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Canadian Centre for
Policy Alternatives
Manitoba Office

The $100 Million Question

In March of 2017, the Premier claimed that for every one per cent the province lowered (or didn't raise) wages for 120,000 provincial public sector workers, it would save $100 million. This simple calculation provides grist for Bill 28, The Public Services Sustainability Act which mandates all those who employ provincial public sector workers to hold future increases to zero per cent for the first two years of a new contract, no more than 0.75 per cent for the third year, and no more than 1.0 per cent for the fourth.

But will the province save $100 million? Not really. If we dig deeper, we see why. If we lump together all the 123,000 public servants (which includes not only those civil servants actually employed by the province but also all workers employed by health care authorities, education, and crown corporations, to name a few), the total bill for their wages and benefits is $9.6 billion, so a 1 per cent cut would save $96 million. But the Premier failed to account for the money the government would tax back from this income, which, using information from the Manitoba Bureau of Statistics (MBS), is at a rate of 16 per cent. So the reduction in taxes from the public sector wage freeze would be $15.4 million, reducing the net saving to $80.6 million.

Even that number is an overestimate because the wage freeze will reduce demand in the province and lower other Manitobans' income. Using multipliers obtained from the MBS, we calculate that overall labour income decreases by $1.20 with a $1.00 initial change in demand, so labour income in the province will fall by an additional $19 million for a total of $115 million ($96m + $19m). The loss of $19 million will reduce tax revenue another $3 million for a total reduction in tax revenue of $18.4 million. That reduces the $96 saving to the province to $77.6 million. But we also have to remember that the total $115 million hit to labour income will negatively affect the province's GDP.

Even that smaller $77.6 million 'saving' is questionable because not all these employees work directly for the province. Universities and school boards cut the cheques for workers in education. Healthcare professionals are paid by regional health authorities and agencies. In fact, the province only directly employs around 14,000 civil servants and pays a bill for wages and benefits of $1.1 billion. A one percent decrease in their wages would save the province $11 million dollars. Subtracting the tax lost just from the civil servants wage freeze brings that down by $1.8 million to $9.2 million. When the declines in civil servants' salaries trickle down through the incomes of the people that they purchase from, the province wide reduction in tax is $2.1 million for an overall saving of $8.9 million. So, the direct savings to the provincial budget from Bill 28 is less than $9 million, less than one tenth of the $100 million figure.

205 - 765 Main St.

Winnipeg, MB

R2W 3N5

204•927•3207

lynne@policyalternatives.ca

www.policyalternatives.ca

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ERROL BLACK CHAIR
EBC
IN LABOUR ISSUES

> **"Bill 28 is an unnecessary intrusion into the governance of public institutions. The University of Manitoba, for example, claimed that the province's interference in its collective bargaining process was unwanted, and only followed it under threat."**

The provincial government might argue that although it does not directly employ public servants outside the civil service, the legislated wage freeze does save public sector institutions money, which makes it possible to reduce their provincial grants. But it is the amount of the grants that directly impacts the provincial budget, not the wages of those who work for publically-funded institutions.

Bill 28 is an unnecessary intrusion into the governance of public institutions. The University of Manitoba, for example, claimed that the province's interference in its collective bargaining process was unwanted, and only followed it under threat. The province should have established a grant level for the university and let the university and its union follow the regular collective bargaining process to see how to allocate the university budget between salaries and other demands on the university budget. This less heavy-handed approach would also avoid a costly and contentious legal battle.

The July 4th press release from the Manitoba Federation of Labour officially launched that challenge. At issue is whether any province can dictate to institutions that employ public sector workers how much they can and cannot pay their employees. Other provinces have passed such legislation (BC, and Saskatchewan) only to have it struck down by the Supreme Court of Canada (SCC). The SCC found that the Charter protected unionized workers' right to engage in collective bargaining with respect to collective agreements.

Given that the SCC has upheld unionized workers' right to collectively bargain, the only way the province can ultimately try to affect wages is by reducing how much money it transfers to institutions. It can better control the wages of those who work directly for the province, but even then the SCC would stipulate that the government, as the employer, has to bargain in good faith with its employees when collective agreements expire.

Manitoba now faces an expensive legal challenge that could take years to move through the courts and will further lower the value of any 'savings'. The government knew the challenge was inevitable, but no doubt takes comfort in knowing it will at least be able to defraud workers of their rights as the legal procedures play out.

Premier Pallister claims he is an old union guy and understands workers' concerns. But his government's bad-faith tactics and sloppy fiscal calculations would indicate that he is not an honest broker in his dealings with public-sector workers - and Manitobans in general.

Lynne Fernandez holds the Errol Black Chair in Labour Issues at the Canadian Centre for Policy Alternatives MB and Ian Hudson is professor of economics at the University of Manitoba.

References available upon request.