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FAST FACTS

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Stuck in Neutral: Manitoba families working harder just to stay in place

In March 2007 the CCPA's national office released a report on income inequality in Canada over the last 30 years called *The Rich and the Rest of Us: The Changing Face of Canada's Growing Gap*. It showed that with the Canadian economy "firing on all cylinders" the spoils of that growth have benefited primarily the richest Canadians, while almost completely by passing those in the lower half of the income distribution. CCPA Manitoba's report: *Stuck in Neutral: Manitoba Families Working Harder Just to Stay in Place* - investigates whether these worrying national trends are also present in Manitoba.

While we are able to identify important differences in income inequality between Manitoba and the nation as a whole, the trends are very similar: the gap between rich and poor families raising children under the age of 18 in Manitoba is growing, and government has softened, but not eliminated, the province's growing income disparity, which is larger now than it was in the late 1970s. In terms of the after-tax income gap between Manitoba's rich and poor, the long-term trend has been more stable than for the rest of the country, but the gap between those in the top half of the income

spectrum and those in the bottom half has still increased since the early years of this decade.

The Manitoba economy has grown moderately since the 1970s, but not all income levels have benefited to the same degree. Families at the low end of the spectrum worked more on average than they did in earlier periods, but their earnings did not keep pace. Indeed, if not for taxes and transfers, 40% of Manitoban families would have been worse off in inflation-adjusted terms after 30 years of economic growth. The after-tax income of most Manitobans is only slightly improved, and the 3rd decile had less real money to spend after taxes than an equivalent family did 30 years earlier. The improvement of the 4th decile was so small that it was almost indecipherable.

The study confirmed that government plays a large part in countering the trend to greater inequality and actual loss of earning power that exists in Manitoba. While before-tax earnings for the richest families increased robustly over the period covered by this report, after-tax incomes increased more moderately. While the richest families in Manitoba were seeing sizeable gains in earned income during this period, they were not as extreme as those in the rest of the country where both earnings and after-tax incomes increased more rapidly than in Manitoba. So although the



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share of the provincial income that went to the top 10% in Manitoba increased over this period, it did not increase by nearly as much as it did in the nation as a whole.

At the other end of the income spectrum, poorer Manitoba families did not lose as much ground as other Canadian families. The poorest decile, especially, fared better. Manitoba is the only province that saw gains in earned incomes in the bottom decile – though it only means going from roughly \$1,000 in earned incomes in the late-1970s to about \$2,000 in recent years.

It must be noted that the data presented in our report do not include populations from First Nations reserves. Given that the Aboriginal population living on reserves makes up a larger portion of Manitoba's population (4.6%) than for the country as a whole (1.4%), and that Aboriginal populations are overrepresented in the lower income deciles, our report understates the degree of inequality in Manitoba and overstates the relative equality of this province compared to the national average.

How did Manitoba manage to keep the income gap between the richest and the poorest deciles smaller than Canada's as a whole? The Canada Child Tax Benefit was introduced by the federal government in 1993 and was largely responsible for the country-wide increase in income for the bottom decile when compared to the late 1970s. However, most Provinces, including Manitoba, made the decision to claw back the supplement portion of the tax benefit from families receiving social assistance. After taking office in 1999, the NDP government reversed this decision resulting in an increase in income for many families in the lowest decile. The other reason Manitoba's income gap fared better than Canada's as a whole is that the incomes of the richest 10% of Manitoba's population did not increase as much as they did for Canada's richest 10%.

Government transfers clearly make a difference to after-tax income. Our research found that the spread between families in the top and bottom deciles shrinks after taxes and transfers were applied. Before taxes, the median income of families in the top decile exceeded the median of families in the bottom decile by a factor 52, and after taxes only by a factor of 5.7. When we looked at absolute changes from before-tax earnings to after-tax income, we found that the income of the lower 40% of income earners increased. This improvement means that families from the very lowest decile to families earning up to \$45,500 all benefited from government taxes and transfers. At decile 5 families start paying marginally more in taxes than they receive in transfers from government. These data should put to rest the myth that government is taxing all income groups heavily with few benefits for middle-income earners.

While it is true that government transfers have benefitted families in the lower half of the income spectrum, this improvement does not change the fact that their real earnings are stagnant. It also does not change the fact that many of these families continue living in poverty. The good news is that Manitoba has managed to moderate this worrying trend more than other provinces. The bad news is that in spite of a growing economy, many Manitobans trying to escape poverty are fighting a losing battle as they work longer hours for stagnant or shrinking incomes.

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