



Public Sector Leaders: moving forward together

August 18, 2015



Agenda

- Welcome and introductions
- What's new
- Context
- Interests and goals of the province
- Proposed next steps
- Discussion

Welcome & Introductions

What's new

- Desire to move towards collaboration, openness, and transparency
- Sharing our position with you now, in advance of instructions going to employers
- Openness to innovation, creativity, and new ideas for the benefit of all Nova Scotians
- Recognition that the members represented by labour leaders are our employees who provide public services, but also citizens who consume those same services and taxpayers who pay for them – representing the whole person.

Our shared challenge: the status quo

“... our economy today is barely able to support our current standards of living and public services, and will be much less going forward unless we can reverse current trends.”

Commissioner’s Forward,
Report of the Nova Scotia Commission on
Building Our New Economy –
February 2014

Our shared challenge: long-term sustainability

“Yes, there is a crisis and it does threaten the basic economic and demographic viability of our province, most dramatically in our rural regions.”

“The evidence is convincing that Nova Scotia hovers on the brink of an extended period of decline.”

Report of the Nova Scotia Commission on Building our New Economy –
February 2014

Our shared challenge: major new spending is not sustainable

“To alter course towards a better economic future for Nova Scotia will require, first and foremost, basic changes in our shared attitudes and understandings.”

“... if government continuously grows its hiring, spending and capital investments faster than the overall economy, and therefore has to keep raising tax rates and borrowing more to sustain such stimulus spending, it eventually runs out of room to maneuver fiscally and politically.”

Report of the Nova Scotia Commission
on Building our New Economy –
February 2014

Our shared opportunity

- There is broad public and political consensus on the principles of the One Nova Scotia Commission
- One Nova Scotia's call to action
 - A call to think and do things differently
 - A call to collaborate and work together for the benefit of all of Nova Scotia

Our shared opportunity

- Common mission – to serve the public and have sustainable public services
- Mission cannot be achieved without the participation of unions and their members
- Moving to collaboration to achieve common goals

Expectations

- Mutual commitment to a fair, transparent collective bargaining process that respects the interests of employees, employers and the public
- Mutual openness to negotiate and engage in a timely manner
- Meaningfully engage public sector employees, through their unions, in a manner that draws on their full knowledge, skills and commitment to deliver public services in a more cost-effective, innovative and sustainable manner

Challenges

- Evolving expectations and demands of Nova Scotians
 - For increased public services
 - Unwillingness to pay more for those services
- Uncertain labour environment
 - Impacts our competitiveness and ability to attract and retain workers and businesses
 - Impacts the work environment decreasing employee engagement and increasing stress
- Current reliance on few sources of revenue and need for our economy to be as competitive as possible

And....

- We need our population to grow, to increase economic potential of the province
- We want improved health outcomes and enhanced social well-being for Nova Scotians

Fiscal Realities

- Government spends about \$5.2 billion on compensation. At 52% of total spending, compensation represents the single largest expense of the government
- Nova Scotia has had the slowest economic growth in real GDP of any province since 1990
- Nova Scotia's government expenses have exceeded its revenues in 20 out of the last 30 years
- Nova Scotia is facing a structural deficit – even if the economy recovers, at present we do not have sufficient private sector activity to support government growth
 - For every dollar of income generated by the NS government, only \$4.64 is generated by other sectors. In Canada this average is \$6.31 for non-government sectors and \$9.27 in Alberta.

Approach

- Consistent with actions we have taken in areas such as economic development, we want to approach collective bargaining with openness and transparency to build a framework to move forward
- Fiscal plan lays out how much we have available to spend
- We will not ask taxpayers to contribute any more
- We are open and flexible in terms of how the money is spent
- Believe there is opportunity for innovation, creativity within the existing fiscal envelope

Fiscal plan: what is it?

- Province's multi-year financial plan
 - Provides roadmap for forward-looking planning
 - Published with annual budget
 - Includes province's net debt
- Government is using the plan to chart Nova Scotia's course in face of economic uncertainty

Fiscal plan

- Fiscal plan lays out how much we have available to spend
 - We will not raise taxes to pay for labour increases
- With \$15 billion in debt, the province's budget flexibility and capacity is limited now and in the future
 - Only 3 departments have budgets bigger than our debt servicing costs
 - Our children and grandchildren will bear the increasing costs of adding to our debt through continued deficits
 - Our revenue is vulnerable – we already have some of the highest personal, corporate and sales taxes in Canada and expect our tax base to erode as our population ages
 - For every 1% increase in short term interest rates, our borrowing costs will go up by \$15M
- For context, even a 1% wage increase translates to \$52 million per year, compounding over time

Goals of the Proposed Public Service Sustainability Mandate

- To meaningfully engage public sector employees through their unions in a collective bargaining process where efficiency, effectiveness and innovation are promoted and some of the benefits are shared with the employees
- To achieve the Province's fiscal plan and to protect and preserve public services and improve the lives of Nova Scotians by negotiating collective agreements that are affordable to the taxpayers of the province

Principles of the Proposed Public Service Sustainability Mandate

- The Province will not provide additional funding over the amounts set out in the Province's fiscal plan to fund increases in compensation negotiated in collective bargaining
- Increases to compensation must not have a negative impact on the Province's fiscal plan and not have a negative impact on levels of services
- Funding for compensation increases, over the amounts set out in the fiscal plan, may come from budgeted and achieved cost reduction, budgeted and achieved cost avoidance, service redesign or other efficiency initiatives
 - Savings must be real, measurable, and achieved before being allocated to compensation increases
- Agreements must be a minimum of five years in length

Proposed Public Service Sustainability Mandate

- Applies to all public sector employers whose collective agreements expire on or after March 31, 2014
- Mandate provides employers the ability to negotiate five year agreements with a fixed fiscal envelope consistent with government's published fiscal plan
- Mandate enables employers to allocate some portions of cost savings or cost avoidance (as approved, achieved, and verified) to the fiscal envelope for wage increases in out years of the collective agreement achieved through innovation

Proposed next steps

- Government is committed to meaningful collective bargaining to achieve the outcome of sustainable public services for Nova Scotians
 - We will commence work immediately following this meeting with employers to ensure they approach bargaining with this tone and approach
- Seeking a commitment from public sector unions to engage and undertake meaningful collective bargaining
 - Consider this approach—not looking for commitment today
 - Ask that you to bring this information to your leadership and members and discuss through correspondence and action at bargaining tables

Discussion