

BACKGROUND

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MANITOBA'S LARGER PUBLIC SECTOR

LEE HARDING

Executive Summary

- Since 2015 Manitoba has restrained the growth in total wages and salaries for provincial government administration to a modest 5.8 percent, which is below the growth in the working-age population.
- Even so, such wages represent 2.3 percent of the total in the province, a rate higher than Ontario (1.4), Alberta (1.6), B.C. (1.7), and the national average (2.0).
- At Manitoba has the highest percentage of total wages in education of any Canadian province at 10.4 percent, substantially higher than the 7.3 percent national average.
- Only Newfoundland and Labrador have a higher percentage of total wages paid into health and welfare, at 15.2 percent compared to Manitoba's 15.0 and the Canadian average of 10.8.
- When health and welfare, education, and provincial bureaucrat wages are stacked together, Manitoba has the highest total percentage of all Canadian provinces at 27.6. The Canadian average is 20.0 and Alberta has just 18.2.
- If Manitoba held these total wages were held to the average percentages in Canada, their amounts would drop by \$1.2 billion in education, almost \$1.7 billion in health care, and \$109 million in the provincial bureaucracy. Total reductions would exceed \$2.9 billion annually.
- The Canadian average for public sector as a percentage of the workforce is 20.0 percent, but Manitoba is still much higher at 24.6 percent—the fifth-highest percentage among provinces.
- According to Statistics Canada, the average public administration salary in Manitoba was \$37.44 per hour in 2022 and, at last count, the province had 170,600 public sector employees. If Manitoba's public sector was at the Canadian average, it would have only about 138,700 public sector employees.
- Having 31,900 fewer public employees would save taxpayers nearly \$1.2B annually, and this figure would be even higher if overtime, pensions, benefits, and the past year of wage growth were included.
- There has been exceptionally rapid growth of the federal government since 2015. Federal government administration wage and salary expenditures in Manitoba (military excluded) grew by 41.7 percent, showing that both the number and the pay were increasing.

Introduction

Manitoba has a larger public sector than most other Canadian provinces, and unfortunately private sector growth has not kept pace. In fact, the number of self-employed Manitobans has actually shrunk between 2015 and 2023. The public service gobbles increasingly more of taxpayer dollars, prompting deficit spending. Manitoba has a larger public sector than most other Canadian provinces, and unfortunately private sector growth has not kept pace. In fact, the number of self-employed Manitobans has shrunk between 2015 and 2023. The budgets that burden taxpayers and generations yet unborn.

It is imperative for policy makers in Manitoba to shrink the public sector and, at the same time, facilitate the expansion of the private sector. It is obvious that this is not sustainable over the long term.

Author William Gairdner has noted that when social welfare recipients and government employees outnumber private sector working people, democracy struggles to constrain the interests of the majority who burden the minority. He compares it to a sheep before two wolves.

Manitoba doesn't have to be the author of its own destruction. By reducing its public sector and facilitating private sector growth, it can grow out of dependency on federal equalization and lead the rest of Canada, instead of trailing it.

“*The public service is gobbling increasingly more of taxpayer dollars...*”

Public Sector Pay Outpaces Population Growth

Before examining the growth in the various sectors of the Manitoba economy, it is important to consider population as a baseline. Table 1 shows that Manitoba's working-aged population, 15 years or over, grew by 11.1 percent over an 8-year period, between August 2015 and August 2023. The strongest growth was in PEI (21.7 percent), followed by Alberta (14.9 percent), British Columbia (14.3 percent), Ontario (13.9 percent), and Nova Scotia (11.7 percent). Four provinces had lower growth than Manitoba's 11.1 percent: New Brunswick, Saskatchewan, Quebec, and Newfoundland.

At 8.8 percent, the growth of Manitoba's workforce has been slower than most other provinces, only exceeding Saskatchewan and Newfoundland and Labrador. This suggests the province needs to incentivize employment growth.

Table 2 shows the wages and salaries paid to Manitobans by sector, excluding employer contributions to the Canada Pension Plan and Employment Insurance. In June of 2023, 31.8 percent more wages were paid out to Manitobans than in June of 2015. Wages in goods-producing industries grew by 25.7 percent, while those in service industries grew by 33.7 percent. Not surprisingly, healthcare

Table 1

Population Growth 2015-2023

	Persons of working age (1000s)				Workers (1000s)			
	Aug 2015	Aug 2023	Growth	Rank	Aug 2015	Aug 2023	Growth	Rank
Canada	29,107	32,634	12.1%	n/a	18,184	20,373	12.0%	n/a
NF	447	457	2.2%	10	256	249	-2.9%	10
PEI	120	146	21.7%	1	77	96	24.2%	1
NS	777	868	11.7%	5	455	498	9.6%	6
NB	627	687	9.6%	7	366	400	9.3%	7
QC	6,752	7,274	7.7%	9	4,119	4,537	10.2%	4
ON	11,291	12,864	13.9%	4	7,004	7,989	14.1%	3
MB	984	1,093	11.1%	6	639	695	8.8%	8
SK	852	929	9.0%	8	570	593	4.1%	9
AB	3,290	3,781	14.9%	2	2,286	2,512	9.9%	5
BC	3,968	4,537	14.3%	3	2,413	2,805	16.2%	2

Calculations by FCPP. Data from Statistics Canada. Table 14-10-0017-02 *Labour force characteristics by province, monthly, unadjusted for seasonality*. DOI: <https://doi.org/10.25318/1410001701-eng>. Employed are those worked for pay or profit, or performed unpaid family work or had a job but were not at work during the reference week due to circumstances. Those persons on layoff and persons yet to begin a job they had been hired for are not considered employed.

and social services and educational services grew by 40.6 percent and 37.7 percent respectively. These increases have outpaced overall wage growth, which was just 31.8 percent. Healthcare and education are consuming increasing amounts of the provincial budget. Clearly wage growth in these two sectors cannot outpace private sector and self-employment earnings indefinitely.

By comparison, the federal bureaucracy in Manitoba is a runaway train. This table shows that the federal government administration (excluding military) grew the fastest at 41.7 percent, showing that both the number and the pay were increasing. This is not an anomaly because the salaries paid to federal bureaucrats grew by 55.1 percent in the country as a whole. But it is not clear that this represents a direct cost to Manitobans, as federal taxes are applied nationally. Similarly, services are also delivered across provincial borders.

	March 2015 (1000s of dollars)	June 2023 (1000s of dollars)	Growth Rate
Wages and salaries	2,484,183	3,273,296	31.8%
All goods-producing industries	594,313	747,010	25.7%
Ag, forestry, fishing and hunting	37,167	58,653	57.8%
Mining and oil and gas extraction	35,374	44,403	25.5%
Manufacturing	257,589	339,268	31.7%
Construction	212,613	262,676	23.5%
Utilities	51,570	42,010	-18.5%
All services-producing industries	1,889,870	2,526,286	33.7%
Trade	296,101	343,071	15.9%
Transportation and storage	148,187	206,658	39.5%
Information and cultural industries	44,105	72,992	65.5%
Finance, real estate, company mgt	205,940	239,703	16.4%
Professional and personal services	373,920	526,418	40.8%
Educational services	246,120	338,973	37.7%
Healthcare and social assistance	349,242	491,208	40.6%
Military	21,128	49,655	135.0%
Federal gov't admin (not military)	68,920	97,690	41.7%
Provincial gov't admin	69,628	73,655	5.8%
Local gov't public administration	66,579	86,263	29.6%

Source: Statistics Canada, Table 36-10-0205-01 *Wages, salaries and employers' social contributions (x 1,000)*. See <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610020501>, calculations by FCPP.

Two other trends are worth noting. First, the growth in total salaries in provincial government administration has been modest at 5.8 percent, slightly below the growth in the population, and much less than the 41.7 percent national average.

Second, in the goods-producing sector, the fastest growth was in agriculture, forestry, fishing, and hunting at 57.8 percent, followed by manufacturing at 31.7 percent, and mining, oil and gas extraction at 25.5 percent.

Employment Growth by Class of Worker

Manitoba's public sector grew by 10.6 percent between August 2015 and August 2023, slightly outpacing the average employment growth of 8.8 percent. Private sector employees grew by 12.9 percent, but the numbers of self-employed fell by 14.4 percent. Considering the working age population grew by 11.1 percent over this time, this drop in the numbers of self-employed is even more stark.

Table 3

Workers by Class, Manitoba and Canada

Employment by class of worker, monthly, unadjusted for seasonality (thousands)

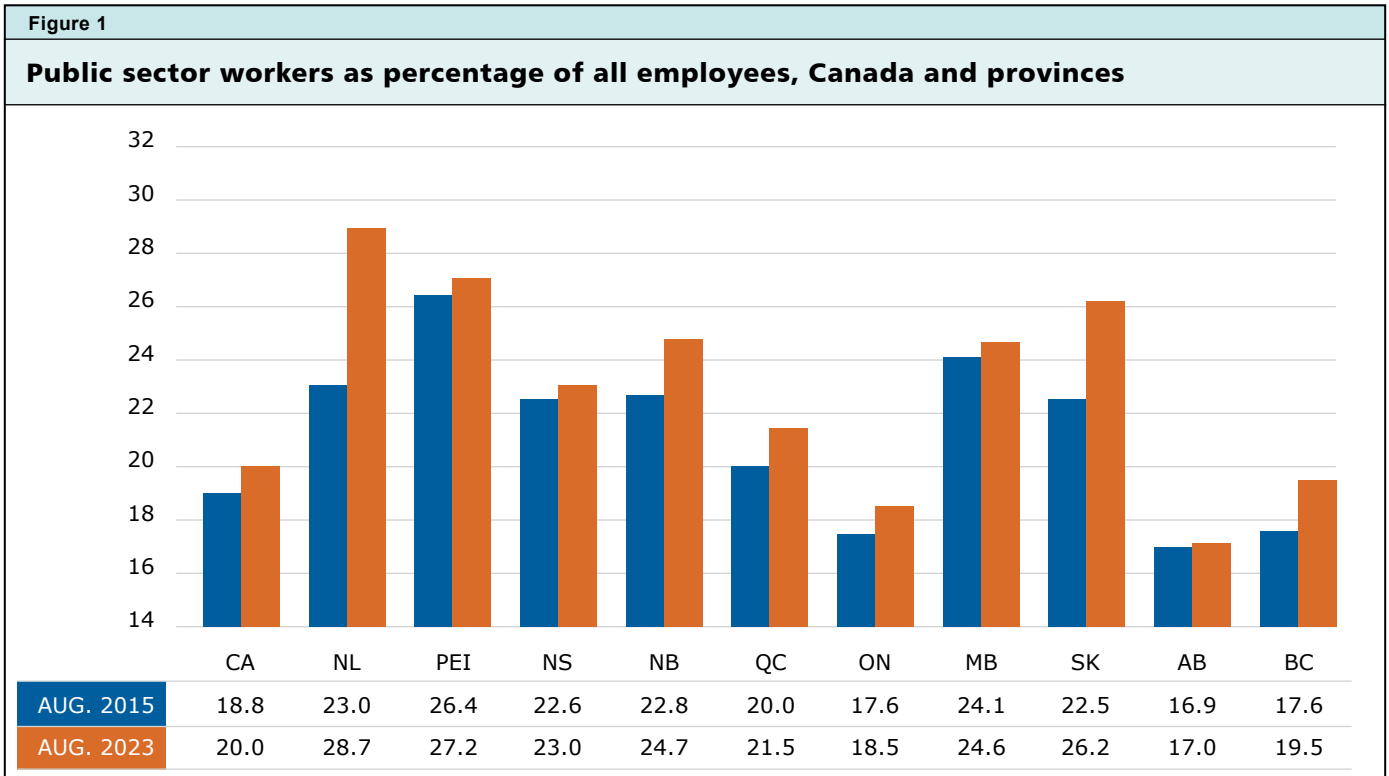
Class of worker	Manitoba			Canada		
	Aug-15	Aug-23	Growth	Aug-15	Aug-23	Growth
Total employed workers	638.6	694.7	8.8%	18,183.6	20,373.1	12.0%
Employees	555.5	623.5	12.2%	15,503.4	17,697.4	14.2%
Public sector employees	154.2	170.6	10.6%	3,420.0	4,066.4	18.9%
Private sector employees	401.3	453	12.9%	12,083.3	13,631.0	12.8%
Self-employed (SE)	83.1	71.1	-14.4%	2,680.2	2,675.8	-0.2%
SE incorporated, with paid help	18.1	16.9	-6.6%	650.9	619.9	-4.8%
SE incorporated, no paid help	11.3	13.1	15.9%	528.2	646.8	22.5%
SE unincorporated, with paid help	8.9	6.3	-29.2%	194.5	145.9	-25.0%
SE unincorporated, no paid help	42.2	34.2	-19.0%	1,288.0	1,247.6	-3.1%
Unpaid family worker	2.7	0.7	-74.1%	18.6	15.5	-16.7%

Source: Statistics Canada Table 14-10-0026-01 *Employment by class of worker, monthly, unadjusted for seasonality (x 1,000)*, <https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=1410002601>. Calculations by FCPP. A public sector employee is defined as those who work for a local, provincial or federal government, for a government service or agency, a crown corporation, or a government funded establishment such as a school (including universities) or hospital.

Manitoba's swollen public sector

Although the Manitoba government has done a laudable job of limiting growth of its provincial bureaucracy, the job is not yet complete, as Figure 1 indicates. Manitoba had the fifth-highest percentage of its workforce in the public sector at 24.6 percent—well above the national average of 20.0 percent. The highest percentage of public sector workers is in Newfoundland and Labrador (28.7 percent) while the lowest percentage is in Alberta (17.0 percent).

The Canadian average for public sector as a percent of the workforce is 20.0 percent, but Manitoba is at 24.6 percent, about a quarter higher. According to Statistics Canada,¹ the average public administration salary in Manitoba was \$37.44 per hour in 2022 and, at last count, the province had 170,600 public sector employees.² If Manitoba's public sector was at the Canadian average, it would have only about 138,700 public sector employees. Having 31,900 fewer

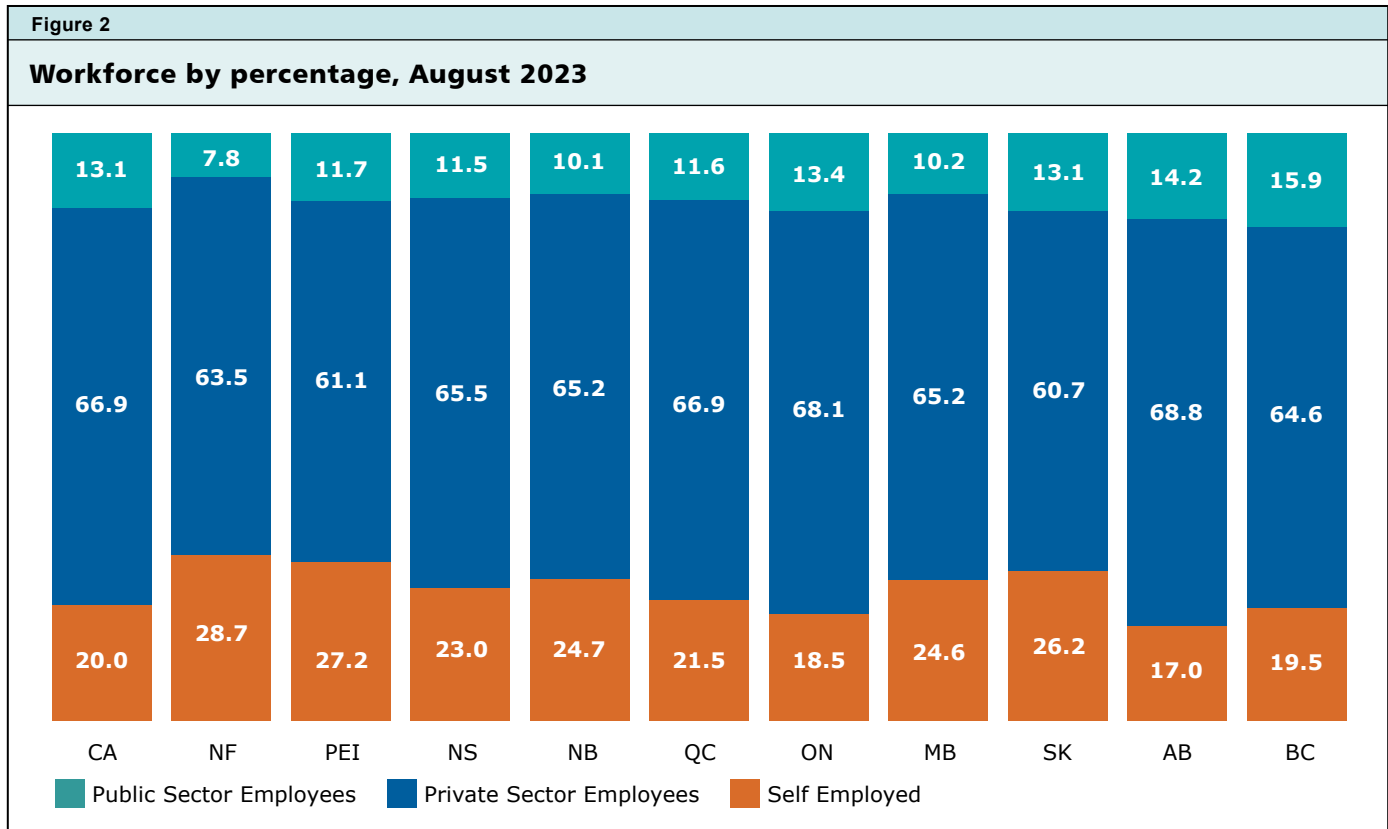


Calculations by FCPP. Source: Statistics Canada Table 14-10-0026-01 *Employment by class of worker, monthly, unadjusted for seasonality (x 1,000)*, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002601>.

1. Statistics Canada, Table 14-10-0064-01 *Employee wages by industry, annual*, DOI: <https://doi.org/10.25318/1410006401-eng>.
2. Statistics Canada, Table 14-10-0288-02 *Employment by class of worker, monthly, seasonally adjusted (x 1,000)*, DOI: <https://doi.org/10.25318/1410028801-eng>.

public employees would save taxpayers nearly \$1.2B annually, and this figure would be even higher if overtime, pensions, benefits, and the past year of wage growth were included.

Figure 2, below, illustrates the mix of public sector employees, private sector employees, and self-employed in Canada and the provinces. Manitoba is near the bottom ranking for self-employed and in the middle of the pack for private sector employment. Manitoba is roughly three percentage points back of the national average in their percentage of self-employed and private sector employees, thanks to excessive public sector employment.



Source: Statistics Canada Table 14-10-0026-01 *Employment by class of worker, monthly, unadjusted for seasonality (x 1,000)*, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002601>. Calculations by FCPP. Population from Table 14-10-0017-02 *Labour force characteristics by province, monthly, unadjusted for seasonality*, DOI: <https://doi.org/10.25318/1410001701-eng>.

Another way to measure the burden of public sector employment on the private economy is to consider it as a portion of total wages. This measurement simultaneously factors in how many workers there are, their hours worked, and their rate of pay in a single figure.

Table 6, next page, shows the total wages and salaries paid in each sector. In Manitoba, the provincial responsibilities of education, healthcare, and provincial government public administration are above national averages. This suggests that private sector economic growth needs to be invigorated and total public sector wages reigned in.

Table 4

Workforce by percentage, June 2023 for Canada and Manitoba

Geography	Canada		Manitoba	
Wages and salaries	109,493,989	100%	3,273,296	100%
All goods-producing industries	26,256,968	24.0%	747,010	22.8%
Agriculture, forestry, fishing and hunting	1,298,298	1.2%	58,653	1.8%
Mining and oil and gas extraction	3,040,044	2.8%	44,403	1.4%
Manufacturing	10,489,304	9.6%	339,268	10.4%
Construction	10,035,886	9.2%	262,676	8.0%
Utilities	1,393,436	1.3%	42,010	1.3%
All services-producing industries	83,237,021	76.0%	2,526,286	77.2%
Trade	13,043,950	11.9%	343,071	10.5%
Transportation and storage	5,247,147	4.8%	206,658	6.3%
Information and cultural industries	3,418,814	3.1%	72,992	2.2%
Finance, real estate and company management	10,326,030	9.4%	239,703	7.3%
Professional and personal services industries	22,218,780	20.3%	526,418	16.1%
Educational services	7,967,586	7.3%	338,973	10.4%
Healthcare and social assistance	11,790,677	10.8%	491,208	15.0%
Military	1,080,101	1.0%	49,655	1.5%
Federal gov't administration excluding military	3,061,188	2.8%	97,690	3.0%
Provincial government public administration	2,157,383	2.0%	73,655	2.3%
Local government public administration	2,925,365	2.7%	86,263	2.6%

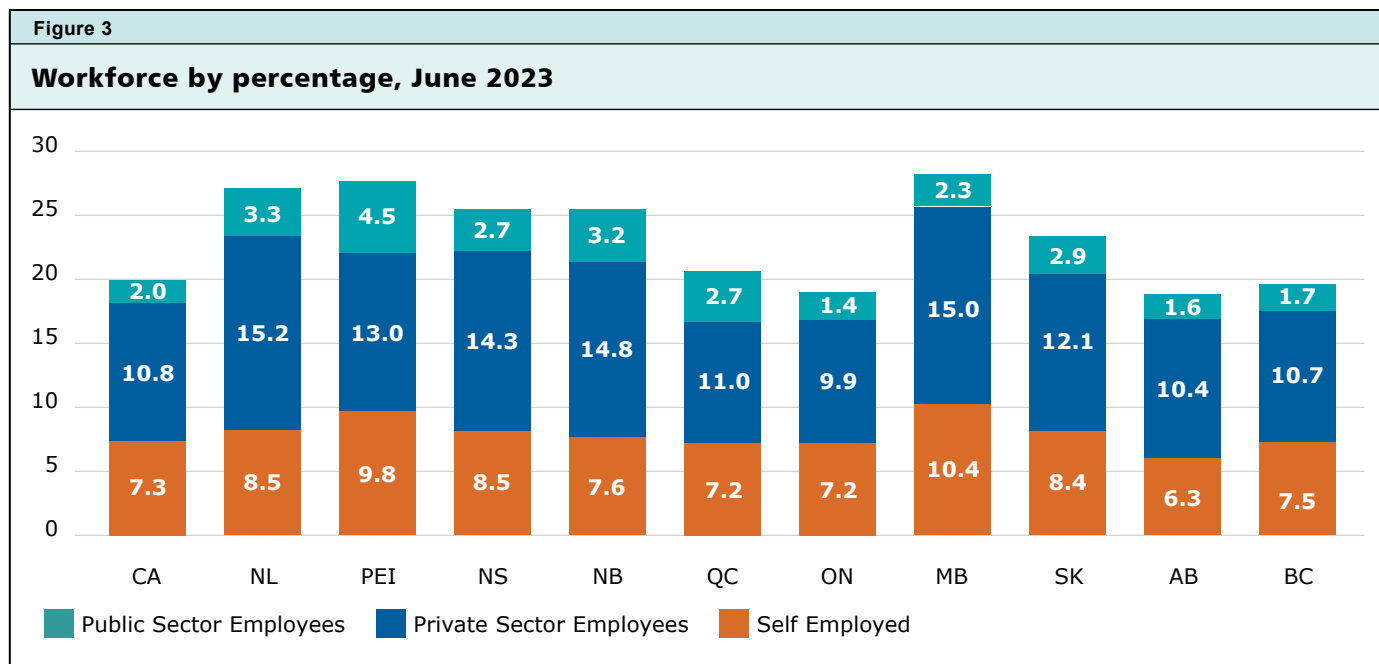
Source: Statistics Canada, Table 36-10-0205-01 *Wages, salaries and employers' social contributions (x 1,000)*. See <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610020501>, calculations by FCPP.

A comparison with other provinces is telling. At 10.4 percent, Manitoba has the highest percentage of total wages in education, substantially higher than the 7.3 percent national average.

Only Newfoundland and Labrador have a higher percentage of total wages paid into health and welfare, at 15.2 percent compared to Manitoba's 15.0 and the Canadian average of 10.8.

As mentioned earlier, Manitoba has done an admirable job in the past eight years restraining total wages paid to its bureaucracy. Even so, such wages represent 2.3 percent of the total in the province, a rate higher than Ontario (1.4), Alberta (1.6), B.C. (1.7), and the national average (2.0).

Stacked together, Manitoba has the highest total percentage in this area at 27.6, closely trailed by PEI at 27.3, and Newfoundland and Labrador at 27.0. The Canadian average is 20.0, while Alberta is lowest at 18.2.



Source: Statistics Canada, Table 36-10-0205-01 *Wages, salaries and employers' social contributions (x 1,000)*. See <https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=3610020501>, calculations by FCPP.

What would Manitoba save in wages and salaries if the burden of the provincial public sector were proportionate to national averages? Table 8 examines the possibilities. Total wages would be reduced by almost \$101 million per month in education, nearly \$139 million in healthcare, and more than \$9 million in the provincial bureaucracy. This would add up to over \$248 million in June 2023 alone.

This amount multiplied by 12 months suggests an excess public sector wage burden of \$1.2 billion in education, almost \$1.7 billion in healthcare, and \$110 million in provincial government administration, for a grand total of more than \$2.9 billion.

Table 5

Total wages and salaries in Canada and Manitoba, June 2023, with proportional adjustments to Manitoba

	CDA	MB	Total MB Excess	Manitoba salaries per month (\$ x 1000)	Monthly pay if proportionate to provincial averages (\$ x 1000)	Monthly difference (\$ x 1000)	Annual difference (\$ x 1000)
Educational services	7.3	10.4	42.3%	338,973	238,189	100,784	1,209,408
Healthcare and social assistance	10.8	15.0	39.4%	491,208	352,479	138,729	1,664,743
Provincial gov't admin	2.0	2.3	14.2%	73,655	64,494	9,161	109,927
Total extra	20.0	27.6	38.0%	903,836	655,163	248,673	2,984,078

Source: Statistics Canada, Table 36-10-0205-01 *Wages, salaries and employers' social contributions (x 1,000)*. See <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610020501>, calculations by FCPP.

These amounts are significant but should be viewed with some caution. They are based on numbers for a single month of the year, extrapolated over 12. The June numbers lack seasonal adjustments. This makes for an accurate, unskewed comparison between June 2015 and June 2023, but do not reflect seasonal adjustments that take place throughout a given year.

Conclusion

Manitoba has a relatively large public service sector which has not been expanding as fast as it has been in other provinces. We can thank the PC governments in office between 2016 and 2023 for slowing this expansion. However as a percentage of total wages paid out across all sectors, Manitoba still spends a disproportionate amount on education, provincial bureaucrats, and especially healthcare. Solving this problem will require incentivizing private sector job and wage growth while curtailing the growth of public wages and hiring. The most viable economy has a robust private sector and more restricted public sector.

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