

ANOTHER WAY FORWARD.

DEVELOPED BY THE NL EMPLOYERS' COUNCIL WITH
RESEARCH FROM THE CONFERENCE BOARD OF CANADA.

EMPLOYERS' COUNCIL
NEWFOUNDLAND & LABRADOR

When the current Newfoundland & Labrador government took office in 2015 they were faced with a very serious fiscal situation. On a per person basis, NL is by far the most indebted province in the country. **The #2 expense for our provincial government is interest on debt. We spend more on interest than we do on education.**

The current government did not create this problem, but it is their job to fix it.

In the 2016 budget, government increased taxes and fees to citizens by nearly \$900 million. At the same time they increased their spending by \$223 million. Their long term plan is to maintain spending at current levels and rely on revenue from tax increases and—they hope—increasing oil prices to balance the budget by 2021-22.

There are two major problems with government's plan: Our taxes are too high and government still spends more than we can afford.

**WE BELIEVE THAT THERE IS ANOTHER WAY FORWARD.
A WAY FORWARD THAT FOCUSES LESS ON TAXING THE
CITIZENS OF NL AND MORE ON REDUCING GOVERNMENT
SPENDING.**

OUR VISION

To make Newfoundland & Labrador the most attractive place to live, work, and do business in Atlantic Canada.

HOW DO WE DO THIS?

By reducing our personal and business tax burden to be the most affordable in Atlantic Canada.

This move will increase business investment, attract people to our province, reduce our cost of living, and improve our quality of life. It will grow our economy and create jobs. It will improve the ability of business owners to sell their products and services outside the province. And it will put more money in the pockets of hardworking Newfoundlanders & Labradorians.

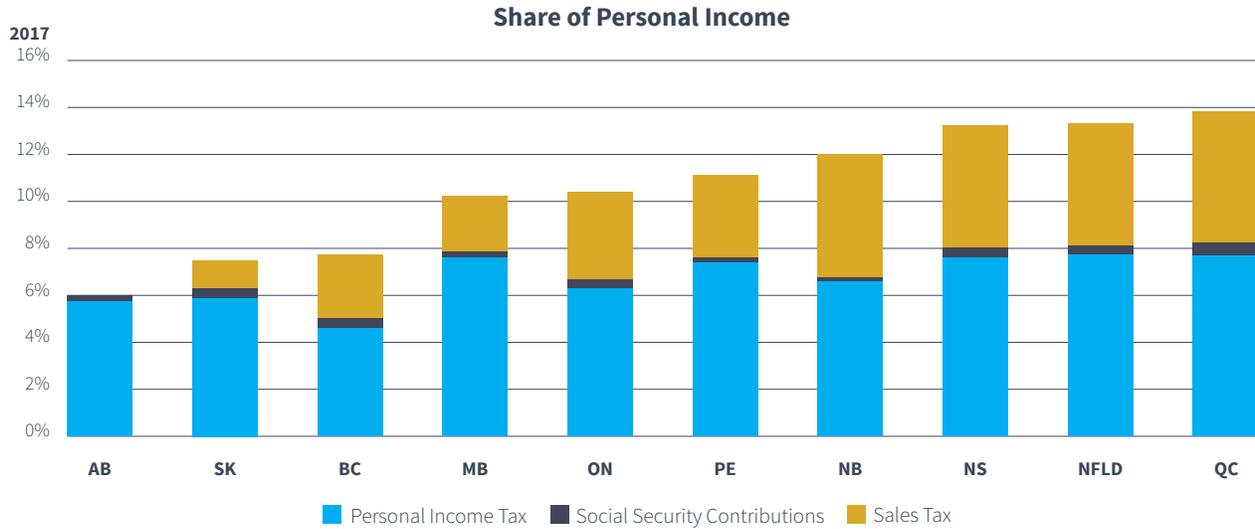
IS THIS POSSIBLE?

It would cost just \$591 million to reduce NL's taxes and make them the most attractive in Atlantic Canada. Based on our government's \$8 billion budget, this target is realistic and achievable.

Significant cost savings can be found within government to make our vision of competitive tax levels a reality while still addressing our fiscal problems. We have the highest per person program spending in the country. Government could reduce spending by \$1.1 billion and still have the highest per person spending in Atlantic Canada. The way to reduce taxes is to reduce spending. There are many opportunities for savings that government has not yet tried.

OUR NEED TO REDUCE TAXES

NL has the second highest personal tax burden of any province. The deficit reduction levy, increased gas tax, and personal income taxes are the main reasons for this high tax burden.



*Tax costs include personal income tax, social security contributions paid by employees, and provincial taxes, as well as the provincial portion of the HST. Sources: Statistics Canada, Canada Revenue Agency.

Business taxes influence decisions about where to do business and invest and have a significant impact on the economy. NL has the second highest business tax burden in Atlantic Canada. This is largely due to payroll taxes, widely accepted to be job killers.

These tax increases are having the unintended consequence of driving people away from the province. The numbers are sobering*.

49% of NLs who earn \$75,000 or more have said they, or someone in their family, has considered leaving the province due to tax increases.

43% of NL residents who graduated post-secondary said the same.

43% of those 18-34 have personally considered leaving the province due to tax increases since the 2016 provincial budget.

*From survey conducted by Corporate Research Associates for the Employers' Council, June 2017.

OUR PLAN

\$269m

Eliminate the Deficit Reduction Levy and temporary Gas Tax increase in Budget 2018.

\$322m

Phase in reductions or elimination of other taxes over a period of three years from 2019/20–2021/22:

Further reduce personal income tax, remove corporate capital tax, reduce insurance tax to lowest in Atlantic Canada, and eliminate payroll tax.

Total: \$591 m

Reducing these taxes would make our tax burden the most attractive and affordable in Atlantic Canada.

HOW COULD GOVERNMENT DO THIS? BY FIXING OUR SPENDING PROBLEM

“It’s really a spending problem, not a revenue problem.”

– Premier Dwight Ball, January 5th, 2017

The NL provincial government brings in more money per person in revenue than any other province in Canada, but we also have the highest program spending per person in the country. **Spending grew by 63.3% over the ten years from 2005/06 to 2015/16 and has not significantly decreased since. We spend 27.1% more than the average of the other Atlantic Provinces—a difference of \$2,942 per person.**

In spite of all this spending, our outcomes in health, education, the labour market, and infrastructure investment underperformed in comparison to the rest of the country. It’s time to do things differently.

HOW THE GOVERNMENT CAN SAVE

PUBLIC SECTOR UNION NEGOTIATIONS

Many options to reduce spending can be achieved right now in negotiations between government and public sector unions.

FREEZE OR ROLL BACK WAGES

Core government wages in Newfoundland & Labrador are 28.6% higher than the Atlantic Canadian average—\$311 a week higher. Reducing wages in core government to the Atlantic Canadian average would save \$137 million—eliminating the need for the Deficit Reduction Levy. **Government could freeze or roll back wages in core government by \$75.7 million and NL would still have the highest paid government employees in Atlantic Canada.**

Newfoundland & Labrador has the second highest wages in health care in the country, behind Alberta. **Government could freeze or roll back wages in health care to save \$83.5 million and NL would still have the highest paid health care workers in Atlantic Canada.**

EMPLOYEE BENEFITS

Significant cost savings can be found by making adjustments to government employee benefits, many of which are well above what is offered in the private sector.

SEVERANCE

Anyone who works in the public service for nine or more years is entitled to 9–20 weeks of severance pay over and above standard pay in lieu of notice provided in the private sector. Severance represents \$480 million in liability. This is more than double the amount brought in by the HST increase. Freezing or reducing this benefit could provide significant cost savings.

SICK LEAVE

The government of NL spends more on sick leave than on road construction. It costs government \$125 million annually.

In 2015, total days lost for full-time employees in the public sector in NL averaged 13.1 days vs 7.8 days in the private sector. Employees in the public sector are entitled to between 12–24 sick days per year. They are permitted to carry over unused sick leave to a maximum of 240 or 480 days depending on their date of hire.

Reducing sick leave could reduce its annual cost to government substantially. **Reducing sick leave usage by 25% could be enough to reduce our insurance tax to the lowest in Atlantic Canada.**

REDUCE THE SIZE OF CORE GOVERNMENT BY NOT REPLACING ALL RETIREES

NL's core government is the second largest per capita in Canada—45% larger than the Canadian average.

Elimination of 380 positions would bring NL's public administration in line with the average in Atlantic Canada. Elimination of 1113 positions would put us in line with Saskatchewan, the province with the 3rd largest and a similar population density to ours.

In 2015, the current government cancelled a plan to phase out two of every 10 retiring positions to remove a total of 435 positions from core government and 1420 positions from government overall. That plan was estimated to save \$300 million.

GOVERNMENT COULD REDUCE SPENDING BY \$1.1 BILLION AND STILL HAVE THE HIGHEST PER PERSON SPENDING IN ATLANTIC CANADA.

HEALTH CARE

Adjusted for age and gender, NL spends the second highest on health care per person of any province in the country—**28% higher than the average of the other Atlantic Provinces.**

We could reduce health care spending by \$473 million and still have the highest per capita health care spending in Atlantic Canada.

Hospitals and other institutions are the main reason for our health care overspending. Compared to the Canadian average of \$1782, NL spends \$2262 per person on running hospitals. **That is 27% higher. Spending on hospitals and institutions could be reduced by \$197 million and we would still spend more on health care institutions per person of all Atlantic Canadian provinces.**

Good health care is not about bricks and mortar. The NL Medical Association (NLMA) has recommended that government rebuild our health care system to better use facilities and better distribute health care services. Without doing so, front line health care will suffer as our province ages. Government has not acted on the NLMA's recommendations.

The province also spends the most in the Atlantic region on other health spending which includes research, physicians, other professionals, and capital. **Reductions in these areas could save another \$157 million and we would still spend more per person than the other provinces in Atlantic Canada.**

EDUCATION

Education is another major cost driver for the province that requires long-term reform. As our enrollment declines our cost per student is increasing dramatically.

In our K-12 system, Newfoundland & Labrador has the highest number of educators per 1000 students of any province in Canada. NL has 114 educators per 1000 students*, 52% more than the Atlantic average of 75.

But unfortunately, our student outcomes** are still among the lowest in Canada when it comes to math, reading, and science.

There are five schools in Newfoundland with three or less students. There are 23 with less than 25 enrolled.

Education is one of the most important investments government can make. However, new and innovative ways of delivering education must be addressed given our declining enrollments.

If we could find a solution to this problem there is potentially \$103.6 million in savings that could be achieved in education while still having the largest number of educators per student in Atlantic Canada, and the second largest educator-student ratio in the country.

POST-SECONDARY EDUCATION

The NL government spends nearly \$900 million on post-secondary education. How that money is being spent is an important question. College of the North Atlantic spends below average per student in Canada, while Memorial University spends well above the average per student in Canada.

On a cost per student basis, university spending in NL is well above the Canadian average. In 2014/15 NL spent more than \$36,000 per student. The average of the other three Atlantic Provinces was \$28,150 – a difference of \$8,360 per student.

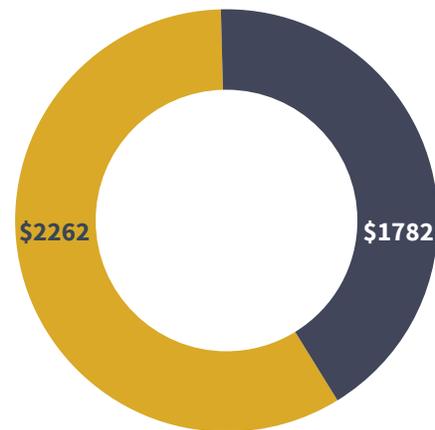
On a cost per student basis NL spends the 2nd highest in the country on academic salaries, and the highest in the country on other salaries and employee benefits.

University spending could be reduced by \$129.9 million and we would still have the highest university spending per student in Atlantic Canada at \$29,272 per student.

*Includes teachers, administrators, and pedagogical support staff.

**OECD, PISA 2015

Hospital Spending Per Person



■ NL spending per person
■ Canadian Average spending per person

Source: CIHI; The Conference Board of Canada

CONCLUSION

The people of Newfoundland & Labrador are concerned about our future. We need a clear plan.

Another Way Forward proposes a vision for our province's financial future that is entirely within our grasp. It puts Newfoundland & Labrador on track to having the most affordable tax environment in Atlantic Canada by 2021-22. It would help grow our population and our economy. And it would make NL's young people, our most educated and job creating business owners, choose to stay.

While some tax increases were likely warranted, government has simply asked the people of the province for too much.

Tell your government that you believe their plan needs correcting. Ask them to be bold, decisive, and courageous in finding ways to save money so they can lower your taxes.

Tell them that you want Another Way Forward.

ACT NOW AT ANOTHERWAYFORWARD.CA