

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side and bottom of the frame, creating a modern, dynamic feel.

COVID-19

Financial and Workforce Impacts

Treasury Board Secretariat

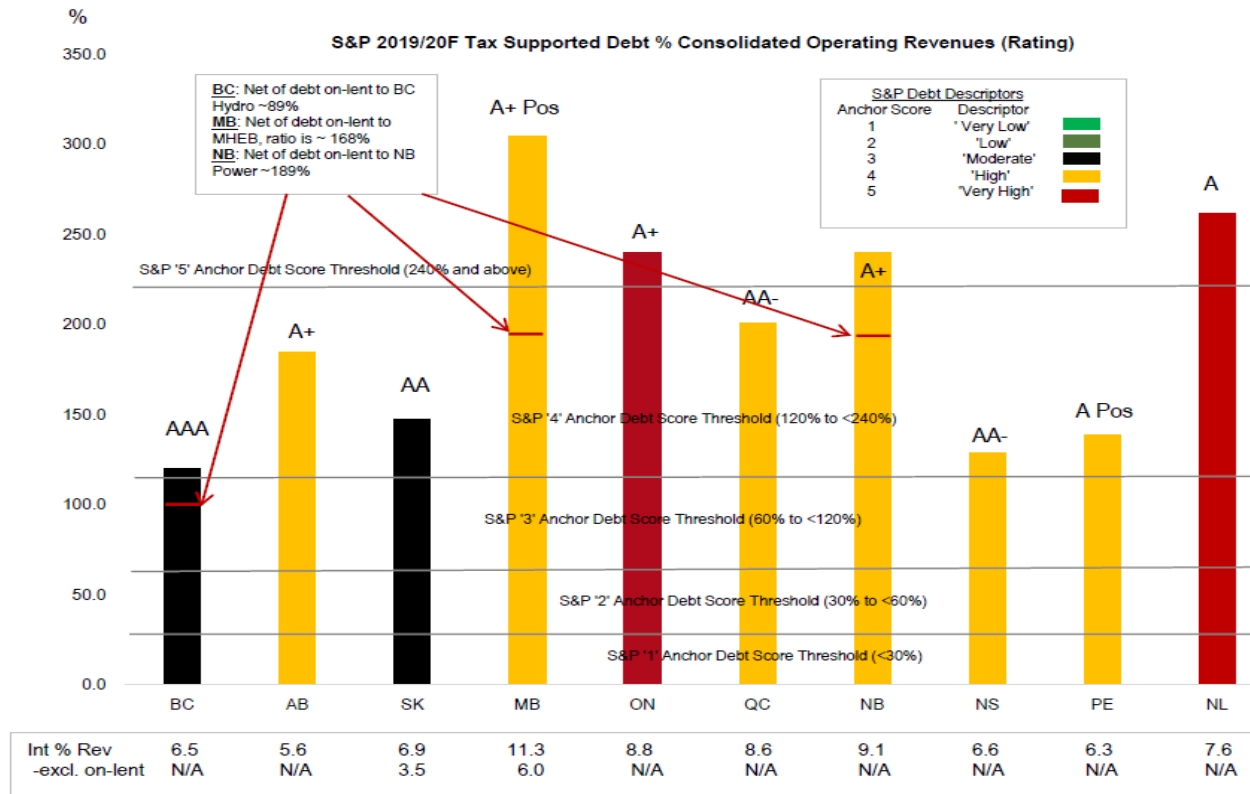
Why are we here?

- ▶ COVID-19 has created significant fiscal cliff
 - ▶ Revenues collapsing; expenses spiking
 - ▶ Every province in same situation
- ▶ Row together & develop a **collective response**
 - ▶ Protect vital front line services like Health, Child Care, Protection & Justice
- ▶ Not theoretical
 - ▶ Newfoundland announced “immediate and urgent financial crisis” requiring federal intervention
 - ▶ Alberta has commenced layoff process

Manitoba Most Vulnerable - Highest Debt

- Prior to COVID-19, MB's debt as percentage of tax supported revenues was highest among provinces
- Things will get worse—but how much worse?

S&P Debt Burden Calculations and Anchor Scores (Prior to Covid-19 Pandemic / Oil Price Shock)



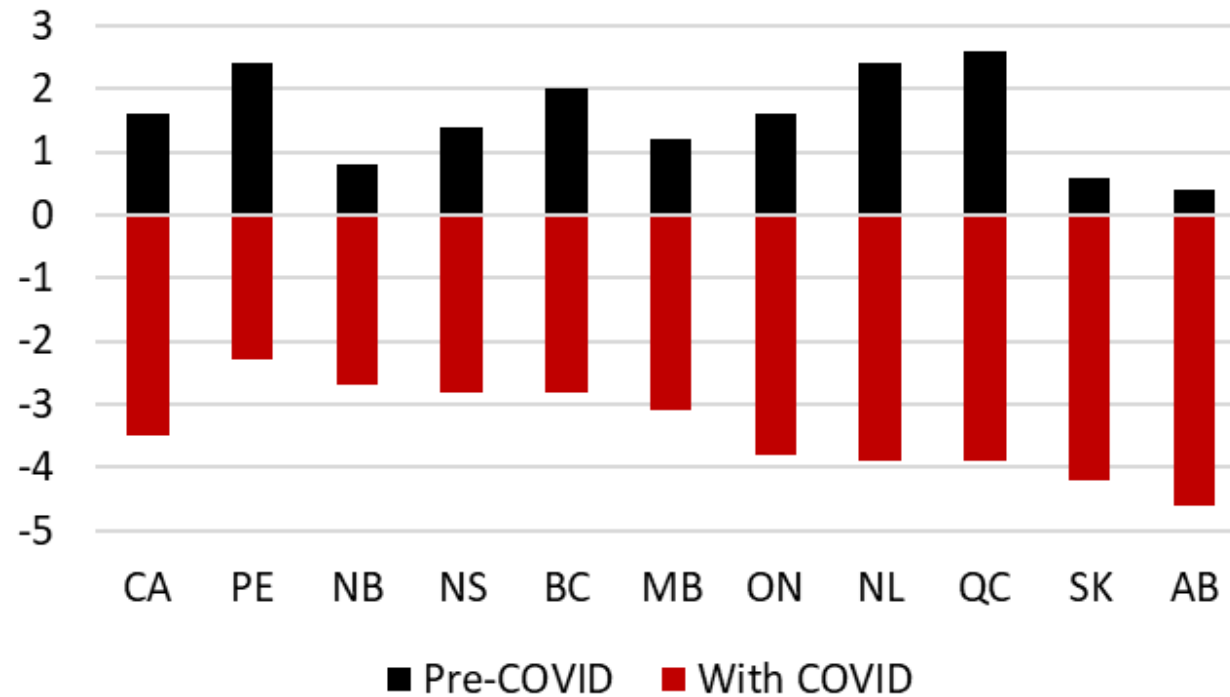
Source: CIBC Economics



Manitoba has highest per capita debt in Canada, and worst "anchor score"

Rapidly Deteriorating Economic Outlook

Canadian and Provincial Real GDP Forecasts for 2020 Before and With COVID-19

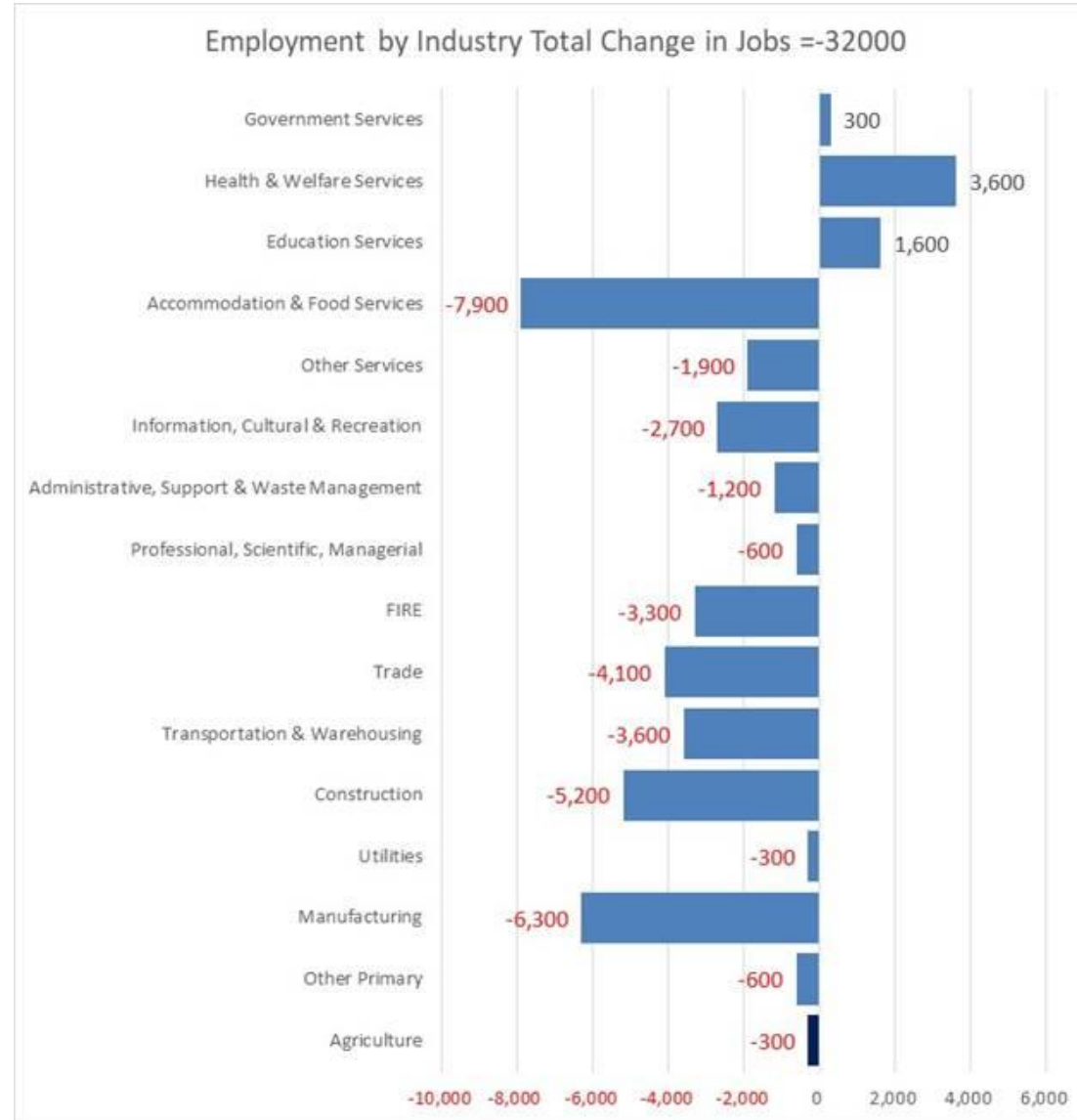


- ▶ Manitoba economic growth is forecast to drop in 2020 from +1.3% to -3.1%
- ▶ Every week, forecasts worsen
- ▶ Revenue losses > \$3.3 billion possible
 - ▶ Even worse without quick recovery

Source: Manitoba Finance Survey of Economic Forecasters, April 2, 2020

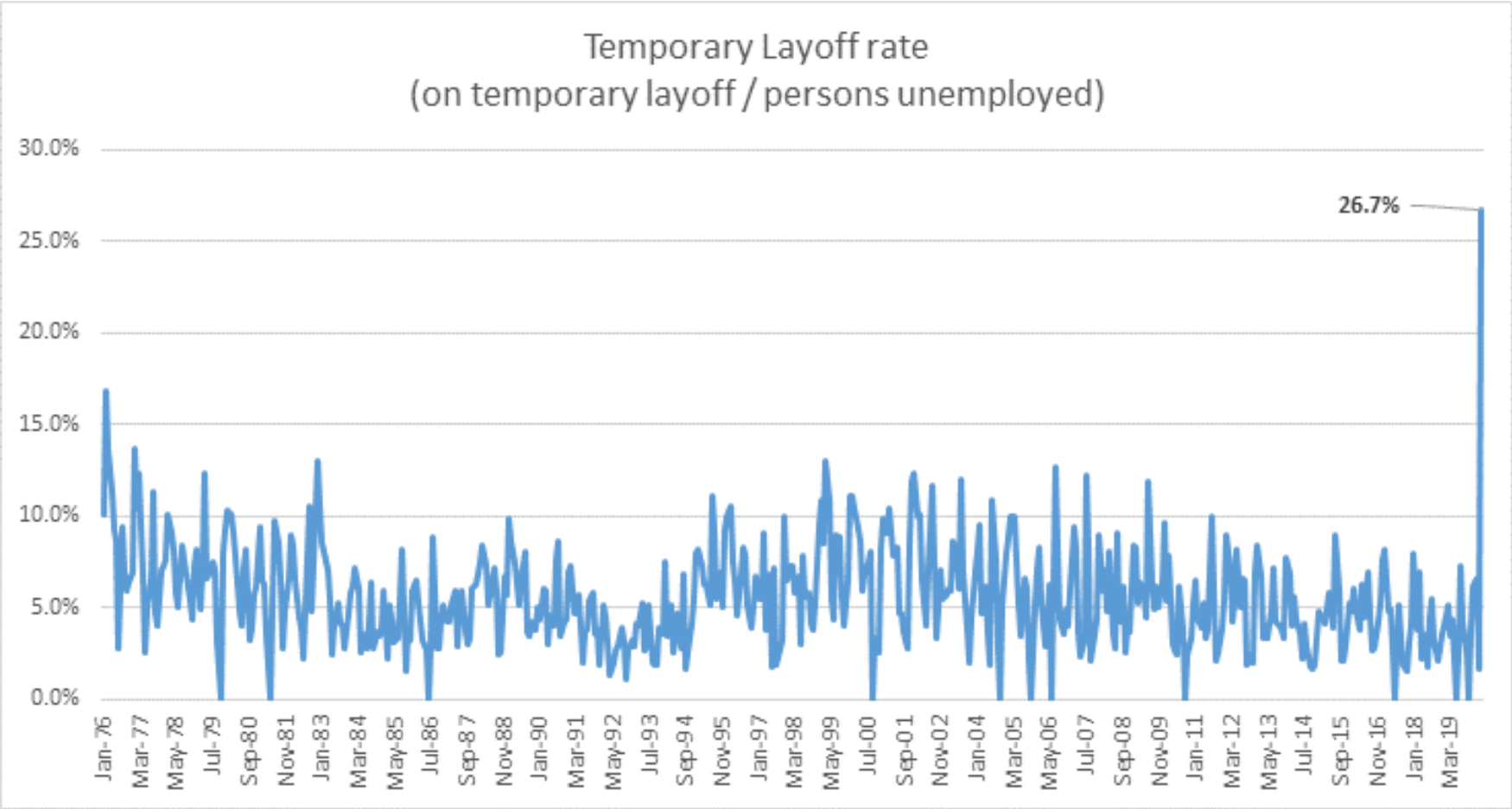
Unprecedented Private Sector EI Claims

- ▶ Numbers keep getting revised upwards
- ▶ Last week, the forecasted job losses were just 6,500
- ▶ Largest single monthly decline in recorded history
- ▶ Total EI levels possible exceeds 60,000
- ▶ Does not include under-employed



Source: Stokes Economics

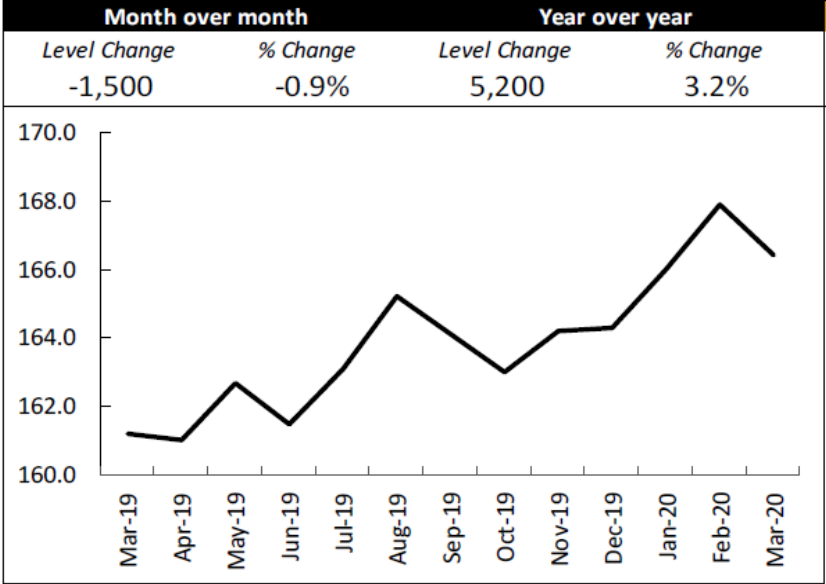
Unprecedented Layoffs



Source: Manitoba Bureau of Statistics, April 9, 2020

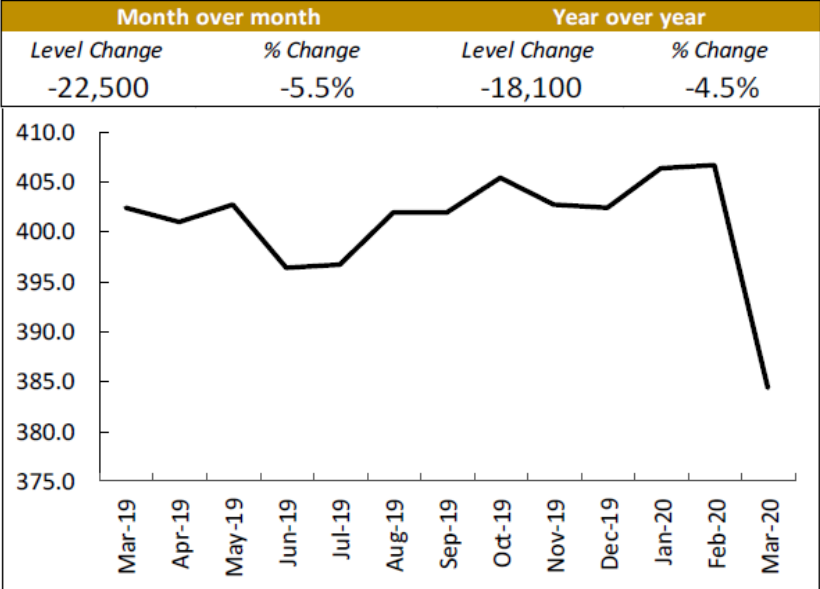
Disparity between Private and Public Sectors

Public-sector Employment



Source: Manitoba Bureau of Statistics, April 9, 2020

Private-sector Employment



Source: Manitoba Bureau of Statistics, April 9, 2020

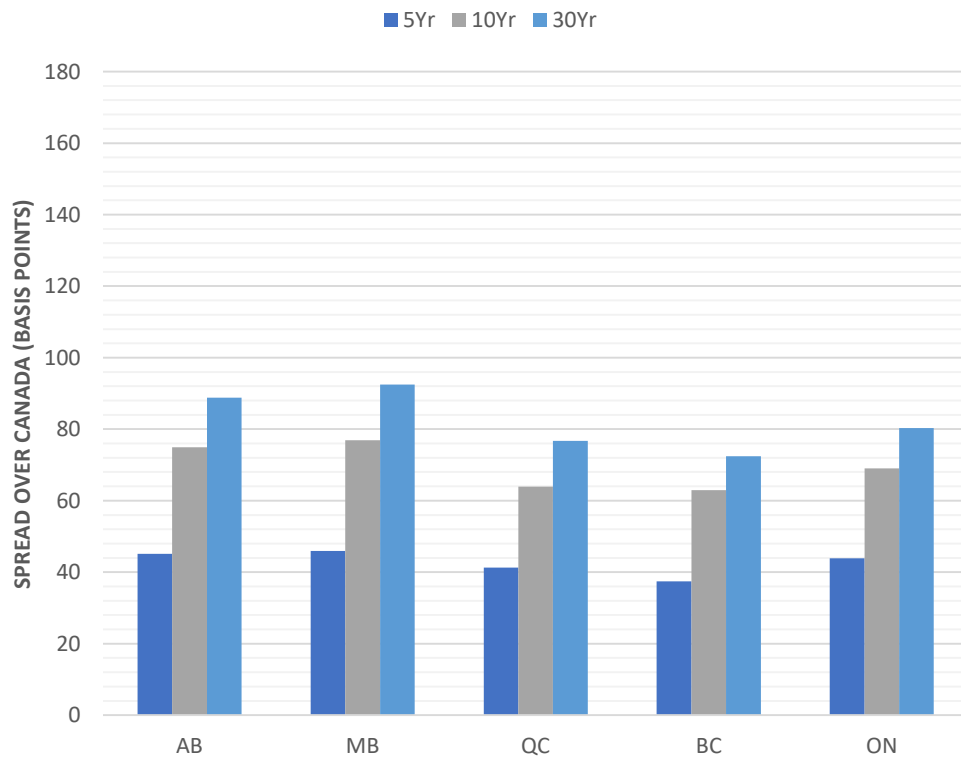
Expenses are Growing

- ▶ We have implemented immediate plans to defer all non essential expenses
 - ▶ Every dollar available is being re-deployed to Health & COVID-19 response
- ▶ COVID-19 related expenditures are increasing significantly
 - ▶ PPE expenses alone could be close to a \$1 billion (\$80M+ per month)
 - ▶ Conservatively expect \$1.7 billion in expense pressure
- ▶ Recovery may be slow, and have long term impacts

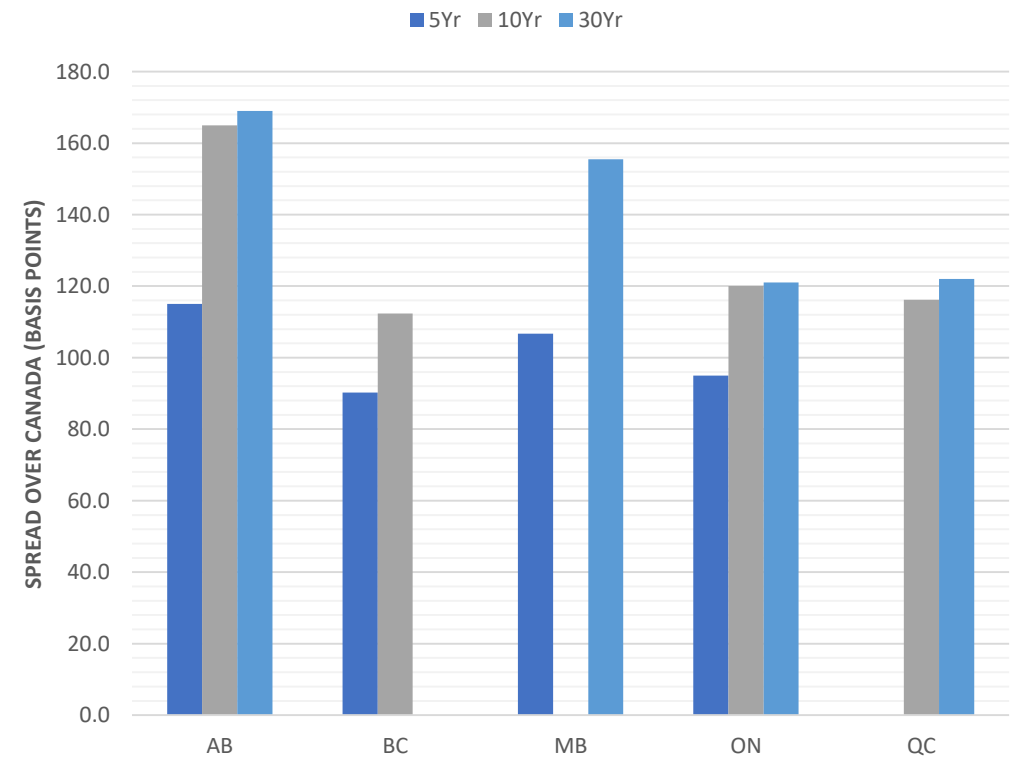
Credit Markets

- ▶ Our borrowing program may need to **double** to as high as \$10 billion + this year
- ▶ Very bad time for provincial governments to be borrowing – spread difference is ~\$150M **per year**, for next 30 years
 - ▶ Seeking everyone’s support to ask Ottawa to support provincial borrowing programs

Average spread pre COVID-19 (June 2019-Dec 2019)



Average spread post COVID-19 (March-April)



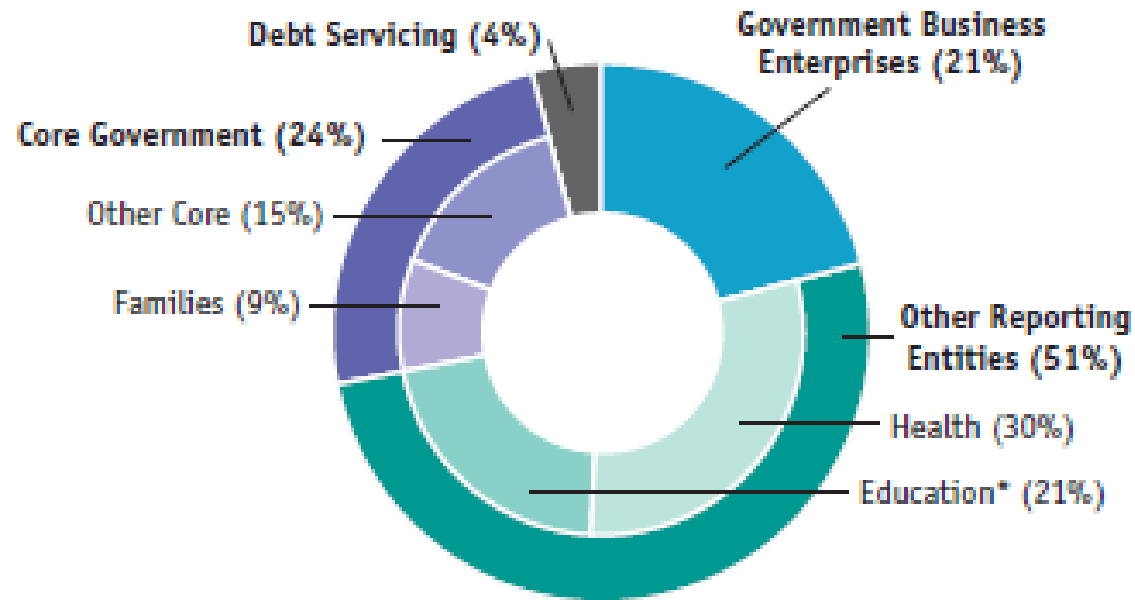
What Central Government is Doing

- ▶ Spending hundreds of millions on front line COVID services
- ▶ Deferring all non-essential expenses
 - ▶ Over \$500M of spending to be deferred; efforts underway to find more
 - ▶ Significant expenditure management controls deployed
 - ▶ Re-purposing *existing* base spending to be *re-deployed* for COVID-19 related supports (e.g., research grants re-deployed for COVID-19 research)
 - ▶ Undertake “zero base” reviewing our external grants and spending to find cost-avoidance potentials
- ▶ Government 2.0 exercise
 - ▶ We know the world is not going back to what it was
 - ▶ How will government services in the future need to match this new world?
 - ▶ Hundreds of potential changes/pivots under consideration
 - ▶ Looking towards the recovery & resetting provincial economy and priorities

Why are we here today?

2020-21 Expenditures

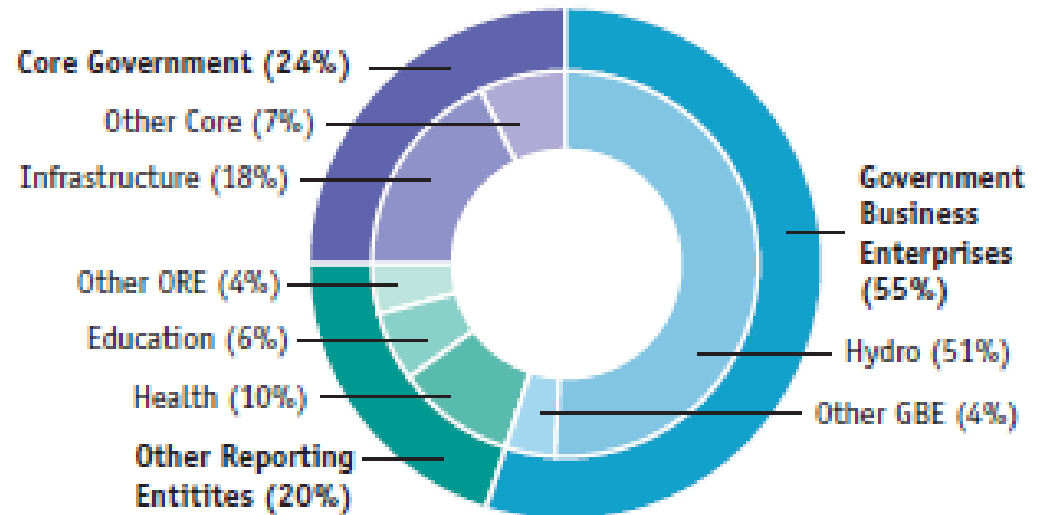
Per Cent of Total



* includes Economic Development and Training

2020-21 Capital

Per Cent of Total



Source: Manitoba Bureau of Statistics

Public Sector Workforce Salaries

	2020/21 Employees	2020/21 Budget
Core Departments	>12,500	\$1 billion
Other Reporting Entities (ORE)	>79,700	\$8 billion
Total Summary Gov.	>92,300	\$9 billion

- ▶ Increased **monthly** provincial deficit is in the range of \$400M to \$500M
- ▶ Salary costs are our single largest expense, by a lot
- ▶ Managing public sector workforces is also required to address these challenges

What is your organization's share of this \$8 billion annual expense?

Workforce Cost Reduction A Necessity

There are no options to increase revenues. In fact, most of the remaining revenues are being deferred.

The private sector and other governments are controlling expenses. We must do the same.

Your Share of \$500M

What would that take if everyone rowed together?

- ▶ Addresses only 1/10th of the problem, but every bit helps
- ▶ How to calculate “your share”?
 - ▶ Total summary wages are \$8 billion; for rough illustration purposes assume ~50% are essential service providers that will not be reduced (and in fact are expanding)
 - ▶ Of the remaining \$4 billion, what percentage are your labour costs?

[Your labour costs / \$4 billion] x \$500 million = in year savings required, or ~10%

If everyone rowed together than reduced non-essential labour costs by 10%, we would be able to afford a further \$500 million for COVID response

Our Goals

- ▶ Financial Context – Fiscal pressure could be ~\$5 billion for 2020/21
 - ▶ Approximately 2:1 revenue losses & increased expenditures
 - ▶ Will be higher if things do not recover soon
 - ▶ Without any management, this deficit would be more than 5x the deficit in 2016, which precipitated three credit rating downgrades

Achieve savings of \$750M through all other spending control mechanisms

Save a further \$500M this year across summary government in wage expenses (including central government), without reducing essential service providers.

Pressures, Facts and Conclusions

- ▶ Our large Crowns are facing significant fiscal pressures
- ▶ Manitoba Liquor & Lotteries – normally returns >\$600M / year to the Province – could become cash flow negative
- ▶ Following international trends, Hydro is seeing significant total load demand drop as industry idles; costs at Keeyask are escalating materially to deal with distancing requirements
- ▶ There have been massive changes in service delivery – in Post Secondary Institutions, K-12 Education, and across much of the public sector
- ▶ We cannot pretend that none of this has occurred
- ▶ The need to adapt – and rationalize staffing levels – cannot be avoided

To be clear ...

- ▶ None of this applies to healthcare and health care workers
- ▶ Along with child care workers, teachers and a host of other essential workers and services
- ▶ These steps are about our ability to better support essential workers and services
- ▶ This is the first step in a process
- ▶ To minimize layoffs where possible

Options Available for Workforce Cost Reductions

▶ Lay offs

- ▶ Obviously most aligned with private sector approach – and has the most significant impact
- ▶ Our objective is to minimize outright layoffs to the extent possible

▶ Voluntary Reduced Workweeks (VRWs)

- ▶ Current central VRW is capped at 20 days. Could be increased to 35 days (7 weeks)
- ▶ For illustration purposes, were 35,000 staff to take 7 weeks we would achieve savings of ~\$340M

▶ Work-Sharing

- ▶ Agreement involving employers, employees and Service Canada/EI to reduce work schedule by 20% to 60%, for between 6 and 76 weeks
- ▶ Not available to central government – yet – we need support getting Ottawa to expand eligibility
- ▶ Potentially now available to OREs
- ▶ For eligible entities, 18 weeks (4.5 months) with 60% of non-essential staff working 6 out of 10 days generates \$350M savings

▶ Further Management Reductions and Voluntary Executive Salary Reductions

- ▶ As additional components of overall approach

▶ Legislation

- ▶ Last Resort – should extraordinary circumstances continue and extraordinary measures be required

Our asks of you

1. Primary focus is mitigating unavoidable impacts of COVID-19
2. Stop all non-essential, discretionary expenses. If appropriate and necessary, repurpose base spending to support COVID-19 response. Otherwise, stop all non-essential spending immediately
3. Encourage the organizations you support to take advantage of federal support programs
4. Pursue immediate and constructive employer-union engagement to assess options, collaborative action and planning.
5. Because work is simply not there some non-essential workforce layoffs will be required (e.g., casinos). So employer-union coordination is vital to issue layoff notices as soon as possible while other options continue to be explored.

Our asks of you (continued)

6. Scope what is truly “essential”; start to plan
 - a) Plans to be in place from May 1 to August 31, with contingencies to extend return to work targets
 - b) Generate (10%) /medium (20%) /high (30%) workforce reduction proposals within a week
 - Focus on the total dollar savings (i.e., reduced OpEx) – not the actual number of FTEs
 - Ensure salary dollars are removed from spending – do not shift salary dollars to other operating expenses (e.g. consultants)
 - Applicable Deputy Ministers will distribute TBS response templates to all OREs

Our asks of you (continued)

7. Join us in thinking about “Government 2.0”

- ▶ How will all organizations emerge post-COVID-19 as more agile and relevant parts of government?
- ▶ The world will have changed forever – how will your own organization?