protect Saskatchewan's fortunes from environmental "extremists" and "lazy, have-not" Easterners looking for handouts. As Simon notes, nothing whips up support faster than a good dose of regional protectionism, justified by willful misrepresentation of how Canada's equalization payments work and a refusal to pay attention to climate change science.

Pallister's milieu is different. While it's true that Manitoba Hydro provides an important stream of government revenue, it is publically owned and therefore does not overtly lobby government the way the private-sector does. The amount of revenue Hydro pays the province does not reach the altitudes seen in Saskatchewan (or Alberta). Mining and logging are important in Manitoba, but the rising and falling

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fortunes of these sectors is mostly felt in the sparsely-populated North, so Pallister can get away with worrying less than he should about the booms and busts that take place there. Adding to the differences, Manitoba's economy is much more diversified, with more emphasis on manufacturing, finance and insurance, making it less likely to face extreme downturns such as the one currently afflicting Saskatchewan and Alberta.

Manitoba's supposed have-not status, meaning it receives equalization payments, is a source of angst for conservative Manitobans who believe that if we just did things differently, we too could be a have province. Pallister's base will certainly sympathize with Wall's take on equalization even as Pallister has to accept equalization payments to pay for essential services.

It is also not likely that Pallister can mimic Wall's populist style. He is not nearly so deft with social media; in fact he doesn't even use email. Pallister's insistence on spending a total of two months a year at his estate in Costa Rica while remaining electronically *incommunicado* has done little to endear him to the average voter, especially during cold Manitoban winters. Despite all these differences, it is not unreasonable to expect Pallister to go, in his own way, down the path that Wall has blazed.

Where will that path likely take Manitobans? Let's take a closer look.

One road heavily travelled by conservatives is to go after labour. Wall took that road soon after taking power and we can clearly see Pallister following Wall's footsteps. Six months after Wall first took power Bill 6, *The Trade Union Amendment Act* became law, eliminating card check. Pallister's Bill 7 was also introduced six months after he took power. It brought in *The Labour Relations Amendment Act* which removed card check and forced workers to resort to a secret ballot to unionize. In both provinces, workers who wish to unionize will now be subject to employer intimidation tactics that discourage unionization.

Around the same time as Bill 6 became law,

Wall's Bill 5 brought in *The Public Service Essential Services Act* which removed virtually all public employees' right to strike. Parts of The Act were so draconian that they were found unconstitutional by the Supreme Court of Canada. But vindication had its price: the Act was on the books from May 2008 until January 2015, allowing the government to repress workers' rights for over six years, and certain forms of job action remain severely hampered.

This is a likely a lesson that Pallister has absorbed. The recent Throne Speech warned that:

Legislation will be introduced, following consultation and dialogue, to ensure that the province's public sector costs do not exceed Manitoba's ability to sustain the services they receive in return.

We can only speculate what kind of legislation is being considered. If the legislation turns out as regressive as some fear, there is no doubt that a legal challenge will be launched. Regardless of the outcome of such a challenge, Pallister is assured of at least a partial victory. Consider the analysis of Judy Haiven and Larry Haiven regarding a series of regressive legislative changes in Nova Scotia:

Even if the anti-labour legislation were eventually to be struck down, it would take a minimum of four or five years for the cases to wend their way up through the court and appellate system. [. . .]. Thus, [. . .], it could take the better part of a decade until it had to rectify the situation by repealing or changing the law. In the interim, the law would stand, imposing a robust chilling effect on union militancy and strike activity, not only in the sectors involved, but across the provincial industrial relations spectrum.

Why are both leaders willing to go to such extremes to bully labour? Pallister and Wall are committed to eliminating their provinces' deficits and austerity gives

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them a narrative to guide their actions. Andrew Stevens calls this move “deficit-induced austerity” (Fall, 2016 Monitor). Simon Enoch recently reported that Wall’s “transformational change” campaign is no more than austerity in disguise. Newly announced cuts in health, education and social services spending accompany Wall’s warning of possible public-sector layoffs and wage cuts. This message echoes Pallister’s “all hands on deck” call to the public sector in reference to the need to cut spending and his promise to make Manitoba the most improved province in Canada. The KPMG value for money audit currently underway will give him the context he needs to further build his case.

Deficit-induced austerity has emboldened the Saskatchewan government to contemplate renegeing on negotiated wage increases. Pallister again followed suit when he warned that he won’t rule out opening up existing collective agreements to fight what he continually mislabels as a crisis when referring to Manitoba’s deficit situation (in fact, the province’s financial situation is reasonable and manageable).

It makes sense for a conservative government to go after labour right out of the gates, before it can form coalitions with civil society to push back on austerity measures. This is no doubt a lesson Wall learnt when he was assistant to Conservative Grant Devine and his government fell to a coalition of labour groups and social movements. By attacking labour early in his mandate, Wall forced labour to spend its resources fighting legal battles, leaving little energy to push back on other issues like cuts to education and healthcare.

There is of course more to austerity than attacking labour and cutting spending. Stevens notes various privatization moves ranging from outright privatization of the land and corporate registry office (a move already taken by Manitoba’s NDP when it was in power), to the selling off of Crown corporations. Pallister has not yet been so bold as to suggest selling off Manitoba’s Crowns, but some are alarmed at the narrative that is building around Manitoba Hydro. A series of comments by Pallister

and Hydro board chair Sanford Riley follow the same script Conservative Premier Filmon used in the 1990s before he privatized the Manitoba Telecom System. The recent announcement of 900 layoffs at Manitoba Hydro – fully 15 per cent of the workforce – has stunned the community. The reasons given for the cuts are predictable: the provincial deficit and Hydro’s equity/debt ratio. The loss of so many decent jobs, many of which will be unionized, in Manitoba’s relatively small labour market will have long-term negative effects on the economy.

Will Pallister follow Wall’s move to privatize all the province’s liquor stores? Pallister is holding the Crown corporation file close to his chest for now and we don’t expect any bold moves until he sees if he’s going to win a second term, but he must also be closely watching Wall’s trial balloon as it floats the idea of selling 49 per cent of SaskTel’s shares to the private sector.

If Pallister does follow Wall’s script, he will take small-scale, incremental measures before he dare move on privatizing any of the Crowns. For example, Wall privatized five publically-owned hospital laundry services, throwing 300 people out of work and slashing wages for those who did not lose their jobs.

Pallister has been more forthcoming about using Public Private Partnerships (P3s) and Social Impact Bonds (SIBs). After all, these mechanisms are a much more covert form of privatization that doesn’t attract much attention. In fact when Pallister announced he would retract Manitoba’s P3 legislation, nary a word of protest was heard. The lack of reaction was surprising given that the legislation forces a higher standard of transparency on the government and submits P3 proposals to a series of tests to determine if they are in the public interest. The legislation accommodated its own form of value for money audit that theoretically Pallister should appreciate; killing the legislation is clearly a move to score points with his busi-

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ness supporters who opposed the legislation and who will benefit from its demise.

Here in Manitoba, Pallister has made repeated commitments to using Social Impact Bonds (SIBs) to deliver programs in several areas including childcare, Child and Family Services and recidivism. Like P3s, SIBs have been shown to increase costs through their complex legal and multi-layered contractual requirements and, like P3s, should be subjected to careful public scrutiny.

Wall too is keen on SIBs and has been clever in avoiding the common criticisms they attract. Saskatchewan's Sweet Dreams project raises money to help at-risk mothers and their children – an endeavour that is difficult to criticise, until you look objectively at the terms (see the Fall 2016 Monitor article *I Love you, SIB*). The recent Manitoba Throne Speech committed to using SIBs to “explore new and innovative solutions to our province’s social challenges including in the areas of poverty and crime”, so it’s just a matter of time before we see SIBs rolled out in Manitoba.

There are a couple of areas where the two leaders diverge. Manitoba’s strength lies in the development of renewable hydro power, not in digging up bitumen so it’s unlikely Pallister will adopt Wall’s adversarial climate change stance. Still, Pallister is far from an environmental champion: Eric Reder of the Wilderness Committee noted the regressive moves the Manitoba Progressive Conservatives have taken on the environment, accusing them of “holding out with the fossil fuel dinosaur Saskatchewan” regarding Pallister’s refusal to support the federal climate change framework.

Another twist on the energy file could emerge if the two premiers manage to play off each other with a deal for Saskatchewan to buy more hydro electricity from Manitoba. This should be a win-win for both provinces and good for the environment, but some worry that Wall could claim that the increase in renewables cancels the need to phase out coal-fired electricity. After all, his multi-million carbon capture boondoggle needs coal-fired generation to justify its existence.

So far Pallister has not adopted Wall’s more middle of the road approach to minimum wage by indexing it to inflation. Instead he stubbornly insists that minimum wage increases somehow don’t help low-income workers, despite CCPA MB calculations showing they clearly do.

Like Wall, apart from attacking labour, Pallister seems to be adopting a gradualist strategy that is allowing him to remain popular while keeping his more egregious policy changes off the radar screen. It’s not clear how long Wall will remain popular now that potash and oil prices have collapsed and he resorts to cutting public services – rather than increasing taxes on the wealthy – in his attempt to reduce the deficit. Pallister does not have the excuse of a collapsed resource sector to stoke public unease, but he is nonetheless getting a lot of attention with his dog whistle style of politicking around Manitoba’s finances. He too is loath to increase taxes and has even promised to reduce the PST by 1 percent a move that will certainly not help Manitoba’s balance sheet.

At the moment there’s no reason to expect either premier to change course and every reason to expect them to play off each other as they take advantage of their popularity to roll out a common neo-liberal vision. How far they’re able to converge will become clearer after they release their 2017 budgets.

We’ll send an update once they do.

Lynne Fernandez holds the Errol Black Chair in Labour issues at the CCPA Manitoba and Simon Enoch is the Director of CCPA Saskatchewan.

RESEARCH - ANALYSIS - SOLUTIONS

CCPA-MB

205- 765 Main St.
Winnipeg
Manitoba
R2W 3N5

PHONE

204.927.3200

EMAIL

CCPAMB@
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WWW.
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