



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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New Report on Inequality in Manitoba

A decade ago the CCPA-MB released the *Stuck in Neutral* report on inequality in Manitoba. Although inequality was less pronounced in Manitoba than it was in other provinces, earnings for the poorest 40% of families were either no higher or actually lower in the early 2000s than they were in the late 1970s, despite families working longer hours. Since that report was released the global economy suffered through a massive economic crisis in 2008, oil prices spiked and collapsed, and provincial governments have come and gone. It seemed a reasonable time to update the study to see if the trends uncovered in the early years of the new millennium still hold.

A new CCPA MB report: *Manitoba Inequality Update: Low Income Families Left Behind*, explains the changes in income for families with children in Manitoba from the late 1970s to 2014. The report divides up the Manitoba population into deciles (ten percent) of the population to examine how incomes have changed for the rich and the poor in Manitoba.

How income is distributed in Manitoba is a crucial issue because high levels of income inequality are associated with a whole host of social problems, most of which are felt most keenly by those at the lower end of the income spectrum. For example, a Manitoba Centre for Health Policy study on the link between income and educational results found that the factors that were once thought to drive success in school (like smoking during pregnancy and health during pre-school) play a fairly small role in educational achievement compared to the impact of low

family income. Income inequality also significantly impacts health in Manitoba, contributing to the gaps seen between the least healthy and healthiest populations in the province. Even TD Bank agrees, arguing in a recent report that “Policymakers at all levels of government should think about how to lean against the incipient inequality pressures.”

In Manitoba, market income (income from all sources before the government gets involved in transfers and income taxes) is distributed very unequally. The average family income in the richest 10 percent of the population was \$262,000 in 2014, while the average income in the bottom decile was only about \$4,500.

As was the case in Canada more generally, the 1980s and 1990s were a very bad time for income in Manitoba. The average market income of Manitoban families was lower in 1996 than it was in 1976. Between 1996 and 2014 average income grew by 43 percent to \$92,000 but the gains were not distributed evenly.

If we take the entire period between the late 1970s and the early 2010s, the average family in the bottom two deciles was actually poorer at the end of this period than they were at the beginning. The average market income of the bottom decile of families fell by 11 percent between 1976-79 and 2011-14 - a deplorable state of affairs.

As we go up the income spectrum, the income gains get steadily larger, so that the average market family income of the top decile in Manitoba increased by 44 percent. The only silver lining in

there is an alternative.

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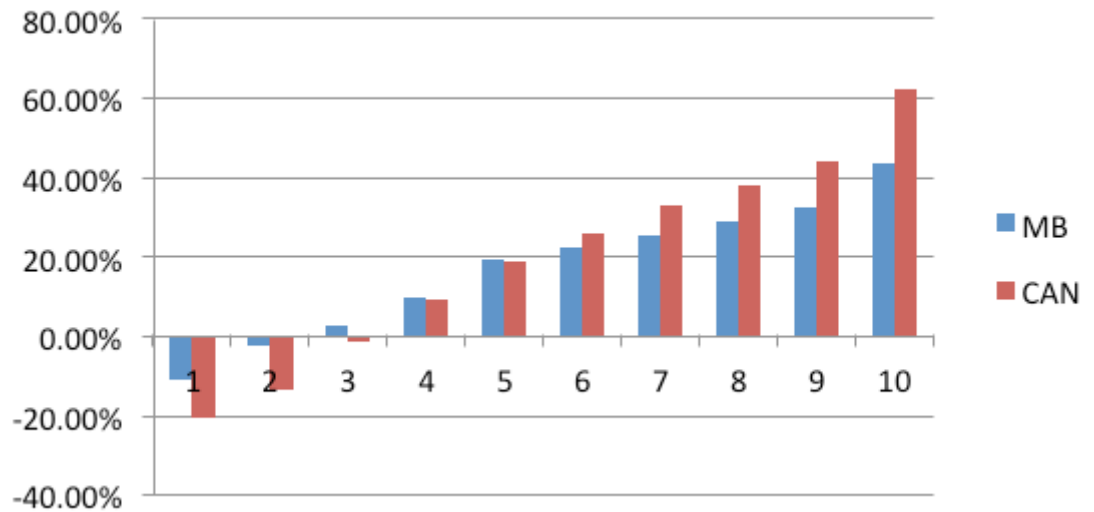
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Percent Change in Real Average Market Family with Children Income by Decile 1976-79 to 2011-14. Authors' calculations: Statistics Canada's Survey of Labour and Income Dynamics and the Canadian Income Survey 2016

this inequality cloud is that Manitoba had more equal income changes than the rest of the country (see graph above). In terms of market income, the poor are getting poorer and the richer you are the richer you are getting. In order to reverse income inequality, the incomes of the poor have to increase faster than the incomes of the rich. Over the last almost four decades the reverse has been happening.

Government plays a crucial role in decreasing inequality in our society. Manitoba is considerably more equal once taxes and transfers are considered. In 2014, the average family income of the bottom decile in Manitoba increased from \$4500 to over \$23,000. While this is obviously a considerable improvement of market income, it might be worth pointing out that this is a very low level of income by almost any measure. It lies well below Statistics Canada's Low Income Cut Off (LICO) for Manitoba in 2014.

Equality is also increased by decreasing incomes at the top. In Manitoba, the average after tax income of the top ten percent of families was \$195,000, while the market income was \$262,000. The difference between market and after tax incomes in the top Manitoba decile was very similar to the national average. In Manitoba, the average after tax income of the top decile was 74 percent of the market income, while in Canada that percentage was 76 percent in 2014.

Growing inequality is not an inevitable trend, driven by forces beyond our control. Other places, in other times have successfully reduced inequality. Inequality is a result of deliberate policy choices. Unfortunately, many of the recent policy choices surrounding the labor market in Manitoba are likely to exacerbate rather than alleviate inequality.

The full report provides much more information and analyses. For example, it recommends government policies that would help low income earners, such as raising minimum wage to a living wage, and increasing union density. The full report is an important resource for policy analysts who want to understand why we need to increase equality, and how to do it.

Ian Hudson is professor of economics and Benita Cohen is professor of nursing, both at the University of Manitoba

You can find the full report:

www.policyalternatives.ca/offices/Manitoba/reports and

References available upon request.

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