

Reprinted with the permission of the
Frontier Centre for Public Policy
www.fcpp.org



BACKGROUND

FRONTIER CENTRE FOR PUBLIC POLICY • No. 122 • FEBRUARY 2015



Measuring the Size and Cost of Manitoba's and Saskatchewan's Public Sectors

Joseph Quesnel AND Nicolas Allarie

Introduction

In September 2014, the Atlantic Institute for Market Studies (AIMS) released a policy paper that looked at the size and cost of Atlantic Canada's public sector. AIMS researchers Ben Eisen and Shaun Fantauzzo examined Statistics Canada data to empirically assess the claim that Atlantic Canada's public sector is unusually large compared with other regions of the country. After careful analysis, they discovered that public sector employment rates in the Atlantic region, relative to population, are higher than the rates in the rest of Canada.

Using the methodology of that policy paper, this study examines the size of the public sector in Manitoba and Saskatchewan as well as the financial implications of sustaining these sectors for both the government and the taxpayers. We began by assessing the size of Manitoba's and Saskatchewan's public sectors relative to all jobs. In order to reflect the way in which the public sector directly affects a province's tax base and its policy-makers, we then narrowed our focus to the sub-national public sector. Following that, we assessed the size of the sub-national public sector relative to the province's entire population, which we used to calculate the additional spending of each province on the public sector wage bill. We find the size and cost of public sector employment in Manitoba and Saskatchewan is indeed higher than the national average. After that we explore how the provinces can bring the size of their public sectors in line with Canadian standards without resorting to drastic layoffs that could be detrimental to government and public services.

In 2011, the Frontier Centre released a similar study written by one of the authors of the AIMS policy paper. Frontier's study looked at the size of Manitoba's public sector and examined the notion that Manitoba had an unusually large public sector relative to the other provinces. After carefully analyzing data from Statistics Canada, the Frontier Centre's study found that Manitoba's government sector is 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 study will demonstrate that Manitoba's public sector has grown even further since 2011, and it will continue to build upon that previous work by adding Saskatchewan to the mix.

**We find
that the size
and cost of
public sector
employment in
Manitoba and
Saskatchewan
is indeed
higher than
the national
average.**

Measuring the Size of Manitoba's and Saskatchewan's Public Sectors

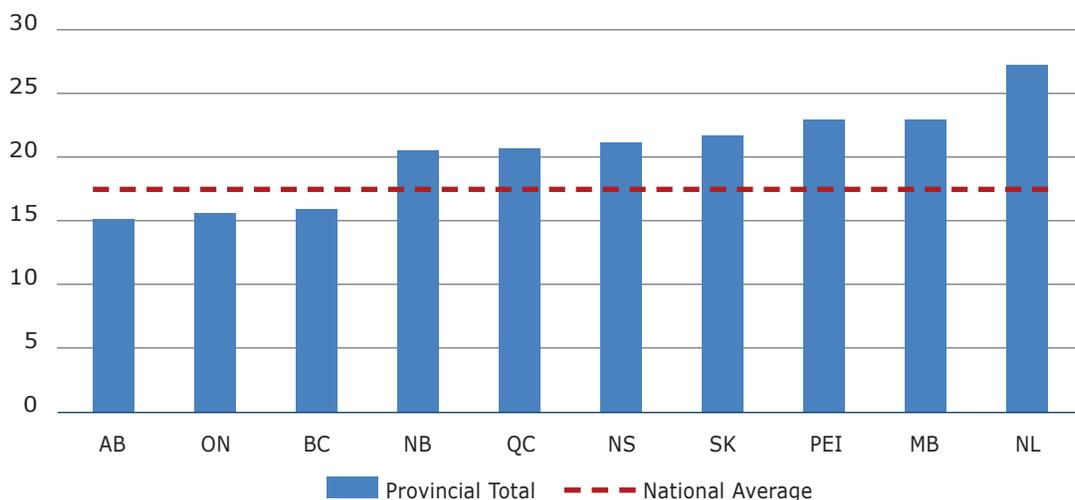
The civilian public sector consists of all government employees at the federal, provincial and local levels, with the exclusion of defense and Crown corporation employees. Chart 1 measures the number of federal, provincial and local government employees as a percentage of all jobs at the national and provincial levels. Our findings support the notion that Manitoba's public sector is unusually large, and they reveal that Saskatchewan also has an excess of public sector workers.

Our analysis of Statistics Canada data demonstrates that 18 per cent of jobs are in the civilian public sector at the national level. Chart 1 demonstrates that public sector employment, as a share of total jobs, is markedly higher in Manitoba and Saskatchewan. In fact, as a percentage of jobs in the province, Manitoba has the second-largest public sector in the country at 23.35 per cent, second only to the 27.5 per cent found in Newfoundland and Labrador. Saskatchewan also sits above the national average at 22.46 per cent, making it the fourth-largest public sector in Canada.

“...Manitoba has the second-largest public sector in the country at 23.35 per cent...”

CHART 1

Civilian Public Sector Employment as a Percentage of All Jobs (2013)

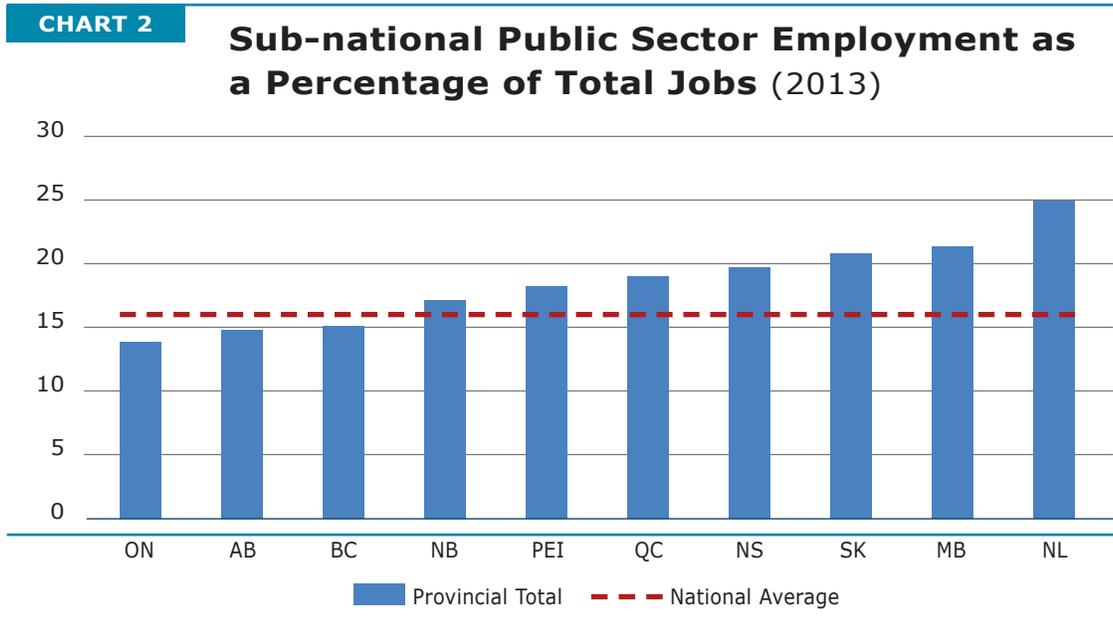


It is important to note at this point (after Chart 1) that we followed the methodology used by Eisen and Fantauzzo and removed all federal public sector workers from this analysis in order to more accurately assess the financial burden that residents of each province bear from higher levels of public sector employment.

This is because the cost of employing federal employees is borne by all taxpayers in the country, whereas the cost of employing sub-national public sector workers is a direct expense for local and provincial governments and the private sector tax bases of their jurisdictions.

Chart 2 measures the number of provincial and local government employees, that is, the sub-national public sector, as a percentage of all jobs in a province. Chart 2 reveals that nationally, sub-national public sector employment as a percentage of total jobs in 2013 rested at 16.3 per cent. Manitoba's and Saskatchewan's sub-national public sectors as a share of total jobs were at 21.6 per cent and 21.1 per cent, respectively, which means they have the second- (32.5 per cent larger) and third-largest (29.4 per cent larger) sub-national public sectors in Canada. Again, only Newfoundland and Labrador is higher at 25.2 per cent.

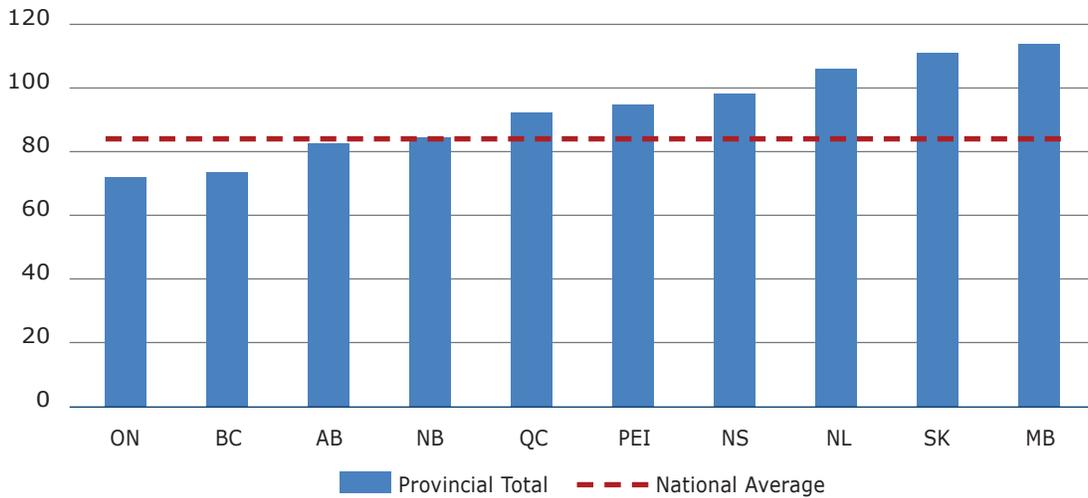
“...they have the second- and third-largest sub-national public sector in Canada.”



In addition to measuring public sector employment as a share of all jobs, it is also relevant to compare the size of the public sector workforce in each province relative to their total population.

CHART 3

Sub-national Public Sector Employment per 1,000 Residents (2013)



“**...Manitoba had the highest number at 114 employees per 1,000 residents.**”

To analyze the size of the sub-national public sector relative to population, we used Statistics Canada data to measure sub-national public sector employment per 1,000 residents. As we can see from Chart 3, the national average for sub-national public sector employment per 1,000 residents was 84 employees per 1,000 residents. Manitoba had the highest number at 114 employees per 1,000 residents. This was closely followed by Saskatchewan, the second highest at 111 employees per 1,000 residents.

Determining the cost of Manitoba's and Saskatchewan's public sectors

One of the largest expenses for provincial governments is the cost of public sector employee salaries. Therefore, even modest reductions in the size of the public sector and improvements in government efficiency can result in significant cost savings for governments and taxpayers. The following section attempts to quantify Manitoba's and Saskatchewan's large public sector wage bills relative to the size of their economies. We demonstrate that these large bills are a significant cost to taxpayers by calculating how much these bills would decrease if the provinces' sub-national public sector employment rates were in line with the national average.

Table 1 reveals the additional costs of the public sector bills for the governments and taxpayers of Manitoba and Saskatchewan as a result of each province's ratio of sub-national public sector employees per 1,000 residents being above the national average. The table shows how many more sub-national public sector employees Manitoba and Saskatchewan have compared with what would be the case if the public sector employment rate in each province were more in line with the national average (84 employees per 1,000 residents). The final column of the table shows the extent to which the public sector bill in each province would have decreased if the public sector rate were more in line with the national average, which was calculated by multiplying the number of additional employees by the average salary for public sector employees in Manitoba and Saskatchewan.

“
...these large [employee] bills are a significant cost to taxpayers...”

TABLE 1

Spending on Sub-national Public Sector Employment in Excess of the National Average (2013)

Province	Employees per 1,000 Residents	Additional Employees Above the National Average per 1,000 Residents	Total Additional Employees in the Sub-National Public Sector	Additional Spending on the Public Sector Wage Bill (in Millions)
Manitoba	114	30	37,788	\$2,154.00
Saskatchewan	111	27	29,647	\$1,898.00
		Total	67,435	\$4,052.00

Bringing sub-national public sector employment in line with the national average would result in significantly fewer public sector employees in Manitoba and Saskatchewan.

If Manitoba's sub-national public sector employment were in line with the national average, there would be 37,788 fewer local and provincial government employees in the province. Cutting these 37,788 sub-national public sector workers in Manitoba would have seen its public sector bill decrease by \$2.154-billion in the 2012-2013 fiscal year. In Saskatchewan, there would have been 29,647 fewer workers, reducing the public sector wage bill by \$1.898-billion. In total, in Manitoba and Saskatchewan, there were 63,670 additional employees in the sub-national public sector for the 2012-2013 fiscal year. Additional spending on the public sector wage bills due to a sub-national public sector size in excess of the national average cost both Manitoba and Saskatchewan is \$4.052-billion.

“...the size of these provinces' public sectors could be brought even more in line with national standards...”

Moving toward Canadian sub-national public sector norms over time

The Frontier Centre's 2011 study on the size of Manitoba's public sector put forth a simple model to bring it more in line with the national average without drastic cuts to the size of the province's public sector. Instead of making reductions in the number of government employees, the model assumed that the projected growth in population over the medium term would allow Manitoba to keep its number of local and provincial government employees constant while simultaneously accomplishing significant reductions in the sub-national public sector size. Moreover, we will demonstrate that if Manitoba and Saskatchewan are willing to make modest reductions in the number of local and provincial government employees, the size of each provinces' public sector could be brought even more in line with national standards compared with only depending on the effect of population growth over the medium term.

Using Statistics Canada data, we applied this model to both Manitoba and Saskatchewan. We predicated our population growth upon a medium-growth scenario that is primarily due to an increase in internal migration, which is in line with provincial predictions of the factors contributing to population growth in the medium term.

In 2013, Manitoba employed 114 sub-national public sector employees per 1,000 residents. Manitoba has an additional 30 sub-national public sector employees per 1,000 residents in comparison with the national average of 84 per 1,000, which has remained constant since 2010. Moreover, the size of Manitoba's sub-national public sector has increased by 11 employees per 1,000 residents since 2010, when it had 103 sub-national public sector employees per 1,000 residents. This is an increase of 11 per cent in just 3 years.

Despite this significant increase in the size of Manitoba's public sector, the model the Frontier Centre put forth in its previous report still holds true. In 2023, Manitoba's population is expected to grow to 1.431 million, up from 1.265 million in 2013. If Manitoba were to maintain the number of provincial and local government employees at its 2013 levels (144,040), in 2023, the province would have 101 sub-national public sector employees per 1,000 residents. By maintaining the number of sub-national public sector employees at its 2013 level, by 2023, the ratio of local and provincial government employees to residents would be lower than it was in 2013 and 2010.

If we reduce the size of Manitoba's sub-national public sector from its 2013 level by 5 per cent over the next 10 years, by 2023, it would have 96 sub-national public sector employees per 1,000 residents. At this point, the gap between Manitoba and the national average would be reduced by more than half.

Reducing the size of Manitoba's sub-national public sector employment from its 2013 level by 10 per cent over the next 10 years would see the size of the province's government sector fall to 91 local and provincial government employees per 1,000 residents.

For Manitoba to have a sub-national public sector in line with the national average by 2023, 84 sub-national public sector employees per 1,000 residents, it would have to reduce its public sector by 16.5 per cent. While this is a significant figure, over 10 years it amounts to an annual reduction in the size of the sub-national public sector of 1.65 per cent, which is still a relatively modest option for provincial policy-makers.

Saskatchewan shows similar promising results. In 2013, Saskatchewan employed 111 sub-national public sector employees per 1,000 residents, a difference of 27 workers when compared to the national average.

In 2023, Saskatchewan is predicted to have a population of 1.268 million, an increase from the province's 2013 population of 1.106 million. If Saskatchewan's sub-national public sector employment remains at its 2013 level, by 2023, Saskatchewan would have 97 sub-national public sector employees per 1,000 residents. This is a reduction of 14 local and provincial workers, which would see the gap between Saskatchewan and the national average cut by slightly more than half.

**“
...an annual
reduction in
the size of the
sub-national
public sector
of 1.65 per
cent, which is
still a viable
option...”**

If Saskatchewan were to reduce the size of its government sector by 5 per cent over the next 10 years, the province would have 92 sub-national public sector employees per 1,000 residents by 2023. Saskatchewan could have 87 sub-national public sector employees per 1,000 residents by 2023, nearly in line with the national average, if it were to commit to a 10 per cent reduction in the size of its public sector over 10 years.

For Saskatchewan to have a sub-national public sector in line with the national average by 2023, 84 sub-national public sector employees per 1,000 residents, it would have to reduce its public sector by 13 per cent, or 1.3 per cent annually.

These figures show that it is possible for Manitoba and Saskatchewan to bring the size of their public sectors in line with the national average without taking any drastic or radical measures. Instead, merely keeping the size of their public sectors constant would find Manitoba and Saskatchewan reaching the national average in the medium term by allowing population growth to reduce the sub-national public sector employee to resident ratio.

“
**...merely
keeping the
size of their
public sectors
constant
would find
Manitoba and
Saskatchewan
reaching
the national
average in
the medium
term...**

Conclusion

This study has attempted to demonstrate that Manitoba's and Saskatchewan's public sectors are demonstrably larger than the Canadian average. Of all jobs in Manitoba, 23.35 per cent are in the public sector, and in Saskatchewan that figure is 22.46 per cent. This is in stark contrast with the national average of 18 per cent. As we have shown, the cause of Manitoba's and Saskatchewan's large public sectors is primarily the high level of local and provincial government employment. This is particularly true of Manitoba. Since the Frontier Centre's last study in 2011, the size of Manitoba's sub-national public sector has increased by nearly 11 per cent, revealing that the size of Manitoba's public sector is growing at an astonishingly rapid rate.

“...there is considerable space for savings in Manitoba and Saskatchewan by restraining the growth of the public sector wage bill.

Furthermore, these provinces' large public sectors mean that they have an equally large public sector wage bill. This large bill represents a significant expense for the provincial governments and taxpayers from Manitoba and Saskatchewan. Facing additional costs associated with high public sector wages is one way of pushing up deficits and debts. The government debts of Manitoba and Saskatchewan are nothing to be taken lightly. The Canadian Taxpayers Federation calculated that Manitoba's debt exceeded \$30-billion in 2013 and that Saskatchewan's government debt as of March 2013 was more than \$10-billion. Moreover, as a recent joint study by AIMS and the Frontier Centre has shown, Manitoba, an increasingly low-income province, has been experiencing diminishing equalization payments over recent years. This convergence of high debt, budget deficits and declining equalization payments has created a situation where opportunities for savings need to be seized upon at every opportunity.

This study has shown that there is considerable space for savings in Manitoba and Saskatchewan by restraining the growth of the public sector wage bill. This may be a distant target (as shown by the different scenarios presented), but it is a worthwhile project for both Manitoba and Saskatchewan. As we demonstrated, it is possible to bring the size of the public sector in line with the national average without incurring radical cuts.

If the public sector size were in line with the national average in 2012-2013, Manitoba and Saskatchewan would have benefited respectively by \$2.16- and \$1.9-billion per year in savings, or a total savings of \$4.052-billion. If employee compensation remained constant and if Manitoba and Saskatchewan's public sector could be brought in line with the national average, it would mean the government wage bill would be reduced by roughly \$1,700 for each resident.

Even if the two provinces did not reduce the size of their public sector in line with the national average, they would still see millions, if not billions, of dollars in savings.

About the authors



Joseph Quesnel is a policy analyst at the Frontier Centre for Public Policy who focuses on Aboriginal matters and property rights.

Based in Antigonish, Nova Scotia, he is from the Sudbury region of Northern Ontario and has Métis ancestry from Quebec. He graduated from McGill University in 2001, where he majored in political science and history. He specialized in Canadian and U.S. politics, with an emphasis on constitutional law.

He is completing a Master of Journalism at Carleton University, where he is specializing in political reporting. For two years, he covered House standing committees as well as Senate committees. Quesnel's career in journalism includes several stints at community newspapers in Northern Ontario, including Sudbury and Espanola. He also completed internships at CFRA 580 AM, a talk radio station in Ottawa, and the Cable Public Affairs Channel. He writes a weekly column for the Winnipeg Sun and contributes to *The Taxpayer*, the flagship publication of the Canadian Taxpayers Federation. Quesnel's policy commentaries have appeared in the *Lethbridge Herald*, *The Vancouver Sun*, *The Globe and Mail*, *the Financial Post* and *the National Post*, among others.



Nicolas Allarie is an intern at the Frontier Centre for Public Policy. He is a recent graduate of the University of Manitoba, where he completed a Bachelor of Arts (Hons) in Political Studies, with a minor in history. He is pursuing a Master of Arts in Political Studies, with a focus on international relations, at the University of Manitoba, where he is a teaching assistant and a research assistant.

Allarie worked at the Louis Riel Institute and the Manitoba Métis Federation as a research assistant and as an assistant working with Aboriginal people on their post-secondary education goals. He also worked as a research assistant with the Archives of Manitoba.

His wide-ranging research interests include foreign and defence policy, intergovernmental organizations, conflict, Aboriginal policy and social policy.

Further Reading

August 2011

The Size and Cost of Manitoba's Public Sector

By Ben Eisen

<https://fcpp.org/posts/media-release-the-size-and-cost-of-manitobas-public-sector>

November 2010

Stealth Equalization: How Federal Government Employment Acts as a Regional Economic Subsidy in Canada

By Ben Eisen

https://www.fcpp.org/files/1/PS95_Stealth_NV05F5.pdf

September 2009

Manitoba's Public Sector is Larger, More Expensive Than Most

By Ben Eisen

<https://fcpp.org/posts/manitobas-public-sector-is-larger-more-expensive-than-most>



MB: 203-2727 Portage Avenue,
Winnipeg, Manitoba Canada R3J 0R2
Tel: 204-957-1567
Email: manitoba@fcpp.org

SK: 2353 McIntyre Street,
Regina, Saskatchewan Canada S4P 2S3
Tel: 306-352-2915
Email: saskatchewan@fcpp.org

AB: Ste. 603, 734-7th Avenue SW,
Calgary, Alberta Canada T2P 3P8
Tel: 403-995-9916
Email: alberta@fcpp.org

The Frontier Centre for Public Policy is an independent, non-profit organization that undertakes research and education in support of economic growth and social outcomes that will enhance the quality of life in our communities. Through a variety of publications and public forums, the Centre explores policy innovations required to make the prairies region a winner in the open economy. It also provides new insights into solving important issues facing our cities, towns and provinces. These include improving the performance of public expenditures in important areas such as local government, education, health and social policy. The author of this Backgrounder study has worked independently and the opinions expressed are therefore their own, and do not necessarily reflect the opinions of the board of the Frontier Centre for Public Policy.

Copyright © MMXV by the Frontier Centre for Public Policy.

Date of First Issue: February 2015.

Reproduced here with permission of the author. Any errors or omissions and the accuracy and completeness of this paper remain the responsibility of the author.

ISSN 1491-78