



Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

September 30, 2019

## Austerity round two

**M**anitoba's Progressive Conservatives, led by Premier Brian Pallister, won the provincial election on September 10, albeit with a slightly smaller majority than they had going into the campaign. We can expect the government to continue on its path of "fiscal responsibility," i.e., budget cuts and austerity.

Of specific concern to the Pallister government has been bringing down the government deficit, which was approaching \$1 billion when it first assumed office in 2016. The government has applied a variety of austerity measures to achieve this objective, including:

- repeated, across-the-board budget and staffing reductions in departments, Crown corporations and agencies;
- a legislated wage freeze leading to real wage reductions for public sector workers;
- the contracting out and privatization of government services;
- the sale of government assets, including social housing stock for low-income Manitobans;
- cuts to social service benefits, including the Rent Assist program and employment and income assistance; and
- reductions in health care coverage—including outpatient physiotherapy and occupational therapy—along with the introduction of prescription co-payment fees for people with long-term health conditions.

Through these measures and others, the deficit was reduced by \$144 million during the government's first year in office (to \$764 million), and by another \$94 million in year two. Estimates for 2018-19 show the deficit was reduced by a further \$225 million. In the 2019-20 budget, the government managed to both cut the PST by 1%—at a projected cost of \$237 million a year—and reduce the deficit by a further \$110 million. It is confident it can eliminate the deficit two years ahead of schedule even after a planned elimination of the education property tax (at a cost of \$830 million over a decade).

The consequences for the province of balancing the budget on this timeline, while also reducing taxes, is ongoing austerity. Premier Pallister made this explicit during the election campaign, noting that these revenue losses will be accommodated by further spending cuts, staffing reductions and asset sales. Evidence of widespread harm from his government's cuts do not seem to matter.

Health care professionals, including doctors and nurses, are pointing to significant disruptions and staffing shortages in hospitals and emergency rooms. Teachers are rallying against flatlining funding to schools and an education review that is expected to result in similar upheaval in Manitoba's K-12 school system. Anti-poverty advocates have also highlighted the regressive nature of many of the service and tax cuts. Lower-income Manitobans are far

there is an alternative.

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more acutely impacted by these service reductions while the bulk of tax cuts benefit primarily higher-income earners.

A recent poll also suggests that Manitobans aren't particularly supportive of a rushed defeat of the deficit, with the majority preferring incremental spending on services. So, what is driving this agenda of austerity and tax cuts? And is it necessary? Let's look at that second question first.

Manitoba's previous 8% sales tax was already on the lower end of the provincial spectrum, creating a relatively low personal tax burden, according to the Conference Board of Canada. And despite a significant increase in provincial debt since the 2008-09 economic crisis, the province's debt-to-GDP ratio in 2017-18 was still in the bottom half of Canadian provinces. In other words, the province could not be said to have been in a debt or tax crisis when the Pallister government started to cut.

Nor is business all that concerned. A majority of respondents to a 2018 Manitoba Chambers of Commerce survey agreed that the province is a competitive place to do business relative to other provinces. These businesses also ranked hiring and retaining skilled and qualified workers, and concerns with overall demand for their products, well ahead of taxes and government spending as their priorities. Both these areas will in fact only be further constrained by austerity.

The sad reality is that ideology, not evidence, appears to be driving the government's deficit-slashing agenda. While some conservative economists continue to promote "expansionary austerity"—the idea you can generate economic growth through business confidence-inducing cuts to social services—does not hold up empirically. The detrimental socioeconomic consequences of austerity, on the other hand, are increasingly well-known, and include poor childhood outcomes, compromised health and education, reduced life expectancy and growing and increasingly racialized inequality.

While austerity advocates focus on the

cost of government debt, they regularly neglect the social and long-term economic benefits generated from government investments in people and communities. Many publicly funded social interventions in areas such as public health and prevention, education and anti-recidivism have been rigorously tested and proven to generate the intended social benefits. In many cases the fiscal savings generated are sufficient for these programs to effectively pay for themselves.

In this summer's provincial election, alternatives to austerity were put forward by all opposition parties. The CCPA-Manitoba is also in the midst of the 2020 Alternative Provincial Budget consultative process, collecting ideas for focussing the government's attention on the pressing issues of climate change, growing inequality, and quality public services that meet the needs of Manitobans. While these issues will almost certainly be pushed to the margins in the Pallister government's second term, public opinion research and the government's reduced majority suggest they are appealing to a growing number of people in the province.

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References available upon request.

