

Understanding and Responding to the Rising Cost of Living in Manitoba: An Update for Workers, Lower-income Households and Allied Organizations

Jesse Hajer



ISBN 978-1-77125-589-9

This report is available free of charge from the CCPA website at www.policyalternatives.ca. Printed copies may be ordered through the Manitoba Office for a \$10 fee.

Help us continue to offer our publications free online.

We make most of our publications available free on our website. Making a donation or taking out a membership will help us continue to provide people with access to our ideas and research free of charge. You can make a donation or become a supporter on-line at www.policyalternatives.ca. Or you can contact the Manitoba office at 204-927-3200 for more information. Suggested donation for this publication: \$10 or what you can afford.

The opinions and recommendations in this report, and any errors, are those of the author, and do not necessarily reflect the views of the publishers or funders of this report.



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

Unit 301-583 Ellice Ave., Winnipeg, MB R3B 1Z7
tel 204-927-3200

email ccpamb@policyalternatives.ca

About the Author

Jesse Hajer is an Assistant Professor in the Department of Economics and Labour Studies Program at the University of Manitoba and a Research Associate with the Canadian Centre for Policy Alternatives – Manitoba. He was previously a Senior Project Manager with the Government of Manitoba where he advised and provided analysis to senior public officials, and completed his PhD in Economics at the New School for Social Research in New York.

Acknowledgments

Special thanks to Fletcher Baragar, Paul Beckta, Lynne Fernandez, David Macdonald and Molly McCracken for detailed and helpful feedback on an earlier draft of the report. Appreciation is also expressed to participants in the progressive economists' session held November 22, 2021, organized by Chris Roberts, on policy responses to inflation, for a valuable forum for situating the current inflationary context, and to Niall Harney for support with data retrieval.



Social Sciences and Humanities
Research Council of Canada

Conseil de recherches en
sciences humaines du Canada

Canada

Introduction

MEDIA HEADLINES AND price tags alike are sending the message loud and clear: The cost of living is increasing, with price inflation being higher than we've seen in decades. The most recent data on prices of goods and services show an annual increase of 5.1% in Canada, when compared to prices in January of 2021. Rising prices of goods and services can be particularly stressful for those with low and fixed incomes, and those living off of limited savings. Higher inflation then can be a pressing issue for workers and unions struggling to ensure that working people do not fall behind and can maintain a decent standard of living. Given this stress and burden for often already struggling households, inflation can have important implications for public policy advocacy.

What should workers, lower-income households and allied organizations including unions, consumer protection organizations, and community-based social service providers, be calling on governments to do about higher inflation? This is an important political and economic question, as inflation does not impact everyone equally and can have mixed impacts across the income spectrum. For example, while those with low and fixed incomes are most at risk of not meeting their basic needs due to the affordability issues, inflation can also reduce debt burden if wages are also rising, helping reduce wealth inequality.

There are many ways from a policy perspective to respond to inflation, with different impacts when it comes to the distribution of the benefits and burden. For example, federal Conservative party representatives have

blamed emergency response measures by the Bank of Canada and the Federal government, calling for tighter monetary policy and reduced government spending, which will increase unemployment and reduce labour's ability to negotiate wage gains and recover ground lost over the last several decades.¹ Because some solutions to inflation can be economically painful, particularly for workers, it is also important to correctly diagnose what is driving price increases, and assess if price increases are likely a temporary adjustment or expected to compound over time.

This report outlines some important facts about inflation, the recent increase and its causes, and the distributional consequences. It explains why the more commonly proposed inflation fighting measures disproportionately burden workers and lower-income populations. The report presents policy alternatives for responding to inflation, highlighting those that would be most appropriate in the ongoing COVID-19 pandemic and the most beneficial for workers and lower-income populations. Special attention is paid to the Manitoba context and implications for provincial public policy.

Some of the key results from the analysis undertaken in this report include:

1. There are multiple reasons for the recent increase in inflation, but most of them are related to the pandemic and are likely temporary. Part of the higher inflation we are seeing is due to prices catching up after a year of very low inflation in 2020 due to the pandemic recession. Over the span of the pandemic there has been a dramatic collapse of economic activity (partially due overly pessimistic cut backs in production) and a rapid resurgence of demand, with people shifting spending away from services to goods, creating supply chain issues. Workers have been also less able and willing to work, especially for low wages, during the pandemic.
2. Inflation often goes hand-in-hand with a booming economy and a tight labour market, which increases the bargaining power of labour. This improves the ability of workers, even low-skilled workers, to extract real (inflation-adjusted) wage gains from employers, reducing economic inequality. Since the start of the pandemic, data suggests that wages on average are growing faster than inflation, so workers on average are seeing their incomes increase more than enough to offset the higher prices.
3. Raising interest rates and cutting government deficit spending in an attempt to rapidly reduce inflation to its pre-pandemic levels operate

Inflation Basics

The overall average level of prices of goods and services in Canada rises every year. This overall increase in the price level is called inflation. The price level and inflation are measured using the Consumer Price Index (CPI) constructed by Statistics Canada, based on surveys of prices across the country in various regions. The CPI is based on a representative “basket” of the goods and services purchased by consumers, with the main categories including food, shelter, household operations, furnishings and equipment, clothing and footwear, transportation, health and personal care, recreation, education and reading, and alcoholic beverages, tobacco products and recreational cannabis.ⁱ

Inflation reduces the purchasing power of money as goods and services become more expensive. If a household’s income does not rise along with inflation, their material standard of living will likely fall as they can now afford less. Economists refer to *real* incomes (or real wages, salaries, etc.) when discussing the purchasing power of incomes, instead of the dollar value, such that incomes have been adjusted to account for inflation.

The most commonly referenced policy tool used to manage inflation is through variation of the overnight interest rates charged or paid by Canada’s central bank, the Bank of Canada, to commercial banks and credit unions. Although the Bank of Canada rarely lends directly to these financial institutions, the overnight interest rates influence what private financial institutions charge each other to settle daily borrowing needs, in turn affecting the interest rates paid on consumers and businesses loans and deposits. This is the main component of what is referred to as “monetary policy”.ⁱⁱ By guiding interest rates upwards, the Bank of Canada can make borrowing more expensive, reduce economic activity and reduce inflation.

The Bank of Canada normally aims to keep annual inflation at 2% per year, the midpoint of a target range of 1% to 3%.ⁱⁱⁱ The Bank of Canada targets what it calls “core inflation”, a concept that aims to focus on long-term trends as opposed to more volatile components of the CPI, such as gasoline prices.^{iv} Canada’s annual (full-year) inflation rate has been within this 1% to 3% range every year between 1993–2019 averaging 1.8%.^v The Bank of Canada however has signaled that it will tolerate higher inflation to support recovery from the COVID-19 recession.^{vi}

The simplest and most common account of inflation is usually illustrated by the idea of “too much money chasing too few goods”: When demand for goods (or services) is higher than supply, prices go up. This can be due to “demand-pull” inflation due to increased consumer demand and increased willingness to spend out of income or by taking on additional debt. An excessively “loose” monetary policy, one that keeps interest rates very low for an extended period of time, can also cause similar demand-led inflation if the economy is already performing at or near full capacity, with minimal unemployment of people and resources. Low interest rates encourage indi-

ⁱ For details on specific products see: Statistics Canada, “The Representative Products of the Consumer Price Index.”

ⁱⁱ For details on this process see: Bank of Canada, “Understanding Our Policy Interest Rate.”

ⁱⁱⁱ Bank of Canada, “Inflation.”

^{iv} Sandbeck, “How Does the Bank of Canada Measure and Target Inflation?”

^v Author’s calculations based on: Statistics Canada, “Consumer Price Index, Annual Average, Not Seasonally Adjusted.”

^{vi} Shelly Hagan, “Bank of Canada Likely to Add Labour-Market Conditions to Inflation Mandate, CIBC Says”; Parkinson, “Opinion.”

Inflation Basics con't

viduals to take on more debt, particularly via mortgages and lines of credit. Low interest rates may also stimulate additional debt-financed investment by businesses that can also put pressure on prices. This demand-focused perspective forms the basis of the mainstream or orthodox approach to inflation and monetary policy.

Alternative or heterodox perspectives challenge the above emphasis on demand side factors when explaining inflation.^{vii} Post-Keynesian and structuralist perspectives, for example, focus on the supply side or cost-based explanations of inflation, stressing the importance of conflicts between workers and business owners over the wage-profit split (as well as the divergent interests of wealth holders and borrowers). Inflation in this cost-push view can be due to supply “shocks” that reduce the availability of inputs and drive up prices. For example, natural disasters may disrupt supply chains or destroy crops, energy prices may go up due to decisions of cartels to restrict supply, etc. The more widely utilized the inputs, the more likely this will result in a general increase in prices. An increase in the bargaining power of labour can also generate inflation as wages drive up production costs (as well as increase the spending power of workers). Changing social, economic or political conditions that allow businesses to raise their prices to increase profits can also cause inflation.

This cost-based perspective suggests that the relationship between inflation and interest rates is not straightforward, and higher interest rates can have contradictory effects, at least initially. Post-Keynesians for example, based on empirical evidence, challenge the claim that business investment responds strongly to interest rates, while also noting that higher interest rates lead to higher borrowing costs for both businesses and consumers, which can drive up prices and increase wage demands. In the end however, Post-Keynesians agree with the mainstream view that sustained higher interest rates will eventually lead to lower inflation, as the bargaining power of labour falls with reduced economic activity.

^{vii} See for example: Rochon and Setterfield, “Post-Keynesian Interest Rate Rules and Macroeconomic Performance”; Perry and Cline, “Wages, Exchange Rates, and the Great Inflation Moderation.”

by suppressing economic gains by workers, will likely be ineffective in the short run, and would jeopardize the economic recovery. There are many alternative, more targeted options for government policy interventions that will help mitigate the negative impact of inflation on more vulnerable workers and lower-income households, including:

- Indexing provincial income benefit programs, which for the most part, are not designed to rise with inflation.
- Broadening the public provision of essential goods and services in targeted sectors at reduced prices in sectors where there is a lack of competition leading to price gouging or there are broader public benefits with accessing specific goods and services.

- Aiming to curb corporate power in the marketplace to raise prices and profits at the expense of consumers.
4. Not all workers are seeing wage gains in line with or above inflation. In particular, unionized workers whose wages are set by collective agreements that were based on earlier, lower inflation expectations or suppressed by government wage freezes are seeing real wage losses. Unions should seek wage settlements that not only keep up with rising cost of living going forward but retroactively make up for high recent inflation, and keep public policy advocacy focused on measures that will improve the standards of living for workers and modest income households, while opposing regressive monetary and fiscal policies.

What is Happening With Inflation in Manitoba?

THE INFLATION RATE is typically reported in one of two ways: an annual average inflation rate, or the (monthly) year-over-year inflation rate. The annual inflation rate presents the average increase in the Consumer Price Index (CPI) for the entire calendar year. The year-over-year inflation rate presents price changes each month, comparing prices to the same month of the previous year. The year-over-year inflation rate will show greater variation since the annual rate averages out short-term fluctuations.

For 2021, the annual inflation rate in Manitoba was 3.3%.² *Table 1* breaks down the overall price changes by component and situates them in the longer-term context of the pandemic over the past two years. The second column of data shows the large price increases that occurred in 2021 over various categories. As can be seen, the price increases in 2021 are not uniform across all good and services. The main contributing factor to the 3.3% overall price increases is energy price growth, especially gasoline, which increased by nearly 34%, relative to 2020. As a key production and transportation input, high energy prices have ripple effects driving up the price of other goods and services. Shelter prices increased by 4.6%, also well above the overall rate. The annual data also shows that it is the price of goods, as opposed to services, that are driving the price increase, with goods prices increasing by 5.1%.

TABLE 1 Price and Wage Increases in Manitoba, 2019–2021, Annual Data

	% increase, 2019–2020	% increase, 2020–2021	Two year % increase, 2019–21	Average annual increase, 2019–21
Consumer Products and Product Groups				
All-items	0.5	3.3	3.8	1.9
Food	2.0	1.8	3.8	1.9
Shelter	1.7	4.6	6.4	3.1
Household operations, furnishings and equipment	0.6	–1.0	–0.3	–0.2
Clothing and footwear	–2.0	0.2	–1.8	–0.9
Transportation	–1.9	7.6	5.5	2.7
Gasoline	–13.9	33.9	15.3	7.4
Health and personal care	2.2	1.5	3.6	1.8
Recreation, education and reading	1.0	1.9	2.9	1.5
Alcoholic beverages, tobacco products and recreational cannabis	0.7	1.9	2.6	1.3
All-items excluding food and energy	1.0	2.0	3.0	1.5
All-items excluding energy	1.2	2.0	3.2	1.6
Energy	–8.4	21.6	11.4	5.5
Goods	–0.4	5.1	4.6	2.3
Services	1.4	1.6	3.0	1.5
Wages				
Average hourly wage rate	4.6	1.9	6.5	3.2
Average weekly wage rate	4.7	2.2	6.9	3.4
Median hourly wage rate	5.9	1.2	7.1	3.5
Median weekly wage rate	8.1	1.8	10.0	4.9

Sources Statistics Canada. (2022, January 19). *Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted*. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>; Statistics Canada. (2022, January 7). *Table 14-10-0064-01: Employee wages by industry, annual*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>

The high levels of inflation that has been making media headlines recently have been based on monthly, year-over-year inflation data, as opposed to annual averages. The early months of 2021 saw continuation of the low inflation typical of the earlier price suppression of the pandemic. The annual data presented in *Table 1* then does not emphasize the relatively high inflation we have seen in the later months of 2021 (see Figures 1a and 1b). *Table 2* presents annualized inflation rates, similar data to *Table 1*, but uses the most recent monthly CPI data for January 2022.

FIGURE 1A Inflation Rate in Manitoba, Monthly, Year-over-year % Change, Jan 1980–Jan 2022

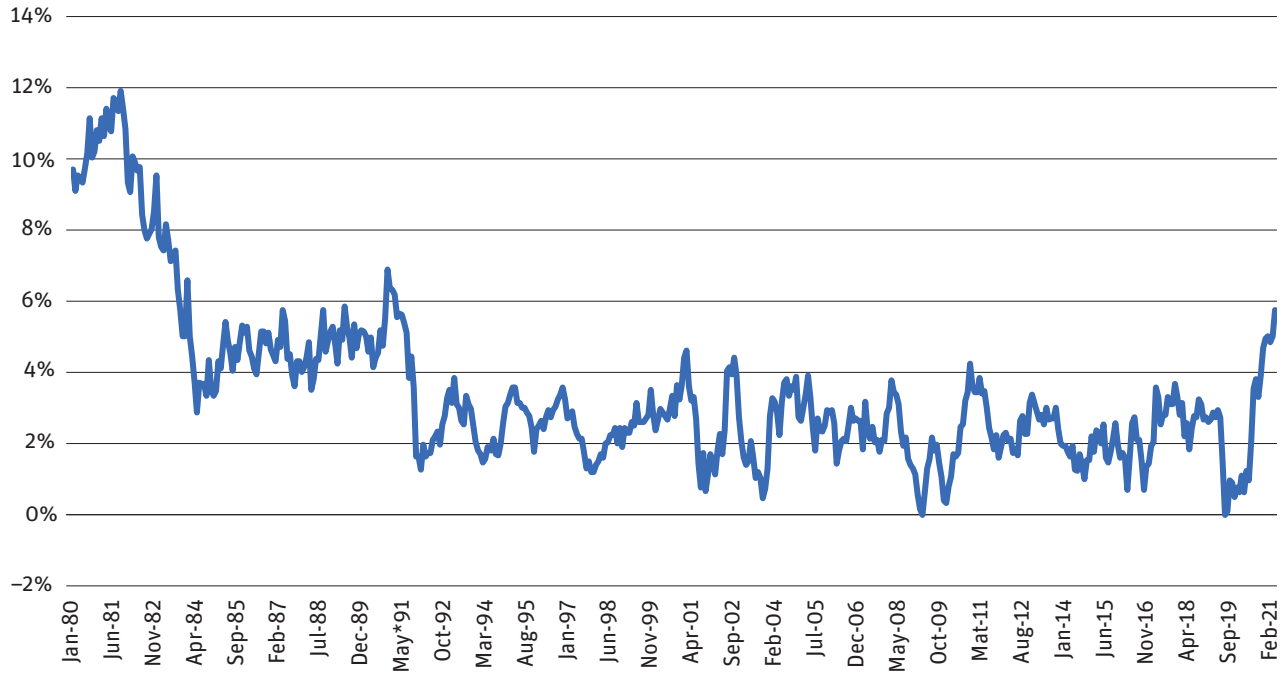


FIGURE 1B Inflation Rate in Manitoba, Monthly, Year-over-year % Change, Jan 2020–Jan 2022

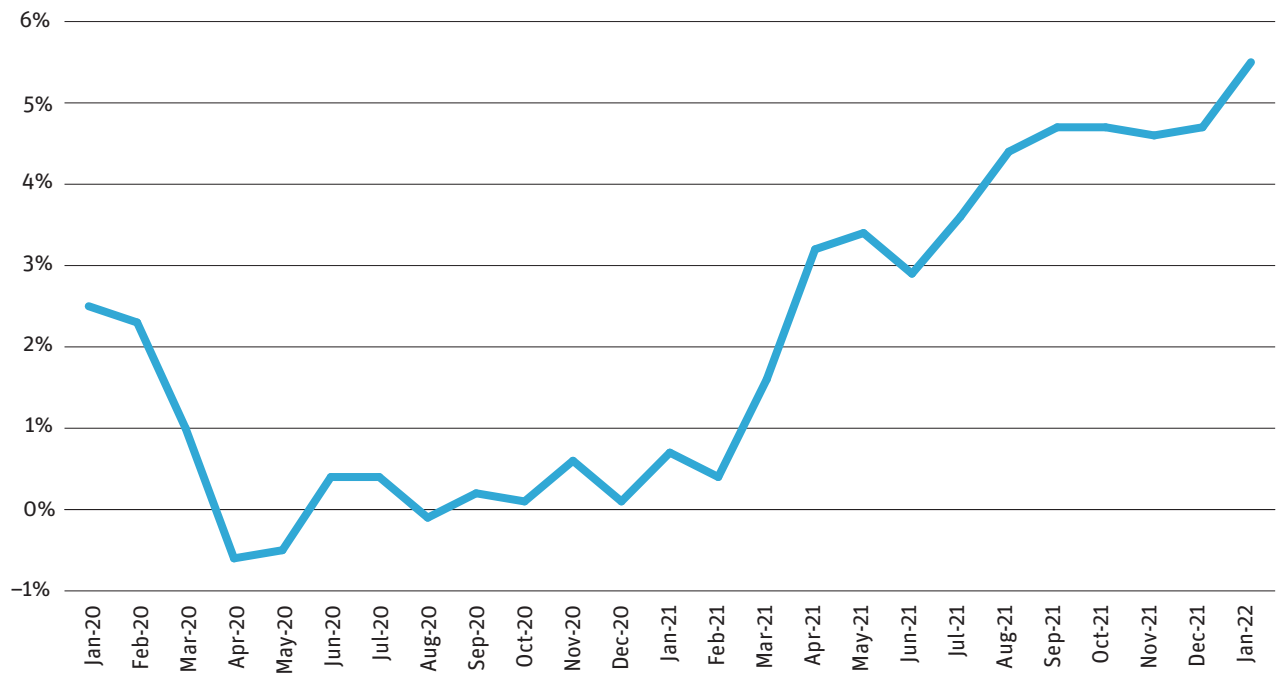


TABLE 2 Price and Wage Increases in Manitoba, 2019–2021, Monthly Data

Manitoba Consumer Prices and Wage Increases – Year-over-year based on December data	% Increase, Jan. 2020– Jan. 2021	% Increase, Jan. 2021– Jan. 2022	Two year % Increase, Jan. 2020– Jan. 2022	Average annual Increase, Jan. 2020– Jan. 2022
Consumer Products and Product Groups				
All-items	0.7	5.5	6.3	3.1
Food	0.5	5.1	5.6	2.8
Shelter	1.7	7.6	9.5	4.6
Household operations, furnishings and equipment	–0.5	0.7	0.2	0.1
Clothing and footwear	–2.9	1.4	–1.6	–0.8
Transportation	0.4	9.6	10.1	4.9
Gasoline	0.9	34.5	35.7	16.5
Health and personal care	2.2	1.8	4.1	2.0
Recreation, education and reading	3.1	2.5	5.7	2.8
Alcoholic beverages, tobacco products and recreational cannabis	–0.7	5.5	4.7	2.3
All-items excluding food and energy	0.5	3.9	4.5	2.2
All-items excluding energy	0.6	4.1	4.8	2.3
Energy	4.2	22.6	27.8	13.1
Goods	1.1	7.1	8.3	4.1
Services	0.5	3.9	4.4	2.2
Wages				
Average hourly wage rate	8.2	–1.1	7.1	3.5
Average weekly wage rate	10.1	–0.6	9.4	4.6
Median hourly wage rate	10.1	–3.5	6.2	3.1
Median weekly wage rate	13.9	–4.3	9.0	4.4

Sources Statistics Canada. (2022, February 16). *Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>; Statistics Canada. (2022, February 4). *Table 14-10-0063-01: Employee wages by industry, monthly, unadjusted for seasonality*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006301>

Based on monthly CPI data for Manitoba, the year-over-year inflation rate in January of 2022 was 5.5%. The monthly data also illustrates the increase in food prices that has been grabbing headlines, with an increase of 5.1% year-over-year. Like the annual data, the January 2022 year-over-year data show large increases in the price of shelter (7.6%), gasoline (34.5%), energy (22.6%) and goods (7.1%).

There are a number of interrelated factors that have been pointed to as the source of the current higher inflation untypical of the previous 30 years. These include:

- Catch-up due to prices being suppressed during the pandemic and the associated recession,
- A rapid return to previous household spending levels, with spending composition shifting towards goods, lead to supply chain bottlenecks, and
- Profiteering by corporations exploiting the pandemic to raise prices.

Catch-Up Due To Pandemic Price Suppression:

Part of the high inflationary pressure can be thought of as a form of catch-up due to price suppression during the pandemic. Due to the pandemic, public health restrictions and the associated reduced economic activity, the prices of many goods and services were suppressed in 2020. In some cases, government policies kept prices low, for example by freezing rents charged on residential apartments. Due to plummeting global demand, the price of gasoline in Manitoba fell by nearly 14% in 2020 compared to 2019, and energy prices overall fell by 8.4%. Other categories of the CPI saw prices fall, including clothing and footwear, and transportation and recreation. The overall inflation rate in Manitoba in 2020 was 0.5%, the lowest annual inflation rate reported in Statistics Canada data for Manitoba.³ To put this in additional perspective, in the 30 years prior, only twice has inflation been lower than 1%, and this 30-year period overall historically has been a period of relatively low and stable inflation. A year-over-year inflation rate of 5.5% in January 2022 appears high compared to pre-pandemic years, but the two-year annualized rate of 3.1% between January 2020 and January 2022 is not out of step with historic norms (see *Figure 1a*). This is even more so the case with annual average inflation rates of 1.9% from 2019 to 2021.

Rapid Return To Previous Household Spending Levels, With Increased Spending On Goods:

A rapid return to previous spending trends along with disrupted and changed consumer spending patterns also appears to be contributing to higher prices. In 2020 during the early phases of the pandemic, many people lost their jobs, but the Government of Canada responded in unprecedented ways with income supports and other aid to households, businesses and organizations.⁴ This support on average was very successful, with incomes actually rising in

2020 and inequality decreasing, despite record job loss and low-wage earners disproportionately losing paid work during the first and second waves of the pandemic.⁵ On average, disposable household incomes increased by 10.4% in 2020 relative to 2019, the largest increase by a significant margin going back at least two decades.⁶

Pandemic restrictions and a desire to avoid the virus limited what households did with this increased income.⁷ This led to a significant increase in the savings rate, to 14.8% in 2020, where it had previously been at or below 2% for the previous four years and averaged 3.3% from 1999–2019.⁸ On the spending side, household consumption spending fell by over 16% in the second quarter of 2020 relative to the last quarter of 2019, with spending on services falling by nearly 20%.⁹ This increase in savings and fall in spending led to suppliers scaling down and slowing the production of goods and services. In some cases, suppliers shifted production in anticipation of enduring shifts in consumer behavior, generating some of the shortages we are currently experiencing.¹⁰

Expenditure on goods however recovered quickly, being 3.7% higher in the third quarter of 2020 than the last quarter of 2019, staying well above pre-pandemic levels, and was 9% higher by third quarter of 2021.¹¹ Spending on services, on the other hand, remained depressed, remaining approximately 10% below pre-pandemic levels until the summer of 2021.¹²

Household consumption expenditure remained suppressed until mid-2021. In the summer of 2021, consumers began to unleash this pent-up demand and increased spending drastically, with the three-month period of July to September seeing household spending in Canada increase by 5.4%, nearly five times higher than the average quarterly increase between 1999 and 2019.¹³ This surge of spending, driven mostly by a recovery in services, brought household spending back in line with pre-pandemic levels, when adjusted for inflation. The composition of spending however remains heavier on goods and lighter on services relative to pre-pandemic levels, contributing to above average price increases in goods.¹⁴

Supply Chain and Production Issues:

The rapid shutdown and equally rapid resurgence, with spending shifting from services to goods, has generated challenges for supply chains that are spread across the globe, interdependent and maintain minimal excess capacity or redundancies. Production takes time, and decades of growing

reliance on ‘lean production’ and ‘just in time’ systems has made it difficult for producers to respond to the pandemic-induced swings in consumer demand. Ports are also grappling with severe logistical challenges associated with the increased demand for goods, with ships unable to unload their cargo.¹⁵ Some commentators have also suggested that China’s port capacity has been negatively impacted by shutdowns due to their COVID zero policy, contributing to supply chain problems and inflation, but others have suggested that China’s approach overall has positively impacted export capacity by preventing larger outbreaks.¹⁶

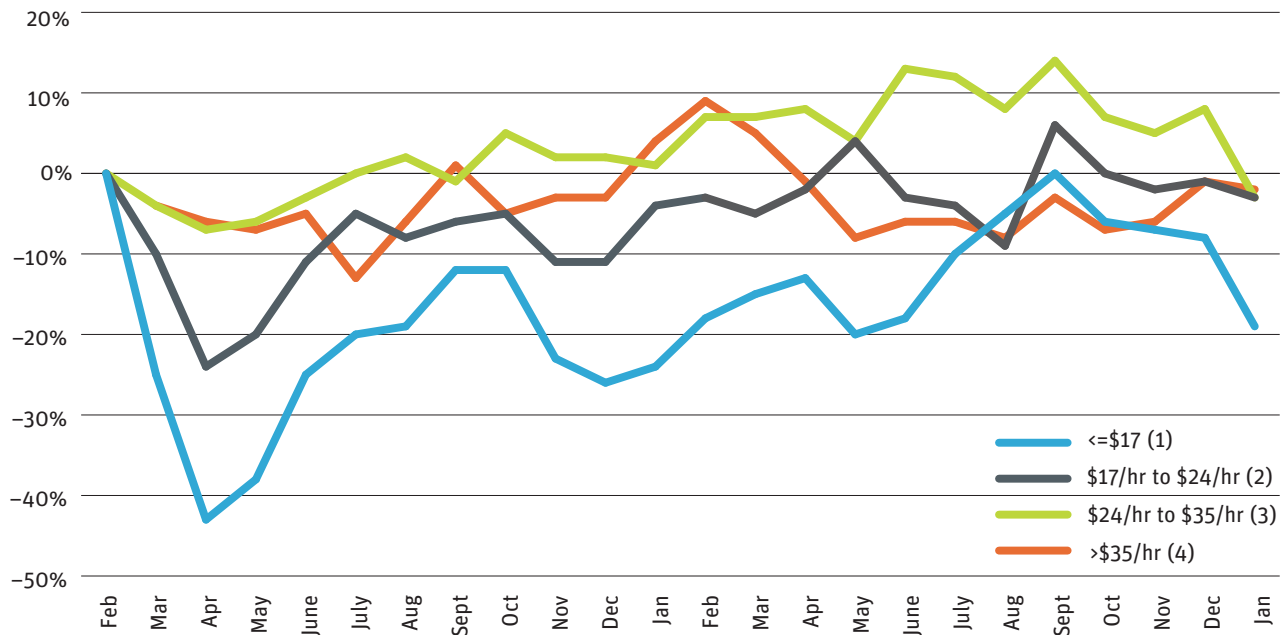
With respect to the goods sectors facing the highest price increases, record oil prices are being blamed on the rapid increase in demand paired with sluggish supply, partially due to hurricane and maintenance related outages, but also producer hesitancy to invest and increase production.¹⁷ Chip shortages leading to delays in automobile production and a surging price of vehicles are due to production decisions made many months ago to shift away from the type of chips vehicles needed to those used in household appliances.¹⁸

Many of these disruptions will likely work themselves out in a relatively short time horizon (although the Omicron variant, the Russian invasion of Ukraine, and economic sanctions levied in response may prolong and generate another wave of shocks, as may rapid removal of COVID-19 restrictions being pursued by some jurisdictions). Others disruptions can be expected to persist. Climate change fueled weather-related disruptions such as flooding and drought are creating additional supply chain issues. For example, flooding in British Columbia wiping out transportation infrastructure, and droughts devastating agricultural production this past summer, contributed to driving up food prices.¹⁹ As many countries aim to reduce reliance on fossil fuels and oil investments become targets for climate activists, investors in the oil sector will also become more hesitant. Some oil producing nations (OPEC+) countries have not been hitting their recent production quotas, even prior to the Russian attacks and subsequent economic sanctions, raising questions regarding what oil prices will look like once the economy begins to normalize. Climate change related pressures will likely only increase in intensity over time.²⁰

Tight Labour Markets

The combination of higher income and savings, the risk of working during an evolving pandemic, along with resurgent demand has given workers greater

FIGURE 2 Employment Change Since February 2020–January 2022, by Income Quartile (using national hourly wage quartiles, seasonally adjusted), Manitoba



Source: ODESI. (2022). Statistics Canada Public Use Microdata Files. <https://search1.odesi.ca/#/>

bargaining power in the labour market, with wages increasing faster than the overall price level. Tables 1 and 2 summarizes the changes in average and median hourly and weekly wage changes over the two-year pandemic, based on Statistics Canada’s Labour Force Survey. Over the first year of the pandemic, average and median wages in Manitoba increased rapidly, with annual increases in 2020 ranging from 4.6% to 8.1% depending on the measure.

Part of this increase reflects gains by workers who stayed employed, but this increase was also due to large numbers of low-wage workers, in the hospitality sector for example, losing paid work at a much higher rate than higher wage workers.²¹ In Manitoba, only recently, in September of 2021, have the lowest paid employees recovered their pre-pandemic levels of employment, only to see employment levels fall again below pre-pandemic levels (see Figure 2). Statistics Canada, for example, estimated that the observed hourly wage increase of 7.3% from September 2019 to Sept 2021 would have been reduced to 4.6% growth with a stable workforce composition.

Workforce composition has however changed significantly, while at the same time employment levels have recovered and surpassed pre-pandemic levels nationally by September of 2021 and in Manitoba by December 2021.

TABLE 3 Average Annual Real (Inflation-Adjusted) Wage Increases, Manitoba

	Annual data, (2019–2021)	Monthly year- over-year data (Jan. 2020–Jan. 2022)
Average hourly wage rate	1.3	0.4
Average weekly wage rate	1.5	1.5
Median hourly wage rate	1.6	0.0
Median weekly wage rate	3.0	1.3

Sources Author's calculation based on: Statistics Canada. (2022, January 19). *Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted*. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>; Statistics Canada. (2022, January 7). *Table 14-10-0064-01: Employee wages by industry, annual*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>; *Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>; Statistics Canada. (2022, February 4). *Table 14-10-0063-01: Employee wages by industry, monthly, unadjusted for seasonality*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006301>

What has occurred over the two-year pandemic period is a structural shift in the composition of the labour market away from lower wage jobs, increasing average wages. Given that employment has recovered, with workers moving into higher wage sectors, makes the composition benchmark less relevant from a practical perspective: workers who left their jobs, for example at restaurants and other service industries, have moved on and found better paying jobs in other lines of work.

For those who are employed, the data suggests wage growth has more than made up for the rise in prices, at least on average, during the two-year pandemic. *Table 3* summarizes the median and average real wage gains made by workers in Manitoba over the pandemic period to date. Looking at the yearly data, workers made out relatively well, with real gains between 1.3% and 3.0% by the end of 2021, depending on the measure. The year-over-year data, emphasizing higher inflation in recent months, shows that workers are at least breaking even, as least so far, but the gains are more modest, in the zero to 1.5% range. Data based on employer payrolls similarly show the real average weekly earnings of employees in Manitoba, including overtime, has increased 0.7% over the same period.²² These real wage gains are consistent with data for Canada as a whole, where gains have been for the most part even higher (see Appendix).

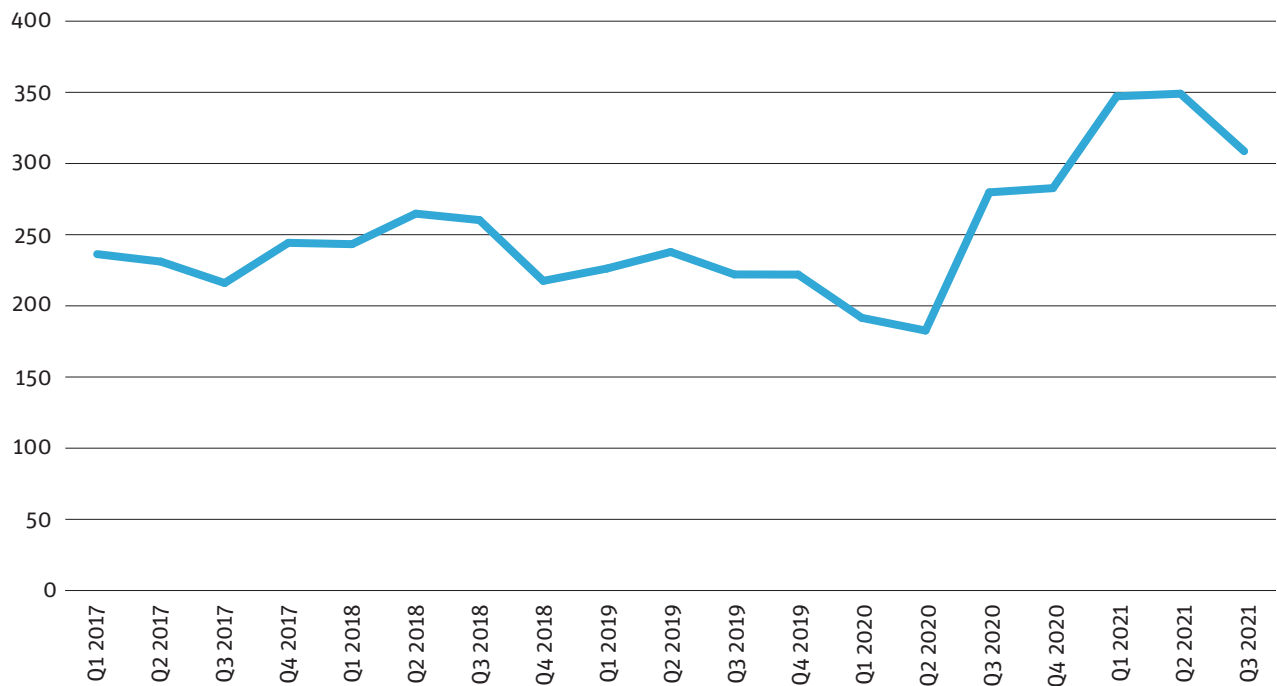
Not only are wages rising faster than inflation on average, but contrary to long term pre-pandemic trends, gains being seen in Canada are the highest for new employees and low-income workers in lower skilled work, helping to reduce inequality.²³ Temporary (versus permanent) and non-unionized (versus unionized) have also seen larger gains. These wage gains are being driven by strong economic growth and growing competition for workers.

This increased competition has led to business owners raising the specter of a labour shortage.²⁴ In the United States, a continuing reduction in labour market participation rates has been labeled “the great resignation”, with high quit rates and workers seemingly more willing to forgo employment, particularly in low-wage jobs. Canadian labour market data however is less supportive of this phenomenon.²⁵ While competition for workers is strong, the Canadian labour force participation rate is near pre-pandemic levels.²⁶ The reality is that workers have left many of pandemic-ravaged sectors, and employers in these rebuilding industries are having to adjust to paying higher wages, which is a good thing from the perspective of reducing inequality, but will lead to price pressures as business pass on these costs.

Profiteering

Analyses in the US context show that while wages are increasing, corporate profits are increasing even more, with profit margins at record levels.²⁷ Corporations have been able to use the pandemic and recent inflation not

FIGURE 3 Corporation Profits Before Taxes, Canada, in Billions



Source: Statistics Canada. (2021, November 30). Table 36-10-0125-01: Corporation profits before taxes, on an original-cost-basis, excluding government business enterprises, Canada, quarterly. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610012501>

only to pass on cost increases to consumers, but as cover to raise profit margins.²⁸ This has resulted in US President Biden taking steps to increase corporate taxes and using anti-trust regulation and agencies to crack down on companies suspected of price gouging in targeted industries, such as meat packing, with high industry concentration.²⁹

Profits in Canada have also been remarkably high since the pandemic began. An analysis of 142 Canadian companies with more than \$100 million in annual profits found that 104 had profits above their 20 year historical average and 50 companies achieved their highest profits ever in 2020, with the majority of the 142 companies increasing dividends during the pandemic.³⁰ The highest paid 100 CEOs in Canada also saw their second highest average pay ever in 2020, despite 30 of their employing companies benefiting from Federal government emergency assistance under the Canada Employer Wage Subsidy program.³¹

This profitability has continued into 2021. As can be seen in *Figure 3*, corporate profits have surged during the pandemic, increasing by 39% between the last quarter of 2019 and the third quarter of 2021. Compared to 2019, before tax quarterly profits during the pandemic (Q2 2020 to Q3 2021) on average have been 28% higher, with corporate profits increasing six to eight times the rate of inflation over this period.³² While some of these higher profits are due to government pandemic support benefits, corporate earnings reports suggest that price increases are also playing a role.

The Distributional Impacts of Inflation and Potential Responses

AS REVIEWED ABOVE, inflation rates have recently been higher in Manitoba and Canada, eroding the purchasing power of the Canadian dollar for households. How should governments respond, or should they respond at all? A number of important considerations are at play here, including the differential impact of inflation on different groups, the degree to which inflation is high, widespread and expected to persist, as well as what policy tools are available and the side effects.

Differential Impact of Inflation

The first fact informing such a response is that inflation does not impact all groups equally. While some groups are harmed, others may actually benefit from moderate inflation. The key factors in this determination from an individual or household perspective include how incomes are doing relative to prices and level of debt, and whether assets are increasing with the price level.

Incomes Versus Prices

From a consumer perspective, it is not only prices that matter but how much money you have to purchase goods and services. For workers, who rely primarily on wages and salaries to meet their needs, inflation may not necessarily reduce living standards if wages are keeping up or growing faster than prices. In fact, there is an economic rationale suggesting that moderate inflation may be associated with rising standards of living for workers, while low inflation environments undermine workers. This is because inflation is associated with a strong economy, one with higher real (inflation-adjusted) economic and wage growth, particularly one that is near full employment. In these conditions of low unemployment, worker bargaining power is high and they are more likely to extract concessions from employers.

Full employment can be promoted by governments through low interest rate monetary policy and active, deficit-financed fiscal policy. Such a strategy was central to economic governance in countries such as Canada and the United States in the post-war “golden era” where income growth was shared across the income spectrum and workers saw real wages gains in-line with productivity growth. Starting in the 1980s, when there was a shift in economic governance focus to keeping inflation low, workers in North America saw their real wages stagnate and income inequality soared, with the highest income earners capturing the nearly all of the income growth.³³

Debt Position

Another relevant factor when considering the impact of inflation is one’s debt position. If debtors’ incomes are increasing more than or at the same rate as the price of goods and services, inflation will reduce the real value of their debt: it will be easier to repay and less valuable to those who hold it. In this way, inflation redistributes wealth from lenders to borrowers. Since lower income households are for the most part indebted households, inflation can lead to redistribution from the wealthy to lower income, low wealth households, helping reduce wealth inequality and household debt levels. Similarly, non-financial businesses and governments, that on average are net borrowers, benefit at the expense of financial corporations and other lenders.

While in general the impact of inflation on debt is progressive, a case that is often raised is that of seniors or others that rely on savings to meet modest basic needs. Some private sector pensions are also not indexed, so

households who depend on them are also negatively affected by inflation. Canada's income tested system of seniors benefits and disability pensions however are indexed to inflation, so for the most part, lower income seniors, who rely heavily on these programs, are protected from inflation as benefit levels are adjusted, albeit with a lag. Middle to higher income seniors who rely on savings could be negatively impacted by inflation, but more typically they will hold wealth in real estate or equities such as mutual funds and stocks, and the value of these will generally rise to some extent with the overall price level. Evidence however suggests that high inflation reduces real stock returns, with the impact varying by industry and state of development of the underlying companies. The caricature of the senior citizen paying their bills out of cash savings sitting in a bank account or shoe box under the mattress is not reflective of reality for the majority of seniors.

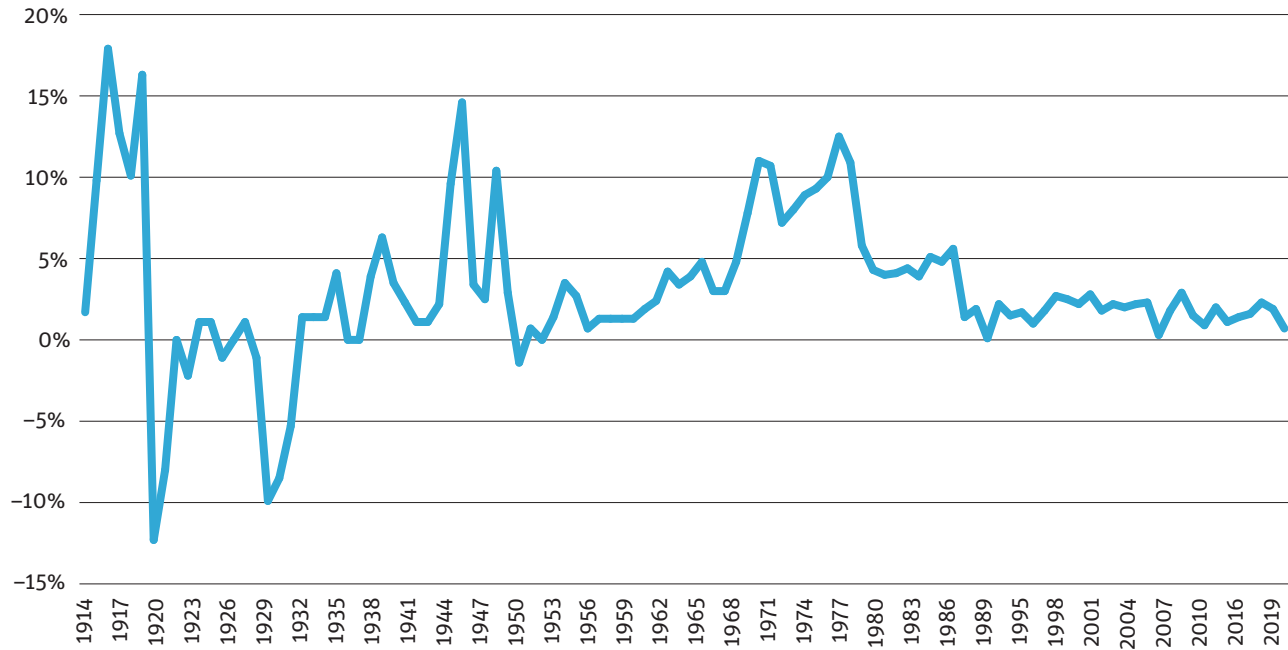
Degree, Scope and Expected Persistence of Inflation

A final set of factors to consider when discussing policy responses is how large and broad-based the higher inflation is, and whether prices increases are expected to accelerate over time or be short-lived. If the increase in the inflation rate is relatively modest, expected to be transitory, and is being driven by a small number of goods, a more limited and targeted policy response may suffice. If inflation is very high, broad-based and expected to compound over time, a more aggressive and systemic response may be required.

Current Inflation Still Relatively Moderate By Historic Norms

As shown in Tables 1 and 2, the overall inflation rate in Manitoba was 3.3% in 2021 and 5.5% on a year-over-year basis in January 2022. While high relative to the previous 30 years, a longer-term perspective shows that today's levels of inflation are nowhere near the historic highs. As shown in *Figure 4*, inflation was well above the 4% level throughout most the 1970s and 1980s.

FIGURE 4 Inflation Rate, Canada, Annual



Sources Statistics Canada. (2021). Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>;

Observed Inflation Mostly Concentrated in a Few Volatile Sectors

As shown in *Table 1* when looking at annual average inflation rate in Manitoba over the past two years, of the nine product categories, only shelter and gasoline are above the 3% benchmark. When looking at year-over-year monthly inflation data for January 2020 to January 2020 the same period, transportation is also above the 3% mark. This suggests that the high inflation is not widespread but relatively concentrated in a few, more volatile sectors. These results for Manitoba are comparable to Canada as a whole (See Appendix), with the only exception being that food price inflation is also above 3% for Canada as a whole in the year-over-year data.

The Bank of Canada’s three measures of “core” inflation, measures that aim to filter out the most volatile components of the CPI, also suggest that inflation, when averaged out over the two-year period, using year-over-year January rates, has not exceeded the 3% threshold (see *Table 3*). Overall, in the Canadian context, price increases have up until very recently been driven by price increases in only six of the 200 components that make up

TABLE 4 Bank of Canada Preferred Core Inflation Measures, 2019–2021, Year-over-year Based on December Data

	Jan–20	Jan–21	Average
Measure of core inflation based on a factor model, CPI-common	1.3	2.3	1.8
Measure of core inflation based on a weighted median approach, CPI-median	2.0	3.3	2.6
Measure of core inflation based on a trimmed mean approach, CPI-trim	1.8	4	2.9

Source Statistics Canada. (2022, January 19). *Table 18-10-0256-01: Consumer Price Index (CPI) statistics, measures of core inflation and other related statistics—Bank of Canada definitions*. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810025601>

the consumer price index.³⁴ Only very recently, are there some signs that inflation may be broadening.³⁵

Current Higher Inflation Likely Temporary

As reviewed earlier in the report, much of the inflation we are currently experiencing can be linked to pandemic related disruptions. The drastic contraction of the economy due to public health restrictions, measures taken by producers to adapt production, and rapid resurgence of consumer spending concentrated in the goods sectors has led to significant supply chain disruptions. Longer term price pressures arising from climate change will likely persist, but the Bank of Canada is suggesting that while price increases may be temporarily high, these higher inflation rates are expected to be “transitory if not short lived”, as current pandemic-related factors that are driving elevated prices subside as we emerge from the pandemic, with inflation returning to more normal levels.³⁶ Supply disruptions in particular are expected to subside by the end of 2022.³⁷

Table 4 presents summary inflation forecasts compiled by the Manitoba Bureau of Statistics. As can be seen, the average annual inflation rate is expected to peak in Manitoba at 3.6% in 2022 then fall to 2.5% in 2023. These

TABLE 5 Inflation Forecasts

	2021	2022	2023
Manitoba	3.1	3.6	2.5
Canada	3.4	3.7*	2.4

Source Manitoba Bureau of Statistics. (2022, February 3). *Survey of Economic Forecasts Report: 2021f-2023f*. https://www.gov.mb.ca/mbs/publications/mbs701_forecast_survey_2022_02_03.pdf

***Note:** The Bank of Canada’s January Monetary Policy report increased its inflation forecast for 2021 to 4.3%.

projections track closely the MBS's forecasted Canadian inflation rate. The Bank of Canada Monetary Policy January Report similarly notes that the rising inflation observed globally is expected to peak in most areas in the first quarter of 2022, with Canadian inflation expected to stay near 5% for the first half of 2022 but gradually decline to 3% by year's end, and approaching 2% in 2023 and 2024.³⁸ The report projects higher inflation than the MBS forecast compilation for 2022, expecting 4.3% in 2022.

Government Policy Tools for Mitigating the Negative Impact of Inflation

GOVERNMENTS HAVE VARIOUS tools at their disposal to help mitigate the negative impacts of inflation. These include monetary policy, fiscal policy, indexing income supports, the public provision of private goods at lower prices, anti-trust regulation and price controls.

Monetary Policy

The Bank of Canada could increase interest rates, making borrowing more expensive for businesses and consumers, reducing demand and investment. The Conservative Party of Canada, for example, has been suggesting such an approach in its public communications, although it has not shown up in official party policy.³⁹ This would slow down economic growth, increase unemployment, reduce wage growth, and in turn curb inflation, but it would take time and risks derailing the economic recovery from the COVID-19 pandemic. Not only does contractionary monetary policy risk undermining the

gains that are being made by low-wage workers and the reduction in income inequality being observed, it is the goal and key mechanism of the exercise.⁴⁰

A cautious move away from the unprecedented action of the Bank of Canada during the pandemic (such as “quantitative easing” aimed at further suppressing borrowing rates) to support the economy and markets is likely appropriate given that the economy has mostly recovered from the pandemic. Taking a more aggressive approach and increasing interest rates to curb inflation however is likely inappropriate, due to price increases being concentrated in a few goods and services, and the expectations that supply chain issues driving inflation will be temporary. Increasing interest rates in Canada will have little to no impact on cost drivers of the current inflationary episode based on international commodity prices and supply chain issues that are global in scope.

Fiscal Policy

Governments could reduce government spending or increase taxes, reducing the incomes of businesses and households, reducing demand and investment. The Conservative Party of Canada for example has pointed to high government spending and specifically pandemic supports for households as the source of higher inflation. Reducing the overall level of government spending and deficits, like contractionary monetary policy, would slow down economic growth and reduce inflation. The inappropriateness of this approach to reducing inflation is similar to the problems with hiking interest rates, given the temporary and supply side nature of current higher inflation, and could impede progress on important measures being taken by governments to address climate change and reduce inequality.

Increasing taxes is an under-appreciated fiscal policy alternative to cutting spending. When targeted at corporations and wealthier households, higher taxes could be equally effective at reducing inflation without the negative equity impacts of reducing the improvements in supports for the unemployed and lower income households. Increasing taxes on wealth is also justified given skyrocketing asset prices during the pandemic, supported by generous government pandemic benefits for large corporations and the financial sector.

Indexing Income Supports

Fiscal and monetary policy then may not be best way to address the problems associated with inflation, but there are many actions governments can take

TABLE 6 Manitoba Income Support Programs and Indexation Status

Program	Description	Indexed?
Employment and Income Assistance (EIA) Basic Assistance	Manitoba's social assistance program of last resort, to cover cost of food, clothing, etc. Starts at \$195 per month for single person general assistance recipients, higher rates for larger households and persons with disabilities; After \$200 of earnings, benefits are clawed back at a rate of 70%. ⁱ	No
EIA Rent Assist	Manitoba's rental assistance program for private market renters who are EIA recipients. Benefits are based on the renting of an apartment costing 75% of the median market rent, based on household/unit size. ⁱⁱ	Yes
Non-EIA Rent Assist	Manitoba's rental assistance program for those who not EIA recipients. Benefits are structured such that recipients do not spend more than 30% of their income on rent, based on an apartment costing 80% of the median market rent, based on household/unit size. ⁱⁱⁱ	Yes
Manitoba Child Benefit Program	A benefit of up to \$35 per month per child for low income families with children not receiving EIA. Benefits decline after \$15,000 of income and phase out completely at \$20,435 for families with 1 to 3 children. ^{iv}	No
55 Plus	Seniors benefit program. Maximum rates paid every three months are \$161.80 for an individual and \$173.90 for married or common law individuals. Benefits decline with income and annual income threshold for receiving benefits is \$9,746 for individuals and \$16,255 for couples. ^v	No

ⁱ Manitoba, "The Manitoba Assistance Act, RSM 1987, c. S160: Assistance Regulation.

ⁱⁱ Manitoba.

ⁱⁱⁱ Manitoba.

^{iv} Manitoba, "Manitoba Child Benefit."

^v Manitoba, "55 Plus."

that more directly address the affordability issues facing households with limited means to cope.

Firstly, governments can ensure that income-tested government benefit levels are sufficient and increase with the cost of living by indexing them to inflation. At the federal level, nearly all major benefit programs are indexed, while for the most part, provincial programs are not.⁴¹ *Table 5* lists the main programs in Manitoba and the status of their indexation. With the exception of Manitoba's Rent Assist program, income support programs are not automatically increased to match increases in the cost of living. In general, Manitoba's income support programs have low benefit levels and low income thresholds for receiving benefits, limiting recipients to those in deep poverty. For example, the Employment and Income Assistance (EIA) program, despite improving benefits through the Rent Assist program, leaves recipients with total welfare income lower than in most other provinces, for most household types, and leaves them well below the poverty line.⁴² Manitoba's minimum wage, while indexed to inflation, at \$11.95 per hour, is the third lowest in the country and only 20 cents above last place New Brunswick. Manitoba, unlike most other provinces, lacks a sales tax rebate program, which could be provided on an income-tested basis similar to the federal GST credit.

The Manitoba government could help mitigate inflationary burden on households by indexing and increasing benefits levels, while raising restrictive

income eligibility thresholds to allow more families to benefit. Consideration should also be given to the impact of pandemic emergency supports on eligibility for income-tested programs. Many households are finding that those who accepted federal benefits such as the Canada Emergency Response Benefit in 2020 and saw their incomes rise, are now seeing income-tested benefits fall, just as inflation pressures increase.⁴³ Governments could exclude this income from eligibility calculations. Some steps have been taken in this regard at the federal level for seniors and students, and Manitoba's EIA program has excluded a portion of federal COVID-19 benefits, but more can be done.⁴⁴

Public Provision of Essential Goods and Services

Governments can provide essential goods and services at reduced prices through public provision in markets where there is a lack of competition leading to excessively high prices or there are broader public benefits with accessing specific goods and services. In addition to public health and education systems, Manitobans currently benefit from public hydro-electric and auto insurance systems. Manitoba Public Insurance operates on a no-fault, non-profit model with profits redistributed through rate reductions, while Manitoba Hydro offers some of the lowest electricity rates in Canada. There are many opportunities for government to reduce the price of existing publicly provided and supported public services, including in health, childcare, education, public transportation, energy efficiency, and telecommunications.

Healthcare

Canada, unlike many of its international peers, has significant gaps in its public health care system in lacking coverage of prescription drugs, physical rehabilitation, mental health and dental care.⁴⁵ A universal national pharmacare program has been extensively researched and explored at the federal government level, with significant potential net cost savings, but little action has been taken, despite public commitments from both the federal NDP and Liberal parties.⁴⁶ Universal dental care is another area that offers net cost savings for Canadians.⁴⁷ These remaining gaps in Canada's Medicare system disproportionately burden lower income households with high costs for essential services.

Childcare

Canada is also well behind its international peers in support and access to quality childcare and early childhood education (ECE), despite investments in quality accessible childcare and ECE being broadly acknowledged as having one of the highest social returns on investment when it comes to government social program interventions.⁴⁸ Manitoba's system, while comparably affordable, still excludes many families.⁴⁹ The federal government is currently in the process of implementing commitments regarding access to affordable childcare, leading to a significant reduction in costs for families with young children.⁵⁰ Manitoba has signed on to the agreement, and has begun implementing the required commitments under the federal initiative, but is still far from a universal system.⁵¹

Education

In the decades leading up to the pandemic, the cost of post-secondary education tuition in Canada, due to government policy changes, increased well above the rate of inflation.⁵² Despite this, there is significant diversity between provinces, with the most progressive relying on low tuitions and income-tested grants as opposed to student loans.⁵³ Several countries with more robust welfare states go even further with zero tuition fees and income supports for students.⁵⁴ Manitoba, while historically having relatively low fees, has seen tuition rise rapidly in more recent years.⁵⁵ Based on models both internationally and elsewhere in Canada, there are opportunities for Canada to reduce costs paid by households to access postsecondary education and training.

In the K-12 systems, there are also opportunities for government policy to reduce costs for households. Canada is an international laggard when it comes to school food programs, lacking a national program and ranking low on international standards.⁵⁶ Teachers in Manitoba have been calling on the provincial government to implement school nutrition programs as a means of addressing poverty-related academic challenges, but the provincial government has rejected the idea.⁵⁷ Recent federal government commitments in this area may provide resources for provincial reconsideration.

Ensuring public schools are well-resourced to meet special education needs and timely access to professional/specialist supports, as called for by the Manitoba Teachers Society, would also help save parents from having to seek remedial assistance through costly private services such as tutoring, or leaving those needs unmet.⁵⁸

Public Transportation

Universal access to free public transportation is a policy option that would reduce the cost of living and help achieve both climate change and social justice objectives, given that public transport is heavily utilized by low income families. The movement for free public transport has been gaining momentum, including in the United States, with approximately 100 cities, mostly in Europe, offering zero fare service.⁵⁹ In Manitoba this would require greater provincial investment in public transit and the reversal of unpopular provincial cuts.⁶⁰

Energy Efficiency

As noted above, the rising cost of energy is a key driving factor in the current overall increase of the price level in Manitoba and Canada. There are significant cost savings to be had in energy-conserving building retrofits and conversion away from fossil fuels towards green energy technology in Manitoba through, for example, the use of electric vehicles and geothermal heating and cooling.⁶¹ Government support for these initiatives could include changes to building codes, incentive programs and the direct funding of required infrastructure. These climate change mitigation initiatives can have multiple benefits including reducing the cost of living and generating good paying jobs in the province while helping to achieve greenhouse gas reduction goals.

Telecommunications

There is strong efficiency and equity rationales for reinvesting in public telecommunication provision, including internet access, as an essential public service.⁶² Telecommunications prices are relatively high in Canada and services levels below international averages, due to its oligopolistic structure.⁶³ Manitoba previously benefited from a public telecommunications system, but this was privatized in 1999, leading to large price increases for consumers.⁶⁴ Reestablishing public provision of these services would bring down prices and support access.

Anti-trust / Competition Regulation

Anti-trust or competition regulations are aimed at reducing market concentration and promoting competition among private corporations, to avoid

corporations using their market power to charge excessive prices. Growing market concentration is a documented problem in the North American market that has not only been linked to greater income inequality but is now being suggested as a contributing factor to inflation, suggesting that broad action is required to restore competition and rein in corporate power.⁶⁵ This can include penalizing anti-competitive behavior, breaking up monopolies and oligopolies, and regulation, including price controls. Anti-competitive behavior by employers also suppresses workers' wages and purchasing power, with policy options available to help counteract this.⁶⁶

Price Controls

Governments can directly regulate the price of goods and services. Governments in Canada currently, for example, control the price of some agricultural products such as eggs and dairy through provincial marketing boards (although in these cases the goal is to keep prices stable and high enough to support high quality domestic production, as opposed to keep prices low for consumers). Price regulation is also applied in industries to avoid price gouging by corporations operating in monopolistic or oligopolistic sectors. Price controls in targeted sectors that lack competition can be effectively regulated based on cost of provision basis, with examples at the provincial level including electricity prices and the rent charged for apartments.⁶⁷

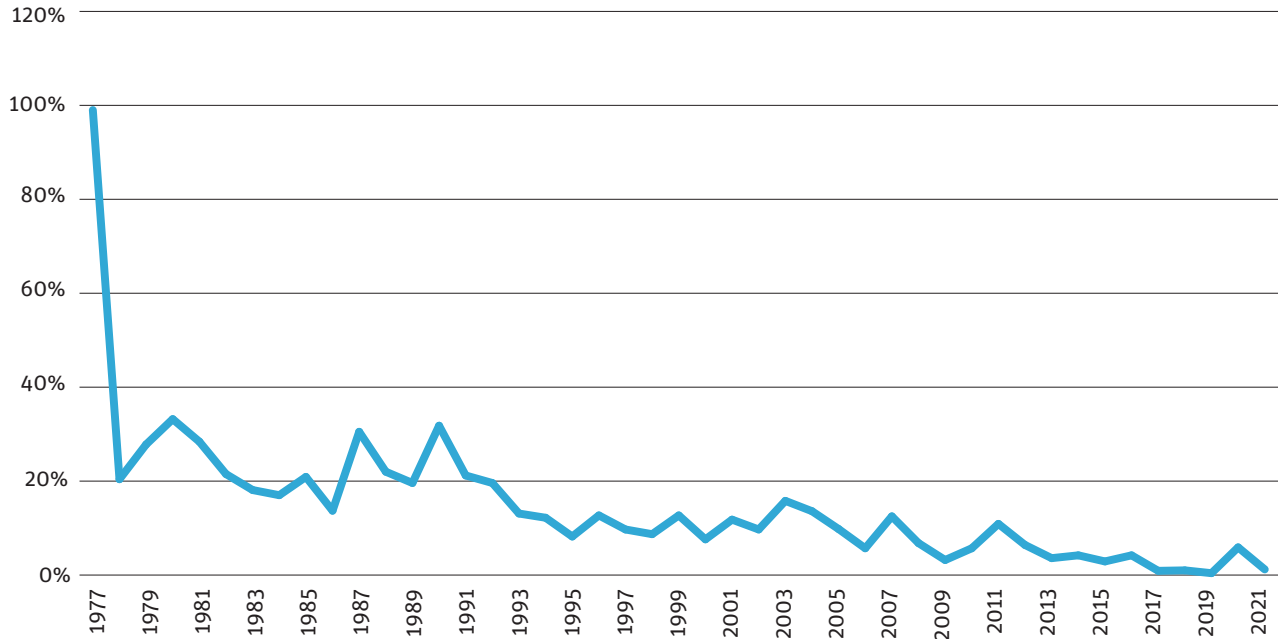
Broadly applied price controls are generally seen as an extreme measure to get very high inflation under control and rein in expectations about future price increases. They were used during the Second World War along with rationing, with strong public support, and in the 1970s to try to get inflation under control,⁶⁸ but can lead to other problems such as shortages if not paired with other measures such as public provision. In cases where public provision is not possible and anti-trust measures are ineffective or insufficient, consideration could be given to targeted price regulation.

Implications for Labour Movement Positioning

AS OUTLINED ABOVE, on average, wage increases have more than offset the pandemic period inflation, with lower wage workers seeing particularly strong gains. Not all workers however are seeing wage gains in line or above inflation. For example, Canadian healthcare workers only saw a 1.5% increase in average weekly wages between January 2020 and January 2022.⁶⁹ In particular, unionized workers whose wages are set by collective agreements that were based on earlier lower-inflation expectations or suppressed by government wage freezes are seeing real wage losses.

Until it was repealed in November 2021, the Manitoba public service was negotiating collective agreements under the shadow of The Public Sector Sustainability Act (PSSA), which specified that maximum wage increases of 0%, 0%, 0.75% and 1.0% over a four-year collective bargaining agreement.⁷⁰ Although the legislation never received royal assent, the wage increase maximums were enforced through bargaining mandates to public sector entities. Some unions, for example in the education sector and at Manitoba Hydro, managed to work around the mandate through alternative dispute mechanisms and binding arbitration,⁷¹ but other unions that settled under the terms of the PSSA were left with real wage reductions, even under the low pre-pandemic inflation rates. The higher inflation in 2021 will only intensify these losses.

FIGURE 5 Collective Agreements Settled in Canada with a COLA Clause



Source 1997–2014 data from: Employment and Social Development Canada. (2015, July 20). *Role of the Cost-of-Living-Adjustment clauses during low inflation time* [Policies]. <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/reports/role-of-cola.html>; 2015–2021 data from: Employment and Social Development Canada. (2021, November 1). *Major wage settlements by COLA and industry*. Collective Bargaining Information: Wage Settlements. <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/wages/wages-industry-cola.html>.

The increase in inflation will create additional complications in a hostile context for organized labour in Manitoba. Unions now must pay extra careful attention to rising costs for workers and will need wage settlements above what employers have become accustomed to offering if lost purchasing power is to be regained. As noted above, profits are soaring in the corporate sector; Inflation will also raise public sector revenues and reduce the burden of public debt: The fiscal capacity of both public and private employers to pay higher wages then has improved. Unions therefore have a strong case to aggressively push for wage settlements that retroactively make up for unexpected high inflation and keep up with rising cost of living going forward. One tool that can aid in this respect are cost of living adjustments (COLAs) in collective agreements.

COLAs are clauses in collective agreements that trigger wage increases when inflation is above a certain rate. COLAs were common in collective agreements the late 1970s and early 1980s when inflation was exceptionally high, but became less common as inflation stabilized at a relatively low level during the follow two decades. *Figure 4* depicts this trend for major collective

bargaining settlements, defined as agreements covering more than 500 employees. In the 1980s, on average 22.5% of major collective agreements contained COLAs, but by the 2010s this had fallen to 4.0%.⁷² The percentage of employees in major agreements covered by COLAs peaked at nearly 50% in 1981; by 2014, only 7.5% were covered by COLAs.⁷³

The fall in COLA provisions and workers covered was primarily driven by declines in public sector agreements, up until the mid-late 2010s, when private sector COLAs matched public sector historic lows. More recently however, a small number of agreements covering a relatively large number of public employees have included COLAs, leading to 13% of employees being covered in 2021 agreements.⁷⁴ The share of private sector employees with COLAs also rose substantially in 2020 agreements, although none were registered in 2021.

Unions should take a balanced approach to COLAs in the current context. COLAs by definition help protect workers' purchasing power in the face of inflation, and bargaining units that negotiated COLAs prior to the unexpected spike in inflation will benefit greatly. The challenge arising in the current context with higher inflation and uncertainty with respect to its future course, is that COLA provisions may be costly to secure in negotiations from employers. This will particularly be an issue with private sector employers, who are more concerned about profits and less about optics. In Manitoba, the provincial government has signaled that it is looking to reset its relationship with public sector unions and has repealed the PSSA. The public sector is also facing recruitment and retention challenges after several years of wage freezes and hostility towards public sector workers.⁷⁵ COLAs may be an opportunity for the provincial government to provide much needed wage increases to public sector workers without setting a precedent for large percentage increases. COLAs are clearly an asset for workers in the current context, but given that higher inflation is likely to subside in a year or two, unions should be cautious about making large concessions to employers to secure COLAs in later years of negotiated collective agreements going forward.

There is an additional public policy consideration that favours governments utilizing and encouraging COLAs, rather than fixed percentage increases based on high inflation expectations: COLAs are less likely to generate a self-fulfilling prophecy of higher inflation. If COLAs are utilized, and supply chain and other pandemic related pressures subside in the next few years, as the evidence suggests it will, wage increases are less likely to fuel further inflation.

Conclusion

RISING PRICES ARE currently dominating the headlines, raising anxiety amongst households struggling to make ends meet while navigating the ongoing COVID-19 pandemic. This has led to calls from some conservative voices to withdraw monetary policy support that is keeping interest rates low and for reductions in deficit-financed investment in the economic recovery. Workers, lower-income households and allied organizations should be skeptical of the motives and concerned with the consequences of such actions. Inflation is taking a bite out of the purchasing power of those relying on fixed incomes and personal savings, but wage increases on average have outpaced inflation over the pandemic period, particularly more recently for new hires of lower-skilled labour. This period of inflation and relative wage growth will also help alleviate the debt burden of highly indebted low- and modest-income households. Continued backing for supportive monetary and fiscal policy can help push our economy towards full employment and reduce the extremely high levels of income inequality that have emerged over the last four decades.

That is not to say that inflation is not an important public policy consideration, even if this bout of unexpected high inflation is being driven by pandemic related disruptions and is likely to be mostly transitory. Fiscal policy support, when targeted at meeting important social and environmental deficits in areas such as health, childcare, education, climate change mitigation, and others can help reduce the cost of living while addressing pressing social challenges. Public ownership and provision of services in

these areas and other targeted sectors such as telecommunication and public transportation can also be part of an inflation mitigation strategy. Most provinces, including Manitoba, do not index most income support programs to increase with inflation, many of which already provide low benefit levels. There is significant scope for civil society organizations, including labour unions, consumer groups, and community-based organizations working with lower-income households, to advocate for progressive policy change to address inflation. These changes will not only help address short-term concerns regarding the cost of living, but will lead to sustained affordability and improved equity while improving economic efficiency over the long run.

The labour movement in particular faces an important balancing act advocating for additional wage increases for its members to meet the higher costs of necessities, while keeping public policy advocacy focused on progressive measures that will improve the standards of living for workers and modest income households. Opposing regressive monetary and fiscal policies will help ensure that wage and benefit gains that workers have achieved in the pandemic period are not lost, and the decline in inequality continues. Making progress on reversing the extreme increase in inequality over the last 40 years has only just begun.

References

- Aldrich, Josh. "Arbitration Sets Raises, Teaching Time for Pembina Trails School Division." *Winnipeg Sun*, February 17, 2021. <https://winnipegson.com/news/news-news/arbitrations-sets-raises-teaching-time-for-pembina-trails-school-division>.
- Alexander, Craig, Kip Beckman, Alicia Macdonald, Cory Renner, and Matthew Stewart. *Ready for Life: A Socio-Economic Analysis of Early Childhood Education and Care*. Conference Board of Canada, 2017.
- Bank of Canada. "Inflation." Core Functions: Monetary Policy, 2021. <https://www.bankofcanada.ca/core-functions/monetary-policy/inflation/>.
- . "Monetary Policy Report: January 2022," January 26, 2022. <https://www.bankofcanada.ca/2022/01/mpr-2022-01-26/>.
- . "Understanding Our Policy Interest Rate," April 5, 2021. <https://www.bankofcanada.ca/2021/04/understanding-policy-interest-rate/>.
- Barry, Ellen, and Greta Rybus. "Should Public Transit Be Free? More Cities Say, Why Not?" *The New York Times*, January 14, 2020, sec. U.S. <https://www.nytimes.com/2020/01/14/us/free-public-transit.html>.
- Barry-Shaw, Nikolas. "Why Not Nationalize Telecoms?" *The Breach*, May 25, 2021. <https://breachmedia.ca/why-not-nationalize-telecoms/>.
- Bharti, Bianca. "Wage Growth Outpaces Inflation as Job Vacancies Surge to Record." *Financial Post*, December 20, 2021. <https://financialpost.com/news/economy/wage-growth-outpaces-inflation-as-job-vacancies-surge-to-record>.
- Boesler, Matthew, Joe Deaux, and Katia Dmitrieva. "Inflation Story Spun by CEOs Is Debunked by Fat Profit Margins." *Bloomberg News*, November 30, 2021. <https://www.bloomberg.com/news/articles/2021-11-30/fattest-profits-since-1950-debunk-inflation-story-spun-by-ceos>.
- Brennan, Jordan. "A Shrinking Universe: How Concentrated Corporate Power Is Shaping Income Inequality in Canada." *Canadian Centre for Policy Alternatives*, November 2012. <https://www.policyalternatives.ca/publications/reports/shrinking-universe>.
- . *Rising Corporate Concentration, Declining Trade Union Power, and the Growing Income Gap: American Prosperity in Historical Perspective*. Levy Economics Institute of Bard College, 2016.
- Broughton, Kristin, and Theo Francis. "What Does Inflation Mean for American Businesses? For Some, Bigger Profits." *Wall Street Journal*, November 15, 2021, sec. Business. <https://www.wsj.com/articles/inflation-yellen-biden-price-increase-cost-shipping-supply-chain-labor-shortage-pandemic-11636934826>.
- Busby, Colin. "A Drug, Dental and Mental Health Plan for Uninsured Canadians." *Policy Options*, October 20, 2020. <https://policyoptions.irpp.org/magazines/october-2020/a-drug-dental-and-mental-health-plan-for-uninsured-canadians/>.
- Charlebois, Sylvain, Alyssa Gerhardt, Stacey Taylor, Mitchell Kane, Vlado Keselj, Elizabeth Fitting, Kathleen Kevany, et al. *Canada's Food Price Report 2022*. Dalhousie University; University of Guelph; University of Saskatchewan; University of British Columbia, 2021. <https://www.dal.ca/sites/agri-food/research/canada-s-food-price-report-2022.html>.
- Cochrane, D. T. "Some of Canada's Biggest Companies Saw Record Profits during the Pandemic." *Canadian Dimension*, May 29, 2021. <https://canadiandimension.com/articles/view/some-of-canadas-biggest-companies-saw-record-profits-during-the-pandemic>.
- Coy, Peter. "Profiteering Is in the Eye of the Beholder." *The New York Times*, December 20, 2021, sec. Opinion. <https://www.nytimes.com/2021/12/20/opinion/profits-competition-covid.html>.

- Daggett, Becca Vargo. *Localizing the Internet: Five Ways Public Ownership Solves the U.S. Broadband Problem*. Institute for Local Self-Reliance, 2007.
- Deese, Brian, Sameera Fazili, and Bharat Ramamurti. “Recent Data Show Dominant Meat Processing Companies Are Taking Advantage of Market Power to Raise Prices and Grow Profit Margins.” The White House, December 10, 2021. <https://www.whitehouse.gov/briefing-room/blog/2021/12/10/recent-data-show-dominant-meat-processing-companies-are-taking-advantage-of-market-power-to-raise-prices-and-grow-profit-margins/>.
- Employment and Social Development Canada. “Major Wage Settlements by COLA and Industry.” Collective bargaining information: Wage settlements, November 1, 2021. <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/wages/wages-industry-cola.html>.
- . “Major Wage Settlements by COLA and Year.” Collective bargaining information: Wage settlements, November 1, 2021. <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/wages/wages-year-cola.html>.
- . “Role of the Cost-of-Living-Adjustment Clauses during Low Inflation Time.” Policies, July 20, 2015. <https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/reports/role-of-cola.html>.
- Fawcett-Atkinson, Marc. “Finally, Liberals Are Putting School Food Programs on the Menu.” Canada’s National Observer, January 19, 2022. <https://www.nationalobserver.com/2022/01/19/news/finally-liberals-are-putting-school-food-programs-menu>.
- Fernandez, Lynne, and John Ryan. *Power Struggle: Manitoba Hydro and the Spectre of Privatization*. Canadian Centre for Policy Alternatives - Manitoba, 2011. <https://www.policyalternatives.ca/publications/reports/power-struggle>.
- Frew, Nicholas. “Teachers’ Contract in Louis Riel School Division Could Be Precedent-Setting.” CBC News, May 8, 2020. <https://www.cbc.ca/news/canada/manitoba/louis-riel-school-division-teachers-arbitration-1.5560900>.
- Galbraith, James K. “The Choking of the Global Minotaur.” Project Syndicate, November 11, 2021. <https://www.project-syndicate.org/commentary/us-supply-chain-coordination-problem-by-james-k-galbraith-2021-11>.
- . “The Fed’s Target Is Workers.” Project Syndicate, January 31, 2022. <https://www.project-syndicate.org/commentary/fed-interest-rate-policy-will-cut-into-wages-by-james-k-galbraith-2022-01>.
- Geary, Aidan. “‘We Need Something Today’: Premier’s Rejection of Breakfast Programs Doesn’t Acknowledge Reality Teacher Says.” CBC News, March 6, 2020. <https://www.cbc.ca/news/canada/manitoba/universal-breakfast-manitoba-1.5486874>.
- Grant, Hugh. *An Analysis of Manitoba’s Rent Regulation Program and the Impact on the Rental Housing Market*. Manitoba, 2011.
- Hajer, Jesse. “Provincial Government Austerity Holding Students and Manitoba Economy Back.” Canadian Centre for Policy Alternatives - Manitoba, November 17, 2021. <https://www.policyalternatives.ca/publications/commentary/work-life-provincial-government-austerity-holding-students-and-manitoba>.
- Hajer, Jesse, and Lynne Fernandez. *COVID-19, Austerity and an Alternative Social and Economic Policy Path for Manitoba*. Canadian Centre for Policy Alternatives - Manitoba, 2021. <https://www.policyalternatives.ca/publications/reports/covid-19-austerity-and-alternative-social-and-economic-policy-path-manitoba>.

- Hajer, Jesse, and Zac Saltis. *Rising Tuition: Implications for Access and Career Choice for Manitoba Students*. Canadian Centre for Policy Alternatives - Manitoba, 2018. <https://www.policyalternatives.ca/publications/reports/rising-tuition>.
- Hemingway, Alex. "The Biggest Source of Waste in Canadian Health Care? The Private, for-Profit Sector." Policy Note, November 21, 2016. <https://www.policynote.ca/the-biggest-source-of-waste-in-canadian-health-care-the-private-for-profit-sector/>.
- Jacobs, Meg. "Fighting Inflation Means Taking On Corporations." *The New York Times*, December 24, 2021, sec. Opinion. <https://www.nytimes.com/2021/12/24/opinion/inflation-truman-biden-corporate-power.html>.
- Kives, Bartley. "Huge Majority Wants Province to Restore Winnipeg Transit Funding, Poll Suggests." CBC News, October 3, 2018. <https://www.cbc.ca/news/canada/manitoba/transit-funding-poll-atu-1.4847068>.
- Krugman, Paul. "History Says Don't Panic About Inflation." *The New York Times*, November 12, 2021, sec. Opinion. <https://www.nytimes.com/2021/11/11/opinion/inflation-history.html>.
- Laidley, Jennefer, and Mohy Tabbara. *Welfare in Canada 2020*. Maytree Foundation, 2021. <https://maytree.com/welfare-in-canada/canada/>.
- Lange, Thomas Christopher. "Comprehensive Dental Care in Canada: The Choice between Denticaid and Denticare." *University of Calgary School of Public Policy Research Publications* 13, no. 23 (September 2020): 37. <https://doi.org/10.11575/sppp.v13i0.69676>.
- Lewis, Lauren. "China 'Worsening Global Supply Chain Issues with Zero-Covid Policy.'" *The Daily Mail*, February 9, 2022. <https://www.dailymail.co.uk/news/article-10494295/China-worsening-global-supply-chain-issues-inflation-rises-zero-Covid-policy.html>.
- Lundy, Matt. "The 'Great Resignation'? It's Not Happening in Canada." *The Globe and Mail*, October 27, 2021. <https://www.theglobeandmail.com/business/article-the-great-resignation-its-not-happening-in-canada/>.
- Lundy, Matt, and Mark Rendell. "Food Inflation Is the next Big Threat to Canadians' Finances." *The Globe and Mail*, November 12, 2021. <https://www.theglobeandmail.com/business/article-food-inflation-is-the-next-big-threat-to-canadians-finances/>.
- Macdonald, David. *Another Year in Paradise: CEO Pay in 2020*. Canadian Centre for Policy Alternatives, 2021. <https://www.policyalternatives.ca/publications/reports/another-year-paradise>.
- . "Not All Provinces Protect Their Poorest from Inflation." *The Monitor*, December 13, 2021. <https://monitormag.ca/articles/not-all-provinces-protect-their-poorest-from-inflation>.
- . "Platform Crunch: A \$10-a-Day National Child Care Plan Will Mean Big..." *The Monitor*, July 15, 2021. <https://monitormag.ca/articles/a-10-a-day-national-child-care-plan-will-mean-big-savings-for-parents>.
- Macdonald, David, and Alicia Massie. *Boundless Bonuses: Skyrocketing Canadian Executive Pay during the 2020 Pandemic*. Canadian Centre for Policy Alternatives, 2021. <https://www.policyalternatives.ca/BoundlessBonuses>.
- Macdonald, David, and Toby Sanger. "Pharmacare Costing: How to Make Universal, Single-Payer Pharmacare..." *The Monitor*, June 13, 2019. <https://monitormag.ca/articles/pharmacare-costing-how-to-make-universal-single-payer-pharmacare-work-for-households-and-employers>.
- Macdonald, David, and Erica Shaker. *What's the Difference: Taking Stock of Provincial Tuition Fee Policies*. Canadian Centre for Policy Alternatives, 2015. <https://www.policyalternatives.ca/publications/reports/whats-difference>.

- Manitoba. “55 Plus.” Employment and Income Assistance Program. Accessed January 25, 2022. <https://www.gov.mb.ca/fs/>.
- . “Bill 28: The Public Services Sustainability Act.” The Legislative Assembly of Manitoba, 2016. <https://web2.gov.mb.ca/bills/41-2/bo28e.php>.
- . “Canada and Manitoba Make Child Care More Affordable for Low and Middle-Income Families.” News Releases. Accessed February 28, 2022. <https://news.gov.mb.ca/news/index.html?item=53259&posted=2022-02-03>.
- . “Manitoba Child Benefit.” Employment and Income Assistance Program. Accessed January 25, 2022. <https://www.gov.mb.ca/fs/>.
- . “The Manitoba Assistance Act, RSM 1987, c. S160: Assistance Regulation.” Queen’s Printer of Manitoba, 2021. <https://web2.gov.mb.ca/laws/regs/index.php?act=a150>.
- Manitoba’s Climate Action Team. “Manitoba’s Road to Resilience: A Community Climate Action Pathway to a Fossil Fuel Free Future Manitoba’s Climate Action Team,” 2021. <https://www.climateactionmb.ca/road2resilience/>.
- Manitoba Teachers Society. “Beyond the Status Quo: Funding the Schools Manitoba Students Need.” The Manitoba Teachers’ Society, January 24, 2022. <http://www.mbteach.org/mtscms/2022/01/24/funding-the-schools-manitoba-students-need/>.
- Marx, Paris. “Nationalize The Telcos.” Passage (blog), March 31, 2020. <https://readpassage.com/nationalize-the-telcos/>.
- Mayger, James. “Why the World Needs China’s Covid-Zero Policy.” *Bloomberg.Com*, February 8, 2022. <https://www.bloomberg.com/news/articles/2022-02-08/what-china-s-covid-zero-policy-means-for-world-supply-chains-and-inflation>.
- Meyer, Robinson. “The Rise of Greenflation.” *The Atlantic*, February 2, 2022. <https://www.theatlantic.com/science/archive/2022/02/greenflation-prices-inflation-climate-change-coffee-lumber/621456/>.
- More Perfect Union. “Inflation Explained: The Real Reason Prices Are Going Up.” More Perfect Union, November 24, 2021. <https://perfectunion.us/inflation-explained-the-real-reason-prices-are-going-up/>.
- Mulholland, Elizabeth. “CERB Harmed the People It Was Meant to Help. Let’s Learn Our Lesson with the Canada Worker Lockdown Benefit.” *The Toronto Star*, January 10, 2022, sec. Contributors. <https://www.thestar.com/opinion/contributors/2022/01/10/cerb-harmed-the-people-it-was-meant-to-help-lets-learn-our-lesson-with-the-canada-worker-lockdown-benefit.html>.
- Nagle, Peter, and Kaltrina Temaj. “Oil Market Developments: Rising Prices amid Broader Surge in Energy Prices.” World Bank Blogs, November 2, 2021. <https://blogs.worldbank.org/opendata/oil-market-developments-rising-prices-amid-broader-surge-energy-prices>.
- Nichols, John. “The Dirty Secret of Inflation: Corporations Are Jacking Up Prices and Profits,” February 21, 2022. <https://www.thenation.com/article/politics/inflation-price-gouging/>.
- Osberg, Lars. *The Age of Increasing Inequality: The Astonishing Rise of Canada’s 1%*. James Lorimer & Company, 2018.
- Parkinson, David. “The Bank of Canada’s Flexibility on Inflation Is about to Be Put to the Test.” *The Globe and Mail*, July 14, 2021. <https://www.theglobeandmail.com/business/commentary/article-the-bank-of-canadas-flexibility-on-inflation-is-about-to-be-put-to-the/>.
- Perry, Nathan, and Nathaniel Cline. “Wages, Exchange Rates, and the Great Inflation Moderation: A Post-Keynesian View.” Working Papers Series. Rochester, NY: Levy Economics Institute, March 20, 2013. <https://doi.org/10.2139/ssrn.2236208>.

- Pittis, Don. "Everything Inflation: Canadians Get Priced out as Rising Costs Spread." CBC News, February 21, 2022. <https://www.cbc.ca/news/business/priced-out-column-don-pittis-1.6354975>.
- Prentice, Susan. *Progressive Pricing: Making Childcare More Affordable in Manitoba*. Canadian Centre for Policy Alternatives - Manitoba, 2020. <https://www.policyalternatives.ca/publications/reports/progressive-pricing>.
- Press, Jordan, and Erika Ibrahim. "CERB, CRB and More: Documents Show Effects on Seniors, Families." CTV News, November 13, 2021. <https://www.ctvnews.ca/politics/documents-show-impact-of-federal-pandemic-era-benefits-on-seniors-families-1.5664962>.
- Reed, Stanley. "Oil Producers Aren't Keeping Up With Demand, Causing Prices to Stay High." *The New York Times*, January 14, 2022, sec. Business. <https://www.nytimes.com/2022/01/14/business/energy-environment/oil-prices-opec.html>.
- Reich, Robert. "We Need to Talk about the Real Reason behind US Inflation." *The Guardian*, November 11, 2021, sec. Opinion. <https://www.theguardian.com/commentisfree/2021/nov/11/us-inflation-market-power-america-antitrust-robert-reich>.
- Rendell, Mark. "High Inflation Is 'Transitory but Not Short-Lived,' Says BoC Governor Tiff Macklem." *The Globe and Mail*, November 7, 2021. <https://www.theglobeandmail.com/business/article-high-inflation-is-transitory-but-not-short-lived-says-boc-governor/>.
- Robertson, Dylan. "Low-Income Families Facing Reduced Child Benefits after CERB." *Winnipeg Free Press*, November 29, 2021, sec. Local. <https://www.winnipegfreepress.com/local/low-income-families-facing-reduced-child-benefits-after-cerb-575825792.html>.
- Rochon, Louis-Philippe, and Marc Setterfield. "Post-Keynesian Interest Rate Rules and Macroeconomic Performance: A Comparative Evaluation." In *Credit, Money and Macroeconomic Policy: A Post-Keynsian Approach*, edited by Claude Gnos and Louis-Philippe Rochon. Elgar, 2011. <https://www.elgaronline.com/view/edcoll/9781848440678/9781848440678.00014.xml>.
- Sandbeck, Sune. "How Does the Bank of Canada Measure and Target Inflation?" Unifor, October 25, 2021. <https://www.unifor.org/news/all-news/how-does-bank-canada-measure-and-target-inflation>.
- Sanders, Carol. "Labour Board Sets Hydro Wage Bump, Pandemic Bonus." *Winnipeg Free Press*, August 5, 2021, sec. Local. <https://www.winnipegfreepress.com/local/labour-board-sets-hydro-wage-bump-pandemic-bonus-575033192.html>.
- Schembri, Lawrence. "Household Consumption in a Pandemic." Bank of Canada, March 11, 2021. <https://www.bankofcanada.ca/2021/03/household-consumption-in-a-pandemic/>.
- Shaban, Robin, and Ana Qarri. *The Case for Improving Canada's Competition Act to Protect Workers*. Canadian Centre for Policy Alternatives, 2021. <https://www.policyalternatives.ca/publications/reports/check-and-balance>.
- Shakir, Faiz. "The Real Inflation Problem Is Corporate Profiteering." *The New Republic*, November 22, 2021. <https://newrepublic.com/article/164505/inflation-corporate-profiteering-biden-consumers>.
- Shelly Hagan. "Bank of Canada Likely to Add Labour-Market Conditions to Inflation Mandate, CIBC Says." *Financial Post*, November 12, 2021. <https://financialpost.com/fp-finance/banking/cibc-sees-bank-of-canada-taking-half-step-toward-dual-mandate>.
- Stanford, Jim. "Inflation Rates Aren't Just a Liberal Problem." Global News, September 15, 2021. <https://globalnews.ca/news/8191847/inflation-commentary-canada-election-2021/>.
- Statistics Canada. "Consumer Price Index, Annual Average, Not Seasonally Adjusted." Data, January 20, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>.

- . "COVID-19 in Canada: A One-Year Update on Social and Economic Impacts," March 11, 2021. <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2021001-eng.htm>.
- . "Household Economic Well-Being during the COVID-19 Pandemic, Experimental Estimates, First Quarter to Third Quarter of 2020." *The Daily*, March 1, 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/210301/dq210301b-eng.htm>.
- . "Job Vacancies, Third Quarter 2021." *The Daily*, December 20, 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/211220/dq211220a-eng.htm>.
- . "Table 14-10-0223-01: Employment and Average Weekly Earnings (Including Overtime) for All Employees by Province and Territory, Monthly, Seasonally Adjusted," November 25, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410022301>.
- . "Table: 14-10-0287-01 Labour Force Characteristics, Monthly, Seasonally Adjusted and Trend-Cycle, Last 5 Months," 2022. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701>.
- . "Table: 14-10-0320-02: Average Usual Hours and Wages by Selected Characteristics, Monthly, Unadjusted for Seasonality," February 4, 2022. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410032002>.
- . "Table 18-10-0005-01: Consumer Price Index, Annual Average, Not Seasonally Adjusted." Statistics Canada, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>.
- . "Table 36-10-0104-01: Gross Domestic Product, Expenditure-Based, Canada, Quarterly," November 30, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610010401>.
- . "Table 36-10-0124-01: Detailed Household Final Consumption Expenditure, Canada, Quarterly," November 30, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610012401>.
- . "Table 36-10-0125-01: Corporation Profits before Taxes, on an Original-Cost-Basis, Excluding Government Business Enterprises, Canada, Quarterly," November 30, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610012501>.
- . "Table 36-10-0587-01: Distributions of Household Economic Accounts, Income, Consumption and Saving, by Characteristic, Annual," October 26, 2021. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610058701>.
- . "The Daily: Labour Force Survey, December 2021," January 7, 2022. <https://www150.statcan.gc.ca/n1/daily-quotidien/220107/dq220107a-eng.htm>.
- . "The Daily: Labour Force Survey, September 2021," October 8, 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/211008/dq211008a-eng.htm>.
- . "The Representative Products of the Consumer Price Index." Prices Analytical Series, August 30, 2021. <https://www150.statcan.gc.ca/n1/pub/62fo014m/62fo014m2021015-eng.htm>.
- Steele, Alistair. "Free Transit Movement Making Inroads, Advocates Say." *CBC News*, December 13, 2021. <https://www.cbc.ca/news/canada/ottawa/fare-free-public-transit-ottawa-1.6279951>.
- Tankersley, Jim, and Alan Rappeport. "As Prices Rise, Biden Turns to Antitrust Enforcers." *The New York Times*, December 25, 2021, sec. Business. <https://www.nytimes.com/2021/12/25/business/biden-inflation.html>.
- . "Biden Finds Raising Corporate Tax Rates Easier Abroad Than at Home." *The New York Times*, October 30, 2021, sec. World. <https://www.nytimes.com/2021/10/30/world/europe/g20-biden-corporate-tax-agreement.html>.
- Xu, Lang, Shumiao Yang, Jihong Chen, and Jia Shi. "The Effect of COVID-19 Pandemic on Port Performance: Evidence from China." *Ocean & Coastal Management* 209 (August 1, 2021): 105660. <https://doi.org/10.1016/j.ocecoaman.2021.105660>.

Appendix

TABLE A1 Manitoba versus Canada Combined Average Annual Increase (%), Prices and Wages, Annual Data, 2019 to 2021

Consumer Products and Product Groups	Manitoba	Canada	Difference
All-items	1.9	2.0	-0.2
Food	1.9	2.4	-0.5
Shelter	3.1	2.8	0.3
Household operations, furnishings and equipment	-0.2	0.6	-0.8
Clothing and footwear	-0.9	-1.0	0.2
Transportation	2.7	3.4	-0.7
Gasoline	7.4	6.2	1.1
Health and personal care	1.8	2.0	-0.2
Recreation, education and reading	1.5	0.5	1.0
Alcoholic beverages, tobacco products and recreational cannabis	1.3	1.1	0.2
All-items excluding food and energy	1.5	1.7	-0.3
	1.6	1.8	-0.3
All-items excluding energy	5.5	4.8	0.7
Energy	2.3	2.3	0.0
Goods	1.5	1.9	-0.4
Services	1.9	2.0	-0.2
Wages			
Average hourly wage rate	3.2	4.0	-0.8
Average weekly wage rate	3.4	4.2	-0.8
Median hourly wage rate	3.5	4.1	-0.6
Median weekly wage rate	4.9	4.4	0.5

Sources Statistics Canada. (2022, January 19). *Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted*. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>; Statistics Canada. (2022, January 7). *Table 14-10-0064-01: Employee wages by industry, annual*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>

TABLE A2 Manitoba versus Canada Combined Average Annual Increase (%), Prices and Wages, Year-over-year Data, January 2020 to January 2022

Consumer Products and Product Groups	Manitoba	Canada	Difference
All-items	3.1	3.1	0.0
Food	2.8	3.3	-0.5
Shelter	4.6	3.8	0.9
Household operations, furnishings and equipment	0.1	1.7	-1.5
Clothing and footwear	-0.8	-1.3	0.5
Transportation	4.9	4.6	0.3
Gasoline	16.5	12.8	3.6
Health and personal care	2.0	2.1	-0.1
Recreation, education and reading	2.8	2.7	0.1
Alcoholic beverages, tobacco products and recreational cannabis	2.3	2.0	0.4
All-items excluding food and energy	2.2	2.5	-0.2
	2.3	2.6	-0.3
All-items excluding energy	13.1	9.5	3.6
Energy	4.1	3.6	0.5
Goods	2.2	2.6	-0.4
Services	3.1	3.1	0.0
Wages			
Average hourly wage rate	3.5	4.3	-0.8
Average weekly wage rate	4.6	4.7	-0.1
Median hourly wage rate	3.1	3.9	-0.8
Median weekly wage rate	4.4	4.1	0.3

Sources Statistics Canada. (2022, February 16). *Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>; Statistics Canada. (2022, February 4). *Table 14-10-0063-01: Employee wages by industry, monthly, unadjusted for seasonality*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006301>

TABLE A3 Average Annual Real (Inflation-adjusted) Wage Increases, Canada

	Annual data, (2019–21)	Monthly year- over-year data (Jan. 2020–Jan. 2022)
Average hourly wage rate	2.0%	1.2%
Average weekly wage rate	2.2%	*1.6%
Median hourly wage rate	2.1%	0.8%
Median weekly wage rate	2.4%	1.0%

* Data based on employer payrolls similarly show the real average weekly earnings of employees, including over time, has increased 1.4% over the same period. Sources: Author's calculation based on: Statistics Canada. (2022, January 19). *Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted*. Statistics Canada. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>; Statistics Canada. (2022, January 7). *Table 14-10-0064-01: Employee wages by industry, annual*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>. *Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>; Statistics Canada. (2022, February 4). *Table 14-10-0063-01: Employee wages by industry, monthly, unadjusted for seasonality*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006301>; Statistics Canada (2021, November 25). *Table 14-10-0223-01: Employment and Average Weekly Earnings (Including Overtime) for All Employees by Province and Territory, Monthly, Seasonally Adjusted*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410022301>.

Endnotes

- 1 Stanford, “Inflation Rates Aren’t Just a Liberal Problem.”
- 2 Statistics Canada, “Table 18-10-0005-01: Consumer Price Index, Annual Average, Not Seasonally Adjusted.”
- 3 Statistics Canada.
- 4 Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path for Manitoba*.
- 5 Statistics Canada, “Household Economic Well-Being during the COVID-19 Pandemic, Experimental Estimates, First Quarter to Third Quarter of 2020”; Statistics Canada, “COVID-19 in Canada.”
- 6 Author’s calculations based on data from: Statistics Canada, “Table 36-10-0587-01: Distributions of Household Economic Accounts, Income, Consumption and Saving, by Characteristic, Annual.”
- 7 Schembri, “Household Consumption in a Pandemic.”
- 8 Author’s calculations, measured as net household savings as a percentage of disposable income, based on data from Statistics Canada, “Table 36-10-0587-01: Distributions of Household Economic Accounts, Income, Consumption and Saving, by Characteristic, Annual.”
- 9 Statistics Canada.
- 10 Galbraith, “The Choking of the Global Minotaur.”
- 11 Statistics Canada, “Table 36-10-0104-01: Gross Domestic Product, Expenditure-Based, Canada, Quarterly.”
- 12 Statistics Canada.
- 13 Author’s calculations, based on data from Statistics Canada, “Table 36-10-0124-01: Detailed Household Final Consumption Expenditure, Canada, Quarterly.”
- 14 Goods spending was 9% higher in the third quarter of 2021 versus the last quarter of 2019 (4.8% higher in when adjusted for inflation), while services were 1.9% lower (4% lower in inflation adjusted terms). Author’s calculations based on data from: Statistics Canada, “Table 36-10-0104-01: Gross Domestic Product, Expenditure-Based, Canada, Quarterly.”
- 15 Galbraith, “The Choking of the Global Minotaur.”
- 16 Galbraith; Lewis, “China ‘Worsening Global Supply Chain Issues with Zero-Covid Policy’”; Mayger, “Why the World Needs China’s Covid-Zero Policy”; Xu et al., “The Effect of COVID-19 Pandemic on Port Performance.”
- 17 Nagle and Temaj, “Oil Market Developments: Rising Prices amid Broader Surge in Energy Prices”; Reed, “Oil Producers Aren’t Keeping Up With Demand, Causing Prices to Stay High.”
- 18 Galbraith, “The Choking of the Global Minotaur.”
- 19 Lundy and Rendell, “Food Inflation Is the next Big Threat to Canadians’ Finances”; Charlebois et al., *Canada’s Food Price Report 2022*.
- 20 Meyer, “The Rise of Greenflation.”
- 21 See: Statistics Canada, “The Daily: Labour Force Survey, September 2021”; Statistics Canada, “The Daily: Labour Force Survey, December 2021.”
- 22 Author’s calculations, based on data from Statistics Canada, “Table 14-10-0223-01: Employment and Average Weekly Earnings (Including Overtime) for All Employees by Province and Territory, Monthly, Seasonally Adjusted.”

- 23** Statistics Canada, “Job Vacancies, Third Quarter 2021.”
- 24** Bharti, “Wage Growth Outpaces Inflation as Job Vacancies Surge to Record.”
- 25** Lundy, “The ‘Great Resignation?’”
- 26** Statistics Canada, “Table: 14-10-0287-01 Labour Force Characteristics, Monthly, Seasonally Adjusted and Trend-Cycle, Last 5 Months.”
- 27** Coy, “Profiteering Is in the Eye of the Beholder”; Shakir, “The Real Inflation Problem Is Corporate Profiteering”; Boesler, Deaux, and Dmitrieva, “Inflation Story Spun by CEOs Is Debunked by Fat Profit Margins.”
- 28** Broughton and Francis, “What Does Inflation Mean for American Businesses?”; More Perfect Union, “Inflation Explained”; Nichols, “The Dirty Secret of Inflation.”
- 29** Tankersley and Rappeport, “As Prices Rise, Biden Turns to Antitrust Enforcers”; Tankersley and Rappeport, “Biden Finds Raising Corporate Tax Rates Easier Abroad Than at Home”; Deese, Fazili, and Ramamurti, “Recent Data Show Dominant Meat Processing Companies Are Taking Advantage of Market Power to Raise Prices and Grow Profit Margins.”
- 30** Cochrane, “Some of Canada’s Biggest Companies Saw Record Profits during the Pandemic.”
- 31** Macdonald and Massie, *Boundless Bonuses: Skyrocketing Canadian Executive Pay during the 2020 Pandemic*; Macdonald, *Another Year in Paradise: CEO Pay in 2020*.
- 32** Author calculations based on data from: Statistics Canada, “Table 36-10-0125-01: Corporation Profits before Taxes, on an Original-Cost-Basis, Excluding Government Business Enterprises, Canada, Quarterly.”
- 33** Osberg, *The Age of Increasing Inequality*, 46–47.
- 34** Macdonald, “Not All Provinces Protect Their Poorest from Inflation.”
- 35** Pittis, “Everything Inflation.”
- 36** Krugman, “History Says Don’t Panic About Inflation”; Rendell, “High Inflation Is ‘Transitory but Not Short-Lived,’ Says BoC Governor Tiff Macklem.”
- 37** Bank of Canada, “Monetary Policy Report: January 2022.”
- 38** Bank of Canada.
- 39** Stanford, “Inflation Rates Aren’t Just a Liberal Problem.”
- 40** Galbraith, “The Fed’s Target Is Workers.”
- 41** Macdonald, “Not All Provinces Protect Their Poorest from Inflation.”
- 42** Laidley and Tabbara, *Welfare in Canada 2020*.
- 43** Press and Ibrahim, “CERB, CRB and More: Documents Show Effects on Seniors, Families”; Robertson, “Low-Income Families Facing Reduced Child Benefits after CERB.”
- 44** Mulholland, “CERB Harmed the People It Was Meant to Help. Let’s Learn Our Lesson with the Canada Worker Lockdown Benefit”; Manitoba, “The Manitoba Assistance Act, RSM 1987, c. S160: Assistance Regulation.”
- 45** Hemingway, “The Biggest Source of Waste in Canadian Health Care?”; Busby, “A Drug, Dental and Mental Health Plan for Uninsured Canadians.”
- 46** Macdonald and Sanger, “Pharmacare Costing.”
- 47** Lange, “Comprehensive Dental Care in Canada: The Choice between Denticaid and Denticare.”
- 48** Alexander et al., *Ready for Life: A Socio-Economic Analysis of Early Childhood Education and Care*.

- 49** Prentice, *Progressive Pricing: Making Childcare More Affordable in Manitoba*.
- 50** Macdonald, “Platform Crunch.”
- 51** Manitoba, “Canada and Manitoba Make Child Care More Affordable for Low and Middle-Income Families.”
- 52** Macdonald and Shaker, *What’s the Difference: Taking Stock of Provincial Tuition Fee Policies*.
- 53** Macdonald and Shaker.
- 54** Hajer and Saltis, *Rising Tuition: Implications for Access and Career Choice for Manitoba Students*.
- 55** Hajer and Saltis.
- 56** Fawcett-Atkinson, “Finally, Liberals Are Putting School Food Programs on the Menu.”
- 57** Geary, ““We Need Something Today.””
- 58** Manitoba Teachers Society, “Beyond the Status Quo: Funding the Schools Manitoba Students Need.”
- 59** Barry and Rybus, “Should Public Transit Be Free?”; Steele, “Free Transit Movement Making Inroads, Advocates Say.”
- 60** Kives, “Huge Majority Wants Province to Restore Winnipeg Transit Funding, Poll Suggests.”
- 61** Manitoba’s Climate Action Team, “Manitoba’s Road to Resilience: A Community Climate Action Pathway to a Fossil Fuel Free Future Manitoba’s Climate Action Team.”
- 62** Marx, “Nationalize The Telcos”; Barry-Shaw, “Why Not Nationalize Telecoms?”; Daggett, *Localizing the Internet: Five Ways Public Ownership Solves the U.S. Broadband Problem*.
- 63** Shaban and Qarri, *The Case for Improving Canada’s Competition Act to Protect Workers*.
- 64** Fernandez and Ryan, *Power Struggle: Manitoba Hydro and the Spectre of Privatization*.
- 65** Reich, “We Need to Talk about the Real Reason behind US Inflation”; Brennan, “A Shrinking Universe: How Concentrated Corporate Power Is Shaping Income Inequality in Canada”; Jacobs, “Fighting Inflation Means Taking On Corporations”; Brennan, *Rising Corporate Concentration, Declining Trade Union Power, and the Growing Income Gap: American Prosperity in Historical Perspective*.
- 66** Shaban and Qarri, *The Case for Improving Canada’s Competition Act to Protect Workers*.
- 67** Grant, *An Analysis of Manitoba’s Rent Regulation Program and the Impact on the Rental Housing Market*.
- 68** Jacobs, “Fighting Inflation Means Taking On Corporations.”
- 69** Statistics Canada, “Table: 14-10-0320-02: Average Usual Hours and Wages by Selected Characteristics, Monthly, Unadjusted for Seasonality.”
- 70** Manitoba, “Bill 28: The Public Services Sustainability Act.”
- 71** Sanders, “Labour Board Sets Hydro Wage Bump, Pandemic Bonus”; Frew, “Teachers’ Contract in Louis Riel School Division Could Be Precedent-Setting”; Aldrich, “Arbitration Sets Raises, Teaching Time for Pembina Trails School Division.”
- 72** Author’s calculation based on data from: Employment and Social Development Canada, “Role of the Cost-of-Living-Adjustment Clauses during Low Inflation Time”; Employment and Social Development Canada, “Major Wage Settlements by COLA and Industry.”
- 73** Employment and Social Development Canada, “Role of the Cost-of-Living-Adjustment Clauses during Low Inflation Time.”
- 74** Employment and Social Development Canada, “Major Wage Settlements by COLA and Year.”
- 75** Hajer, “Provincial Government Austerity Holding Students and Manitoba Economy Back.”



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE