Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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**January 21, 2021**

# Province has financial room to stop the suffering

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The Manitoba Fiscal and Economic Update released just before the holidays shows Manitoba has much more fiscal room to respond to the COVID crisis. The provincial government needs to rethink its single-minded commitment to austerity and privatization. Otherwise we are in for a long, hard recovery.

Back when COVID hit Manitoba braced for much higher expenses than we have thus far incurred. The Legislature had approved a $5 billion dollar deficit owing to COVID for 2020/21.

The December fiscal update projects a deficit of $2 billion. Debt servicing costs are $42 million less than anticipated due to the Bank of Canada's guaranteed extremely low interest rates.

Despite early fear-mongering on Manitoba's debt financing, the fiscal update also notes that "challenges for provincial borrowing in the early months of the pandemic have effectively been resolved."

COVID is a once in a hundred year crisis that warrants an exceptional response. We have the room to borrow- our debt/ GDP ratio is reasonable and much lower than Ontario and Quebec.

Yet the Update shows that the provincial government cut $347 Million in education, universities, social assistance and the civil service this fiscal year. The province has a propensity to under-spend in budgeted areas, so there will likely be more cuts. On top of this, the provincial government is still pursuing tax cuts that reduce its revenue and ability to provide public services.

Much of the money Manitoba has been spending on COVID came thanks to federal transfers, and some of this federal money is remains unspent or unmatched.

Austerity during a time of economic crisis is more damaging than previously thought according to Nobel award-winning economist Paul Krugman and the IMF. Cuts to make the provincial books look good in the short term have huge consequences in the economy as government spending is a significant portion of our economy. When many businesses are shut and government cuts back, jobs are lost and there's less money circulating.

Mainstream economists advise governments to incur debt at a time of crisis to stimulate the economy and in the recovery, GDP grows and along with it government tax revenue, and so debt shrinks. There is a cost to the public purse of doing nothing in a time of crisis – poverty, job losses, bankruptcies etc. Strategic expenditures to buffer the inequities brought on by COVID stimulate the economy now and payback over time.

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Pre-pandemic cuts in health care and funding below inflation, means RHAs are now desperate for staff to fill roles contact tracing, vaccination, and long-term care.

The Province has axed at least 2,505 civil service jobs since 2016 and cut hundreds of management positions across the public sector, resulting in a huge loss of employees available for redeployment, planning capacity, and institutional knowledge.

Manitoba should look to other jurisdictions with overall lower test positivity rates during the second wave for answers and public spending priorities, such as British Columbia's response in long term care.

Of the 783 Manitobans who have tragically died of COVID-19, 450 or 57 per cent lived in residential facilities, according to data updated daily by journalist Nora Loreto. In response to high transmission rates in long term care, the BC government is topping up workers' wages to the unionized industry standard at full time hours in long term care.

This is in direct response to the problem of part time work in health care. Workers are increasingly are forced to hold multiple part time jobs to make a living, which risks transmission between facilities and to worker's families. One of the reasons COVID broke out in long term care in Manitoba is because facilities didn't have enough dedicated staff. When employees got sick, there wasn't enough people to fill in.

Now in Manitoba due to low staffing levels in long term care facilities, home care workers are being brought into work in term care and risk transmission back on the home care clients they serve and their families. This situation must be rectified by providing funding for full time long term care staff and increasing staff ratios to best practice standards. The Manitoba government must adequately fund staffing in health care to rectify this problem now and going forward.

In addition to doing more on health care, Manitoba should prioritize addressing inequities exacerbated by COVID by put money in the hands of low income people suffering economically. Instead of selling off public housing, the province should be creating enough public housing to meet demand.

Don't be fooled. The Manitoba government has the fiscal room to provide for essential needs and stimulus for those impacted by COVID now and in the recovery.

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*References available upon request.*

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