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Election 2011

# UNSPUN

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## Pro-Business Agenda: Long on Rhetoric, Short on Good Ideas

**O**n August 29, 2011 the Manitoba Employers Council (MEC) released a report titled, *Are we there yet? The Manitoba Prosperity Report*. The purpose of the report is to review Manitoba's economic performance since 2001, relative to Ontario and the provinces west of us.

The Chambers of Commerce immediately adopted the MEC's recommendations dealing with tax reductions as part of an initiative called *Manitoba Bold*. This is not surprising since tax cuts have become the Chambers mantra during elections and budget reviews.

The report has several flaws. First, it ignores the changing economic context, namely the underlying conditions that are generating ongoing crises in the North American and global economies. Without this, their analysis is of little value to anyone trying to understand what is going on in the Canadian and Manitoba economies.

Second, in the lead up to a provincial election it would have been more honest of the MEC and The Chambers to drop the non-partisan pretence and focus on the comparative economic performance of Manitoba since 2007.

And third, to focus primarily on tax-cutting will likely to do more harm than good.

### Missing the Global Context

The economies of many of the major countries in the OECD are in a shambles. This is true of the United States, the UK, and most of the EU. Canada

has so far avoided the worst manifestations of these crisis conditions, although the political and economic gridlocks in the U.S., the rush to austerity in the U.K., and the debt crises in Greece, Spain, Ireland, Italy, etc. that now threaten a second recession could change that. If there is **another** downturn in major economies, Manitoba, like all of Canada, is likely to be adversely affected.

One of the key factors destabilizing and undermining a revival of economies is the dramatic increase in inequalities in most OECD economies over the last 40 years as a result of the adoption of a package of pro-corporate and anti-worker policies, often referred to as neoliberal policies. These include so-called free trade agreements, market deregulation and tax policies that have shifted wealth from wages to profits and from lower and middle classes to people at the top of the income distribution. Economies suffer because people in many countries no longer have the resources to purchase the goods and services we are capable of producing.

Analysis of the global political economy should inform any review of the current situation in Manitoba and any recommendations that emerge. The MEC Report fails to do this.

### Weak Interprovincial Analysis

The MEC says that average weekly earnings are "an important indicator of the quality of paid employment as well as an indicator of well-being within



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## *Election 2011 UNSPUN continued ...*

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[a jurisdiction].” From 2000 to 2010 the percentage increase in average weekly earnings in Manitoba was 34% - behind Alberta and Saskatchewan at 54% and 44%, respectively, but ahead of BC and Ontario at 23% and 29%, respectively. The MEC emphasizes that Manitoba “remained in last place among the five provinces every year.”

The MEC neglects to note that the gap between Manitoba and both British Columbia and Ontario has narrowed significantly since 2000. They also fail to mention that increases in earning in Saskatchewan and Alberta are a reflection of a boom in their respective resource sectors and that from 2007 to 2010 and May 2010 to May 2011 average weekly earnings increased in Manitoba relative to the whole of Canada, Ontario and British Columbia. They express concern about wages yet they make no mention of the role employers have in setting wages and they don’t reveal that they have advocated against minimum wage increases, improvements in employment standards, etc.

The report includes a cursory and incomplete discussion of labour force variables noting that the labour force has grown more slowly in Manitoba than in the other four provinces. There is no reference to employment, participation, and unemployment rates, which is unfortunate since the data for the period 2007-2010 show that employment in Manitoba increased by 4.0%, neck-and-neck with Saskatchewan and above Canada, British Columbia, Alberta and Ontario. During this same period both Manitoba and Saskatchewan experienced an increase in participation rates, while all other jurisdictions experienced a decrease, and the unemployment rate in Manitoba averaged 4.8%, lower than Canada (7.1%) British Columbia (7.6%), Ontario (6.0%) and Alberta (5.0%), and only marginally higher than Saskatchewan (4.6%).

With regard to interprovincial migration flows from 2000 to 2010, MEC notes that Manitoba is the only province that “posted a loss each of the ten years reviewed.” It is not, Quebec also posted losses each year, and losing people to other provinces is not new to Manitoba. We had similar results in most, if not

all years in the 1990s. They neglect to point out that Manitoba’s aggressive immigration policy has resulted in impressive overall net gains in migration flows since 2007 of 8,953, 9,230, 11,489 and 13,760.

The bias of the MEC is reflected in their focus on business and personal income taxes. They say nothing about inequality and poverty, and the importance of government programs including training, child care, sick leave programs and pensions.

### **Misguided Recommendations**

The only concrete recommendations that emerge from the review are old-hat and self-serving. While they call for a reversal of “the annual net interprovincial migration losses, and increasing high school and post-secondary graduation rates,” they don’t say how this might be done, especially in the context of reduced revenue that would come from their tax-cut proposals. In fact they ignore completely the impact of proposed tax cuts—a revenue loss (if implemented in one fell swoop) of roughly \$700 million - \$432 million from increases in personal income tax exemption, an additional \$70 million from the reduction in the corporation income tax rate, and another \$200 million from the halving of the levy for health and education. The Chamber proposes these changes be phased in over roughly four years. Even so, the losses will be significant at a time when the Province grapples with sustaining economic growth and managing debt reduction. Such recommendations are irresponsible at the best of times and doubly so given the present circumstances and uncertainty regarding national and international economic conditions.

Other recommendations are equally long on rhetoric and short on specifics. What is most clear from both the MEC and Chambers is that they will push this pro-business agenda on politicians vying for their support. Manitobans concerned with a more balanced and equitable policy agenda should ensure that the candidates knocking on their doors know that they aren’t buying it.

*Errol Black is the Chair of CCPA-Manitoba*

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