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## The Size and Cost of Manitoba's Public Sector

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Note to reader: Some words in this document may appear in blue and are underlined. Clicking on these words will direct the reader to relevant sites or documents using your associated web-browser.

# Executive Summary

Many observers of Manitoba's economy and politics have suggested that Manitoba's public sector is abnormally large by Canadian standards and that the province's high level of government employment hinders economic performance.<sup>1</sup> In this policy series, we empirically assess the claim that Manitoba's public sector is unusually large. Specifically, we examine patterns of public sector employment in Manitoba compared with other Canadian jurisdictions. Our analysis of Statistics Canada data shows that Manitoba's government sector is indeed much larger than that of most other provinces. Specifically, the rate of government employment at the combined provincial and local levels relative to population is high by Canadian standards. This paper also examines the cost to taxpayers of maintaining this high rate of public sector employment and finds that it is significant. Specific findings include (all data is from year 2010):

- Twenty-six per cent of jobs in Manitoba are in the civilian public sector (all levels of government). In the country as a whole, just 20 per cent of jobs are in the civilian public sector.
- There are 103 provincial and local level government employees per 1,000 residents in Manitoba. In Canada, there are 84 provincial or local government employees per 1,000 residents.
- There are approximately 23,400 more provincial and local government employees in Manitoba than would be the case if Manitoba's rate of government employment were in line with the Canadian average.
- If Manitoba's rate of public sector employment were in line with the national average,

the wage bill for government employment in the province would have been reduced by approximately \$1.2-billion in 2010. This is equivalent to savings of approximately \$985 for every man, woman and child.

- New Brunswick has the lowest rate of government employment of the six small provinces (population under two million residents). If Manitoba's government employment rate were in line with New Brunswick's (assuming no change in compensation per employee), Manitoba's government wage bill would have been reduced by \$640-million in 2010. This is equal to \$520 per resident.

The current state of affairs has persisted for so long that many observers consider Manitoba's large public sector as an immutable fact of its political culture. However, our analysis shows that over the next decade, the size of Manitoba's government sector can be brought much closer to the Canadian norm without drastic cuts to the public service. Specifically, this paper shows the following:

- Today, there are 103 provincial and local government employees per 1,000 residents in Manitoba compared with a rate of 84 employees per 1,000 residents nationally.
- Manitoba's population is projected to grow by approximately 11 per cent over the next 10 years.
- If Manitoba simply maintains government employment at 2010 levels without further growth for the next 10 years, its rate of government employment will fall to 93 employees per 1,000 residents by 2020. In other words, the current gap between Manitoba and Canada in terms of government employment rates can be cut

## Introduction

# Is Manitoba's Public Sector Too Big?

in half over the next decade without cuts to government employment levels.

- If governments in Manitoba are willing to reduce government employment levels by just 5 per cent over the next decade, Manitoba's provincial and local government employment rate can be reduced to 88 employees per 1,000 residents.
- A reduction in government employment levels of 10 per cent over the next decade combined with the population growth would reduce Manitoba's provincial and local government employment rate to 83 employees per 1,000 residents—below the current national average.

This study shows that Manitoba's public sector is significantly larger than that which exists in most provinces and that maintaining high rates of government employment creates a substantial expense for taxpayers. In Section 5, this paper also discusses several other possible negative effects that a large public sector may have for Manitoba's economic performance.

This paper also shows that Manitoba can bring the size of its public sector much closer to the Canadian average in the medium-term without imposing drastic cuts to the government sector or imposing large-scale layoffs. If Manitoba is able to prevent further growth in the size of government or achieve minor reductions in public sector employment levels through attrition, the province will go a long way toward bringing the size of its public sector into line with Canadian norms over the next decade.

Observers of Manitoba's economy and politics have suggested that Manitoba's public sector is unusually large by Canadian standards and that the province's high levels of government employment hinder its economic performance. In this paper, we empirically assess the claim that Manitoba's public sector is unusually large. Specifically, we examine patterns of public sector employment in Manitoba compared with other Canadian jurisdictions.

In Section 2, we compare the number of public sector employees as a proportion of the workforce and of the population in Manitoba with other Canadian jurisdictions and to Canada as a whole.

Our analysis, based on recent Statistics Canada data, shows that Manitoba does indeed have a high rate of public sector employment. In fact, the rate of public sector employment at the combined provincial and local levels is approximately 23 per cent higher than in the country as a whole.

In Section 4, we examine the cost to the taxpayers of Manitoba's high level of government employment. We find that if, in 2010, Manitoba's government employment levels were in line with the Canadian average, its government wage bill would have been reduced by approximately \$1.2-billion—an amount equal to \$985 for every resident of the province.



Section 5 discusses several reasons a high level of public sector employment can have a negative impact, as identified by economists and political scientists, on economic performance. These include possible reduction in the quality of government services and slower economic growth. In Section 6, we examine population projection trends to assess how difficult it will be for Manitoba to bring public sector employment levels closer in line with Canadian norms. We find that due to a projected population growth rate of 1.1 per cent over the next decade, Manitoba can bring government employment rates much closer to current Canadian norms with only modest reductions to the total number of government employees. Section 7 concludes.

## Government Employment in Manitoba

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An examination of public sector employment levels as a proportion of population and a percentage of the workforce supports the oft-repeated claim that rates of government employment in Manitoba are unusually high by Canadian standards. In fact, Statistics Canada data show that relative to its population, Manitoba's government workforce is among the largest in Canada.

Across Canada, in 2010, 20 per cent of all jobs were in the civilian public sector. In Manitoba, by comparison, 26 per cent of all jobs were in the public sector. As Chart One shows, only Newfoundland has a substantially greater percentage of its workforce in the public sector. Manitoba has the fourth-highest level of public sector employment in Canada, and it is nearly tied for second place with Saskatchewan and Prince Edward Island.

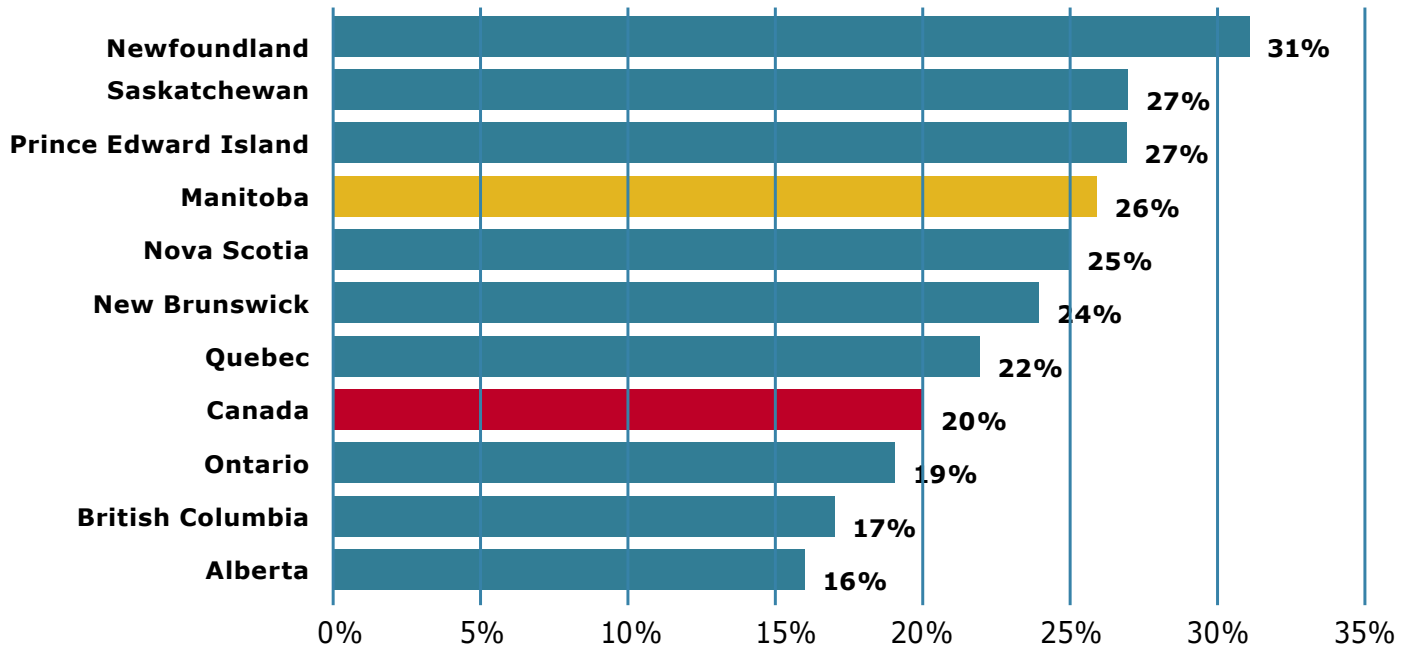
Chart One shows that Manitoba's public sector employs a relatively large share of the province's total labour pool compared with other provinces. These data include federal government employment. To analyze the component of the public sector workforce that is directly influenced by provincial policy-makers, it is necessary also to examine the size of the provincial level public sector taken on its own.

Chart Two illustrates that compared with other provinces, government employment levels in Manitoba are significantly higher relative to its employed workforce. It also shows municipal public sector employees. Local employees are included because, under Canadian law, municipalities are "creatures of the provinces," entities created in statute by provincial govern-

**CHART 1**

**Civilian Public Sector Employment**

As a Percentage of All Jobs (2010)

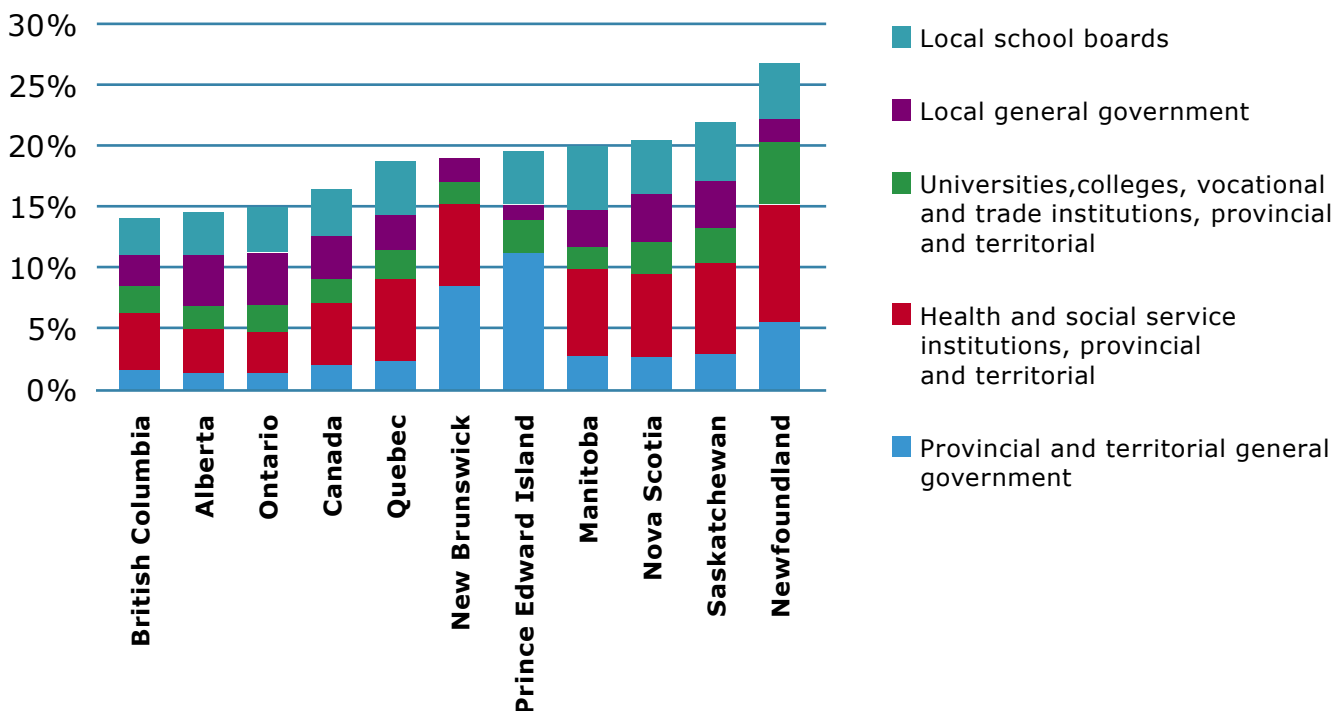


Source: Calculations by Authors based on Statistics Canada Data, CANSIM Tables 183-0002 and 383-0009

**CHART 2**

**Provincial and Local Public Sector Employment**

As a Percentage of All Jobs (2010)

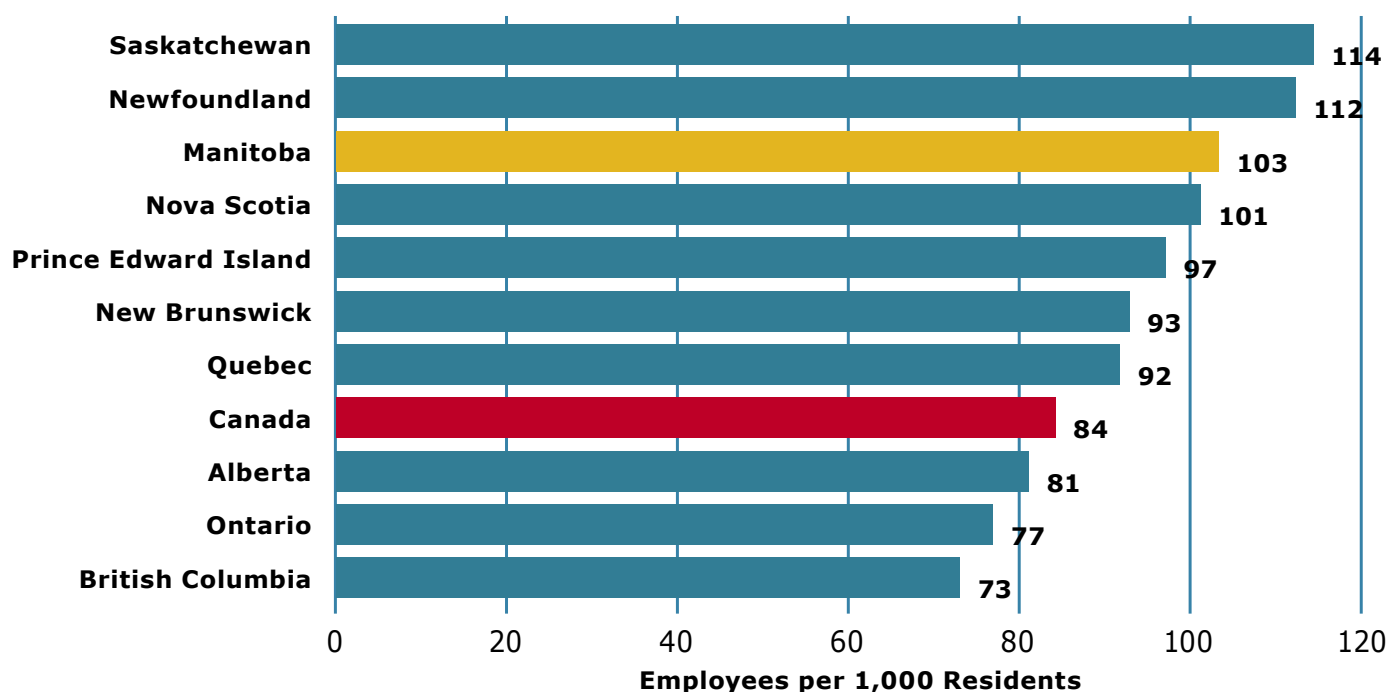


Source: Calculations by Authors based on Statistics Canada Data, CANSIM Tables 183-0002 and 383-0009

CHART 3

## Provincial and Local Public Sector Employees

Per 1,000 Residents (2010)



Source: Calculations by Authors based on Statistics Canada Data, CANSIM Tables 183-0002 and 383-0009

ments to assist in the delivery of government services that are, constitutionally, provincial responsibilities. It is therefore appropriate to include municipal government employees in an analysis of the size of provincial public sector workforces.

Chart Two shows that Manitoba's combined provincial and local public sectors are significantly larger than the Canadian average. Across Canada, 16.5 per cent of the employed workforce holds a government job at either the provincial or the local level. In Manitoba, the number is substantially greater—20 per cent. Other important data shown in this graph include:

- Manitoba has the highest rate of local school board employment.<sup>2</sup> Of Manitoba's employed workforce, 5.1 per cent hold a public sector job with a local school board. This compares with an average local school board employment rate of just 3.9 per cent across the country.

Relative to the size of its provincial labour force, Manitoba employs 31.6 per cent more workers at the local school board level than the national average.

- Employment in the provincial general government in Manitoba is high by national standards. Across Canada, 2.1 per cent of the employed workforce is in this component of the public sector. In Manitoba, the number is 2.8 per cent, 33 per cent higher than the national average.
- Across Canada, health and social service institutions constitute the largest component of provincial level government employment. Manitoba has the third-highest rate of employment in this category. Of its employed workforce, 7.1 per cent work for the provincial government in a health or social service institution compared with the national average of just 4.9 per cent.



These statistics show that Manitoba's provincial level public sector is large by Canadian standards. However, the objection may be raised that the size of the public sector relative to the employed workforce is not the most appropriate means of measuring government employment. All residents of a province including children, the elderly and the unemployed require government services, and examining the number of public servants as a proportion of the population may therefore be a better strategy for determining whether a provincial level public sector is unusually large by Canadian standards.

Chart Three (page 8) shows that Manitoba has significantly more provincial level government employees per 1,000 residents than most provinces do. Across Canada, there are 84 provincial level government employees per 1,000 residents. In Manitoba, there are 103 provincial government employees per 1,000 residents.

The rate of provincial government employment as a proportion of the population is therefore approximately 23 per cent higher in Manitoba than it is in Canada. Only two provinces, Saskatchewan and Newfoundland, have higher levels of provincial government employment as a proportion of population than Manitoba does. Chart Three provides further clarity on the point that Manitoba's provincial public sector is significantly larger than the provincial public sector in most provinces.

The evidence presented in this section demonstrates that Manitoba's levels of government employment, overall and at the provincial and local levels, are high by Canadian standards. In fact, Manitoba's public sector is among the largest in Canada in terms of the percentage of the provincial workforce it absorbs as well as the number of public servants relative to the overall population.

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## The Cost of Manitoba's Large Public Sector

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The existence of an unusually large public sector in a province may have a number of different negative effects. Economists and political scientists have identified a number of possible negative economic and political effects that may result when the public sector comes to occupy an overly large share of the workforce. Several of these possible negative consequences are discussed in Section 5 of this paper. This section will focus on the single most-obvious negative consequence of very high levels of government employment—the cost to taxpayers in the form of a substantially higher government wage bill.

In 2010, the average yearly wage for public sector workers in Manitoba was approximately \$49,000. This figure represents only wages and salaries, not the whole compensation cost per employee. For jobs in the business sector of the economy, Statistics Canada data show that wages and salaries represented approximately 85 per cent of the compensation for the average employee in 2009. The remaining 15 per cent came from employer contributions to pension funds and other forms of compensation outside of wages and salaries. Unfortunately, precisely comparable data are not available for public jobs.

However, non-wage forms of compensation are generally higher in the public sector than in the private sector. We can therefore use the 15 per cent figure from the private sector as a conservative estimate of the additional compensation cost per employee that results from each additional employee in the public sector. This produces a conservative estimate of the total compensation cost per public sector employee in Manitoba at approximately \$56,400 per year.

To understand the impact of Manitoba's large provincial public sector on Manitoba's taxpayers, it is necessary to analyze independently the cost of provincial public sector employment, as these are the wages, salaries and benefits that are paid primarily by Manitoba taxpayers.

Federal government employees tend to be paid more than provincial public sector workers, and this is the case in Manitoba. The average wage for provincial public sector workers in Manitoba was \$45,400 per year. This translates into a conservative estimate of a compensation cost per employee of \$52,200.

With this data, it is easy to produce estimates of the cost to taxpayers of Manitoba's unusually high level of provincial government employment. As noted in the preceding section, Manitoba has 103 provincial and local government workers per 1,000 residents while the national average is 84 government employees per 1,000 residents.

In 2010, Manitoba employed just over 127,000 government workers at the provincial and local levels. If its rate of government employment had been in line with the national average of 84 employees per 1,000 residents, the number of provincial government employees would have been 103,581. There were approximately 23,400 more provincial and local government employees in Manitoba in 2010 than there would have been if the province's rate of public sector employment

at the sub-national level were in line with the Canadian average.

These statistics clearly illustrate the disproportionate size of Manitoba's public sector. The total number of public sector employees could be reduced by 18.4 per cent, and the rate of public sector employment in the province would still not fall below the national average.

The fiscal impact of this additional government employment in a small province like Manitoba is significant. In fact, using our conservative estimate for total compensation cost per provincial and local government employee of \$52,200 per year, we can calculate that if government employment had been in line with the national average, spending on the government wage bill would have been reduced by \$1.22-billion in 2010. To put this number in perspective, Manitoba's annual provincial budget is slightly more than \$13-billion and the province's budget deficit was \$467-million in fiscal year 2010.

Manitoba received approximately \$1.7-billion in equalization payments from the federal government in 2010. These data suggest that the spending required to pay the compensation costs associated with government employment in excess of the national average absorbed just over 70 per cent of this amount.

For further context, we can calculate the cost to a typical Manitoban of government employment in excess of the national average simply by dividing the total bill by the number of residents in the province. This calculation shows that the excess provincial government employment costs approximately \$985 for every man, woman and child in the province. This is a total of \$3,940 for a family of four. The data show that if Manitoba were to bring its rate of provincial government employment in line with the national average, taxpayers would achieve significant savings.

It is possible that Manitoba could have difficulty reaching levels of provincial government employment that are in line with the national average because much larger provinces may benefit from economies of scale that lower the average cost of delivering public services. However, even if Manitoba had achieved the more modest objective of bringing provincial government employment in line with New Brunswick (which has the lowest rate of provincial government employment of the six provinces with fewer than two million residents), substantial savings for taxpayers would still have been realized in 2010.

If Manitoba's provincial public sector had been aligned with New Brunswick's, the province would have employed 12,331 fewer government workers in 2010, generating savings of approximately \$640-million. This is more than the province's entire budget deficit in fiscal year 2010, and this level of savings would have reduced the cost of government in Manitoba by \$520 per resident in 2010 or by \$2,080 for a family of four.

Even if there are economies of scale that substantially lower the number of employees required to deliver public services in the larger provinces, New Brunswick does not benefit from economies of scale in comparison with Manitoba, but provincial government employment remains much lower in that province.

There are, of course, demographic and other factors unique to each province that influence the number of government employees required to deliver high-quality public services to residents. Nonetheless, the size of the disparity between Manitoba and the national average in terms of government employment at the provincial and local levels is striking. Even reducing the public employment gap between Manitoba and the national average by a small amount could generate substantial savings for taxpayers. The evidence presented in this section demonstrates that the very high level of public sector employment in Manitoba substantially increases the cost of government and places a significant burden on taxpayers.

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## Additional Potential Negative Impacts of Manitoba's Large Public Sector

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The preceding section documented the single most obvious cost of Manitoba's unusually large public sector—the burden it places on residents whose taxes ultimately pay the large government wage bill. Economists and political scientists identified several other potential negative effects that may result from the existence of an unusually large public sector such as Manitoba's.

One possible negative consequence of high levels of public sector employment is that the quality of government services may be harmed if resources that could otherwise be used to benefit residents are "captured" by members of public sector unions in the form of a larger government wage bill.

For example, in a 2006 study published by the Atlantic Institute for Market Studies (AIMS), researchers found that the fiscal transfers associated with Canada's equali-

zation programs, which are intended to ensure a high quality of service in recipient provinces, might not achieve their objectives because larger, highly paid bureaucracies in the provinces that receive transfers absorb the money.<sup>3</sup> The study asked, "What are the recipient provinces really buying with their equalization?" and it found that rather than making investments in growth-promoting infrastructure or other beneficial services, equalization recipients used the money to inflate the wage bill for their public sectors, either through higher employment levels or through per employee compensation levels.

Of course, in some circumstances, the spending associated with paying the wages and salaries of an additional government employee may result in higher quality services for residents (e.g., the hiring of an extra nurse may improve hospital performance).

However, the AIMS study showed that in some circumstances there is a trade-off between a large public sector wage bill and the value of the government services delivered to residents, as money absorbed by the bureaucracy is unavailable for expenditures in areas that directly benefit residents.

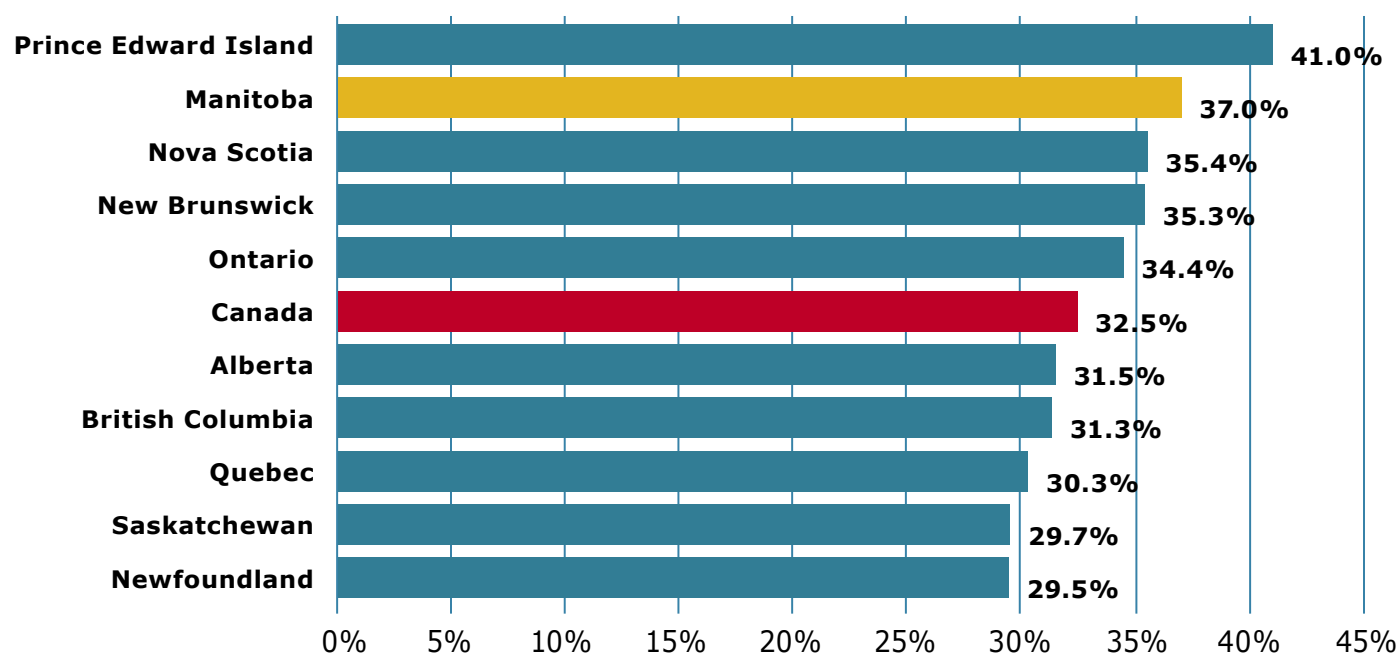
Chart Four illustrates the potential impact of Manitoba's large government wage bill on service levels. Across Canada, the government wage bill absorbs 32.5 per cent of provincial and local government revenue, whereas in Manitoba that number is 37 per cent. Of the 10 provinces, only Prince Edward Island's provincial employees absorb a larger share of provincial and local government revenue than Manitoba's do.

The extra money Manitoba spends on government employment is unavailable for other priorities.

CHART 4

## Provincial and Local Public Sector Wages

As a Percentage of Provincial and Local Government Revenue (2009)



Source: Calculations by Authors based on Statistics Canada Data, CANSIM Tables 183-0002 and 385-0001

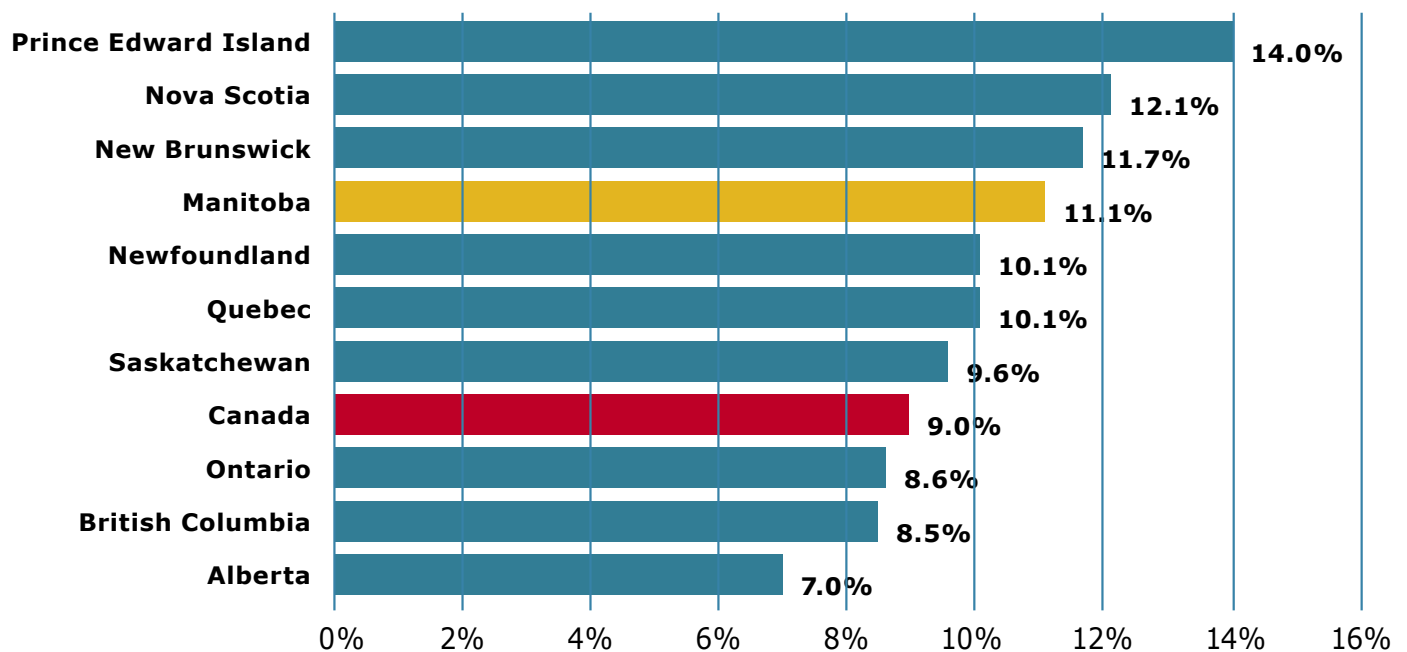
Another potential negative impact of high levels of government employment is that a large government wage bill increases the cost of government, which can harm economic performance by displacing private sector economic activity. When money is removed from the productive sector of the economy, it decreases the resources available for investment and business development. Some economists argue that this removal dampens economic growth because economic forces in a free market guide the allocation of resources more efficiently and productively than do the political forces that guide government spending decisions.<sup>4</sup> By replacing some private sector activity with a larger government wage bill, the cost of public sector wages and salaries may therefore reduce economic efficiency and generate an ongoing drag on economic performance.

Chart Five illustrates the potential importance of this phenomenon. Across Canada, spending on the wages and salaries of provincial and local public sector employees consumes 9 per cent of the GDP. In Manitoba, 11.1 per cent of the GDP is absorbed by the wages and salaries of these employees. If spending on wages and salaries as a share of GDP in Manitoba were in line with the national average and the savings returned to the private economy, the amount returned to the economy would be *more than 2 per cent of the province's Gross Domestic Product*. These data suggest that high levels of public sector employment result in the displacement of a significant amount of economic activity in the private sector.

## CHART 5

## Provincial and Local Public Sector Wages

As a Percentage of Provincial GDP (2010)



Source: Calculations by Authors based on Statistics Canada Data, CANSIM Tables 183-0002 and 384-0001

A final possible negative impact of high rates of public sector employment is higher unemployment levels resulting from distortions in the labour market. When a large number of public sector jobs exist and those jobs generally pay more than private sector jobs, higher levels of unemployment can result due to a phenomenon described as public employment “queuing.” In this situation, unemployed workers “queue” for attractive public sector jobs and refrain from aggressively pursuing private sector employment, which generally offers lower wages, fewer benefits and less security. A recent study published by the Institute for the Study of Labor in Germany found that wage gaps between the private and public sectors can distort the labour market and lead to higher rates of unemployment.<sup>5</sup>

When the public sector is unusually large, as is the case in Manitoba, this may increase the extent of this distortion by making the process of “queuing” for public sector employment more attractive due to the existence of a large number of potential jobs to be pursued.

Each of these points is contentious and has been debated thoroughly in academic research. It is beyond the scope of this paper to provide a detailed analysis of the validity of each of these potential negative impacts of a large public sector workforce. Instead, we present them as potential additional consequences of Manitoba’s large public sector that may create costs beyond the straightforward financial expense to taxpayers described in the preceding section.

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## Discussion: Moving Toward Canadian Government Employment Norms Over Time

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Manitoba’s high rate of government employment at the provincial and municipal levels has been a source of concern for some economists and political analysts for decades. In fact, analyzing the growth of Manitoba’s government sector and the implications of high levels of government employment for the province’s economic performance has been an important research topic for the Frontier Centre for Public Policy since its founding more than a decade ago.

The current state of affairs has persisted for so long that some accept Manitoba’s high rate of government employment as an immutable fact of its political culture.

The scale and longevity of the problem are such that many suspect that bringing Manitoba closer in line with Canadian norms would require drastic, politically unrealistic cuts to government staffing levels.

However, an examination of population projections suggests that the rate of government employment in Manitoba can, in the medium term, be brought much closer into line with Canadian norms with no reduction whatsoever in the number of government employees. However, if governments are willing to contemplate reductions in the number of government employees, small and gradual reductions in



government employment levels would be sufficient to bring Manitoba's government sector much closer to the Canadian average in the medium-term.

In 2010, Manitoba employed 103 workers at the provincial or local level for every 1,000 residents in the province. This is significantly higher than the national rate, which is 84 employees per 1,000 residents. Over the next 10 years, the government of Manitoba projects that the province's population will increase by approximately 1.1 per cent annually. This would be equal to a total population increase of approximately 11 per cent between the years 2010 and 2020.

This projected growth in population means that the ratio of government employees to residents can be reduced gradually over time if government employment stays constant, as the rising population will bring public sector employment rates in Manitoba closer into line with Canadian norms.

In fact, if, over the next 10 years, governments in Manitoba are merely able to arrest the growth in the number of the provincial and local government employees, Manitoba would be able to reduce significantly the gap between its rate of provincial public sector employment and that of the country as a whole.<sup>6</sup>

Because Manitoba's population is expected to grow to 1.375 million people by 2020, maintaining the number of government employees at 2010 levels (127,550) would mean that in 2020, there would be 93 provincial and local government employees per 1,000 residents—down from 103 today. In other words, simply by maintaining Manitoba's large government sector at its current size for a decade, the currently existing gap between Manitoba and the Canadian average (84 employees per 1,000 residents) rates could be cut by approximately half.<sup>7</sup>

Achieving a provincial public sector rate of 93 employees per 1,000 residents would bring Manitoba roughly into line with New Brunswick, which has the lowest rate of public sector employment among the smaller provinces. As shown in a previous section, matching New Brunswick's lower level of government employment at the provincial and local levels would have saved Manitoba's taxpayers more than half-a-billion dollars in 2010.

If provincial governments are willing to pursue small, gradual reductions in government employment over the next decade, the currently existing gap between Manitoba and the rest of the country could be reduced further or even eliminated. A reduction in government employment of just 5 per cent over the course of 10 years would trim approximately 6,000 jobs from the government payroll. This reduction combined with the population growth would mean that over 10 years the number of government employees per 1,000 residents could be reduced to 88—just four more than the current national average. It is likely that the annual reductions in the combined provincial and local workforces of just 0.5 percent required to meet this target could be achieved relatively painlessly through attrition and without rapid, ill-considered cuts to any area of government activity.

If governments in Manitoba achieved the more ambitious objective of reducing the government employment rate by 10 per cent over the next decade, the rate could be reduced to 83 employees per 1,000 residents, which is below the Canadian average. This 10 per cent reduction would be more difficult to achieve, but over 10 years, it would mean a reduction of only 1 per cent annually for a decade. This is a somewhat ambitious but not obviously unrealistic objective, and it would be sufficient to achieve what many Manitobans believe is next to impossible—bringing

government employment rates below the current national average in just 10 years.

This discussion has demonstrated that drastic, sudden cuts to government employment are not necessary to bring Manitoba's government employment levels closer to Canadian norms. Manitoba's governments should strive to bring their employment levels closer to the Canadian average, and the evidence presented here suggests that they can effectively pursue this objective in the medium term without radical measures that would endanger the quality of public services or cause

severe disruption in the operation of the government sector from sudden large-scale layoffs. Streamlining Manitoba's government sector and bringing it much closer into line with Canadian averages appears to be achievable in the medium term through a gradual approach that stops the growth in the number of government employees in the province or slightly reduces it over the next decade, while allowing population growth to reduce the ratio of government employees to residents.

# Conclusion

The evidence presented in this paper shows that public sector employment in terms of the number of employees and the cost associated with their employment is indeed inflated by Canadian standards. In Manitoba, 26 per cent of the employed workforce holds a public sector job compared with just 20 per cent in the country as a whole. The primary cause of Manitoba's unusually high overall rate of public sector employment is unusually high levels of government employment at the sub-national level.

The cost associated with paying public employees is one of the largest expenses for sub-national governments in Canada. The high levels of public sector employment in Manitoba therefore are a substantial financial burden borne by its taxpayers and, to some extent, by taxpayers elsewhere in Canada who subsidize the cost of Manitoba's government through equalization and other transfers. If Manitoba's public sector employment levels could be brought into line with Canadian norms, assuming no changes whatsoever to per employee compensation, the government wage bill in the province could be reduced by almost \$1,000 for every man, woman and child.

Manitoba, like all other jurisdictions in Canada, now faces an era of austerity, as leaders attempt to restore government finances to health following the fiscal shocks of recent years. The evidence presented in this paper suggests that provincial and local policy-makers should work to reduce the number of public employees in the province in an effort to bring the province closer to Canadian

norms. Manitoba's high rate of government employment extracts substantial resources from the private economy, burdening taxpayers and dampening economic performance.

The problem of Manitoba's inflated levels of government employment is large and long-standing—but it is not immutable. In fact, this paper has shown that due to projected population growth, governments in Manitoba can bring their employment rates much closer into line with Canadian norms simply by arresting the growth in the size of the public sector. A decade of zero growth in government employment combined with the projected population increase would be sufficient to cut in half the gap between provincial employment levels in Manitoba and Canada as a whole. Manitoba can be brought even closer in line with Canadian norms if governments in the province are willing to pursue small annual reductions in public sector employment rates over the next decade.

Manitoba's large government sector remains an obstacle to competitiveness and the development of a vibrant, highly productive market-driven economy. By stopping the growth of government employment levels in Manitoba or by gradually reducing these levels over time, Manitoba governments can strengthen the economy while improving the province's fiscal situation. Achieving this objective would help the province attain fiscal balance in the years ahead without being forced to impose economically destructive tax increases or painful cuts to valued government services.

## Endnotes

1. For example, see: Bryan Schwartz, "Manitoba's Negative Feedback Loop," *Winnipeg Free Press*, January 22, 2011. Accessed July 20, 2011. Available online at <http://www.winnipegfreepress.com/premium/manitoba-is-in-a-negative-feedback-loop-114411384.html> and at <http://www.fcpp.org/publication.php/3578>.
2. New Brunswick does not track employment in local school boards. Instead, it includes these employees in the broader general government category, so a direct comparison with that province is impossible.
3. Brian Lee Crowley and Bobby O'Keefe, "The Flypaper Effect: Does Equalization Really Contribute to Better Public Services, or does it just 'Stick to' Politicians and Civil Servants?" The Atlantic Institute for Market Studies, June 2006. Accessed July 20, 2011. Available online at <http://www.aims.ca/site/media/aims/Equalization2.pdf>.
4. Daniel J. Mitchell, "The Impact of Government Spending on Economic Growth," The Heritage Foundation, March 31, 2005. Accessed July 20, 2011. Available online at [http://s3.amazonaws.com/thf\\_media/2005/pdf/bg1831.pdf](http://s3.amazonaws.com/thf_media/2005/pdf/bg1831.pdf).
5. Pedro Gomes, "Fiscal Policy and the Labour Market: The Effects of Public Sector Employment and Wages," Carlos III University of Madrid May 2010,. Accessed July 20, 2011. Available online at <http://www.eco.uc3m.es/~pgomes/1-Academia/PublicSector.pdf>.
6. Of course, some components would likely grow while others would likely shrink depending on the evolution of population needs.
7. This assumes that provincial level public sector employment rates in the rest of the country do not shrink considerably over the next decade. It may not occur, as most provincial governments are facing straightened fiscal conditions, and due to necessary austerity measures, they may in fact reduce the number of government employees per 1,000 residents over the next decade. In this event, the reduction in the gap between Manitoba and the rest of the country would be somewhat smaller than the one described in this section.

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## Further Reading

March 2011

### **Manitoba: The Suppliant Society**

By Bryan Schwartz

<http://www.fcpp.org/publication.php/3667>

March 2010

### **Freezing Government Wages is Prudent Cost Control**

By Ben Eisen

<http://www.fcpp.org/publication.php/3214>

September 2009

### **Manitoba's Public Sector is Larger, More Expensive than Most**

By Ben Eisen

<http://www.fcpp.org/publication.php/2954>

October 2009

### **Manitoba's Unsustainable Government Pay Premium**

By Ben Eisen

<http://www.fcpp.org/publication.php/3005>

March 2005

### **The Evolution of a Zombie Economy**

By Peter Holle

<http://www.fcpp.org/publication.php/979>

For more see

[www.fcpp.org](http://www.fcpp.org)

